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SUMMER 18 ISSUE



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# WHAT'S ON THE MINDS OF THE LEADING FAMILIES IN LATIN AMERICA

Latin America has experienced one of the highest growth rates of any region in the world in the last two decades, lifting millions of people out of poverty and creating a thriving middle class. Even though it represents a small share of the world's wealth, Latin America is one of the regions where wealth and the number of wealthy families have grown the most.

Many of Latin America's biggest family-owned firms, merely local players 15 years ago, have now become well known multinationals - also called "Multilatinas" - with revenue and market capitalization in the billions of USD in sectors like banking (Itaú), retail (Falabella, Cencosud), food (Molinos Río de la Plata, Bimbo), beverages (Polar, Santo Domingo), media (Cisneros), and diversified holdings (Votorantim, Camargo, Grupo Carso).

Family Office Exchange, as a global educational network for leading enterprise families, has been working with more and more families from Latin America who are seeking connections with families from other regions in an effort to adopt best practices for operating and sustaining their family enterprises through future generations. From our work with these families, a number of trends have emerged that should be of interest to families around the world.

## 1. Development of a Family Enterprise Mindset

Latin America's leading business families have evolved into Enterprise Families in the last 10-15 years. An Enterprise Family is defined as a family whose holdings have grown beyond the core family business and now include liquid investment capital (often managed by a family office), family capital (the talent and needs of all the siblings and cousins in the family), and philanthropic capital. Becoming an "Enterprise Family" encompasses managing a much higher degree of complexity and, at the same time, provides an opportunity to become a more solid and enduring entity. A Family Enterprise requires spending more effort and time on joint values and a



Miguel López de Silanes  
Family Office Exchange

shared vision, fostering family unity, and developing the human capital. This Family Enterprise model also entails developing a governance system that is aligned with the shared vision and the expanded complexity of the family. Under this mindset, where the soft issues become more relevant than before, the family office is no longer just an investment office but becomes a strategic office, helping the family leadership with the overall family strategy and the soft family issues like education and engagement. As one Latin family leader recently noted, "A Family Office has to do more with Family than with Office."

As a result of the family office's focus on the strategic issues, many of the less proprietary tasks such as administration, accounting or some human resource functions are being outsourced to specialists. Even though the majority of family offices retain the investment advisory function, many are starting to outsource it to multi-family offices or investment advisors. However, Latin American families have had trouble sourcing away concierge services provided by their own family office.

## 2. Improved Governance Systems

The complexity that has arisen from the growth of Latin American families, their businesses, and their wealth, as well as legal and tax changes, have created the need for more professionalized family governance systems. Family Governance is defined as the system that develops the vision, identifies and trains the leaders, and creates an effective decision making process.

Family Governance has dramatically improved in the region in recent years. Most families have separated the family assets from the business assets and have created to manage the financial assets. The leading families of the region have also formalized a Family Assembly and most also have a Family Council, which is comprised of more active family leaders. In addition, most family firms have a Board of Directors for the Family Holding Company that centralizes the shared ownership or at the family business level.

Many of them have a Board at the Family Office level as well. All of these Boards are increasingly becoming more formal and professionalized, with a growing number of external non-family board members. A great number of families have also progressed and now have a Family Charter in place. For leadership at the family business or family office level, most families still rely on family members with a smaller proportion turning to outside management compared to their U.S. or European counterparts.

Overall, even though Family Governance has progressed significantly in the region, it still remains very much a work in progress in most countries. The major pending issues remain (a) formalizing governance systems where there are none, (b) respecting the authority and responsibility at each level including a system of checks and balances (as according to experts, families used to be run like "monarchies"), (c) further aligning the interests of all stakeholders, improving transparency, and (d) increasing the number of external members on the Governance Boards.

International institutions like the OCDE (Organization for Economic Co-operation and Development), national governments, academic institutions, family business organizations, and business networks in all countries

are pushing for more professionalized governance in the region through laws and best practice codes. In this respect, Brazil, Mexico and Chile are regarded as leaders in using these best practices.

## 3. Increased Engagement by the Next Generation

The key priority and concern of Latin American families is preparing the next generation and managing succession issues. As a result, families are starting to implement ways to engage the next generation, ranging from including them in the development of the family enterprise vision, participating in management in the family business or direct investment ventures, serving on Governing Boards (specially the Investment Committee and the Foundation Board), and taking a lead role at Family Assemblies. In addition, some Latin families are starting to realize the importance of the need for education programs tailored for the development of specific skills, behaviors, and attitudes needed to become a responsible owner, in addition to a formal education.

The new generation of Latin American business leaders has developed a very holistic and comprehensive set of soft and hard skills as shown below, all aligned under a clear vision or purpose to make a strong difference in their families, their family businesses, and the societies in which they operate.





#### 4. Increased Focus on Risk Management

Even though risk management was always at the heart of every Latin American family, given the region's long history of inflation, currency devaluations, political instability and even physical security concerns, families have realized in recent years that the world – even in its apparent balance – is a much riskier place. Hence, they are increasingly managing risks holistically, including looking at systemic risks and risks associated with the overall Family Enterprise, the family itself, the family business, or the financial risks. The major risks identified by the families in the region are financial, succession/next gen related, market conditions, other family risks and geopolitical/global events. As a result, they are working on mitigating measures such as the following:

- Financial Risk: goal based asset allocation, diversification of investments by currency, asset class and region, increased levels of cash, and controlling spending.
- Succession/Next Generation: Having a succession plan in place and implementing the succession plan early on.
- Market Conditions and Geopolitical /Global events: diversification of their businesses, less debt, increased cash levels, scenario analysis, and philanthropic efforts to make the community more resilient.
- Family risks: insurance, decentralized governance, protocols in place, tackling legacy issues, education plans, and insurance for board members.

Warren Buffet remarked that risk arises “from not knowing what you’re doing”, and in that respect, families have to be much more vigilant, especially in today’s current tax and legal environment, which introduces strong liability risks for them. In essence, to the extent risk assessment becomes a systematic part of the periodic review of a family’s vision and strategy, it also becomes a source of new opportunities to grow or build the family’s resilience capital.

#### 5. Globalization

Historically, many parts of Latin America developed isolated from the rest of the world over the last two

centuries. In the last 15-20 years, however, Latin America’s business families have made huge progress in globalizing their businesses and investments and overcoming their historic home bias. Several of Latin America’s family businesses are now a global reference in key sectors.

Business families have also realized the value of increased interaction with peers from the rest of the world, mainly the US and Europe, through international networks such as FOX or through partnerships with other families. Many of these partnerships take form through direct investments in private firms and real estate. Some family offices have opened small satellites in the U.S. and Europe while others have completely moved their headquarters abroad, mainly to New York, Miami, or California) realizing that their home countries are now too small for their now globalized scope.

#### 6. Increased Transparency and Compliance

Several factors have led Latin American business families to be increasingly transparent and compliant:

- Latin America has not been exempt from the many multilateral and bilateral agreements aimed at sharing tax and financial information. These agreements include FATCA, and the OECD’s Common Reporting Standards (CRS) initiative, and collaboration by many countries to implement BEPS (Base Erosion Profit Shifting) measures to address tax avoidance strategies that exploit gaps and mismatches in tax rules shifting profits to low or no-tax locations.
- Recent tax reforms and tax amnesties in many of the Latin American countries, including new rules requiring Registry of Ultimate Beneficial Owner in many countries. In addition, tax authorities in most countries of Latin America have also made significant progress in upgrading their tax systems electronically, making them among the most advanced in the world.
- Various data leaks cases (Bahamas, Bermuda, Panama Papers) have which have exposed secret family holdings
- Society’s attitude towards businesses that do

not contribute a fair share of their profits to the jurisdictions where they operate create significant reputational risks to the family businesses.

In addition, some regions like the U.S. and Europe have started to regulate the family office space, potentially affecting those serving Latin American families. Under this new paradigm, both individuals and their key advisors including banks, lawyers and trust officers, can be prosecuted for tax evasion. As a result, business families in the region have responded with some of the following measures:

Reduction in the number of entities with the overall goal of reducing complexity and the risk of not being compliant. This has also meant a stronger bias towards the use of more onshore or mid-shore vehicles versus the traditional offshore entities and the inability to use them only on tax grounds.

- Changes in domicile for some of the family members, but making sure they are real and in full compliance of the law. Some of the favored jurisdictions include Monaco, Switzerland, the Bahamas, Portugal, the U.K. and the U.S., despite the potential tax burden.
- Some families are also using sophisticated planning solutions like the unit-linked life insurance which has experienced significant growth in the region in the last few years. This solution has advantages like life coverage, asset protection, succession planning, privacy, portability, tax deferral, and the non-taxable payment on death to the beneficiaries in most countries of Latin America. As it is offered by highly regulated insurance firms, it is internationally recognized.
- Organizing transitions that pass on the family assets to the next generation while the owner is still alive to add transparency and reduce future liabilities. The drive for transparency has also encouraged fruitful discussions within families about the overall vision for the family, the purpose of the wealth, the strategy for the future, and the involvement of other family members or spouses.
- The new paradigm of transparency and compliance has also implied the need for more professional

Boards and the creation of Committees with a focus on these key issues. And it has also led to somewhat higher costs at the family or family office level.

#### 7. Increased Commitment to Society

Latin America’s families have a long history of commitment to their communities owing to the higher poverty and inequality levels of the region versus the rest of the world. Initially, this commitment took shape through philanthropic efforts, often carried out by the Family Foundations and targeting issues like education, poverty, health, and the environment.

Recently, however, families have recognized that they need to take their commitment to a higher level, given the region’s daunting challenges and the inability of governments to tackle them owing to the complexity of the problems, budget restrictions, and other considerations. Families in the region have indeed stepped up, launching Impact Investing efforts and becoming “impact business” or “impact families”, which entails embedding the impact goal into each of the phases of the enterprise value chain. A goal of an impact family might be to “treat suppliers fairly” (specifically with regards to payment terms), considering the environmental impact of its decisions, supporting its workforce through livable salaries and human capital development programs, and –yes–paying a fair share of taxes.

In this respect, B Corps are becoming increasingly popular, with initiatives throughout the region. Some families have even moved a step beyond, taking part in joint public/private initiatives aimed at fully tackling local issues, from revamping a country’s educational system, to creating new national parks, reducing poverty in villages, or gentrifying run-down neighborhoods.

Overall, Latin America’s business families have progressed enormously in the last years, paving the way for an increased likelihood of success and survival over the long run, and for an increased impact in their societies. And in the long-term view of the family, this aspiration to build a socially responsible family enterprise will strengthen the bonds and sustain the family’s commitment to staying together for generations to come.

Miguel López de Silanes Gómez, Managing Director of FOX for Europe and Latin America, is responsible for delivering FOX services to current members and also works actively to expand the network in the two regions. Miguel was previously Director of the family office for one of Europe's leading real estate families, and also worked at UBS Wealth Management and UBS Investment Bank in NY, Chile, and other locations in Latin America. He began his career at Bain & Company as an Associate Consultant in London and Madrid. He has an MBA from Harvard Business School and a BA in Economics from Universidad Pontificia Comillas (ICADE) in Madrid.

The FOX Americas Family Enterprise Council  
Last year, FOX launched the FOX Americas Family Enterprise Council for families living in Latin America or interested in Latin America. The Council provides the forum for up to 25 like-minded family leaders to meet

each other and share experiences, advice, and direction with each other. Members of this Council also have an opportunity to meet with the Global Family Enterprise Council based in Europe.

This Council is focused on a curriculum that FOX has tailored to the needs of the Council members. Meetings include topics and discussions requested by the Council members as well as family case studies. Members find this approach highly effective in arriving at specific solutions for the key issues they face.

The Council meets twice a year in Miami and is made up of family leaders from countries ranging from Chile to Canada. FOX operates a total of 14 Councils for peer groups of family principals, family office executives, and advisors in the U.S. and around the world.

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# THE CHANGING FACE OF THE FAMILY OFFICE IN THE 21ST CENTURY

Global wealth is undergoing an unprecedented transformation.” Such was the headline from the paper\* published by Ernst & Young (‘EY’) earlier in the year regarding wealth management in 2018. This will not be a shock to anyone involved within the sector, but it does reaffirm the reality. Today’s wealth managers need to adapt and evolve to meet the changing demands of clients and keep pace with stricter regulations and the breakneck speed of technology, if they want to thrive in the highly competitive global marketplace.

EY report that one of the key factors driving change is an increase in the size and growth of the net investable assets of HNWI’s, which according to them are expected to increase by around 25% to almost US\$70 trillion by 2021. This finding, along with changing concerns regarding succession issues, increased transparency, cybersecurity risks and changes to taxation levels, have left many wealthy individuals finding the appeal of the Family Office an attractive proposition. However, in order to continue to remain relevant in these times of change, the Family Office also needs to evolve and ensure it will remain an attractive proposition for future generations.

A Family Office can offer wealthy individuals a raft of benefits which include: an integrated wealth management approach; philanthropy & charitable



Anthony Page

giving; succession planning and protecting and enhancing the family wealth for the next generation. Much has been reported in recent times about the largest intergenerational wealth transfer in history - from baby boomers (those born between 1946 and the mid-60s) to the millennials (born between 1980 and 2000) and the generational gap between the two, bringing with it much conflict and debate within the family unit.

For many families, the issue is one of a skills gap, with the next generation being ill-equipped to manage the family wealth. For others, it may be a lack of desire by their children to enter into the family business, preferring instead to pursue their own goals and ambitions. From my discussions with clients and advisors, it can be heartbreaking for the family in situations where there is no-one interested in taking on the family business. In such instances as this, the family may try to incentivise their children to become engaged, but where this often fails the only option is to resort to exit strategies or management buy-out. But this is where we, as a Family Office, come into our own. From the outset, we can add value by being the impartial voice that can ask the difficult but necessary questions, free from any emotional attachment.

“A rich person should leave his kids enough to do anything but not enough to do nothing.” Were the words cited

back in 1986, by US billionaire, Warren Buffett. Since then, many other high profile billionaires, such as Bill Gates, Andrew Lloyd-Webber and more recently Mark Zuckerberg, have followed this sentiment by pledging the bulk of their fortunes to charity and paving the way for their children to make their own way in life. That said, most will still inherit a sizeable sum that most of us can only dream about, but it does demonstrate change by some ultra-wealthy individuals and the lessons they are trying to teach the next generation about giving back to those less fortunate. Family Offices also assist with philanthropic and charitable giving, and so in addition to succession planning for family businesses, Family Offices will need to look to future-proof the goals and aspirations in this area. Alternatively, putting plans in place now with the next generation to combine ambitions in this area, particularly in the ever-changing social and economic landscape would be prudent.

Of course, the generational gap is also evident when it comes to matters of confidentiality and privacy. The digital savvy millennials are quite happy to play out their entire life in the full glare of social media, something which can have a detrimental effect on reputation and the privacy of wealthy individuals. Today, it is not just large corporations and governments who need to address the potential issues of cybercrime. High profile individuals, with sizeable assets, have also become attractive targets. So, our role in 2018, as a Family Office, has naturally expanded to ensure we support our clients and assist them in becoming properly protected, with crisis management plans put in place to address any potential data or security threats.

Reputational damage has also led to clients becoming more aware and interested regarding their financial affairs. Fully understanding what structures are in place for them, and in what jurisdictions, has also come about through an increase in regulatory requirements. New legislation, such as the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) and the Trusts Registration Service (TRS) are just some of the more recent reporting requirements wealth managers must comply with to meet global standards. With all our clients, we have always adopted a collaborative approach to build trust, but this is even more important when considering intergenerational planning. We

will always thoroughly review and ensure complete knowledge is gained before taking any action for the client. Business today is much more entrepreneurial and often transcends borders, so we need full disclosure to accurately advise.

This can often assist with clients considering longer-term investments, rather than short-term gains, which is particularly crucial for succession planning.

‘Passion based’ investments is one area where we are continually evolving our service offering. Classic cars, fine wines, watches, jewellery and art collections are all assets we have been required to manage. This particular investment field, coupled with the changing demands of clients, particularly with the next generation and their on-demand expectations, led to the creation of our ‘Concierge Service’ last year. The digital era brought service expectations into an ‘on-demand’ approach and this has been reflected in us now providing a 24/7 offering. Be that to organise the day to day administrative elements of managing fine wines or property estates, to assisting a family relocation and encompassing all which that entails: including property sourcing and acquisition; educational requirements for the family’s children; life assurance; vehicle acquisition; medical registrations and much more.

In recent years, the rise of HNWI’s in developing countries has been a hot topic. As a result of this increase in wealth, the need for Family Office services in regions such as Africa and the Middle East has soared. A recent business trip to Africa reaffirmed our ideas, but what became apparent is that the same conflicts and challenges are the primary concerns by wealthy individuals and their families the world over.

So what the future face of the Family Office will look like remains to be seen. As the Brexit negotiations continue to unfold and add to the uncertainty, we, like many other Family Offices, will continue to monitor the landscape and listen to our clients. Having our clients at the heart of all we do ensures we are prepared for the change ahead and enables us to continue to thrive in the global wealth management marketplace.

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# UNEXPLAINED WEALTH ORDERS WHAT FAMILY OFFICES NEED TO KNOW

London has long been a destination of choice for wealthy families looking to relocate or simply to invest in prime real estate.

Despite the undoubted benefits, this investment has brought to the UK – there has been a distinct chill in the atmosphere recently and the attitude to foreign investment has started to shift.

A recent delay to the renewal of a high profile Russian individual's investor visa was seized upon by the media (with no evidence) as an example of a new tougher stance being taken by the authorities with regards to wealthy foreigners who seek to make the UK and in particular London their home.

In January 2018 the government introduced the authorities' latest weapon in the fight against organised crime and 'dirty money' – the unexplained wealth order or UWO. Characterised by the press as the 'McMafia Law', these new powers provide a powerful tool to compel individuals to provide information about the source of their wealth.

The first ever UWO was obtained and served shortly after that and my firm is currently instructed in challenging this order in the High Court.

It should be emphasised that everything suggests that these cases are only the beginning. The Sunday Times has reported a source at Number 10 as saying, "No one is off the table. Nothing will be advertised, but you will see a step change in unexplained wealth orders". Perhaps even more ominously, a senior director at the National Crime Agency has said that they have identified, "between 120 and 140" individuals in the UK who are potential targets for UWOs.



By Thomas Garner  
Gherson Solicitors

No one could argue against the principle that it is essential to have a robust anti-money laundering regime in the UK. However, the introduction of the UWO – that can be targeted against individuals where no suspicion (still less evidence) of criminality exists raises genuine concerns.

The UWO represents one of the most disruptive and intrusive devices available to the authorities in the UK and the impact that is receiving an order will have on a family is dramatic. A UWO poses a direct threat to an individual's privacy, security and reputation, which families of wealth understandably hold dearly.

I have met with several advisors to High Net Worth families recently who remain entirely in the dark about UWOs or, at best, are only aware of how these orders have been (misleadingly) portrayed in the media. In my view – anyone who represents a family with significant assets in the UK needs to be aware of the underlying facts.

For those who are thinking – 'sure but I don't represent any gangsters' – think again. In many cases, there is no requirement for any suspicion (still less evidence) of criminality whatsoever.

Any foreign Politically Exposed Person (PEP) is potentially at risk. To obtain a UWO against a foreign PEP (or someone related or connected to one) the authorities need only demonstrate that there is property in the UK valued in excess of £50,000 and that there are grounds to suspect the individual could not afford to purchase it with their known lawful income.

UWOs are obtained in secret, without notice. The order will require an individual to respond to a detailed list of questions and to provide whatever documents are requested of them. The timescale for preparing this response is incredibly short.

A failure to comply will lead to a legal presumption that the property is the 'proceeds of crime'. The authorities will then seek to confiscate the property. Providing false or misleading information constitutes a criminal offence punishable by imprisonment.

Just a few years ago it would have been utterly unthinkable to have a situation where – with no proof of criminal activity – an individual could be compelled to provide the authorities with detailed information as to their finances. This, however, is now the reality.

UWOs can be issued against anyone believed to hold an interest in the property – perhaps a family member who had nothing to do with the original purchase. They are retrospective in nature – they can be issued in respect of property that was obtained many years ago – decades even. And – to underline the point – they are mandatory. Your choice is stark – comply or accept that there will be a presumption that the property is the proceeds of crime.

You may want to consider the following hypothetical scenarios:

- A client's child studies in the UK. The child doesn't work but drives a Ferrari. Could they prove the source of funds for that car? How do they fund their lifestyle in the UK?
- A house is purchased and held as part of a family trust structure and the beneficiary is a client's spouse or child. If their spouse or child was served with an order, could they identify the source of funds used to purchase the property? Would they be able to provide documents? Would they be comfortable about disclosing the entire trust structure?
- A client receives a modest official salary. In actual fact, they also have several other legitimate sources of income, which generate significant wealth. To what extent would they want to disclose all their financial affairs if required to do so? If they had to do so by next week would they be able to?

I cannot emphasise enough that the timescales involved in responding to an order are incredibly short and the requests for information and documents are extensive. For families with complex financial arrangements merely assembling the documents in time can be challenging if not impossible.

The good news is there is a lot that can be done to prepare in advance. Families may want to consider a precautionary review of their assets and documentation to assess the level of risk they may face and to consider the potential work that could be done to improve their position. Similarly, those who are contemplating purchasing assets in the UK may want to consider taking advice in advance with regards to any purchase.

Thomas Garner is a solicitor at Gherson. Gherson specialises in acting for High Net Worth individuals and their families.



NEW ROLLS ROYCE DAWN

The social, convivial atmosphere of Dawn has been encapsulated in a light-hearted music video introducing Dawn 'Inspired by Music'.







# ROLLS 'DAWN' ROYCE

by Kevin A Murphy

## ROLLS-ROYCE DAWN 'INSPIRED BY MUSIC' TAKES TO THE STAGE

Rolls-Royce Motor Cars Americas has recorded three consecutive years of record sales as the brand has rounded out its family with Dawn and the introduction of the Black Badge Series in 2016. Rolls-Royce Motor Cars has 43 retail partners in the Americas, with 36 in the United States, four in Canada, one in Mexico and one each in Brazil and Chile. The Americas has consistently remained the largest region for the world's leading luxury house, and represents more than one-third of the iconic brand's sales. Rolls-Royce continues to dominate the North American super-luxury arena (motor cars topping \$250,000).

The social, convivial atmosphere of Dawn has been encapsulated in a light-hearted music video introducing Dawn 'Inspired by Music'.

In a playful twist, Dawn 'Inspired by Music' was taken for a spin in Rolls-Royce's anechoic chamber, at the Home of Rolls-Royce in Goodwood, West Sussex. The special sound-deadening room is most commonly used during the build process of all Rolls-Royce motor cars to detect any unwanted extraneous sounds, resulting in models such as the world's most silent car, a Rolls-Royce Phantom.

A hyper-sensitive microphone was used to capture the mechanical and electrical tones of Dawn, including the soft closing doors, the umbrella exiting from its home in the door, the windscreen wipers, indicators and the Spirit of Ecstasy proudly taking her place on the prow of the motor car. These sounds were then mixed together with deconstructed music stems to create a wholly new track.

Dawn 'Inspired by Music' follows in the footsteps of its hugely successful stablemate, Wraith 'Inspired by Music'.

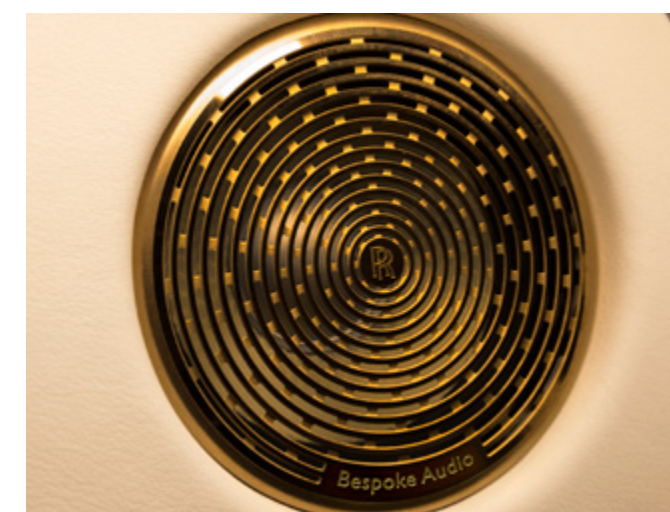
The motor car features the unrivalled aural experience of the marque's Bespoke Audio system; the Lyrical Copper exterior paint finish is presented with a blend of brushed and polished textures, elegantly hinting at the use of copper found in only the very best audio systems. An alternative exterior colour-way of Andalusian White may also be specified.



Dawn 'Inspired by Music' was presented at the Concorso D'Eleganza Villa d'Este, 26-27 May 2018.

The fuel consumption given in miles per gallon (and litres per 100km) and the CO2 emission given in grams per kilometre represents official combined values. Figures may vary depending on driving style and conditions. Consumption data is determined in accordance to the ECE driving cycle.

Further information about the official fuel consumption and the official specific CO2 emissions for new passenger automobiles can be found in "The Passenger Car Fuel Consumption and CO2 Emissions Information Regulations" in the United Kingdom. For emission data, labelling and guidelines relating to your local market please contact your nearest sales outlet or local authority website.







# VOLATILITY IN THE MARKET

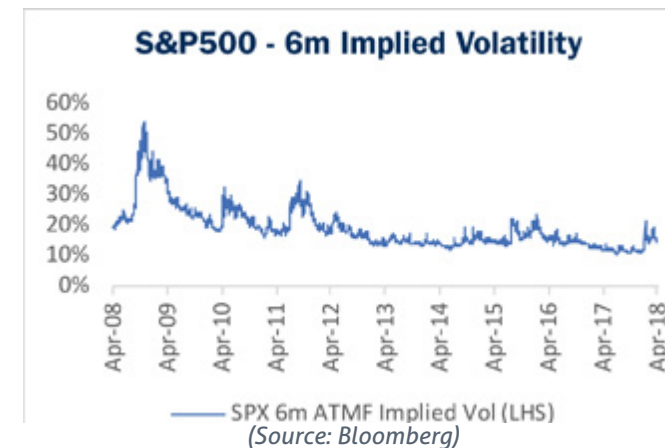
## WHAT DROVE THE SELL-OFF?

by StJohn Gardner is the Managing Director of Investment Management at Arbuthnot Latham

After an extended period of calm in markets, February saw volatility levels surge to those associated with crisis times. This surge in volatility was the biggest move recorded over a two-day period, as measured by the volatility index of the S&P500, the VIX, shifting 20 points from Friday 2nd to Monday 5th February.

What caused such a sudden and dramatic move? Did North Korea let off a missile for the States? Did the Chinese financial system implode? No. What set off this huge (some may say exaggerated) move in market volatility was a data release of relatively healthy wage inflation in the US, slightly above expectations.

To give an idea of how placid equity markets were through 2017, the VIX, which is used by market participants as a measure of the expected turbulence of US equities, closed at its lowest point on record towards the end of the year. In addition to this, of the lowest 100 daily readings for the VIX since 1990, 86% landed in the last year. This is such a statistically improbable outcome that surely something must have been happening in the background. Could it be that a number used to measure something (stock market volatility) actually came to drive the very thing it sought to reflect?



Essentially, the VIX is structured so that if investors expect the S&P500 to fluctuate by 1% per day on average over the next month, the VIX 'level' should be approximately 20 (which is its long run average). A reading of 40 would imply daily moves of 2% are expected. The average level through 2017 was half of the long term average, at about 10.

But where do these expectations for volatility come from? Surely, the volatility of something is just a statistic? A measure of how much a value is moving around its average.

The reason the VIX measures what is expected (opposed to coincident or current market volatility), is because it is based on the amount of volatility that is implied in the prices of options (a form of derivatives contract) which broadly gives the expected volatility of the US stock market over the next 30 days.

Why use options? In practice, trading any derivatives (including options) involves an implicit bet on volatility. For example, when buying a 'Put' option - a put option is the agreement to sell an asset at a pre-agreed price at some point in the future, buying one of these options is a bit like buying insurance against a fall in prices. In the opposite manner, you could buy a 'Call' option. A call option gives you the right to buy an asset at a pre-agreed price at some point in the future, where you are betting that asset will rise in price.

The outcome of either trade functions as a bet on market turbulence, or market volatility. How much should you pay for an option? Aside from variables such as the amount of time you are given for your bet to come to fruition (the longer the amount of time the more costly) or the level at which you will buy (call option) or sell (put option) in the future, the other key input is how volatile the market is expected to be, which coincidentally is highly correlated to current market volatility. In simple terms when the market is moving around a lot (or expected to) there is a greater probability that the option will be worth something in the future, i.e. the price will at some point be above (call option) or below (put option) where you agreed to buy (call) or sell (put) the asset.

When you take out the other components that make up how much you should pay for an option, you are left with the amount of volatility that is embedded in the price. Or at least the market expectation of volatility. Moreover, using options has given market participants a way to **trade volatility**.

Understanding that volatility itself is tradable, we can start to understand how and why volatility changed from something that was just a measurement, to something that actually influences what it is meant to be measuring (the stock market). Quite simply, to bet against volatility, you can 'sell' volatility. **So, what if everyone is 'selling' volatility?** Does it mean that actual volatility will go down? Not quite. But the price of volatility will go down. And when the price of volatility goes down, the VIX, goes down.

This is what happened throughout 2017 and what sharply reversed in 2018 – everyone was betting against volatility increasing. In fact, it became such a popular, "crowded" trade through the year that even the IMF issued a warning that "volatility products loom as next big market shock". The IMF estimated that assets invested in volatility targeting strategies had risen to about \$500bn an increase of more than 50% on the last three years.

The reason for the spike in volatility is somewhat of a moot point. As soon as the market started to gyrate a little more than it had done over the past 18 months, it became a self-fulfilling prophecy due to the amount of money 'shorting' volatility. As so many market participants were selling volatility, once the trade started moving against them, they had to cover their positions to avoid losing too much money. In essence, everyone who was selling volatility suddenly became buyers of volatility. What happens when everyone tries to buy something? The price shoots up.

What happens if every investor sees the VIX shooting up at record pace? The stock market will most likely fall dramatically.

What we witnessed was something truly special. There was little reason for the market to fall so sharply over a slight tick up in wage inflation. What caused the market to sell off in such a sudden fashion was actually a reaction to the pickup in expected volatility which spiked due to extreme positioning in the market.

To bring this to life from what is a fairly complex corner of the market, see below the performance of an Exchange Traded Fund (ETF) that was designed to replicate the inverse of the VIX – it is an index that sells volatility or to put it in another way, shorts the VIX. The ETF, named XIV (VIX backwards), entered into a death spiral due to it being 100% short volatility. Volatility only had to spike

above a certain level for 100% of its assets to be wiped out if it did not liquidate at a certain point. This serves as a painful caveat to many, though we did not hold the instrument, that being "short" something is a very easy way to lose 100% of your money (and sometimes more) should the trade go in the wrong direction.



(Source: Bloomberg, SYZ Asset Management. 13 February 2018)

We'd been looking into the low volatility nature of the market through 2017, where we held the view that volatility levels could not remain low forever and historically long periods of low volatility can result in excessive risk taking that, in turn, result in a market correction.

We noted that moving out of a lower volatility period does not have to come with a material risk-off event. Indeed, a return of volatility is usually met by at most a relatively typical 5% correction in equity markets rather than a technical bear market or a more substantial sell-off, which is what we have witnessed, so far.

Consequently, we did not invest in 'short volatility' strategies. In fact in portfolios of a high risk nature we invest with managers who attempt to do the opposite of the strategies listed in this article, which is to make money when volatility spikes, therefore cushioning the blow to equities in a risk-off environment.

This is a position we are far more comfortable with than betting on volatility remaining low. It is worth noting that since the correction, in Feb/March, we have seen volatility return to more normal levels and global equity markets made up much of their losses incurred at the beginning of the year.





# CITI PRIVATE BANK

James Holder, Region Head for Citi Private Bank in Northern Europe

Over the past twenty years, the family office industry has undergone a dramatic change as the number of ultra-high net worth families increase, and needs become more complex and global.

As a result, family offices have expanded their remits to take on more roles and responsibilities, making their services highly personalized and showing their worth in many more ways beyond traditional investment management.

These constantly evolving demands on family offices are changing how they are structured and how they establish relationships with both the family and third party partners.

In these times, it is crucial family offices share best practice and learn from each other in what can often be a very lonely profession with very few chances to compare notes with peers.

## Social investing

One of the areas that family offices are paying particular attention to at the moment is social investing. Wealthy families are among the first wave of investors that are interested in investing in line with their personal values. As a result, family offices are exploring the world of social investments to determine the best plan of action for the families they serve.

The social investments landscape will continue to grow, therefore it is important that family offices understand and engage with this theme. Family offices should fully grasp this issue now in order to be ready to act if their families decide they want to play in this space.

Family offices should consider social investments as a good way to engage the next generation of family leaders, and also sustain family wealth. Millennials are more inclined to invest in alignment with their values than previous generations. Even if younger family members are not thinking in terms of investments, they are increasingly interested in 'making a difference' and 'doing good' for society. So, family offices can use this

passion to engage younger generations in investment strategy and execution. An engaged and passionate family leader who believes in the family investment strategy will naturally be more focused and dedicated in preserving family wealth across multiple generations because they have a purpose they believe in.

A number of clients, who are current family wealth owners, have used social investments as a conversation starter with their children and grandchildren to ignite interest in their future family roles and responsibilities. Family offices could also explore social investments as a way for their families to 'put their money where their mouth is'. Many wealthy families with long-established philanthropic activities now want to maximise their impact through their investments. It will be up to family offices to understand the best way to achieve sustainable impact beyond 'single use' donations to support worthy causes.

However, before making a first commitment of capital, successful family offices develop a thorough 'roadmap' for social investments to ensure an alignment of values, engagement, goals, and metrics of success to be agreed with the family. This is important for any family office to consider.

## Sharing best practice

Sharing best practices and intellectual learnings is critical to the growth of family offices.

One of the unique things about family offices is that they do not compete with each other. In most industries – law, energy, and commodities as an example – firms see their peers as rivals. This makes it incredibly difficult to create a collaborative environment where people are open and trusting enough to share their experiences.

However, we know from our experience working with over 1,100 family offices around the world that family office executives want to be part of a community of likeminded individuals. As the family office industry continues to grow, it will thrive as long as family offices are willing and able to share their stories to help each other.



## HOW TO AVOID THE HAZARDS OF OWNING AND CARING FOR FINE ART PANDORA ART SERVICES



Managing important art portfolios constitutes a huge responsibility for Family Offices as well as Yacht Management and a burden for superyacht crew, captains and anyone working for owners of art collections. On board art collections can be worth more than the superyacht they reside in. Even the most basic training for your team in the practical care of art, furniture and valuable design objects can save distress, financial loss, irreparable damage and even careers.

Courses, workshops in all aspects of art management, art appreciation are now available worldwide and adapted to suit your needs.

Pandora Art Services now offers training for yacht management and crew on board the superyacht to equip you with the introductory knowledge and practical skills to care for art collections and luxury design on board.

Logistics – how to safely organise storage, packing and shipping of a valuable painting

Customs and Cites – implications of taking fine art across borders

How to get fine art objects repaired, conserved or technically analysed

Luxury design and interiors - conservation cleaning of objects

Art appreciation – understand the works around you so as to converse and communicate

Insurance – understand the risks and potential pitfalls of art at sea and in residence

Our training represents career enhancement for individuals working for art collectors, Yacht Management and family offices. For the family office or collector, you have peace of mind that your valuable possessions are in safe hands.

Remember that successfully caring for prestigious objects presents interior crew and other staff with unique challenges.

Call now for further discussion as regards our flexibility in location, timing and content.

Email on:  
[Pandora@rdg.global](mailto:Pandora@rdg.global)

Call on:  
**+44 796755372**







## Fine Art on Superyachts and in International Waters The Protection of Art At Sea Symposium National Maritime Museum, London, 2nd May 2018

Damage and loss to our cultural heritage in the maritime environment is real, present and significant. Family Offices owning or managing both art collections and yachts must take heed. Threats have stretched to an entire superyacht being impounded because of a piece of contemporary art residing in the interior. Paintings worth many millions of Euros have been confiscated, never to be seen again and disputes arise as to value and title of fine art on board to the extent that it can hinder a vessel's sale or departure. Art on superyachts can be more valuable than the vessel itself and is often damaged needlessly, through lack of proper training, awareness and curatorial care.

It was with this backdrop, the observation of a lack of care for treasured objects and luxury interiors that Helen Robertson and Pandora Mather-Lees created training programmes to help management, captains and crew learn about the very specific nature of handling art collections.

The purpose of the symposium was to start a dialogue with industry, raise awareness, gather data and show how even fundamental education can preserve an owner's assets, assist Captains with compliance and help interior crew avoid costly mistakes.

Following an introduction and welcome by the museum's director, Dr Kevin Fewster, Pandora Mather-Lees set the day in context with some correlations between the two industries, the UHNW owner and statistics around the art market and the superyacht market. According to Wealth-X, some 202 billionaires own superyachts and 28% of these have an interest in fine art with a fifth being deemed actual collectors. Vessels Value calculate that there are 7,855 superyachts live on water with 2,000 of these being 40m and over. This is the size from which a vessel may carry significant valuable objects. The \$64 billion art market and the superyacht industry share some characteristics in that both represent asset classes with these assets travelling across borders,

both share UHNW ownership, usually via complex corporate structures and in both cases, they are certainly emotional purchases.

Mather-Lees highlighted the breadth of this subject and the quest for more data, also reiterating that the yacht is often the owner's second home, one in which treasured possessions and objects of beauty should reside with them for their appreciation. Robertson, an ex-chief stewardess with a MA, investigating the benefits of adopting collections management in working marine interiors, talked about environmental factors and need for art-centric controls on board while her colleague Sarah Maisey, explained the ten agents of deterioration and showed some shocking examples of restoration gone wrong.

Hazards to art and design at sea were shared across the forum from stories of environmental damage to the golden patina of an Anish Kapoor sculpture to a captain unwittingly 'unwrapping' a Christo and Jeanne Claude (wrapped) painting. As the topics unfolded, delegates learned of priceless objects ending up in the bin, champagne corks popping the canvas and seizures of high value works by Damien Hirst, Picasso and Dali by customs officials on arrival at port.

Dr William Collier of GL Watson, the classic yacht restoration and management experts, explained that a superyacht is the "personal expression of a wealthy owner's lifestyle" where owners will naturally want to have an influence on their surroundings, particularly the interior.

Collier welcomed the initiative started through the symposium and presented examples from four perspectives: Art on Yachts; Yachts as art; Yachts designed around a collection and Placement of art. These many examples left no one in doubt about the scope of the subject.

To conclude the morning session, John Leonida from event sponsor law firm Clyde & Co, drew attention to the lack of forethought and legal protection of art during the design and build process.

The afternoon topics covered the hazards to fine art and design from a logistics perspective with experts from law firms Clyde & Co and Hill Dickinson, Momart Logistics, La Playa Insurance and Price Waterhouse Coopers. PwC Director of Private Client, Nic Arnold, explained the complications of being tax compliant. For instance, a painting moving into a certain territory might unwittingly create an inheritance or sales tax liability, or even a breach of customs regulations. Alan Sloan of Momart Logistics added that his team cannot ship a painting without the proper documentation and title of ownership being assured.

Security on board and in transit is of course another issue of major concern to family offices owning or running vessels carrying art on board. Marine Guard, which specialises in security on board chose to part-sponsor the event because of their recognition for due diligence in asset protection. Delegate James Sainty of Fortecho solutions which provide technology to secure and provide environmental data fine art said "We chose to attend to gain a deeper insight into the security risks involved of moving and keeping fine art at sea. We also wanted to meet others involved in this area. Due diligence procedures should include specialist protection technologies in safeguarding art from theft and loss."

The launch of the symposium co-incides with a new programme of NVQ accredited conservation courses that Senior Organic & Preventive Conservator Helen Robertson, is planning to deliver at the museum's Prince Phillip Maritime Collections Centre in South East London in addition to the National Maritime Museum's on-board collections management packages. With Pandora Art Services, training and packages on board the yacht itself are being promoted, as well as training for yacht management and captains and crew at yards, individually and yachting events through strategic collaborations.

For a full market intelligence report on findings please contact: Pandora Mather-Lees, Pandora@rdg.global or from Family Office Magazine, Media Partner of the Symposium.





## MAKING INVESTMENT MIGRATION FAIR FOR ALL

If, as many people say, Brexit represents a risk to Britain's trade and access to the customs union, then no-one has told the world's wealthy, who have never been so keen to come to this country and capitalise on its financial infrastructure.

In the third quarter of last year, the Home Office issued 114 Tier 1 Investment Visas – a rise of 24 per cent over the previous quarter, and an astonishing increase of 247 per cent on the previous year. Simple maths will tell you that is just under a quarter of a billion pounds of investment into the UK economy, and that is before you consider visa extensions that cost up to £10 million. And then there is the investment made by individuals into the UK property market, the stock market, bonds or businesses. The list is endless.

The narrative around immigration rarely focuses on high-net-worth individuals, however when it does, it's seldom positive. And there is sometimes a perception that people taking up the government's Tier 1 Visa are using their wealth to jump the immigration queue.

One of the topics at the very top of the media agenda currently is immigration, specifically the current

situation concerning the Windrush generation. Just at the Windrush generation and other citizens born overseas have made incredible contributions to this country, it doesn't mean that others should be denied the same opportunity. Immigration should be fair to everyone who contributes to this country, and that means upholding the letter and the spirit of the law.

Before we go into this in more detail, let's be clear what the process entails. Investment migration enables anyone with £2 million to invest in the UK economy to be granted a Tier 1 Investment Visa. This money needs to be invested in a limited number of ways: in UK Government bonds, or share or loan capital in active, trading and UK-registered companies.

Naturally, this represents a significant economic opportunity for the UK, especially at a time of such political and financial uncertainty. The money, which immigrants need to invest within three months of landing in the UK, brings a significant cash injection to the economy, helping to create jobs, sustain start-up businesses, and improve our productivity.

It's not just the UK that runs investment migration

programmes. By the end of 2017, there were over 80 active programmes in most major world regions. Citizenship-by-investment is a \$3bn global industry (residence-by-investment being worth considerably more), bringing significant benefits to countries around the world. To take just one example, impoverished Greece has enjoyed a windfall of €1.5bn thanks to its own Golden Visa programme.

However, we do these migrants a disservice if we only focus on their money. Along with their investment, they can bring a wealth of knowledge and contacts with their home countries that can be of enormous help to business and government.

Of course, having any unchecked investment migration programme is open to abuse, and without oversight and a rigid code of ethics, it leaves itself open to claims of corruption, or the potential to circumvent global regulation standards, such as The Common Reporting Standard (CRS), in addition to others.

Where does one start with a code of ethics? We believe that such a document should cover such issues such as integrity and ethical practice, competence and objectivity, confidentiality, conflicts of interest and regulatory compliance – among other issues.

Who should be involved in drawing up this code? In our view, it's everyone's business – from the government to business to academia; all should contribute as to how we can make investment migration both ethical and effective.

Once drafted however, will these be adamant rules – fixed for all time? It's hard to see how they can be. Investment migration is a relatively new idea and as we grope towards a truly ethical way of managing this process across different countries and jurisdictions, we will have to accommodate new viewpoints and adapt to changing economic and political circumstances and realities.

In fact, we've have made a start on this issue with our Code of Ethics and Professional Conduct: the first stab at creating a worldwide framework for industry best practice. To create the code, we consulted with

external academics and professional practice experts to give as well-rounded a view as possible – but we don't believe that this document puts an end to all debate on the ethics of investment migration.

Instead, we see it as the first draft of a living, evolving document – one that every stakeholder from business, government and academia needs to help extend and improve.

The ultimate goal is to ensure that investment migration brings value to countries of destination and investment. Also, it's crucial that the price for residence or citizenship does not end up not in the pockets of kleptocrats but invested in a way that will bring value to ordinary citizens.

Investment migration suffers from staying in the shadows, and that's bad news for the countries who stand to gain so much – including the UK. Every citizen, every business and public body is, in their own way, responsible for making immigration work for all.

By Bruno L'ecuyer, Chief Executive  
Investment Migration Council





# CRYPTOCURRENCIES A ROLE IN CLIENT PORTFOLIOS

by Sloan Smith, CAIA, Vice President, Innovest Portfolio Solutions



Over the last few years, cryptocurrencies have become one of the most significant topics in the financial markets. Bitcoin, which is the largest cryptocurrency by market capitalisation, has appreciated by 600% over the last 12 months and close to 35,000% in the previous five years through 9/30/2017. Similar performance has been found in other digital currencies such as Ethereum, Ripple, and Litecoin. Speculators and investors around the world have been flocking to this new investment sector to capitalise on this intriguing opportunity. However, the question remains whether the reward of cryptocurrencies is worth the risk and whether they make sense as a long-term investment in portfolios.

## What are cryptocurrencies?

Cryptocurrencies, or digital currencies, are defined as “currencies of the Internet: distributed, decentralised digital money systems with high security and global validity.” Currently, a majority of the traditional money transaction systems are maintained by centralised databases which are operated by large banks, insurance

companies, or governments. The personal information of these transacting entities is supposedly protected by these large institutions. However, there have been well-publicised hacks where personal information has been stolen, causing large losses for these “trusted” firms. Cryptocurrency transactions, on the other hand, use a decentralised database. A decentralised system allows no private information to reside on a public database. This concept is known as a blockchain, which is a ledger of all the cryptocurrency transactions that have occurred. Therefore, private information cannot be shared or stolen.

## Are cryptocurrencies actually currencies?

In determining the legitimacy of cryptocurrencies and their prices, it is essential to focus on three key items: the trust in the issuing authority, the ability of the currency to be accepted in transactions, and their security/storage of value. With traditional currencies, the issuing authorities are usually central banks, such as the Federal Reserve for the US Dollar and the European Central Bank for the Euro. These entities are trusted to

manage the production, supply, and distribution of their nation’s currency. However, with cryptocurrencies, there is no central bank or issuing authority. The supply of digital currencies is set by a computer algorithm which is supposedly very difficult to hack or alter. An important consideration is whether investors trust a computer algorithm over a central banker when it comes to overseeing and governing a currency.

The validity of a currency is heavily determined by how widely it is accepted in transactions for goods and services. Cryptocurrencies have the advantage over paper currencies due to the lower transaction costs and the anonymity of those making transactions. Currently, digital currencies are only used by a select few, and are accepted only by a limited number of persons and businesses. If convenience is essential, the potential for cryptocurrencies is strong, but if anonymity and privacy are the paramount issues, then there is the potential threat of them becoming a hub for illegal activity.

Global currencies such as the US Dollar and the Euro offer the benefit of not only easy conversion into other currencies at minimal cost but also generating a market-determined rate of return when it is deposited or invested. The issue arises whether cryptocurrencies offer the same security and storage of value. At one point, Mount Gox was a Tokyo-based bitcoin exchange that handled over 70% of all bitcoin transactions worldwide.

The firm was hacked in February 2014, ultimately leading it to file for bankruptcy protection. Although some have commented that the security breach was exaggerated considering a majority of these bitcoins were eventually found, the issue remains whether cryptocurrencies need a regulated banking system that is insured by a centralised institution. Cryptocurrencies role in a portfolio

Cryptocurrencies are highly volatile due to the uncertainty of their long-term survival. From June 13th to June 26th 2017, the cryptocurrency Ethereum fell 33% from \$391.51 to \$262.38, but then rebounded 23% to \$321.83 on June 28. This investment is not for

the faint of heart. However, over the long term, investing in cryptocurrencies may be in some way similar to investing in commodities, such as gold. Scarcity may propel an increase in price, especially for the digital currencies that survive and continue to add value going forward.

Some individuals are critical of the cryptocurrency phenomenon, including famous investors such as Warren Buffett and Howard Marks. Howard Marks, who manages \$101 billion as the founder and lead portfolio manager for Oaktree Capital Management, stated that “Digital currencies are nothing but an unfounded fad based on a willingness to ascribe value to something that has little or no value beyond what people will pay for it.” Marks further believes that investors are speculating on cryptocurrencies where, “People buy something without any consideration of its underlying value or appropriateness of its price, solely because they think others will pay more for it in the future.”

Cryptocurrencies have created a disruption in the capital markets. They have been introduced as a new way for transacting payments, leading many to rethink the central banking system. Cryptocurrencies have been viewed by some as a potential diversifier in portfolios considering they are entirely uncorrelated to traditional investments. However, before cryptocurrencies become plausible or necessary for client portfolios, they must be able to broaden their use beyond the small population of supporters while strengthening their ability to secure and transport their particular currency. Until that time comes (if at all), cryptocurrencies will remain very volatile investments where the future of their legitimacy is unknown.

## About Innovest

For more than 20 years, Innovest has provided excellent client service as well as forward-looking, innovative investment solutions for endowments and foundations, retirement plans, and families. We are an independent provider of investment-related consulting services and work on a fee-only basis.

[www.innovestinc.com](http://www.innovestinc.com)



# BRITISH POLO DAY CELEBRATES THE INAUGURAL EAST COAST USA EVENT IN THE EMPIRE STATE



The Haviland Hollow, NYC Polo Club- was presented by Chelsea Barracks and hosted by Sam and Fabiana Ramirez. After the 10th Dubai event in March, British Polo Day was delighted and excited to launch its first East Coast destination in the USA.

British Polo Day is an unparalleled platform celebrating the history and heritage of polo with a global community, bringing together the world's top companies and key influencers. It provides a platform for business in emerging and growth markets, giving partners enviable access to international contacts. In the US for the 67th event, British Polo Day pit four teams against each other for the VistaJet Plate and the Chelsea

Barracks cup. Over 250 top British and international players have played at British Polo Day since its inception, and this year attracted well-known names in the polo world, such as number one female player in the world Nina Clarkin and her husband, captain of the New Zealand polo team JP Clarkin, and the Honourable Tristan Phillimore.

Tom Hudson, Co-Founder of British Polo Day said: "We are very excited to be hosting the first British Polo Day New York. The relationship that exists between the USA and UK means that any event on the other side of the pond is always a special one. The great base of partners – with over 2,000 years of combined heritage between

them – says so much about the community that we have. My partner and CEO Ben Vestey and I are proud to be expanding the global reach of British Polo Day and creating new opportunities for our partners and guests in new territories."

British Polo Day's title partner is Chelsea Barracks, London's most exclusive residential development, comprising 12.8 acres of unrivalled real estate in the heart of Belgravia, moments from Sloane Square and Knightsbridge. Richard Oakes, Executive Director of Chelsea Barracks, said: "We are delighted to be the title partner for British Polo Day New York 2018. The collaboration has presented a great environment for Chelsea



Barracks to forge diverse and lasting relationships across the world through a mutual love for this heritage sport."

Ian Moore, Chief Commercial Officer at VistaJet, added: "Our customers expect the most extraordinary experiences at the highest standards. Their passions become our passions and supporting them is a cornerstone of the VistaJet brand. In partnering on such opportunities with British Polo Day, we are able to continue to deliver second-to-none events to our community."

Off the field, guests were treated to drams of Royal Salute 21-Year-Old, a nod to the Scotch whisky's longstanding support of polo and the lifestyle it accompanies. Royal Salute, the 'King of Whisky', sponsors 10 international polo tournaments annually and shares values with the noble game of honour, skill and integrity, making it the ultimate whisky for the Sport of Kings.

British Polo Day is a fast-growing, ambitious company, which partners with some of the World's best companies, including Chelsea Barracks, VistaJet, Royal Salute, Charles Russell Speechlys, Clinova, Bentley Motors, Firmdale Hotels, Original Travel, Justerini & Brooks, Fairfax & Favor, Nyetimber, Williams Chase, D.R. Harris, Taylor Morris, Barnard & Westwood, and Floris.

The success of the British Polo Day has been largely down to word-of-mouth endorsement from many guests and supporters including key figures in government, diplomats, military, fashion, art and popular culture. In addition, British Polo Day have hosted members of 12 royal families, 100 independent billionaires and leaders in world innovation including Sir Richard Branson and Elon Musk. Over 20,000 guests have enjoyed British Polo Day in the last seven years, and British Polo Days have to-date raised over \$2 million USD, from a standing start in 2011.

For media enquiries, image and interview requests please contact: [sam@britishpoloday.com](mailto:sam@britishpoloday.com) and [laura@mercurycomms.com](mailto:laura@mercurycomms.com).

For information, visit our media room or do visit the website, and follow us on Instagram, Twitter or become a fan on Facebook for all the latest news and updates.

Upcoming events in 2018:

The next events for this year will see British Polo Day head East to China in September and Jodhpur and Jaipur in December.

[www.britishpoloday.com](http://www.britishpoloday.com)



*The Royal Hammerless Ejector*  
(Patent). *Detachable Lock Gun*  
NEW "A.B." MODEL. Best Quality.



HOLLAND & HOLLAND have much pleasure in placing before their patrons their New Patent Detachable Lock Gun, which they have every confidence in recommending. This invention enables a sportsman to take the locks off for cleaning or examination purposes, without the aid of a turnscrew or other implement, all the advantages of stability, strength, appearance and perfect balance of the side lock gun being retained. It is applicable to rifles as well as to guns.

This new pattern gun is so constructed as to allow of the locks being brought "close up" to action, with the result that a very short, crisp pull of the trigger can be insured.

For illustration of SPECIAL TREBLE GRIP, see page 16.

Extract from *THE FIELD*, January 2nd, 1909.

Messrs. HOLLAND & HOLLAND have submitted for notice a gun embodying, an idea which they themselves affirm should have been brought out long ago. . . . . Anyhow, there is not one shooter in a hundred who can remove and replace the screws of his gun without leaving the unmistakable traces of his handiwork in the form of scratched and opened screw heads. . . . . Messrs. HOLLAND & HOLLAND have settled the question in another way by replacing the ordinary screw, having its head buried in one lock plate, and the screwed tip engaging in the other lock plate, with one carrying an external thumb lever."



Winners of all "The Field" Rifle Trials, London.

Adapted from a Holland & Holland catalogue produced between 1910-1912

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# YACHT CHARTER

## AMAZING FAMILY-FRIENDLY LUXURY YACHT CHARTERS IN THE MEDITERRANEAN

A luxury yacht charter in the Mediterranean is for many a dream come true and the magic is even more potent for younger members of the family, who have never seen manta rays gliding through Croatia's crystal clear waters or Gaudi's colourful Park Güell in Barcelona. It's possible to take children of all ages on a superyacht charter, although some vessels may be more suited to their safety as well as keeping them occupied between destinations.

Find inspiration with some excellent family-friendly destinations and activities to keep everyone entertained: Spend sunny days learning new skills with the water toys, and in evenings catch up on the latest films or make memories with loved ones over the range of games and amenities on board.

Why do children love superyacht charters? While unusual sights and exotic destinations have universal appeal, there are certain aspects of a luxury yacht charter that the younger generation find

uniquely alluring: Sailing yachts will make your little ones feel like a pirate or explorer, and swimming with dolphins and sea turtles or even small details such as bunk beds will stand out among childhood memories.

However, one of the most important yet least recognised reasons to charter a superyacht is that no time is wasted while travelling from one destination to the next. The kids can be active and spend time on hobbies, ensuring that by the end of the day they'll have used up their energy, giving the adults ample time to socialise.

With your accommodation coming along with you wherever you travel, a luxury yacht charter is less stressful, more comfortable and far more exciting. Treasure hunts, parties and games When visiting quiet corners of the Cote d'Azur such as the Îles d'Hyères or Île Sainte-Marguerite south of Cannes, there is ample opportunity to set up a teddy bear's picnic, treasure

hunt or a beach-side birthday party and some yachts have a with a DJ setup for this purpose.

Dinners by candlelight on sandy shores aren't just for romantics and after a magical sunset meal your family could stargaze or head towards the city lights. The Italian Riviera and Amalfi Coast have an excellent evening atmosphere where locals of all ages walk the streets, chatting with neighbours over authentic locally made pizza or Italian ice cream.

### Swimming pools and water toys

Take advantage of this opportunity to teach your children new skills on a luxury yacht charter and the water toys alone have the potential to fill every spare hour: Earn a Scuba diving license or a jet-ski licence, use Laser sailboats, windsurfers or water skis for exercise and entertainment all in one. The options are bountiful and inflatable toys as well as the latest gadgets are just as appealing to older children as pre-teens.

Massive water slides attached to the upper deck or inflatable climbing walls will get young thrill-seekers jumping for joy, while doughnuts will help inexperienced swimmers gain in confidence and add to the fun in the onboard swimming pool.

### Day excursions

It doesn't matter whether you're chartering in the Eastern Mediterranean or the Western Mediterranean;



you're surrounded by history and it's likely that more than one port you stop off at will have a castle or fort within walking distance. The larger cities will have audio tours for your children to discover the lives of previous inhabitants, with the UNESCO World Heritage Site Palace of the Grand Master of the Knights of Rhodes being one such example within the Dodecanese Islands.

Glamorous Monaco has a reputation for high-end shopping, Grand Prix Races and casinos yet the wealthy principality also has an impressive Maritime Museum, Top Cars Collection and a National Museum holds some of the nation's treasures. Older children will also appreciate the art galleries and a night at the opera house to watch a contemporary dance or play. Balance the culture with a day of exhilaration at an adventure park, and places such as Pitchtoun Forest and Canyon Forest between Nice and Antibes will send your group zip-lining over canyons, scrambling across cliffs and navigating rope courses with a safety line.

### Playrooms

It's mostly aboard larger superyachts that there will be a playroom - or several - which is designed for large groups of children during a special event. Ballparks, toy chests, libraries and even desks for writing and drawing fill the walls and younger children will be content to have this magical space all to themselves.





The 1943 classic CHRISTINA O is one such example of a luxury yacht with a playroom, where the walls are painted with characters from Alice in Wonderland. While the nanny looks after the children, parents can party on the convertible mosaic dance floor/swimming pool, chat over refreshments in the bar or savour the serenity in the spa room or library.

Cinema, karaoke, video games and board games  
The sky lounge has everything to become a favourite den with your children: This room usually hosts a sizeable widescreen TV and games table while providing cosy surroundings and magnificent views from this elevated floor. It's common to find games consoles aboard charter yachts in recent years and the wide selection offers Wii party games through to Xbox and Playstation favourites.

Karaoke systems place thousands of songs at your fingertips and your son or daughter could hold their own party or 'battle of the bands'.

#### Spa treatments

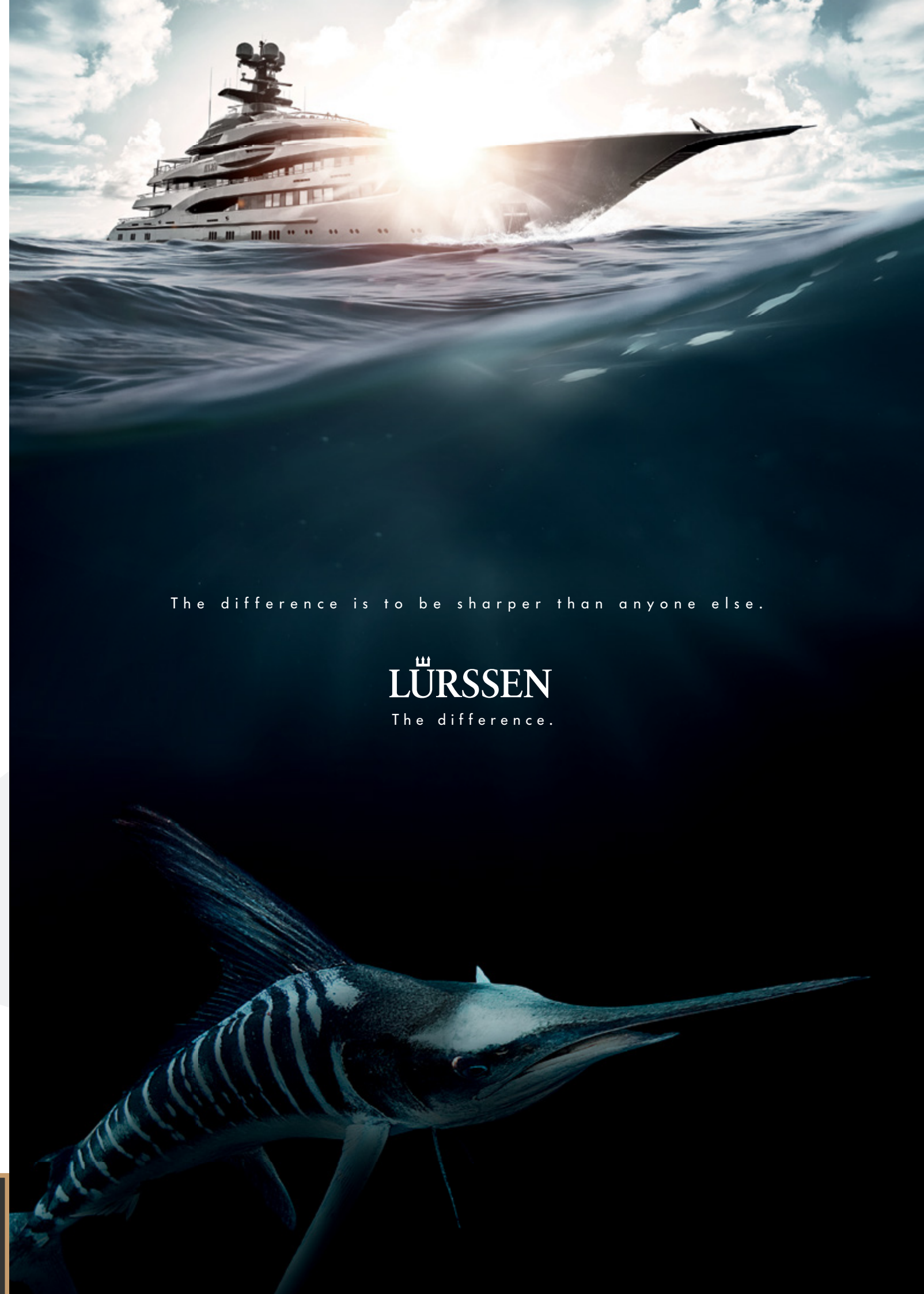
Kids love to be pampered and it's a novel experience to receive a spa treatment for the first time. Don't miss out on this chance to make cherished memories with your children and soak in the Jacuzzi with a mocktail before getting a spa massage and facial in preparation for a night at the theatre or as a birthday treat.

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## EXTRAVAGANCE OR EFFICIENT PLANNING? PRIVATE AVIATION CHARTER FOR BUSINESS TRAVEL

by Chris Tofts, CEO, 365 Aviation



Private jet travel has, for a long time, been regarded as the sole domain of the super-rich or cosseted stars who couldn't bring themselves to travel on commercial flights. But over the past decade, that image has slowly been changing thanks to a forward-thinking industry which recognised that private jet travel was poorly understood and many potential clients were missing out on the advantages it has to offer.

Back in the early noughties, before the global financial crisis, big corporations were comfortable owning their own aircraft. But General Motors, Ford and Chrysler flying their senior executives in on company private jets to ask for a government bailout in 2008 was a PR own goal which caused a hugely adverse public reaction to the idea of corporate private aviation.

Warren Buffet's NetJets arguably led the renaissance of the industry. His

team foresaw that private jets could be presented as more affordable and accessible through fractional ownership. Others followed suit offering "flying time" by pre-purchasing a number of hours' flying credit, which proved popular in the US where internal commercial flights are relatively expensive compared with the multitude of low-cost European airlines.

Suddenly business travel by private jet became affordable and accessible. We use the term 'affordable' loosely because on the face of it private jet travel remains the preserve of the well off. However, corporations are using private charter for senior executives and recognising that the benefits it offers far outweigh the perceived high cost.

365 Aviation recently commissioned a piece of independent research that explored the lost time spent

travelling to, from and within airports. The research partner, Censuswide, polled over 2,000 HNW individuals and found that, on average, travellers spend over three and a half hours in airports pre- and post-flight. Add on the average time travelling to and from the airport (2.76 hours) and that's a staggering 6.3 hours of wasted time per trip. And that's before the flight itself, let alone any delays.

According to the Financial Times, the average C-Suite Executive's hourly pay is £1,000, so when one takes into account lost productivity, suddenly private jet travel doesn't seem like an extravagance at all, more like effective planning.

Co-founder, Colin Baker, a finance professional who launched 365 Aviation partially based on his observance of this lost productivity, said "Many delays are outside of the travelers' control,



and if it results in missing meetings or important family occasions, not to mention PA's time spent rescheduling itineraries, you suddenly realise that it makes sense to pay a small premium to minimise these risks. Ever-tightening airport security has exacerbated the situation to the point that it was no longer cost-effective to spend the best part of a day trying to get to a one-hour meeting to close a deal. Founding the business came out of a determination to prove that private aviation charter could save time for the people whose professions demand a great deal of it."

Today Baker sees many of his clients using private charter travel to visit multiple destinations in a short period of time. He explains, "A private jet can leave from a closer airport, requiring just 20 minutes to check in, clear security and board, allowing passengers to fly to Milan in the morning, be in Frankfurt for lunch and back to London by mid-afternoon. That's not possible if you fly commercial."

With 136 private airports in the UK alone, most people can be in the air within an hour of leaving their house or office. One Surrey based film executive will only fly from Farnborough as he can get there in a little over 30 minutes from his home and be in Cannes (for the Film Festival) in less than three hours door-to-door.

A business also requires flexibility and when meetings move time or location, private charter companies can react quickly saving time and money. "Efficient private charter companies are a PA's best friend," says Rosemary Parr, founder of the Global PA Association, which represents tens of thousands of PAs internationally. "When your job is to get the company Chairman from A to B in the most efficient way possible, charter jet companies are a God send to a busy executive assistant. Meetings aren't always

in convenient locations and schedules can change at a moment's notice. A flexible and knowledgeable charter partner who can have an aircraft on the tarmac in a couple of hours is an essential part of a top flight assistant's arsenal."

365 Aviation's senior charter manager, Patrick Magan, cites complex travel requirements as another reason for choosing private jet charter. This summer 365 Aviation has seen a surge in clients travelling with their dogs and has supplied specialist packing to transport couture gowns to the Cannes Film Festival. "We've transported guns to Scotland for the start of the grouse shooting season; jewellery handcuffed to a security guard to private yachts, and sound equipment for rock concerts," he adds.

Yet it's business travel that continues to be the bread and butter of the private charter industry. While the days of the branded corporate jet may be over, companies recognise that it makes commercial sense to fly private. The charter companies are adapting too. Patrick and his team have "branded" private aircraft before, ensuring that corporate colours, brochures and merchandise are in place before clients board the plane.

The commercial airlines have recognised the threat. RyanAir launched a private charter offering last year, adapting one of its Boeing 737s for business travel for up to 60 passengers. It claims to offer the most competitive rate in Europe and is aiming at the group travel market. At the other end of the market, Four Seasons has launched a luxuriously appointed branded jet in partnership with TCS World Travel catering for 52 passengers with fully flat beds offering 24-day around the world experiences that wouldn't be feasible on commercial aircraft.





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# MARGARET RAND

## "101 WINES TO TRY BEFORE YOU DIE"

What makes a wine remarkable? It's a question that preoccupies everyone concerned with wine, and it's not always enough to say 'I know it when I taste it'.

It was the question I had to answer 101 times in putting together this book. It would be easy enough to make a list of 101 extremely expensive wines, or 101 very famous wines; but I wanted 101 remarkable wines. They had to have something particular to say; something that revealed a facet of their region, or their vineyard, or perhaps something unexpected about wine itself. For example, you wouldn't necessarily expect a skin-fermented white wine, a so-called orange wine (Clai, from Sveti Jakov in Croatia, since you ask), with all the cooler-than-thou hipster connotations that come trailing in its wake, to be so obliging with so many varied and un-hipsterish foods. Orange wines don't taste of fruit: it's a reminder that wine that tastes of wine can be far more interesting than wine that tastes of peaches or blackcurrants.

All the wines in this book have given me great pleasure whenever I've had the chance to taste them. If they have something in common, it is precision. I like accuracy, balance, poise. I don't like overripeness, I don't like over-extraction and I don't like over-oaking. I love freshness, I love acidity, and I love a sense of authenticity. This last is difficult to explain but is to do with a sense of risk, a sense of individuality – a sense of place, yes, but also a feeling of energy. It is the opposite of the safe, the industrial, the reliably crowd-pleasing.

So here's another facet of what makes a wine remarkable: a sense of risk. Some wines give you the feeling of walking a tightrope, with a disaster waiting on both sides. When I jot down 'man on wire' in a tasting note, that's what I mean. There can be tension in the structure of a wine, a sense of something tightly wound. Riesling is the obvious example: whether it's dry or sweet, from Germany or Austria or Alsace or anywhere else, Riesling is about tension before it's about anything else. A quite simple Riesling, like



Margaret Rand  
Writer

Schloss Saarstein's Riesling Kabinett, from a rocky, windy site in Germany's Saar Valley, is taut as piano wire. An Oregon example (you're right, there's not much Riesling in Oregon, but there is this one) – Off The Grid Riesling from Ovum - is both filigree and tightly resilient.

This lightness with power is at the heart of what makes a wine remarkable. The winemaker of Cristal from Champagne Roederer describes this paradox as 'weightless weight': it's when a wine has concentration, tension, depth and substance, and yet it dances. It's a rare attribute: it's more usual for a wine to wear its concentration and its power with showiness as if these things were ends in themselves. Any wine can be concentrated; any wine can be powerful. It's the easiest thing in the world. So what?

There's a word that always comes to mind when I'm looking for remarkable wines, and that's 'transparency'. I want to be able to see right through the layers of a wine, in the same way

that one sees through a clear river, in great detail, to the stones beneath. Power for its own sake, over-extraction, over-oaking, give the opposite: they give opacity, a blank wall that you must fight your way through. Pinot Noir from Burgundy is the epitome of transparency, or should be: take La Romanée, from Domaine du Comte Liger-Belair. It's a wine of invisible density, of penetrating intensity, yet you can see straight into its heart. There's nothing overdone to get in the way: it's transparent.

Weight for its own sake is, at last, going out of fashion. In California's Napa Valley, Inglenook was an early adopter of the new style, and its red Rubicon, 100% Cabernet Sauvignon from Rutherford, was already moving towards elegance and finesse by 2011, when Philippe Bascaules, ex-Château Margaux, was appointed winemaker. California can do big, muscular wines very well (Harlan red, for example, or Ridge Geyserville) but too often it has mistaken bodybuilding for balance. Fashion is gradually putting that right.

Not that fashion has all the answers. Take natural wines. They're the most divisive thing in wine at the moment. If you're under 30, you probably love them, particularly if you have a beard. If you're over 40, you may be snorting with annoyance at this very moment.

What are natural wines? Since there's no real definition they can be almost what you want, but they will probably be made in a non-interventionist way, possibly in clay amphorae, possibly in concrete egg-shaped (another fashionista accessory), and with little or no sulphur, and the vineyards will be worked organically or biodynamically. (Biodynamism being the creed based on Rudolf Steiner, which uses all sorts of plant and animal infusions applied in tune with the movement of the planets.) Organic farming isn't controversial, and biodynamism can be but is pretty mainstream now. What is divisive is natural wines' rejection of the squeaky-clean technology that over the last 40 years has made clean, reliable, fruity, fault-free wine – yes, industrial wine - available at remarkably low prices. Natural wines

can be brilliant – and I include several (including Clai, mentioned above, and Le Natural Reposado Garnacha from Vintae in Spain) but they can also be funky, cidery, beery, cloudy... If you're a real hipster, you like all that. The rest of us find it more difficult.

But what's really easy to love is wine fermented with indigenous yeasts – or wild yeasts, or whatever you want to call them. Not laboratory yeasts that come in a packet, in other words. You leave the grapes to get on with fermenting in their own good time. It's risky: you get a much wider population of different yeast species working on the grape sugars to turn them into alcohol, and you can't be completely certain what the final result will be. When it's good, though, you get wines with more mineral tension, with a greater sense of the vineyard, and with less obvious fruit flavours; less clear-cut notes of peach or apple or plum. Dirk Niepoort, in Portugal's Douro Valley, makes his Tiara Branco this way; so does AA Badenhorst with its Red Blend from South Africa; so does Pedro Parra with his red Pencopolitano from Chile; so does Michel Chapoutier with his white L'Ermite Blanc Ermitage from France's Rhône Valley.

Which is where we came in: wine that tastes of wine rather than a supermarket fruit department. I accept that describing a wine as tasting of wine is not incredibly helpful. But all I can say is: try some of these 101 wines. You might end up knowing exactly what I mean.

Margaret Rand is a well-known wine writer who has won many awards, most recently the prestigious Louis Roederer International Wine Feature Writer of the Year Award in 2013. She writes and tastes for Decanter, World of Fine Wine, Square Meal and Drinks Business, as well as judging at international wine shows. She has previously edited Wine Magazine, Wine & Spirit and Whisky Magazine. She is also co-author with Oz Clarke of Grapes & Wines, published by Pavilion.

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# DON'T SIT AND WAIT IN THE DARK

## CHOOSE OPEN, TRANSPARENT FUNDS THAT KEEP YOU INFORMED

We are entering a new era for funds, one that is more transparent, more competitive and more regulated than ever before. And as such, you, the client should benefit from the greater transparency being adopted by the majority of funds. It is now no longer acceptable that a client sits and waits in the dark until the fund releases mandatory fund performance figures, the new era will see clients accessing performance related data on demand. It is no longer acceptable that you, the investor gets bombarded by unsolicited, indigestible fund prospectuses. Funds will, if they are to prosper, only target appropriate investors. If this era of funds sector evolution could be encapsulated under a single term, it would perhaps be the 'Communication Era'.

The fund sector is heavily congested and even though fund strategies may be heterogeneous, it is still difficult to differentiate one from another when only given figures within tight parameters. So how do you find the funds that offer you a transparent process? The funds with the best communication strategies to keep their clients edified are those that stand out in this congested market. They are the funds that convey their engaging story as well as the critical financial figures to you from the outset. These players realise that their story is far more memorable to an investor than numbers alone.

The top 10% of best performing funds are successful because communications are an essential and proven part of their strategy. According to Fund Radar, more than 70% of funds don't reach their AUM objectives. Studies have shown that a significant portion of this failure is down to reduced or zero communication strategy when raising capital. This year, research from the University of Pennsylvania and Southern California calculated that a "1bp increase in marketing expenses leads to 1% increase in a fund's size". The best performing funds know that every link in their chain must be strong. If an investor is let down by the marketing and communications side of a fund, he or



Ken Carmody  
FINSCOMS

she will inevitably begin to question whether the investment strategies are also sub-par.

Running a Family Office carries great responsibility and therefore choosing a fund that you can trust is obviously of tremendous importance. Take time to select a fund that apparently has taken time to consider the best interests of the client. You will recognise these funds through the language they use. Are they writing their marketing materials to tick a box or have they written these documents using 'investor language'? It would be fair to say that in general there is a disconnect between an asset manager's financial acumen and his marketing prowess. Asset managers are now beginning to realise that they are much more in the business of marketing than in the business of investing.

It is commonplace for asset managers to use sophisticated financial jargon when presenting to investors. Vastly different from the type of language

a fund manager would use day to day with colleagues and lacking resonance from the investor's point of view. A relationship must be built between the asset manager and the investor before any capital is acquired. You are far more likely to develop a relationship with an asset manager if you have been communicated to at your level. Asset managers should no longer rely on tired industry rhetoric. Strictly presenting figures on performance, portfolio diversification, portfolio risk management etc., no longer engages the majority of investors. You are now interested in 'the story' behind the fund along with the figures as a differentiator.

Creating a better client experience mutually benefits both investor and asset manager. This has led to an increase in the use of open, transparent and well-designed communications to investors. By sharing with you how well the fund is being managed, the relationship will solidify. There is plenty of scope for this;

- NAV publication
- Meeting requirements concerning Key Investor Information Documents
- Publication of semi-annual and annual financial statements
- Shareholder notifications
- Notices for Shareholder General Meetings
- Key performance indicators such as investment performance versus benchmark
- Factsheets
- Newsletters
- Blogs
- Online investor portals

Family offices' own capacity to market themselves can also be tested when, for example, trying to partner with others to invest in a niche that they have identified. Communicating a new opportunity for others may not be successful. Very often they don't have internal marketing resources and, once they are in such situation, they have to engage with Communication specialists who can help.

The facts, the stats, and our experience at Finscoms show that there is substantial room for improvement around fund communication and establishing the best route to the investor. Consistent communication with investors around the lifecycle of the fund is a critical issue for long-term success. KPMG stated last year in its 2017 Spotlight on the Asset Management Industry that "Achieving a better client experience is a source of competitive advantage, not just a 'nice to have'".

When choosing your next fund, first class communication should be a strong consideration for family offices and their clients. Choose a fund that shows you the utmost respect.



Finscoms is a communication and marketing business established by industry professionals with significant experience and expertise, technical knowledge and a proven track record in relationship building, funds marketing, legal marketing and communications within the Financial Services Industry.



# MOROCCAN AUTHORITIES INTRODUCE TAX AMNESTY

ING BANK



The Moroccan authorities have introduced a tax amnesty law for foreigners living in Morocco applicable from 1 January.

At the end of 2013, to widespread surprise, the Moroccan government's 2014 Finance Law introduced a foreign exchange and tax amnesty law for resident citizens. This contribution in full discharge for assets and cash held abroad caused a stir and was widely commented on in the press throughout 2014.

Morocco has foreign exchange control rules that regulate the circulation of currency internationally. These rules, which allow some flexibility for foreigners, are much stricter for nationals. Despite this constraint, many studies estimate that between \$40bn and \$60bn in assets are held outside Morocco by Moroccan residents. For the Foreign Exchange and Tax Authorities, the objective of this amnesty law, which offered very advantageous conditions, was to resolve the existing situation by allowing citizens to officialise their wealth outside Morocco and giving them solid legal guarantees, particularly of their ability to keep their foreign wealth.

Surprisingly, for the first time, the law authorised wide-ranging ownership of assets abroad, under certain conditions.

This represented the first real loosening of the Foreign Exchange Control regulations.

In 2016, a new foreign exchange tax and amnesty law allowed EX-MRE – i.e. Moroccans who had lived abroad and returned to the country but omitted to declare their assets held outside Morocco as required by law – to resolve their situation. Again, this amnesty was also a success.



Yves Ducaté.  
ING Bank

Curiously, neither amnesty law offered an opportunity to make amends to resident foreigners who had omitted to declare foreign income to the Moroccan tax authorities.

This oversight was corrected in the 2018 Finance Law.

From 1 January 2018, the following provisions apply: "The contribution in full discharge for income and profits generated by assets and liquidities held abroad, before 1 January 2018, by natural persons of foreign nationality, having their tax residence in Morocco and in an illegal situation in terms of tax obligations contained in the General Tax Code in respect of said income and profits."

In practice, this law allows foreigners who are tax resident in Morocco to rectify the legal status of all income generated abroad which has not been declared in Morocco, as required by law. This mainly involves income and profits from real and financial assets, professional income and pensions.

The taxpayer must pay a tax of 10 per cent on income from 2016 and will then be entirely exonerated for past infringements. Many external pressures are likely to encourage the foreigners concerned to step forward: firstly, the requirement by European bankers for their clients to be tax compliant, but above all the Moroccan government's plans to participate in automatic information exchange in tax matters, as promoted by the OECD.

Article 214 of the 2018 Moroccan Finance Law already refers to automatic information exchange in tax matters and encourages financial organisations to do all they can, subject to hefty fines, to comply with treaties due to be ratified by Morocco in the framework of data exchange protocols.

More recently, the Moroccan government passed the decree-law of 23 February 2018, relating to interim measures for automatic information exchange for tax purposes.

It is therefore highly likely that the ratification date of the treaties allowing this tax data exchange will be announced this year, effective from 2019.

It is interesting to note that the financial products and asset ownership structures used by foreigners resident in Morocco do not take adequate account of the local context and are generally established on a purely European basis.

For instance, only an insurance policy issued by a Moroccan insurance company is covered by special rules in Morocco, which is not the case for Luxembourg or French life insurance policies.

The situation of mixed couples and particularly that of foreigners married to a Moroccan national is even more problematic since in many cases Moroccan Islamic law will apply, particularly to inheritance, with civil consequences also impacting transmission of foreign assets.

If this tax amnesty is successful, it is likely to lead foreigners resident in Morocco to review how they hold their wealth and particularly how they can transmit it under the best conditions.

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# The Superyacht Design Forum, Chelsea Harbour Design Center, London, June 2018

Chairman Martin Redmayne captured the spirit of this year's 'TSDF' when he called for better communication, daring innovation and a joined-up yacht design industry where realistic prices for sound professional work can be maintained. The superyacht industry is shrinking in real terms and there is a need for designers, contractors and others to embrace new ideas which will nudge the potential 80-100,000 superyacht buyers into the market. There are various catalysts for this, a key motivator being the ability to produce an environment which is not only neutral in sustainability, but one which positively contributes to the environment. Another was 'uniquity' a term which bemused and engaged the audience, believing that a fresh and more daring approach is needed to create vessels which push boundaries with novel yet thoughtful solutions.

Increasingly family offices are involved in purchase, design and management of superyachts around the world. Those attending would certainly have benefitted from learning more about the subjects explored. This year's content included sessions on sustainability and materials, women in design, IP and crew safety to the extent that it could be compromised by design.

Two particularly interesting sessions were an interview with Philippe Briand on his past career, commenting on his vision for the future of sailing and then a panel of four celebrated designers each critiquing each other's work. Karen Howes, Selina McCabe (Winch Design), James White of March + White along with the charismatic Evan K. Marshall thoroughly enjoyed the banter as they shared experiences of developing themes and solutions - comparing projects which interplayed between land and sea.

What was valuable here was the panellists' insights into working with the owners and the very personal

relationship that enabled them to pander to and anticipate their next demand. Knowing owners' foibles, having a sensitivity for balancing the boundaries between the interiors of their various homes and of that the yacht whilst assimilating a sense of place is important. All agreed that keeping up to date, despite the long lead times required for delivery was important for image. All concurred in observing the trend towards a minimalist, conservative design, one which has potential to show off the owner's art collection and coveted design pieces - something which demands flexibility and adaptability.

Also critical to yacht design is the ease of living and need for 100% relaxation; it filters down to being able to turn off a light switch without having to press multiple buttons on a console you can't locate. Likewise, being able to make your own coffee and eggs in the morning with a mini 'tea and toast' kitchen was considered 'a luxury'! Whilst the surroundings may be minimal, the service is not. Evan Marshall stressed the unique nature today's yachting lifestyle which still has that 'Downton Abbey' syndrome - an abundance of staff in waiting to service every whim.

This impacts the design programme in cases, for instance, where staff can move around the yacht through passages and staircases and not be noticed. Truly "Upstairs-Downstairs" is as important today as in Victorian times for seamless, unnoticeable service. Other issues at play were the ability of the designer to interpret and manage the relationships on board as regards who holds the purse strings throughout the programme, the increasing concern with sustainable design. The need to present environmentally sound projects to the client as a cool option they have to opt for, to stay ahead of their counterparts, was declared easier to 'sell' as opposed to proposing an environmental choice. Cost is of course a factor. The difference between a residential design at £600

per square foot to a yacht at £1000 square foot is significant. Reasons are the quality and sustainability of joinery, walling, materials and the effort needed to create space saving solutions.

Despite all the incredible advancements in technology and innovations in interior styling and fit, a subsequent session on pain points in design revealed some real difficulties in bringing into fruition a design solution which offers a good smart intelligent boat - all too often, the yacht is just a statement. This well attended discussion highlighted the problem of involving so many stakeholders at different stages of a project and the communication issues which so often hinder its overall success.

The forum was well attended by delegates across the industry with a keynote speech and four strands for each breakout session; all the topics were hard to decide between as they were all pertinent to the industry and one hopes a full report might be forthcoming. Nevertheless, the event was the launch vehicle for this year's Superyacht Design Report - an increasingly heavy bible replete with reliable and important data on the industry and not-to-be-missed content from captains, respected industry professionals and the Superyacht Group team which comprises ex-yachting professionals enjoying a privileged overview of the market.



The venue at the Design Centre enabled delegates to experience textiles, papers and design objects close up and to talk to suppliers about how to deploy them or personalise them for individual floating homes.

If there is any place away from a sunny marina to hold a superyacht conference, perhaps Chelsea Harbour is it. Georgia Boscawen, the Superyacht Group's Design Editor echoed Martin Redmayne's observations, stating that this year's mantra is 'Action, Not Words' in a mission to turn theory into practice, inactivity into interactivity and to shake up the superyacht seascape to effect much needed change.

With the heat and June sunshine cascading through the three domes of the harbour it was the perfect environment to relax and network although perhaps the communal gatherings in future could be condensed into a confined area rather than spread out. It was all too easy to miss those very important conversations with colleagues.

On the other hand, it was important to see what gems lay in each showroom and maybe an alternative would be to conduct regular tours to showcase the layout, benefits and scope of the tenants on show.

by Pandora Mather-Lees



# LUSTICA BAY



## THE EAGERLY AWAITED SECOND CHEDI IN EUROPE OPENS IN LUŠTICA BAY, MONTENEGRO

Luštica Bay has just completed the launch of the first of seven hotels, The Chedi Luštica Bay, situated on Montenegro's waterfront with superb views of the bay, marina and the Adriatic Sea.

Set between emerald waters and mountainous horizons, at the entrance to the UNESCO world heritage site of the Bay of Kotor, the 111-key hotel is set to open its doors in July 2018. It marks the brand's second hotel in Europe after Andermatt in Switzerland and will benefit from the fully integrated resort development at Luštica Bay. The hotel boasts 45 rooms and 6 suites, and features condominiums including 55 rooms, 4 suites, and 1 penthouse for sale, making it one of the largest luxury hotels in the area. The hotel also offers a private beach, indoor and outdoor pools and sundeck, and direct access to the serene promenade and marina. The conference centre and business centre are first rate too, with meeting rooms, a sizeable ballroom, and pre-function area.

Marc de Ruijter, General Manager at The Chedi Luštica Bay, "We are tremendously excited to be launching the first hotel at Luštica Bay, Montenegro's largest fully integrated resort development on the Luštica peninsula. We are looking forward to indulging guests with our meticulous service in incomparable elegant surroundings with a refined, yet relaxed traditional coastal ambiance.

Chedi hotels have been created as tranquil settings where on their journeys, travellers rediscover the peace of solitude and stillness amidst environs of beauty – and we couldn't think of a more apt location than Luštica Bay for guests to have the legendary Chedi experience!"

The hotel is designed by the acclaimed TVS Design studio from Atlanta Georgia in the USA, which adopted a modern interpretation of the vernacular architecture, with a contemporary, fresh and airy

design by GG & Grace, taking advantage of the views and beautiful scenery by using materials that accent the pristine coastal location. A mix of bold splashes of colour with a more neutral primary palette will give the hotel its own unique character and offer guests moment of relaxation and inspiration. All the rooms are comfortably furnished in a minimalist style, with simple, modern decor and sensitive lighting which emphasises their luxury.

The hotel has two restaurants which overlook the emerald bay water and use the freshest local ingredients to whip up mouth-watering meals. A delectable buffet breakfast, as well as pan-Mediterranean lunch and dinner is served at 'The Restaurant.' Meanwhile the marina restaurant, 'The Spot' will offer an enviable al fresco setting on the promenade and will serve a fine selection of Asian inspired snacks and light meals. There will also be a lobby bar with cocktails, as well as afternoon tea, and the pool and beach bars will also serve refreshing beverages.

For those in need of a reinvigorating stay, and balancing the body, mind and soul, surrender to the serenity of The Chedi Spa with ancient healing traditions of the East. The treatments include stimulating body polishes, nurturing envelopments, and romantic bathing ceremonies, all designed to pamper and restore vitality. The fitness conscious can look forward to a state of the art gymnasium.

Parent company GHM and the Chedi brand initially



established its name in Asia and the Far East. It clearly sees potential in Europe by continuing its expansion with the luxury 5-star hotel in such a prestigious location in the Balkan Peninsula. This particular project was developed by a renowned town builder, Orascom Development Holding A.G., one of the largest corporate groups in the MENA region. The development offers waterfront residences, hotels, berths, and a star leisure attraction will be Montenegro's first 18-hole championship golf course, designed by Gary Player, which will open in phases and is due for completion in 2021. The initial phases will include more than 1,500 properties including apartments, villas, and townhouses. The development will boast two top flight marinas offering 225 berthing options of up to five years. The main marina is also due to be operational by this summer and in its first phase will offer accommodation for 50 power and sail boats up to 35 metres in length, which will extend to 176 when fully complete, and a sizeable secondary mooring area for smaller vessels is also planned.

Luštica Bay will feature year-round amenities including shopping, dining, educational and medical facilities. Some residents have already been living at Luštica Bay for three years, with 160 apartments in Marina Village now complete, and with about 250 properties already sold, and the townhouses and villas also due for completion this summer. In Q4 2018, construction will also begin on Centrale, a commercial and administrative hub, and a focal point



for Luštica Bay’s community life with the first phase completing by summer 2019.

Darren Gibson, Chief Executive Office at Luštica Bay commented: “Montenegro is steadily becoming a go-to destination for those seeking an ultimate luxury Riviera lifestyle. It is with great pride that we are bringing the iconic Chedi brand to Luštica Bay. Along with the launch of the first marina this summer, this is a significant milestone in the development of our project. The Chedi is a perfect fit for Luštica Bay, given the synergies in the brand ethos of both companies. This agreement reaffirms our commitment to the highest quality development and firmly establishes Luštica Bay at the forefront of luxury residential and tourist destinations in the region.”

As Lord Bryon famously said: “At the birth of our planet, the most beautiful encounter between land and sea happened on the coast of Montenegro”. The Chedi Luštica Bay and its location succinctly articulates this beauty, culture, and history of the Region.

[www.chedilusticabay.com](http://www.chedilusticabay.com)

#### About Luštica Bay

Luštica Development AD was founded in 2008 as a joint venture between Orascom Development Ltd. (90%) and the Government of Montenegro (10%). As a subsidiary of Swiss Orascom Development, a renowned international town developer, Luštica Development AD is the national project company responsible for developing, building and operating Luštica Bay and will remain a local partner for generations.

The project site is an inspiring, wonderfully secluded area along the Luštica peninsula, where rolling hills cascade down to an idyllic coastline. Its 690-hectares will be sensitively developed into a fully-integrated, new town in Montenegro with a state-of-the-art infrastructure. It will mark the biggest investment volume development in Montenegro yet (1.1 billion Euros) and after completion will host a few thousand residents, more than 1000 apartments in its first

phase, more than 500 villas and townhouses, seven hotels, two marinas, a signature 18-hole golf course and a range of public facilities including a school and medical facility.

[www.lusticabay.com](http://www.lusticabay.com)

#### About Orascom Development Holding A.G. (ODH)

ODH is a leading developer of new towns, creating truly self-sufficient, international communities. ODH is currently present in nine countries across three continents, among them: Egypt, UAE, Oman, Switzerland, Morocco and Montenegro. The company is headed by a highly experienced executive management team with extensive expertise in the travel, tourism and real estate sectors and has a team of approximately 9000 employees. The company’s hotel portfolio encompasses 35 hotels with more than 7800 rooms.

#### Orascom Hotel Management

A subsidiary of Orascom Development, Orascom Hotel Management is a Swiss based company, specialising in the development and management of touristic towns. It is one of the biggest hotel owners and operators in the MENA region, which includes more than 35 operating hotel properties, with more than 8,000 guestrooms dispersed across Egypt, Oman and the UAE, along with other Hotels under development in Montenegro and Morocco.

[www.orascomhm.com](http://www.orascomhm.com)

For more Information, please contact Luštica Bay’s UK PR:

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+44 7786 837 339 | +44 7500 518 412

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*Today,*

I will pilot my boat out into the blue ocean,

practice swan dives off the bow

and say hello to a blue angel fish.

Then return to stroll off the dock

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GEORGE'S BAY RESIDENCES LIMITED



CAROLINE BAY

Artist's Rendering





# WHY WEALTH MANAGERS ARE EYEING FEMALE ENTREPRENEURS

Wendy Spires discusses the rapid rise in female entrepreneurs seeking investment and planning advice.

As an online matching service for HNWIs and institutions, findaWEALTHMANAGER.com is uniquely well placed to gauge who is holding wealth and what individuals are seeking to do with it. Key among recent trends is the number of female entrepreneurs seeking advice trebling since the start of 2018 (1).

Historically, affluent women have only accounted for around a tenth of the wealthy individuals coming to our site (findawealthmanager.com) to find and compare wealth managers. The reasons behind this are complex.

On the demand side, even though in developed nations some 40% of households have a female as the primary earner, all too often we see a cultural expectation that wealth management decisions are more the domain of male partners. Also, abundant research indicates that women are much more likely to lack confidence in financial matters and to rate their knowledge more modestly than men, irrespective of their education level and professional/business achievements.

On the supply side, it is well known that very few wealth managers approach women as a distinct segment, meaning that women often struggle to “see” themselves in the marketing and advertising messages firms put out.

Creating wealth, rather than receiving it

However, none of this is to say that women aren’t increasingly wealth creators, rather than the recipients of it through marriage or inheritance. Globally, the amount of wealth held by women is expected to grow from US\$13tn to US\$18tn by 2021 and it is predicted that over that time the amount of private wealth controlled by women will grow 1.6 per cent faster year-on-year than that controlled by men (2).

Higher educational attainment, more women realising their full career potential and pay equalisation apparently play a large part in the picture, but female entrepreneurship is now really coming to the fore.

Across Europe, the amount of wealth created through the business efforts of women has dramatically accelerated in recent years, from £3.5bn in 2012 to £6.2bn in 2016. By a long margin, the UK and Germany are the top countries in Europe for female wealth creation, but Italy is another that has seen a significant climb in female wealth (3).

Looking more closely at the UK, businesses owned by women contributed £3.51bn to the economy and created 77,000 jobs in 2015 (4). In Britain, around 5% of the female population start a business each year (against 10% for men) and the consensus is that female entrepreneurship levels are set to rocket, encouraged by strong support from Government and organisations like the Women’s Business Council. Currently, around a fifth of UK businesses are led by women, but this is projected to rise to 30% by 2020. It is estimated that if women matched men in their business endeavours, then female-led SMEs could contribute over £180bn to the UK economy by 2025 (5).

Developments are similarly positive (if not more so) in other regions. The US and the Middle East are hotbeds of female ambition and Asia-Pacific presents a particularly exciting picture, with over half the region’s female billionaires being first-generation entrepreneurs. China, Hong Kong and Singapore may well be powerhouses here, but even less developed nations are making very encouraging moves too. Today, a third of

Vietnamese businesses are run by women, but the Government is targeting a rise to 50% by 2020. Notably, Vietnamese businesswomen are featuring prominently in the international billionaire rankings today.

A changing world, a changing wealth industry

So, we can see that women are creating substantial amounts of wealth all over the world. But what does this mean for wealth managers’ strategies?

In broad terms, they have to address female entrepreneurs as a specific market in a way that doesn’t define them by their gender but which does acknowledge the specific investment and wealth planning needs they are likely to have.

Research shows, for instance, that women tend to be far more risk-averse than men, while also finding Socially-Responsible Investing more attractive: 69% of women feel it is essential that their investment decisions reflect their personal values and philosophies (6), and twice as many women as men consider the social responsibility elements of their investments (46% vs 24%) (7).

We also know that women tend to value opportunities for education very highly, particularly as regards managing liquidity events and succession planning. While male entrepreneurs tend to have well-developed peer group networks – and therefore abundant mentoring opportunities – female wealth creators can lack access to this collective wisdom at crucial points like a business sale. Ensuring that businesswomen can benefit from timely advice around wealth structuring and investments is key.

Thirdly, wealth managers (and the financial services industry generally) are finally waking up to the real importance of inclusivity in the workforce. Although it is not necessarily the case that female clients will want to work with female advisors, it is inarguably the case that women leading businesses will want to see the same in their financial services providers. After all, how can a wealth management firm purport to know what high-powered women wish to if it does not have senior female executives helping shape its strategy? Thanks to

the Davies Review, female representation on FTSE 100 boards has more than doubled (from 12.5% in 2011 to 26% in 2016), but the financial services sector is still way behind generally and the wealth management sector particularly so in most markets.

New segments, new strategies

A wide-ranging transformation is taking hold, however. Wealth management used to be a business notoriously focused on the “pale, stale and male” – that is, wealth in the hands of older men in developed markets. But that paradigm does not represent the global wealth reality now. Correspondingly, we see the industry turning its attention more and more towards the younger generations, female entrepreneurs and clients from emerging markets, among other segments.

The benefits of a firm working to “own” a client group like female entrepreneurs are clear, given the current lack of precisely-targeted offerings we see. Not only are businesswomen under-served at present, but they also tend to be highly loyal clients and ones for whom making referrals to trusted advisors is second nature. Thus, a wealth manager could enjoy inflows that exponentially grow as its female clients’ personal networks do.

Against this backdrop, it is little wonder that so many wealth managers are using thought-leadership and networking to spearhead their strategies for attracting female clients and that firms are prioritising corporate cultures in which women can shine. Creative thinking will be required, but as industry research – and our user figures confirm – the potential rewards for wealth managers are very high.

Wendy Spires is Director of Client Research at findaWEALTHMANAGER.com

1. From 5% of users to 15% in May 2018
2. UBS
3. Wealthmonitor
4. Royal Bank of Scotland
5. Deloitte
6. Moxie Future
7. Spectrem Group



# REAL ASSETS

## A GOOD INVESTMENT FOR INHERITANCE PLANNING



'Real assets' are distinguished from assets listed on securities markets in that they are directly related to goods that are material, identifiable, tangible and whose value is determined independently of their financial flows. This definition is usually taken to include infrastructure, private equity, property and commodities.

A feature common to all such investments is that they have their own intrinsic value, which makes them less standardised than other asset classes, and are accessed via private (over-the-counter) markets. They also generate nominal returns so offering a good hedge against inflation.

Traditionally, the asset class has appealed to institutional clients who find recurrent returns, inflation protection and diversification of risks particularly attractive. Institutions often cope better with the constraints of real assets, which may require high initial investments and be illiquid, hard to value and subject to burdensome costs (particularly transaction costs). Institutions can also call on professionals who can provide the appropriate level of due diligence.

However, in recent years it has become increasingly common for large private investors to consider adding a real asset allocation to their portfolios. Three phenomena explain this. The first is a factor of the current economic environment: interest rates are low and returns miserable. The second one is structural. Correlations between listed assets have led wealth managers to look elsewhere for additional diversification for their clients' portfolios.

The third one lies in some dominant underlying social and behavioural trends. Real asset investments are by their nature more striking, something that increasingly appeals to new generations of clients who, influenced by the rise of the start-up, are eager for investments with an entrepreneurial story. The tie-in with the real economy also chimes well with families whose fortunes were often built on past or recent industrial success and for whom mistrust of finance is sometimes a factor. Real assets demand long investment horizons and considerable thought from the investor, unlike other assets that can be more like financial speculation. The investing philosophy is closer to that of Warren Buffet, who famously said: "our favourite holding period is forever."

The behavioural factor is all the more relevant when we consider the mechanics of inheritance planning, the principal concern of wealthy families. We find clients are very interested in holding these assets during this crucial phase.

Firstly, for reasons of appropriation. If the new generation is to understand the responsibilities that wealth brings with it, it is fundamental that the assets they are to inherit should make sense. Just as a fortune has its own story to tell, the story of the family, it is essential that the investments comprising it do the same. Appropriation involves a mix of tangible objects, emotions and values. Real assets, thanks to the concreteness of the goods or projects they represent, make it easier to identify with the portfolio in this way. Clients' sometimes irrational attachment to gold is a perfect example. The same goes for property, which often evokes a strong attachment.

The second point lies in the opportunity to use real assets as a tool in the new generation's learning process. Many heirs do not instinctively see the importance of involving themselves in matters of finance. Real assets encourage involvement and continuity. They are there for the long term; the only horizon on which an effective wealth management strategy can be built. They offer an opportunity to confront choices in an environment of co-investment between generations, making for a smoother transfer of assets in the process.

Finally, on the question of inheritance transmission, real assets have proved a useful tool for generations that want their family wealth to last as long as possible into the future, each generation acting as temporary steward of a lasting inheritance. As real assets are

generally illiquid, the risk that might come with instant access factor is reduced. For clients concerned about this risk, they can be a useful complement to more cumbersome formal structures such as trusts and foundations. They thus help recall the primary vocation of many fortunes by offering the usufruct of returns to the current generation while acting as a reminder of the moral duty to transfer the capital they receive to generations yet to come.

In conclusion, real assets, besides their apparent financial interest, can also act as a trigger for reflection on the inheritance planning. Deciding to take on such exposure forces investors to take a long-term view of their wealth and so encourages a cross-generational investing culture. They also embody the more philosophical issues of our time, in which it is becoming increasingly crucial that actions should confer a sense of purpose. Vast fortunes are not exempt from such considerations. The potential impacts of the uses to which capital is put is a way to make a direct contribution.

Financial investments, particularly investments in real assets, can be a way to show wealth in its real light; as a tool to serve the family. To invest in tangible assets is to think about the coming generation.

The Geneva-based CAPITALIUM ADVISORS SA is an independent investment manager regulated by the ASG (Swiss Association of Wealth Managers). It offers wealth management services for a clientele consisting mainly of Swiss and international families and entrepreneurs.

[www.capitaliumadvisors.ch](http://www.capitaliumadvisors.ch)

**大中华地区私人银行家协会**  
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## HOW A CONCIERGE SERVICE CAN TRANSFORM YOUR INTERNATIONAL JOURNEYS

Travelling to a foreign country for any amount of time can come with a number of worries, uncertainties and periods of merely feeling lost. For a truly international family, constant movement between nations can cause unique challenges specifically around education and logistics. Enter, concierge services, on-call personal assistants whose entire job revolves around making your life easier. Stephen Spriggs of William Clarence Education explains the difficulties many face when moving, and how a concierge-style service can help.

The actual word 'Concierge' derives from the Latin word *Conservus*, translated into English is 'Fellow Slave'. Clearly (and thankfully), the meaning has shifted over the centuries that followed, but in a sense the modern concierge remains on call, offering a virtually hands-free service, to assist with the latest problem in your life. Traditionally, hotels were the typical backdrop for most people utilising a lifestyle assistant with doormen helping with bags or receptionists making appointments on your behalf; today the role has changed dramatically, especially where education is concerned.

Modern concierge services act more like full-time lifestyle managers, and can help with everything from travel, accommodation, entertainment, finances, and even personal shopping... the list goes on. For families traversing the world, a core requirement remains the education of their children.

For children of any age, moving can be a stressful time, for those with genuinely international families maintaining a level of academic achievement can be an issue. Private tuition combined with home-schooling is one answer, and with the right concierge or educational consultancy, the need to identify and hire tutors in each country is handled by those that already hold the knowledge of you personally and the situation in each country you may be visiting at any point.

### Comfort & convenience

In this day and age, people just don't have the time required to continually be on the lookout for services



by Stephen Spriggs

### Managing Director William Clarence Education

to better their life, any organisation that offers multiple services within one package is a blessing, which is why many companies have moved to a more rounded solution, rolling concierge-style benefits and extras on top of their existing offerings. Some banks now include personal assistants as part of premium account packages, such as the NatWest Gold Account; similarly, consultancies in other areas including education have launched a range of choices to help their clients when arriving in a new country.

At William Clarence, for example, while our primary function as education consultants assist with school and University advice, our 'Private Office' division work with many families who are travelling to a country for the first time. Be it for a job offer or lifestyle choice, some may know a little about the educational options available however the majority are faced with the challenge of gathering this information. Our Private Office services begin the moment a family touches down at the airport with transportation and accommodation sourcing all included within the remit. For those lacking in the local dialect, interpreters are also provided while Visas and banking issues are handled alongside.

Throughout the process relationships are formed between family members and assistants, liaising with one trusted provider maintains a smooth and straightforward trip for those travelling, not to mention a considerable reduction in stress. When dealing with education there is an obvious need for the children to visit the new location, so when parents or relatives aren't able to attend, concierge services can even arrange guardians to look after children travelling alone, providing the reassurance that all loved ones are safe. Where we assist with educational requirements, there is a tendency for these relationships to transform into longer-term arrangements.

### Evolution

Where concierges were once diluted to the form of a single person handling baggage, today, modern service providers can be exclusive, mysterious groups with ultra-rich clients maintaining a tight symbiotic relationship. At the top tier, all members are included by invitation-only with many group's clientele maintaining an average net worth of hundreds of millions of pounds. Sandwiched between traditional hotel doormen and these most distinguished organisations there sits a number of specialist and knowledgeable providers servicing those somewhere in between.

In essence, joining a concierge service should ensure no unexpected surprises are sprung upon entering a new country. From the moment you leave the runway or port of your departing location to the second you return, all aspects can (if you so choose) be handled on your behalf leaving you to enjoy the transition to your new home and life overseas.

In the case of our clients over the years, we have found that our Private Office service doesn't just provide one-off provisions; across the globe, we have continued to work with many families sometime after their relocation, for example assisting with new schooling or university applications.

Nowadays a concierge service represents "comfort, convenience and accessibility" and that's precisely what they deliver.

[www.williamclarence.com](http://www.williamclarence.com)

## PHILANTHROPIC CAUSES

### UNIVERSAL FILM AND FESTIVAL ORGANISATION



The Universal Film & Festival Organisation (UFFO) was founded to support and implement a code of practice for film festivals throughout the world. It is now dubbed 'FEST-COP', and its logo is now a familiar sight at many film festivals. The UFFO is a global not-for-profit voluntary organisation, and it created a "best business code of practice" for film festivals to combat the high level of corruption that blights the industry.

Its former president was the legendary actress Maureen O'Hara, and the organisation now has at least 240 film festival members.

UFFO's FEST-COP is entirely voluntary, free and easy to implement. Also, it is a blueprint for filmmakers in deciding which film festivals to do business with. Only film festivals that have subscribed to the UFFO best business code of practice are entitled to use the UFFO logo.

The organisation is now seeking a benefactor to help it move forward with its plans to further its remit and to create an online porthole to ensure filmmakers can deal with film festivals via a trusted source. The porthole will also act as a distribution platform and as an online TV channel for filmmakers to show their work.

Email [info@uffo.org](mailto:info@uffo.org) - [www.uffo.org](http://www.uffo.org)



# CHÂTEAU MOUTON ROTHSCHILD 1945

## HOW TO VERIFY A VINTAGE WINE



Stuart George tells the story of his purchase of an exceptional wine from the cellar of a unique house with special owner

Faringdon House is a 14,510 square feet house in Faringdon, Oxfordshire, England. The house is Grade I-listed, protected as a "building of exceptional interest". It was built in 1770–85 for Sir Henry James Pye, who was the then Poet Laureate (an honorary position appointed by the monarch of the United Kingdom).

Faringdon House was a remote, quiet country manor until Gerald Hugh Tyrwhitt-Wilson, 14th Baron Berners, inherited it from an uncle in 1918. From his youth, Berners was notorious for his eccentricity. Upon hearing that a dog could be taught to swim by throwing it into the water, young Gerald decided that a dog could be

taught to fly by being thrown out of a window. Happily, the dog survived.

Lord Berners moved into Faringdon House in 1931 with his companion Robert Heber-Percy, known as the "Mad Boy" for his uninhibited behaviour, which included horse riding naked through the surrounding woods. Fictionalised as Lord Merlin in Nancy Mitford's 1945 novel *The Pursuit of Love*, Berners dyed pigeons in vibrant colours and entertained Penelope Betjeman's horse Moti to tea at Faringdon. Other visitors included Gertrude Stein; Igor Stravinsky; Salvador Dalí; and H. G. Wells.

Unexpectedly, in 1942 Heber-Percy married the 21-year old Jennifer Fry, who gave birth to their daughter Victoria in 1943. For a short time, mother and daughter lived at Faringdon House with Heber-Percy and Berners in an unconventional domestic arrangement. Fry separated from Heber-Percy in 1947 and later married the poet and cricket writer Alan Ross.

In 1950, Lord Berners died and Robert Heber-Percy inherited Faringdon House, which was sold by his granddaughter Sofka Zinovieff (daughter of Victoria) in December 2017 and its contents were auctioned in April 2018.

Among the contents to be sold was a single bottle of wine – Château Mouton Rothschild 1945.

### Château Mouton Rothschild 1945 – a great wine

In his book, *Vintage Wines*, former head of Christie's wine department Michael Broadbent MW described 1945 as "arguably one of the greatest vintages of the 20th century [producing] long-lasting wines of the highest quality". Mouton '45 is so exceptional that Broadbent gave the wine six stars (in a five-star rating system), writing that "There is simply no other wine like it."

The US wine critic Robert Parker wrote of Mouton 1945, "A consistent 100-point wine (only because my point scale stops at that number), the 1945 Mouton Rothschild is truly one of the immortal wines of the century. This wine is easily identifiable because of its remarkably exotic, over-ripe, sweet nose of black fruits, coffee, tobacco, mocha, and Asian spices. An extraordinarily dense, opulent, and rich wine, with layers of creamy fruit, it behaves more like a 1947 Pomerol than a structured, powerful, and tannic 1945. The wine finishes with a 60+ second display of ripe fruit, extract, and sweet tannin. This remarkably youthful wine (only light amber at the edge) is mindboggling! Will it last another 50 years?"

An Art Deco label was commissioned from the poster artist Carlu for the 1924 Mouton vintage. To commemorate the end of the war, 1945 was the second vintage of Mouton to feature a bespoke label, based on British Prime Minister Winston Churchill's "V for Victory", by a young French artist called Philippe Jullian. Every vintage since, Mouton has enlisted an artist to design a new label.

Although the artists were not paid for their work, they did receive ten cases of wine – five of that year's vintage, plus five of their own vintage year.

### Doing diligence from a distance

At Vins Extraordinaires, we always advise that high-value bottles and cases should be inspected in person; however, that's not always possible.

Owing to many other commitments, we were unable to inspect the bottle personally before the auction, so we had to do due diligence based on the auctioneer's images and condition reports to make an assessment of the bottle before bidding for it.

### Label inspection

Very damp-affected and not a pretty sight, but correct for something that has been stored in a cool, damp country house cellar for half a century.

The Mouton label format from 1945: Artwork at top; the ram emblem; declaration of the number of bottles produced; the proprietor's signature; the name of the wine; the year – all present and correct.

The label should have two separate pieces, with the top "V" piece fractionally less wide than the main label – present and correct.

From 1945 to 1958 the vintage appears below the ram emblem – present and correct, though here it's damp-affected and with a small tear.

### Glass bottle inspection

Château Mouton Rothschild 1945 was bottled in a green, broad-shouldered bottle with the shoulders slightly wider than the base so that the bottle tapers slightly towards the base – present and correct. The "75 cl" is seen on authentic examples.

### Bottle fill level or ullage inspection

The wine is at top shoulder level, which is a normal and a good level for wines over 15 years old. For wines over 20 years old, this demonstrates excellent storage conditions. For a 73-year old wine, it's exceptional and shows the benefits of having been stored in a cool, damp country house cellar for half a century.

### Capsule inspection

All present and correct: Faded red, embossed at the top with "MOUTON ROTHSCHILD MEDOC" in circular uppercase and an "arrows" emblem in the centre, surrounded by an embossed circular line; "MIS EN BOUTILLE AU CHATEAU" is embossed on the capsule at the top of the neck; below this is a very faded embossed logo.

If you approach old and valuable bottles with diligence, integrity and – especially – humility, you will rarely get it wrong. We now have pleasure in offering this very special bottle of wine for sale.

Stuart George is Founder & Managing Director of Vins Extraordinaires, which offers fine wine events and sales in Mayfair, London. Read more about Mouton Rothschild 1945

<http://vinsextraordinaires.com/retail-sales.html>





# CONSIDERATIONS FOR INTERNATIONAL BUSINESS EXPANSION

by Robert W. Courtney

When considering a new market or a re-assessment of an existing one, it's essential to examine what risks may arise to threaten your expected investment return. These run the gamut and can include strategic risks (unwise market entry execution), political risks (discrimination, retaliation, asset expropriation), operational risks (regulatory or tax non-compliance); financial risks (currency devaluation and capital controls, contract repudiation, and collection risk); cultural risks (failing to respect norms of business and employment customs and negotiation styles); and reputational risks (running afoul of anti-corruption or other laws and the public disclosure of that fact).

For those who that proactively identify, manage, and mitigate the various threats to generating profitable business and investments, there are significant market opportunities in these challenging markets. This will provide a roadmap of what to expect and suggest how to prepare and react.

## Difficulties to Prepare For

**Sanctioned countries.** Many sanctioned countries offer attractive business opportunities, but the challenges to doing business in each of them are both many and different. Among the countries worth considering are Russia (agricultural products and equipment, pharmaceuticals, franchising), Iran (imports of foreign-made products, construction, medical equipment), Venezuela (agriculture, auto parts and equipment), and Cuba (selected tourism, agricultural products and equipment). All require a comprehensive and oft-updated sanctions compliance strategy advised by specialised sanctions counsel, as well as their own country-specific strategy, which should include accurate market data collection and evaluation of the industry segment opportunities, finding the right local partners, and managing currency volatility. Refer to [export.gov](http://export.gov) for detailed country commercial guides.



Robert W. Courtney

Lawyer and Business Expert

**Retaliation.** A business in a sanctioned country can be a potential lightning rod for retaliatory action. Russia is a perfect example. The American business community there is concerned that the pending implementation of broader and deeper sanctions against Russian industry, businesses, and business leaders elevates the risk that U.S. companies could be the object of retaliation by either government or private businesses themselves. To date, although U.S. sanctions have not triggered reciprocal actions against American businesses, there is a quiet understanding that American products should be excluded from some tenders by state-owned and -controlled organisations.

**Discrimination.** In most markets in which the state is a significant player, expect some form of discrimination in favour of state-owned or -controlled organisations. International businesses in China have experienced

a persistent creep in these regulations and business practices. Included are purchasing agreements that favour domestic over foreign suppliers and joint venture "IP for market access" requirements that have forced the transfer of technologies from business processes and trade secrets to software codes, patents, and copyrights.

**IP Theft.** China is famous for this and the automobile industry offers a number of examples of blatant copying. BMW, Rolls-Royce, GM, and Mini-Cooper all have experienced launches of lower-priced copies of their better-selling models. Often, SME and tech companies, influenced by seemingly trustworthy partners, let down their guard, only to find that their Chinese partner has appropriated their core technology.

**Raider-style tactics.** In Russia, when a business is prosperous enough to be on the radar screen, it is vulnerable to being pressured by hostile competitors, sometimes in coordination with local authorities; the weak rule of law offers little recourse. Local and foreign players alike are at risk. Ikea suffered a multiple-year delay in opening its Mega Mall in a regional city due to fire and building code violations, at least some of which were widely suspected to be fabricated to postpone the opening and which inured to the benefit of the region's governor, who was known to be the owner of the city's existing major shopping centers.

## Entering New Markets Confidently

Still, despite the challenges, there is a legitimate opportunity for businesses and investment within these markets if planned for. Consider these steps before entering a hostile market:

**Install best-practice processes.** Country-specific risk analyses should precede a market entry decision. From there, be sure you have in place a monitoring process that tracks local and global legislative, regulatory, and political developments relevant to your markets. Rigorous and realistic scenario analyses should be paired with matching contingency plans that undergo routine updating. While few could have predicted events such as the Arab Spring, Russia's annexation of Crimea, and Turkey's failed coup d'état, careful monitoring will enable you to anticipate and respond

proactively to many other changed circumstances in a timely and nimble fashion.

**Update your force majeure clause.** Most international business agreements have force majeure clauses. These clauses can limit downside risk by excusing a party from performance if some unforeseen event beyond its control prevents the performance of its contractual obligations. But they are narrowly interpreted. Careful drafting to specifically list the type of event can improve the chances the clause will apply. Review your force majeure clause so that it is specific to the risks of each of your markets.

**Consider political risk insurance.** Insurable events can include government actions such as sanctions, embargoes, contract repudiations, export license cancellations, and confiscations or expropriations of assets. Government sanctions may result in financial damage to the company, as for example happened to many companies doing business in Russia either as a result of the post-Crimea Western sanctions or the responsive Russian food embargo. And while financial damage flowing from sanctions is not an event likely to benefit from force majeure application, the company's damages may be covered under a broadly written political risk policy.

**Outsource the risk.** If you are an exporter newer to difficult markets or don't have the resources, you can outsource these challenges and risks to an export agent. These companies have market-specific experience and undertake a range of exporting activities, usually for a commission. It can be an excellent way to get started and up your learning curve in a problematic new market. You will sacrifice some margin but lower your risk. Hostile markets rank near the top of the list in degree of difficulty. They pose risks that can blindside an unprepared company but offer opportunities and rewards for those who can raise their game to meet them.

Robert W. Courtney is an American lawyer and business executive with over 25 years' experience as a principal in or advisor to the development and management of new ventures in Russia, the CIS, Eastern Europe, Scandinavia, China, Taiwan, and Japan.





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## A FAMILY OFFICE IS AN IMPORTANT PART OF SUSTAINING YOUR FAMILY VALUES

By Enzo Calamo, CEO, Lugen Family Office, CEO, Medici Family Office

I am often asked by new clients, "why do I need a family office?" After all, most people already have existing relationships with banks, portfolio managers, investment advisors, insurance agents, lawyers, realtors, accountants, etc. These professionals, firms, and institutions usually have an established long-term relationship with various family members. So why even consider a family office?

The most straightforward reason is that a family office is your own private vehicle designed to represent your family's desires and needs based upon your values. Whether your family office is structured as a single-family office or a shared multi-family office is really just a personal preference based on your family's needs and finances.

Your family office should always aggregate, and work on your behalf, with your existing relationships first. Your family office should also be able to facilitate new introductions to other professionals, product issuers, and other service providers, to help you meet your objectives if specific skills, products, processes, or services are lacking from your existing relationships.

If we use a sport's team analogy, you and your family are the sole owners of your sport's team, or, in other words, your own lives. You set the mission, vision, and purpose of your team. Your family office is your General Manager, whose sole purpose is to help you build your championship team to achieve your vision and goals.

Retaining and overseeing the actual coaches and players is just another way of saying that your Family Office will help you bring together the right people and put them into the right seats to help you achieve your goals. Naturally, as you are not starting from scratch in your life, some of your coaches and players will be existing relationships. The rest of your team will need to be drafted by your family office so that you can build a championship team to make your dreams come true.

One of the primary roles of your family office is to assess the timeframes for achieving your objectives. For example, a short-term goal may be successfully met by directly using existing team members or bringing on board a new player(s). This is no different than using a current star player on a sport's team or drafting a supporting star player to a sport's team to win the championship ring.

However, when dealing with legacy planning or intergenerational planning, which often requires a long-term need for ongoing services, it is more important for your family office to work with, or bring on board, firms or institutions with excellent track records, which will be around long after your immediate family has passed away.

Your family office is your private, confidential, fiduciary, and central hub to empower your family to transform its current wealth, or existing family business, into a family enterprise which will successfully survive for a minimum of seven generations.

This will require your family to transition from merely blood relationships to a family of affinity, which will include like-minded family members and an outside eco-system that will support the family on its journey.

In the end, a real legacy family will need to move from merely focusing on success to creating a long-term, sustainable family governance system which will transform the family into a dynastic family of significance.

I know of no better option in the world today to support a family dynasty than having your own private and confidential family office, whose sole purpose is to do what is best for you and your family.



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## THE RITZ-CARLTON RESIDENCES MARRAKECH CELEBRATES ITS SUCCESSFUL LAUNCH

The Ritz-Carlton Residences Marrakech are delighted to announce the official launch of their villas with already 65% of phase one sold. This result demonstrates the appeal of branded real estate projects and reinforces Marrakech's status as attractive investment destination.

The 85-residence community and sporting destination embraces the spirit and style of Marrakech, whilst bringing a new social and polo sporting experience to the city. Located on the 50-hectare Jnan Amar Polo Resort, it is only 20 minutes from central Marrakech and offers a 9-month polo season on Europe's doorstep. Starting at €1.3m, the three to four-bedroom freehold residences, will be fully serviced by The Ritz-Carlton.

The early success of the residences is put down to three key factors says the developer, Amar Abdelhadi: "When we conceived the project, the intention was to identify key

factors and characteristics that would create a compelling residential community beyond what exists in Marrakech today. The marriage between The Ritz-Carlton, polo and Marrakech has been validated by our phase 1 results, so we look forward to continued success."

Homes are built on generous plots and offer views of either polo fields or the majestic amphitheatre of nearby Atlas Mountains, with 8 different villa types, and two interior design options. Each residence has its own private terrace, heated swimming pool, en suite bathrooms, expansive living areas, fully fitted kitchens, and separate dining areas, overlooking landscaped gardens.

Contemporary Berber architecture creates a departure from the popular Moorish arches and is in keeping with the surrounding vernacular, using local materials and the city's traditional scorched orange colour.

Crucially, the developer hasn't had to wait for sales to fund hotel construction and therefore progress is advancing at pace in time for handover to The Ritz-Carlton management team in May 2019.

Charles Smith, Managing Director at Prime New Developments, who are a UK broker for the project commented, "There's growing confidence in investing in Morocco and there are some promising property investment options with attractive returns. However, there still remains many gaps in Marrakech's real estate market, and The Ritz-Carlton Residences Marrakech have successfully filled one such void with the only hotel-branded villas for sale on the market at the moment. The residences are an ideal choice for someone looking for a second home of extremely high-quality, which offers a unique polo sporting adventure not too far away, with multiple and daily flight connections from the UK."

Residence ownership brings a world of benefits beyond bricks and mortar. Every home comes with a privilege card, complete with a host of benefits and services, including 10 nights at any Ritz-Carlton hotel internationally, complimentary membership of the polo

club for two years, fast track at the airport, preferential rates at a leading golf club and additional benefits across Marrakech including special offers in the city's best hotels, boutiques, restaurants, plus preferential access to the best events and openings. There will also be a 24-hour hotel concierge service available, private chauffeur and transfers, catering, housekeeping, childcare, and excursions, which can all be arranged at the touch of a button. Whilst abroad, owners will have peace of mind knowing their property is well maintained and secured.

The Ritz Carlton Residences and Jnan Amar Polo Resort combines its distinctive concept with award-winning design, majestic surrounds, outstanding sports facilities, with arguably the greatest name in hotel service. The finest sporting traditions meet the heritage and history of one of the world's most exciting cities with invigorating contrasts and a dynamic mix of ancient and modern, bohemian and palatial. There has never been a more exciting ownership at investment opportunity in this magnificent city.

[www.jnanamar.com](http://www.jnanamar.com)  
[www.rcr-marrakech.com](http://www.rcr-marrakech.com)







# FAIRLINE YACHTS

## FAIRLINE YACHTS RELEASES FIRST IMAGES OF NEW 2018 48-FOOT

Luxury British boat builder, Fairline Yachts, releases the first images of its 2018 48-foot range following a recent photo shoot in Sydney, Australia.

Reinforcing Fairline’s position as a truly global brand, this is the first time the British boat builder has shot its main campaign imagery in Australia. The move comes as Fairline’s Australian dealer recently took delivery of the full range of models, comprising of the

Targa 48 GT, Targa 48 OPEN and Squadron 48. The images were expertly shot by Miami based photographer Charl Jordaan of Yachting Image, who captured not only these stunning yachts but also the very essence of what it is like to take a cruise around the world famous Sydney Harbour.

Karl Gilding, Business Development Director at Fairline Yachts, comments, “Export currently represents 89%

of our annual sales and Australia has always been an important market for us. Our 48-foot range of yachts is proving to be incredibly popular throughout the region with the size and specification perfectly suited to the Australian boating lifestyle.”

2018 upgrades to the 48-foot range include a reworked interior to maximise quality, comfort and style. The updated interior features have been made even more contemporary by the addition of the

same full-length hull windows that feature on the award-winning Targa 63 GTO – ensuring life below deck is bathed in natural light as well as adding a modern, sleek and stylish exterior look.

In addition to the expertly staffed One Brokerage offices in Perth and Sydney, Fairline is represented in both Melbourne and Sanctuary Cove, Queensland.

[www.fairline.com](http://www.fairline.com)



## THE CURRENT DEAL SOURCING ENVIRONMENT

### OLD HILL PARTNERS



Peter Faigl, CFA  
OLD HILL PARTNERS

Peter Faigl, CFA is portfolio manager of Darien, CT-based Old Hill Partners Inc., an SEC-registered investment adviser focused on asset-based lending and alternative investment management. In this Q&A, Faigl describes the current deal-sourcing environment, the important distinctions to make between lenders in the increasingly crowded private credit space, and the questions he typically encounters from prospective investors.

Recent industry press suggests competition for attractive middle-market deals is getting intense. Do you agree?

First and foremost, it's essential to map out the direct lending universe. There is a lot of talk

about how crowded this space has become – first in the \$30 million or more range served by the larger regional and national banks and more prominent lending funds, and secondly in the \$10 million - \$30 million range serviced primarily by local and regional banks. However, what tends to go unaddressed are the various submarkets within direct lending, some of which remain less competitive due to the need for specialised knowledge or, in some cases, monitoring capabilities. For example, financing leveraged buyouts and recapitalisations is a very competitive segment, since these are your standard cash flow-based loans where principal is typically a multiple of EBITDA.

Many industry players possess the requisite knowledge for this type of transaction. Conversely, lending to speciality finance companies requires specialised knowledge of the assets being originated (for example, consumer leases), since those are the assets from which the loan will be repaid. The universe of investors with this kind of expertise is much narrower, and this generally means less competition.

Note, too, that while the rush of new entrants into the direct lending space in recent years may have led to fears of overcrowding, it hasn't guaranteed quality. Indeed, some of these new entrants possess insufficient expertise in what can be a complex asset class. Like any hot sector, they're just in direct lending

because of the outsized returns available. But they don't fully understand their risks, and/or they don't have any workout experience. We've seen this firsthand; On three separate occasions recently, we ran into a competitor that has raised hundreds of millions in capital for direct lending; in each case, the company they financed wound up either in bankruptcy or liquidation.

Another factor when looking at deal flow in the direct lending space is that many lenders will not underwrite unprofitable companies or those with limited operating histories. But proper utilisation of structural features can protect the lender in case the operating company gets into distress, making this segment of the market also less competitive. For example, part of our business is lending to speciality finance companies, many of which are not profitable due to high fixed costs at inception and economies of scale that are still to come.

One approach is to separate the assets backing our loan from the company through a sale to a special purpose LLC, and then utilise a third-party servicer to collect on the leases, loans or whatever receivables we are financing. In this scenario, should the speciality finance company go out of business, we retain control over both the assets underpinning our capital and the manner they're being collected. The originator's default is thus relatively inconsequential.

A third factor is deal size. Even if a lender operates in a specialised space, size still constrains certain large lenders. It's economics – the same amount of time and effort is required to correctly put together a \$5 million financing as a \$50 million one; when you're managing billions, you're simply not going to spend a lot of time on smaller deals. This means less competition for smaller deal sizes...in fact, we typically run into competition once a client is looking for \$20 million or more.

On the flip side, we rarely have to compete when someone is looking for \$5-\$10 million, and there are fundamentally more smaller companies out there than larger ones. This gives us a unique opportunity to review a significantly larger number of borrowers and try to pick the ones that we think will grow successfully. Essentially, this allows us to get in early – we're happy to see competition appear once the client has grown and where we have rights of first refusal for any new financing, prepayment penalties that discourage clients from looking elsewhere, etc.

OHP is known for its high selectivity, but does this approach unduly limit your number of potential deals? Does it ever become an obstacle?

We're fortunate in that we review a large number of smaller transactions, and we can be picky. If we were solely focused on larger deals, our selectivity could quickly become a problem. From our standpoint, we are disciplined and steadfastly refuse to chase markets we find unattractive. We have not extended credits to specific submarkets for a number of years because of competition or because we're waiting for the market to turn. In the meantime, we continuously look for ways to explore new asset classes and or to acquire further specialised knowledge.

Has your deal screening process changed as interest rates rise?

No, we haven't changed a thing. We are opportunistic investors and even difficult assets can be financed

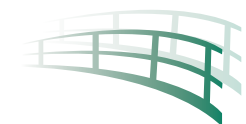
profitably with the right structures and at the correct advance/loan-to-value rates. When we start looking for a new asset class, we start small and at low advance rates. Our coupon rates are, in most cases, indexed to either LIBOR or the prime rate, and thus will ratchet upwards along with benchmark rates.

What do you tell investors who believe lack of good deal flow is a critical issue in the private debt space?

We reiterate that while it may be an issue for some, it really isn't one for us. We have been in this business for more than twenty years, and as a result, our network of contacts for potential transactions is pervasive. In fact, nearly half of our originations come via referrals from past or existing clients, and roughly one-third come via various intermediaries – brokers, advisors, attorneys, accountants, etc. – with whom we have done business in the past. Taken together, these categories represent the majority of our deal flow.

What are some of the common questions/concerns you're getting from investors these days?

Given the normalisation in monetary policy underway, a fairly common question is on our default rate and losses to date. More specifically, investors want to know what we expect to experience once a recession hits. Historically, we have seen about a 10% default rate regarding a number of deals, but we have generally been able to work out those credits without any capital losses. During a recession, I think it is reasonable to expect defaults to rise, but that's the advantage of bespoke structured finance transactions; given the nature and very careful structuring of our loans, we're confident the impact on our portfolio will be less than the market and industry averages.



OLD HILL PARTNERS



# BRITISH BESPOKE MEETS SWISS PRECISION

## Q & A with George Bamford, Bamford Watch Department



Captains of industry, men about town, world leaders – including, rumour has it, Vladimir Putin, have all made an appointment at George Bamford’s five-storey Mayfair townhouse, known as The Hive. George, 37, is a scion of the Bamford family of JCB fame, one of Britain’s most successful dynasties, and the Hive is the nerve centre of his customised luxury watch business, Bamford Watch Department. For those who don’t want to be seen out with the same timepiece as anyone else, from £4,500, you can personalise specific models from the Tag Heuer, Zenith and Bulgari to suit your style, and the list of brands that have given him approval to “officially” customise is growing. Business is in the Bamford blood, and Family Office magazine have been given access to some of George Bamford’s precious time, and we are able to share an insight into his business with you.

FOM: Can you tell us why you didn’t go into your family business?

GB: I wasn’t allowed to. Once I had completed university, my father said to me that I couldn’t work within the family business until I had either made a success or failure on my own dime. I started as a photographer and then by happenstance I fell into my watch business and built that up. Ruling out the family business made total sense because it gave me self-worth and also demanded my own gut decisions. Is working for the family business still ruled out? No. I do work within the family business as well as Bamford

Watch Department and both businesses feed my passion for engineering and design, so it is a really great thing.

FOM: What inspires you the most, and what are the biggest influences in your working life?

I often find that inspiration is in the things around me from architecture to car design to Instagram. I feel that the discovery we always used to take through libraries has now become rapid on our phones. Whether this is good or not is very debatable. Some days it is good and some days it isn’t. I think with a great song and with time spent, you can be inspired by your computer screen, or by running through a new city. I always love the journey of exploration when I hit a new city. I was recently in Los Angeles and I hiked the hills up to the Hollywood sign. I realised how beautiful the day was when I saw the entire LA skyline from a different perspective. I think that when you have a different outlook on life, you can understand things. You have to change and move on a regular basis like I have done in my business.

FOM: If we wanted to order a customised watch from BWD, can you tell us what the process is from start to finish?

GB: There are multiple ways for a client to initiate their design process. Clients can design their unique watch directly on the website which is usually a starting point which we can then take further, or clients can

book an appointment with us to discuss their ideas. We love being challenged by our clients and honestly believe in our motto, ‘If you can imagine it, we can create it’. Over the years we have worked with clients to make a variety of designs from matching a la-dies shoe or lipstick, or the colour of a pair of Nike sneakers or having the panel of a car copied as the colour of the dial, the options are endless. Once the design is confirmed with the client, the watch goes into production starting at our in-house service centre and a team of expert watchmakers who strip the watch so that the various elements can be customised. The process tends to take 6-8 weeks depending on the chosen design, and the watch goes through strict quality control before being delivered to the client.

FOM: You have recently opened a Bamford Grooming Department space in Threadneedle Street. Can you tell us about the store, what you will be selling in the store, and how you will be using the location to expand your business?

GB: The store space is impressive as it is an old tobacconist’s shop established in 1851. The concept for this store is quite unique as it is the first space to bring together the Bamford London brand and the Bamford Grooming Department under one roof. I see it becoming the ultimate hub for gentleman’s luxury products. At the moment it is selling the full men’s grooming collection from Bamford Grooming Department, which my Mother and I created together.

It brings together the very best in organic skincare and wellness products for men. We also offer some of the core Bamford Bath & Body collection. Alongside grooming, the store stocks an edit of Bamford London watches and accessories which will evolve continually. There is also a hidden basement level that I’m really excited about. The pop-up space downstairs will also be changing on a regular basis. We want to surprise our customers with something new every time they visit. I believe that cities like London are becoming harder to transport through, so I think we have to go to our customers. They are less likely to come to us nowadays so I see this store as the first step towards going to our customers and the Royal Exchange is a great location.

FOM: What does family mean to you in three words?

GB: We have a family motto which is ‘Jamais Content’ and I interpret it as never content but always striving for more. With that devil on your back, we must always strive to go further.

[www.bamfordwatchdepartment.com](http://www.bamfordwatchdepartment.com)  
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# GENERATIONAL SUCCESS

CONTINUING YOUR FAMILY'S LEGACY FOR GENERATIONS

Joe Robbie cofounder of the National Football League's Miami Dolphins in the 1960s. Following Mr Robbie's death in 1990, a feud broke out among his children and surviving wife regarding the team and the family's continued ownership. Lawsuits were filed; claims of dishonesty were made among his children; the family fought bitterly. Mr Robbie's estate was reportedly worth over \$100 million at the time of his death. As a result of poor planning, his estate allegedly had to pay taxes of over \$40 million.

Additional money was required for certain debts, litigation costs, and other expenses. The family was ultimately forced to sell the team and the stadium. In the end, each of his children received about \$6 million. The judge overseeing the estate hearing concluded, "As much as Mr Robbie produced for his children, I'm sure he is turning in his grave. I'm sure this is the last thing Mr Robbie wanted to see." Mr Robbie's children seemed to concur: "This whole thing has destroyed our family."

Though sad, the Robbies are not an anomaly. There's a reason that "shirtsleeves to shirtsleeves in three generations" is a cliché with iterations in different cultures around the world.

Consider, on the other hand, a family-owned processing company

in the northeastern United States. The third generation is getting ready to assume leadership. The business is profitable, growing, and considering new markets and new product lines to diversify its holdings. There are dozens of shareholders (all of whom are family and only some of whom work in the business). Family members are working alongside non-family employees at virtually every level in the company.

The family and the business are values-driven. They have a family constitution, non-family board members, clearly defined shareholder rights, and succession plans in place for sustainability. The family solicits outside counsel and hires non-family leaders when appropriate. They meet regularly as a family and celebrate the accomplishments of family members both inside and outside the business. Their family foundation encourages philanthropy and is a tangible reflection of their values. They are well positioned for another generation of success, and they are not alone.

Entrepreneurs work hard to create a robust and profitable business. Beyond building a successful company, though, family leaders want to build a sustainable legacy for their family, which is something beyond just material wealth. Perhaps that means preparing for

the next generation to take over the company. Maybe that means liquidating the company and using the wealth for other family legacy purposes. Maybe the family has different goals. Whatever the case, it takes the same kind of vision and hard work to build a successful family legacy that it took to build a successful business.

What separates families like the Robbies from the families that continue to thrive generation after generation? There is no magic checklist. No simple formula. There are, however, steps that enterprising families can take to work towards unity and success:

- (1) Understand values. It starts with who you are. Families that understand who they are, from where they come, and the values that drive them (and are able to pass that along to the next generation) are a step ahead in building a sustainable legacy.
- (2) Cultivate communication. Joe Robbie's daughter told Sports Illustrated: "[My Dad's] intentions were really good, but he didn't tell anybody what was going on." As Sports Illustrated reported, after Mr Robbie's death, "mistrust quickly grew into an outright family brawl." Foster open and transparent communication. Create an environment where people can ask questions, tell stories, and dialogue openly.
- (3) Clarify relationships. What

does it mean to be an owner? What does it mean to be an employee? How is the governance set up? What will the family's ownership look like for the next generation? Define roles related to the family's business and wealth to clarify expectations and circumvent avoidable controversy.

(4) Planning for transition. As they say, change is the only constant. In the future, who will lead the business? Who will manage the family's wealth? How will wealth be transferred? Establish both management and ownership succession frameworks that are bigger than any one person and help the family understand the plan for sustaining the family's legacy.

(5) Heed advice. According to Proverbs, "the way of a fool is right in his own eyes, but a wise man listens to good advice." Families that solicit (and heed) the wisdom of others are better positioned to build a lasting legacy. For example, professional family business advisors and family offices can help the family and the enterprise function with discipline and forethought. A professional advisor can bring clarity to issues, a perspective from experience, and an unbiased insight for all.

Your family's legacy doesn't have to end like Mr Robbie's. Just as it takes hard work and vision to build a business and wealth, it takes perseverance and intentionality to cultivate a family's legacy for generations to come. How will you foster a legacy for generational success?

Adapted from 20 Questions: Practical Checklists for Business Families by Dr Steve Moyer and Aaron Moyer, J.D., family business consultants with SKM Associates. 20 Questions, a workbook-style resource, contains a practical framework of topics and questions for enterprising families.

Dr. Steven K. Moyer

Steve is the principal of SKM Associates consulting, assisting businesses in growth and development. Steve's consulting has been sought by family owned businesses seeking to enhance the family and the enterprise. In addition to consulting Steve has taught courses at the graduate level in leadership, communication, strategic thinking and planning, ethics, and team dynamics with the emphasis on developing future leaders for dynamic organizations.

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# CONSIDERATIONS WHEN FORMING A PRIVATE FAMILY TRUST COMPANY IN THE UNITED STATES



require trusts to adhere to rules regarding diversification of assets which may result in investment decisions that require the curated investments to be diversified. PFTCs can provide the flexibility to retain curated investments, to manage unusual assets and business interests and to implement unique investment strategies and objectives. Additionally, a PFTC offers the ability for multiple generations of family members to participate in the management and investment of trust assets. PFTCs permit multiple generations to be members of the PFTC's board of directors or investment committee, which broadens family participation in wealth management. Note, however, that due to tax and legal considerations, family members on the PFTC's board of directors or investment committee are not allowed to participate in certain discretionary distribution decisions and certain other decisions related to trust assets.

**Choosing A Particular State in the United States**  
In the U.S. all states are not created equal when it comes to deciding where to charter a PFTC. A handful of states such as Tennessee, Nevada, South Dakota and Wyoming have PFTC laws that are favourable and provide sensible regulations although such states may differ as to requests and trust laws.

One key factor is how a state defines "family." The broader the definition, the more flexibility and benefits a PFTC provides. Tennessee has the broadest definition of family, which allows providing fiduciary services for in-laws, certain family office employees, PFTC employees and certain employees of the family and entities that the family controls or influences. Also, family members include relationships within the 12th degree of kinship to the common ancestors. Similarly, some U.S. states have specific requirements for the number of and residency of directors, as well as the frequency of meetings and bonding requirements.

As far as taxes are concerned, the PFTC is typically designed to "break even," so even if it is subject to state taxes, these are minimal. In regards to the trusts and trust beneficiaries, many states, including Nevada,

South Dakota, Wyoming and Tennessee, do not impose any state income tax on trusts or trust beneficiaries where the beneficiaries are not residents of the state.

In addition to taxes, capital requirements differ by jurisdiction, allowing families to consider states with lower capital requirements, maximising returns and minimising capital reserves. For example, Nevada requires \$300,000 in capital; South Dakota requires \$200,000. Tennessee, however, has no specific capital requirements.

Practically, since PFTCs are required to have a physical presence where chartered, consider establishing a PFTC in a state that has excellent trust laws, a friendly PFTC environment, is easily accessible and is a fun place to visit. Additionally, some states require the board to meet at least annually in that state. The physical presence requirement for a PFTC typically involves having a physical address with an office at the address, desk and a secured file cabinet for records storage.

Some states require an employee to be located within the state. Additionally, the requirements for having 'tax situs' within the PFTC state (and avoiding taxation, to the extent permissible, by other jurisdictions) can be more extensive than the requirements under PFTC law. One of the most important requirements to meet is that of the trust's original "home state" that the PFTC have tax nexus (i.e., a taxable presence) in a foreign PFTC state.

## Conclusion

As with most endeavours, the benefits must outweigh the costs of forming a PFTC. Proper due diligence is required to obtain a clear picture of the family's current trust structure, goals, tax situation and relationship with their current trustee(s). In most cases, ultra-high-net-worth families find that their family office can contract with the PFTC to provide accounting and administrative support services. Generally, organising a PFTC and maintaining situs in a particular state costs less than the fiduciary fees such families pay a public trust company.

Ultra-high-net-worth families have sophisticated trust and financial needs that create many challenges. These challenges include implementing a workable, long-term governance and succession plan and maintaining flexibility for ever-evolving goals and circumstances. Using progressive trust laws in the United States, families from all over the world are addressing these challenges (and many others) by establishing a private family trust company (PFTC). Key considerations follow.

### Definition

In the U.S. a PFTC is a state-chartered entity which serves as a fiduciary of trusts benefitting a defined group of family members, including as a trustee of the family's trusts. It is prohibited from providing fiduciary services to the general public.

### General Considerations

Long-term governance and succession is a common problem UHNW families face. Families with existing trust relationships and trustees often deal with corporate and personnel changes that undermine confidence and erode long-standing relationships between the family (as a grantor or beneficiary) and the fiduciary. A PFTC can eliminate these issues as it serves the needs of a single family, allowing the family greater influence on hiring decisions.

When using a public trust company, a family may face being forced to reduce its ownership stake in a family business. Many jurisdictions' trust laws in the U.S.

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# WOMEN AND WEALTH

Indre Butkeviciute, Founder, Lily Advisory

2018 has become The Year of Women. It has been 100 years since British women were first given the vote. The last few years especially has seen a lot of drive for women empowerment, gender equality and equal pay across some different industries previously dominated by men. Let's explore where we are today when it comes to women and wealth, are there any improvements needed and how we can implement them.

The landscape is ever changing. Powerful demographic, economic and technological changes are helping increase women's financial strength and independence. Boston Consulting Group estimates that by 2020 women in America will be responsible for \$72tr, which represents 32% of the total wealth. With a growing rate of women's participation in the labour market, which has risen from 34% in 1950 to 57% in 2016, the wealth and income gap is gradually narrowing. It is becoming more and more conventional for women to inherit wealth, which used to be mainly passed down to male successors as part of cultural traditions. Also, more women are pursuing higher education, climbing the career ladder and choosing to have families later. Even such factors as falling birth rates are in fact contributing to the growing wealth of women.

Unfortunately, it is not all blue skies and butterflies. According to the report by Chartered Insurance Institute, in the UK, 52% of women in their late 20s say they do not understand enough to make decisions about retirement savings, even though women continue outliving men and retiring earlier. The same reports state that only 37% of women aged 18-24 feel very confident managing their money, furthermore for 1/3rd of women in their 30s money wouldn't last 1 month if they were to lose their primary source of income. In general, women tend to feel less competent and confident when it comes to financial matters compared to their male counterparts.



Indre Butkeviciute  
Founder  
Lily Advisory

When it comes to the wealth management industry, according to a survey done by EY, women do not have a positive attitude towards it. Often words as 'complicated', 'unwelcoming', 'patronising', 'full of jargon', 'untrustworthy', 'male-dominated' are being used to describe their view of the industry. 73% of female clients feel their private banker misunderstand them and cannot empathise. 62% of women, in fact, are willing to consider switching to another wealth manager.

It is clear that the female client segment is growing already and is set to continue on the growth trajectory. However, it seems that the industry is not sufficiently

geared to take on these clients. Financial institutions should really take this opportunity and embrace change needed if they want to benefit in the long-term future. The transition will not happen overnight and it will require time and effort, but specific steps could be followed. I can identify three key aspects in helping financial institutions embrace their female clients and solve the current mistrust issues.

First and foremost: transparency and education. Transparency is a crucial priority for wealthy women and especially critical in evaluating investment performance and fees. With increased regulation, the industry has already taken positive steps towards it, but much more is needed. As explored earlier, women tend to feel less competent when it comes to financial matters. However, they are open to admit their lack of expertise and are open to learning. Therefore, an educational approach is an absolute necessity.

Combining it with the clarity of investment views and transparency on performance and fees will help gain new female clients as well as successfully retain current ones.

The second aspect of finding the right solution: goals and priorities. There is a need for appropriate training for advisors to help them understand their female clients' goals and priorities as they tend to differ significantly from those of male clients. Women place much more importance on personal and family goals. They tend to prefer a more risk-averse and long-term approach that takes into account their priorities. Giving advisers the tools and knowledge needed, will ensure that the female clients are satisfied and will help companies acquire new clients and perhaps even establish themselves as the go-to institutions for wealthy women.

Finally, the third aspect of a successful solution: communication. There is a clear need for change in how and what information is presented to female clients. The information flow needs to be more in line with their expectations. EY's global wealth management research report shows that clients are keen to shape and share content they receive and they still would like to retain access to human contact.

Transparency, knowledge-sharing, openness and flexibility will become key drivers in gaining the trust of female clients. Financial institutions have to let go of the old-fashioned way of thinking, they must embrace the new digital age and use it to their advantage in becoming more welcoming and trustworthy in the eyes of women clients.

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# BUYING OR SELLING

## A YACHT IN TODAY'S MARKET



by Douglas McFarlane

So you've decided to take the plunge. Perhaps this is your first time, or you may want a change from how you attempted it before. This time you want to make it happen. First thing is to ensure it's an enjoyable experience. A yacht is about fun and freedom, making a decision in your best mood is essential and you want everyone involved to have a great experience.

### Getting Started

Where to start is essential and I'd always recommend working with a buyers broker like myself. Someone who doesn't have a vested interest in getting particular yachts from their portfolio off the market. You want the yacht that suits your particular requirements, not that of the broker.

A good broker will help tease out your specific requirements and help ask the right questions for you to consider. The marketplace is vast and varied and if you haven't had a good look at what's available, that's the first step.

### Exterior selection

Try looking at several different exterior styles and

sized yachts at different budget points. This will help you look at the aesthetics of what pleases you. You want to be able to look at your yacht and be really proud and delighted every time you see it, so it's best you get an idea of what perfect looks like to you. Is it the sleek lines, the straight bow, the shorter length, lower height that appeals to you? Carefully look at each component of the exterior and imagine driving to the marina and seeing her there. Your yacht. Does she look how you want her to?

### Choosing your interior

Next up is the interiors. After you've got a sense of exterior shape, you need to start investing the time and effort in understanding the style, space and light that suits you and more importantly your family. You aren't going to be there alone, so getting everyone's buy-in is essential to ensure they have a space for their needs.

Don't worry if you're not experienced in interior design, it's how you feel that's key. Is it too bright or dark, does it look too contemporary or not modern enough? Are the colours to your liking? Interiors can always be changed though it does take time and money, and

most of the time yacht owners don't want to wait after they've spent their hard-earned cash.

If you have time to wait, perhaps start considering a new build. Some new yachts are ready to buy, but most of the time you'll need to wait a few years. You'll have the pleasure of working from the start and helping the architects and designers incorporate your features, or changes and character as the build progresses. You can even work with top design companies and have the entire yacht concept to your particular tastes.

The critical thing is to embrace and enjoy the experience from beginning to end, and this will lead to many happy years onboard.

### Selling A Yacht

I'm always keen to look at a different way to market a yacht to get sales for clients. There are many ways an owner can consider marketing, each of them with a different price point.

### Boat Shows

At the top of the tree, there are the touring boat shows around the world. Cost of mooring, fuel to get there, entry into the show, cost of entertaining guests and additional marketing requirements around the event, all add up. If the yacht doesn't sell, it's off to the next one. I've seen yachts taking years to sell and presented to the boat shows every year and still not selling. Expect to budget over £50k each boat show for a larger yacht.

### Magazine Advertising

Next to consider is taking out an advert in Boat International, SuperYacht World or Yacht Investor. These magazines can also do a feature on your yacht to compliment the advert. Their online site can also feature your yacht as a banner ad. Working with a broker, these costs can be considerably less as often we have a relationship with editorial teams. Somewhere around £20k-£30k will be needed for full page adverts in prime position.

### 360 Graphic Fly Through

One of the latest ways to help potential owners to get a better feel of the yacht is by having a 360 view. One of the best I've seen is where the camera scans

each room and the image is stitched together at a 4K resolution. This allows a walkthrough to take place and zooming in on any feature for more detail. Using low-cost Google cardboard 3D glasses also brings it life even more. Pricing is likely to be around £10k-£15k for a quality job.

### TV Channels

Producing content for your yacht for showcasing on luxury channels can help build awareness and bring attention to the yacht in a different setting. Often watching on a big screen at home brings the experience to life in a way that magazine and other advertising are unable to do. Short profiles can be done at a reasonable price and certainly under £10k.

### Websites

Creating a website specifically for your yacht is a great idea. You're able to publish everything about the yacht including crew details, and then add plenty of your favourite images taken on your iPhone. Add a little footage from a drone, and you'll be giving your visitors some treats on the eye. The cost of creating websites has reduced significantly and can generally be pulled together for under £5k.

### Social Media

By far the cheapest and sometimes more effective is social media. Whether it's a blog like this on LinkedIn, sharing a picture on Instagram or providing updates on Twitter, costs next to nothing. There are tools you can use to automate and schedule the posts to target potential owners in different time zones too. Tracking progress, changing messages, trying different posts and generally spending focused time and effort on selling can provide rewards. These types of packages can often be a few thousand over a year.

Selling a yacht takes time. Choosing how to market her takes careful selection too. Working with a broker to choose the most cost-effective approach relative to the time required to sell is your best option.

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# PATIENT VS CLOSED-END INVESTMENT

by Simon Gall

Rupert Hambro CBE has five decades of venture investing, and with business partner and serial-entrepreneur Dominic Perks, they've built Hambro Perks into a successful UK venture finance firm.

Rupert met Dominic about five years ago and decided their focus should be on backing the very best founders and entrepreneurs and helping them to develop and build their businesses, using their expertise and networks.

They shared resources, shared opportunities, and then when they had invested into companies, started to show those businesses around their network to help raise capital and support that could provide significant value to the investee businesses.

In 2016 two other partners joined them. These were Eric Wilkinson, a very successful private equity veteran with 3 decades of experience who co-founded and exited a full-service merchant bank and who has also co-founded a large entertainment business in the US called TopGolf, which is currently valued at \$3 billion, and Andrew Wyke, who joined after spending 20 years at Goldman Sachs. Andrew was one of Goldman's top European salespeople and has been a significant investor in early-stage start-ups for over a decade.

The team of 4 then raised capital by placing shares in Hambro Perks, with the aim of deploying that capital on a patient basis into early-stage businesses. The shareholders are a mix of large Family Offices and wealthy, successful individuals.

Rupert: 'One thing we've learned from long experience is that backing early-stage businesses and helping them grow takes a very long time. No business grows in a straight line, and very few businesses are the same in three or four years' time as you thought they would be when you first invested. Our firm view is that it is essential to match the entrepreneur's long-term journey

with capital that can stay the course, and this absolutely requires and relies on patient, permanent capital'.

Hambro Perks believes from experience that there's nothing to be gained by encouraging an immature company to start thinking about how it is going to sell itself after 3 or 4 years. That works for private equity where established businesses are traded, but it simply doesn't work in the venture space.

Rupert: 'The problem with many venture capital funds, is that they tend to have a very defined lifespan, and no founder wants to be urged to sell a business that is nowhere near reaching its full potential just so a venture capital fund manager can show a good IRR and then set-about raising their next fund. These businesses often don't grow at the speed or in the direction you expect, and very often it can take 10 to 15 years to build a substantial, global business. The first year or two are crucial in the development of any business, and yet that is the time where it is often the hardest for founders to find the support they need. By investing early and providing the infrastructure and help that is necessary, we can help founders in ways that other early-stage investors - angel networks, time-pressed individuals, early-stage venture funds - simply can't.'

So, this is the Hambro Perks model.

They invest permanent, patient capital, off their own balance sheet, into businesses founded by outstanding entrepreneurs, helping them to build world-changing, global businesses.

They rarely supply passive capital, and they've proven to be very active investors, and if prospective investees don't embrace the advice, support and strategic guidance they are able to give them, then they don't invest.

Rupert: 'Because we invest permanent capital and provide a huge amount of support alongside it, our view

is that this will increasingly bring the best entrepreneurs to us. It appears to be working. When we offer term-sheets to founders, often very well-known venture capital funds are doing the same, and those founders often choose us, to invest in them. They know that in 3 or 4 years' time we won't be tapping them on the shoulder urging an exit but rather continuing to provide support, advice and access to our extensive global network, helping them build, to be global winners. Helping our businesses globalise early is absolutely a core part of what we do, and we have direct experience in the team of doing exactly that.'

Hambro Perks state they are 'absolutely not a fund'.

Hambro Perks is a shareholder-funded business that invests its own capital, which they believe makes them the destination of choice for the very best entrepreneurs. Once they have done all the required due diligence, and invested, the Hambro Perks team often help those companies raise money from other experienced-investor individuals, family offices (local and overseas) and sovereign wealth funds.

These are all businesses in which Hambro Perks have invested their own money, on the same basis as their co-investors. So, they have material skin in the game and true downside-risk.

Hambro Perks see about 1,500 opportunities each year and usually invest in around 10-15. Because they tend to invest early, they are often the first external investors and will often invest in pre-revenue (and of course this is where the supportive infrastructure they provide is essential). They have a team of lawyers, accountants, digital marketers - and combined experience of many decades - in not only investing but also building and exiting businesses.

Hambro Perks have stated that their portfolio is 'currently 38 companies, with a combined value approaching £600million.'

Because of demand for co-investment, from wealthy individuals and local and foreign family offices and sovereign funds, they have now developed a co-investment fund vehicle, that co-invests alongside the Hambro Perks deals.

For individuals who can claim EIS Relief, they are able to do that on a deal-by-deal basis through this vehicle. Entities (such as trusts or corporates) that invest get access to the same deals.

Two brief examples of companies which they have invested in and supported are, Laundrapp - an on-demand laundry service that allows individuals or businesses to order the pick-up and drop-off of their laundry and dry cleaning at a time and place that suits them. Dominic founded that business. They have supported Laundrapp through rapid expansion to become the number 1 player (by far) in the UK and it has embarked on ambitious global expansion plans with the technology licenced, very profitably, to laundry companies in 7 other countries to-date.

Secondly, Quorso is one of the fastest-growing start-ups in Europe.

It's on a mission to unlock the human ingenuity that powers the world's largest companies. Built on machine learning and behavioural science, its transformational tech empowers organisations to continually learn and implement best practices...and substantially increase their profits.

Only three years old, it already has significant revenues from the US.

These are just two examples of the 38 companies they have in the portfolio.

So, they have invested their own shareholders' capital in these businesses on a permanent, patient basis. Their co-investment fund has also invested alongside Hambro Perks in Quorso (and will be involved in future fundraisings by Laundrapp).

Hambro Perks welcomes the involvement of interested and engaged co-investors who understand their investing philosophy - whether that might be investing in Hambro Perks itself, or via the co-investment fund. Rupert Hambro CBE, was Key Speaker at [www.London-Wealth.com](http://www.London-Wealth.com) June 2018.

For more information on co-investing, contact Simon. Gall@HambroPerks.com





# ALL IN THE FAMILY

Family businesses are different. A new programme on Responsible Family Business & Wealth Ownership will launch in October at the Executive Education division of Cambridge Judge Business School.

A new programme will be launched in October 2018 by the Executive Education division of University of Cambridge Judge Business School, focusing on issues ranging from family company ownership to succession to passive wealth management.

The theme of the inaugural 8 - 12 October programme is Risk Management for family businesses and wealth owners, including identifying risks within the family and externally, and managing conflicts of interest that may arise.

The three-and-a-half-day programme, which aims to enrol participants from family businesses and wealth owners around the world, will be led by faculty from Cambridge Judge Business School as well as University of Cambridge faculty from other departments including law, business, economics, psychology and public policy. The curriculum will reflect both the non-technical and technical aspects of wealth ownership. The programme also aims to create a global forum for family businesses globally to discuss relevant issues. It will also provide opportunities for follow-up options in such areas as philanthropy, IT systems and the organisation of individual family "retreats".

"The programme looks at how people engaged with family businesses understand what makes their organisation unique, and the governance models that can make them more successful and sustainable for the future," says Professor Christoph Loch, Director of Cambridge Judge Business School, who will present elements of the programme. "The programme really aims to convey a way of thinking that can help family businesses."

Family businesses and wealth represent an ecosystem that involves those who run the business, others

preparing to run the business in the future, and family members who may be passive owners of the business but need to know the responsibilities of such ownership including how to ask the right questions at board meetings. The programme, therefore, examines how families transition from "business-owning" families to "investor" families, by stepping back from executive roles within the company while bringing in relevant capabilities from the outside. The programme will explore how such a transition encompasses both practical steps for the family business and a shift in mindset among family members.

"The nature of being a family business literally makes the decision-making process – about how you deal with challenges and how you deal with opportunities different from other businesses," says Dr Khaled Soufani, Senior Faculty in Management Practice and Director of the Executive MBA programme at Cambridge Judge.

The programme has been developed by Cambridge Judge Business School in conjunction with Iraj Ispahani and Philip Marcovici, who have consulted and written extensively on issues surrounding family businesses and wealth creation. They also have been active in organising family retreats and helping family businesses adopt family constitutions or charters.

Core topics of the programme will focus on Leadership & Followership including personal development and intergenerational collaboration; Governance & Structures including trusts, foundations and other entities; Succession Planning & Asset Protection including changing demographics within families; and Investment & Tax including the role of private equity and venture capital in family businesses.

For further information:

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# BRITISH SOCIAL EVENTS

There is little as terrifying as the prospect of attending a formal, society occasion when you have no idea of the correct etiquette and protocol. Through hundreds of years of history, the British have always relished the 'season', filling the summer months with one glorious event after the next. From Glyndebourne to Ascot, Wimbledon to the Henley Regatta, these are events fit for royalty and need a certain standard of dress, behaviour and etiquette.

One of the most popular events of the British social season is Glyndebourne. Imagine the sound of Puccini floating through the air as men in black tie and women in long, floaty gowns and capes scamper across the vast lawns of this English country house. After finding the perfect spot, picnic blankets are laid out, hampers are opened and champagne corks are popped to announce the beginning of a beautiful societal ritual that has been in place since 1934.

This is the time to see and be seen as you indulge in one of Britain's enduring traditions, the picnic. Reminiscent of school days, the first bell is when you take your seats to experience some world-class opera in the auditorium. An intermission is usual, and in this time you can enjoy dinner at the delightfully English sounding restaurants at Glyndebourne: Middle and Over Wallop, Mildmay or Nether Wallop. If the weather is beautiful though, there is nothing better than an al-fresco picnic supper.

Many British social events revolve around sport and the most famous of these is perhaps Royal Ascot, a favourite of Her Majesty The Queen who has always had a keen interest in horses. Indeed, The Queen's own horses have won races at Royal Ascot on many occasions. Located at Ascot Racecourse in one of England's most popular counties, Berkshire, each day at Royal Ascot is heralded by the spectacular arrival of The Queen and other members of the Royal Family in horse-drawn landaus, while the races also have a Royal theme such as the Diamond Jubilee Stakes. Of



By Paul Russell  
**Luxury lifestyle Academy**  
Ascot, each with its own level of exclusivity.

The elite is the Royal Enclosure. If you were lucky enough to gain access into the Royal Enclosure, then it is essential to stick to the strict rules regarding dress. Headpieces with a solid base of 4 inches or more, dresses or skirts just above the knee or full-length trousers, shoulder straps should be of at least one inch. For men, it means black or grey morning dress with a waistcoat and tie and black shoes. From there the dress code becomes slightly less formal with each enclosure, but 'formal' should still be your byword.

Evocative of strawberries and cream, crisp tennis whites and some of the most nail-biting finals in sporting history, Wimbledon is in a class of its own attracting Royalty, celebrities and a who's who of the sporting world. Dress codes at Wimbledon are not as formal, so no requirement for hats, but do still dress smartly. However, etiquette at Wimbledon is extremely strict regarding behaviour as befits the serious sporting nature of the location. If you are seated on the court, ensure you switch off your mobile phone and any other devices as unnecessary noise will be severely frowned upon. As would attempting

to leave your seat or access your seat during play, so make sure you are seated in good time and have taken all necessary steps to ensure your comfort during the game. You must never applaud a net cord or double fault, and as a general rule keep behaviour decorous and calm.

Making up the trio of sporting events is Henley Royal Regatta, where rowers take to the River Thames in the idyllic location of Henley-on-Thames in rural Oxfordshire, another of Britain's exclusive counties surrounding London. And here once more, there is enormous opportunity to make a social faux pas. The best place to watch the racing is from the Stewards Enclosure so that you are able to watch each race towards its conclusion. However, you need to either be a member or be invited. If you are able to visit the Stewards Enclosure, be aware that Regatta Officials will be in attendance to ensure rules like not making or receiving calls on mobile phones within the Enclosure.

If you dare to disobey, you will receive one polite reminder from officials and any second offence would see you escorted from the premises. As antiquated as it may sound, ladies are not permitted to wear trousers of any sort in the Stewards Enclosure, and dresses must strictly be below the knee. For men, a suit and tie is a necessity. If invited, children above ten years of age may attend with you, but they too must adhere to the dress code.

If you are planning to attend any British society event, it is always advisable to brush up on your Royal etiquette. Meeting The Queen or other members of the Royal Family is perhaps one of the most significant perceived tests of etiquette a person can face, and there are accepted forms of behaviour. If the honour of meeting Royalty is ever bestowed upon you, it would be customary for women to do a small curtsy which needn't be overlong or elaborate.

Similarly, men should make a slight incline with their

head to show respect. Use their appropriate title in the first instance then move on to either 'Ma'am' or 'Sir' depending upon whether you are meeting male or female Royalty. Of course, the likelihood of an unexpected introduction to The Queen being thrust upon you as you drink champagne in the Stewards or Royal Enclosure is highly unlikely, but as with all etiquette, having a good understanding of what you should do goes a long way to alleviating anxiety and worry.

Luxury lifestyle expert Paul Russell [www.officialpaulrussell.com](http://www.officialpaulrussell.com) helps individuals to navigate professional and social situations with ease. Paul is also co-founder of soft skills training firm Luxury Academy [www.luxuryacademy.co.uk](http://www.luxuryacademy.co.uk).



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# Agecroft Partners

## Announces 4 Non-Profit Beneficiaries

Agecroft Partners Announces 4 Non-Profit Beneficiaries of Gaining the Edge, 2018 Hedge Fund Leadership Conference

Since 2013 Agecroft Partners has committed to improving the lives of children by donating 100% of the profits from its conferences. Through the end of 2018 Agecroft Partners expects to have contributed over \$700,000 to non-profits that benefit children, moving closer to its \$1 million goal. Gaining the Edge - 2018 Hedge Fund Investor Leadership Conference will take place in New York City on November 5-6, 2018.

Agecroft Partners has chosen four non-profit organisations to be the primary beneficiaries of the event. The four primary beneficiaries of Gaining the Edge 2018 are Help For Children/Hedge Funds Care, The Peter Paul Development Center, Elk Hill, and the Virginia Home for Boys and Girls.

Help for Children is a global foundation that provides grants to the most effective and efficient child abuse prevention and treatment interventions in six countries, making the world a safer place for children. The Peter Paul Development Center is an outreach and community centre that gives children a reliable, consistent, structured and loving environment in which to thrive.

Elk Hill is an outreach program and school which serves at-risk children through intervention, hands-on support, and schooling to develop sustainable long-term life skills.

The Virginia Home for Boys and Boys and Girls helps children with emotional and behavioural health concerns by providing a nurturing environment and family teaching approach to facilitate a healing process. For more information about these nonprofit organisations, please visit their websites: [www.hfc.org](http://www.hfc.org), [www.peterpauldevcenter.org](http://www.peterpauldevcenter.org), [www.elkhill.org](http://www.elkhill.org), [www.vhbg.org](http://www.vhbg.org).

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In addition to supporting these four nonprofit organisations, Agecroft has donated conference profits to over a dozen other organisations focused on helping troubled youth, children's health, and children's education.

Agecroft Partners has provided not only financial support but has also contributed their time, serving on the boards of more than half of these organisations.

Gaining the Edge is one of the largest hedge fund conferences in the world, selling out in each of the last three years. The event has recently posted the 2018 agenda and 50 confirmed speakers on its website.

The event's speakers are among the world's most influential investors in hedge funds and include decisionmakers at pensions, endowments, foundations, institutional consultants, large family offices and funds of funds.

The objective is to have candid, robust conversations and debates about various ways to enhance the risk-adjusted returns of a diversified hedge fund portfolio. For more information about the event including the most up to date speaker list and agenda, please visit the conference website at [www.apgainingtheedge.com](http://www.apgainingtheedge.com).

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## An alternative to traditional microfinancing in emerging markets: impact bonds offer financial returns, liquidity and social impact

by David Keel

As early as 2007, the G8, the group of eight leading economies, highlighted the role of bond markets in emerging and developing countries for economic and financial stability and growth in these countries. Since then, bond markets in the emerging markets have developed strongly and are particularly popular with investors looking for returns and diversification. Emerging market impact bonds are a sub-category that is still less well known to many investors. In line with the G8's objectives, they not only contribute to strengthening bond markets and the economies of emerging and developing countries but also seek a sustainable positive impact.

Emerging market impact bond funds invest primarily in bonds issued by companies, microfinance institutions, development aid institutions and banks that pursue development and sustainability goals and, with a part of their credit portfolio, provide microloans and loans to small and medium-sized enterprises and low-income households. In this way, an even more significant number of companies and people will be reached and enabled to develop a long-term economic basis for their livelihoods and thus have a positive impact on economic development in their countries.

Investors from the microfinance sector are already well-familiar with investments that generate measurable social benefits in addition to financial returns. Due to their liquidity profile, emerging market impact bond funds can represent an alternative to traditional microfinance funds, particularly for investors with liquidity restrictions, and offer them access to both financial and social returns. At the same time, it's also possible to participate in the strong growth of traditional microfinance institutions. Some of these institutions have grown strongly in recent years and can now also access global capital markets for refinancing purposes. Compared to so-called developed market bonds, emerging market bonds can offer a higher yield with

similar credit quality and also allow investors to invest in markets with above-average growth. Due to their impact focus, the investment universe of emerging market impact bond funds differs considerably from that of traditional emerging markets bond funds. For example, impact bond funds often invest in smaller economies and regions (e.g., Colombia, Peru, Thailand or East Africa) and in companies with lower market capitalisations, which are primarily active in the financial sector. From the investor's perspective, these differences are interesting, as they can lead to lower correlation with global financial markets and traditional emerging market bond funds.

Not only the consideration of financial risks, such as credit and liquidity risks but also an extensive assessment of political and regulatory risks are decisive for the success of the investment. The latter, especially, is of great importance in emerging markets. For investors seeking exposure to impact bonds, it is therefore recommended to opt for specialised investment funds which are professionally managed by an experienced investment manager with a local presence and in-depth knowledge of local markets.

### About David Keel

David is Head of Business Development at BlueOrchard Finance Ltd. He has previously worked for several large financial institutions, principally at BlueBay Asset Management AG, Barclays Capital Fund Solutions and Lyxor Asset Management as Head Business Development Switzerland.

### About BlueOrchard

BlueOrchard is a leading global impact investment manager. The firm is dedicated to fostering inclusive and climate-smart growth, while providing attractive returns for investors. [www.blueorchard.com](http://www.blueorchard.com).



# CHALLENGES AND OPPORTUNITIES IN ISLAMIC FINANCE TAXATION A HONG KONG PERSPECTIVE

by: Wafee Yeung, Managing Partner, Allalah Consulting

## Global Overview - Challenges

To provide a level playing field for conventional and Islamic finance a series of issues need to be addressed in the context of local and international taxation.

Primarily, these issues relate to the treatment of Islamic finance under income taxes, value added taxes, transactional taxes and double tax treaties. They may happen in the arena of brokerage activities, portfolio investment, intermediation and insurance, etc. On the other hand, some issues can be quickly addressed at the national level; some others may require international cooperation.

Among these tax issues, those arising from differences in the perception of debt and equity between conventional and Islamic finance, as well as the tax treatment of related returns, stand out. Traditional taxation, particularly corporate income taxes, recognise the return to debt, but not equity, as a deductible expense for income tax purposes. This 'debt bias' phenomenon can be disadvantageous to Islamic finance, for Shariah principle does not recognise interest. Practically, however, most modern taxation systems can get around this obvious disadvantage by treating the economic substance of Islamic instruments equivalently to conventional instruments. Prior experience reveals that this may or may not need changes to countries' tax legislation. In such a case, amendments to regulations or implementation rules may be sufficient to offer certainty and transparency pertaining to the tax treatment of the major Islamic finance instruments.

Asymmetrical treatment of conventional and Islamic finance, if unregulated, can cause cross-border spillovers and international tax arbitrage opportunities. Multinational corporations make use of differences in taxation systems in various ways, one of which is to

treat a transaction as debt in one jurisdiction and equity in another. It is essential that countries collaborate on minimising and even eliminating these opportunities, both within existing double tax treaty networks and probably in the global scope.

The tax implications and individual differences between conventional and Islamic finance are relatively less clear-cut. For instance, Islamic finance may create higher transactional costs than traditional finance, mainly owing to the need in some cases to establish additional intermediaries between lenders and borrowers of funds, as well as more complicated transaction structures. In other words, some Islamic financial instruments can be disadvantaged in the presence of transactional taxes such as stamp duties or analogous levies. Although it is feasible to mitigate such a disadvantage by ignoring specific constituents of a transaction for tax purposes, it is favourable to get away from distortionary transactional taxes towards more neutral income-based taxes, not only for the sake of Islamic finance, but also for financial intermediation generally.

It is believed that international standards can facilitate tax reforms toward creating a level playing field between conventional and Islamic finance. Accounting and auditing standards for Islamic finance are especially vital for ensuring Shariah consistency within and across jurisdictions.

## Hong Kong Perspective - Opportunities

Hong Kong is one of the most important emerging hubs for Islamic finance around the world and was the first Chinese region to achieve an associate membership of the Islamic Financial Services Board. Hong Kong's involvement in the Islamic finance industry commenced over a decade ago, with three prior successful sovereign sukuk issuances and changes of its profits tax and

stamp duties legislation to accommodate for its Islamic finance development, emphasising the sukuk space.

Aside from the changes of its income tax and stamp duty ordinances in 2013 as well as its loans ordinance in the following year, Hong Kong further attempted to enhance its Islamic finance development in terms of regulatory and legal framework by issuing its non-binding Departmental Interpretation Practice Note No. 50 on the Taxation of Specified Alternative Bond Schemes in July 2014. The practice note illustrates the Hong Kong tax authority's views on the correct interpretation of the legislation enacted, that is allowing for more significant tax neutrality between conventional bond and sukuk arrangements. This helps boost Hong Kong as an excellent location for establishing special purpose vehicle (SPV) for sukuk issuance.

The practice note comprehensively provides the tax treatment of Ijarah, Murabaha, Musharaka and Mudaraba. It further increases the attractiveness of Hong Kong as a significant hub for Islamic finance activities. It clarifies Hong Kong's approach to Islamic finance and the tax treatment of sukuk. It confirms the holistic approach to be adopted in Hong Kong in the coming future as the market flourishes, thereby facilitating the development of Shariah-compliant products and structures as well as ensuring clarity and security as to the tax treatment of sukuk, which is critical for Islamic finance operators and investors. The practice note also shows a definite commitment on the part of the Hong Kong government and its tax department to position Hong Kong as an essential hub for sukuk.

Hong Kong's double tax treaty network also makes the metropolitan an ideal place for sukuk SPVs. As of March 2018, 39 comprehensive double tax treaties, the majority of them Hong Kong's trading partners, have already been signed. Among the tax jurisdictions, there are Muslim and non-muslim countries such as Brunei, Indonesia, Kuwait, Malaysia, Pakistan, Qatar, Saudi Arabia, United Arab Emirates, Japan and the United Kingdom, all keen on Islamic finance with sound potential to list their sukuk in Hong Kong. Furthermore, Hong Kong is having double tax treaty negotiations with Bahrain, Cambodia, Nigeria and Turkey. These are also

envisaged as promising Islamic finance collaborations for sukuk in the long run.

## Conclusion

Islamic finance taxation is a new area, challenges and opportunities co-exist and have their endogeneity. Nevertheless, the opportunities from this specific area are always available as long as the government, market players, practitioners, scholars and other relevant parties work hand in hand for a better tomorrow, and Hong Kong is a good example of this.

Wafee Yeung is the Managing Partner of Allalah Consulting (<http://www.allalah.com>), the leading international tax and Islamic finance advisory firm, based in Mainland China and Hong Kong. He is a qualified accountant and certified tax advisor, possessing over 20 years' practical experience on international tax management, trust and estate planning, project financing, Islamic finance and Halal businesses. He can be contacted at [wafee@allalah.com](mailto:wafee@allalah.com).

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# ALL-HANDS FAMILY OFFICE SECURITY

by Michael O'Rourke



Performing due diligence is the hallmark of your family office. You would not make an investment, purchase a significant asset, or hire a new advisor without a careful examination of the pertinent facts. Too many family offices, unfortunately, fail to apply the same level of scrutiny to their own security. Considering that a business has an affirmative Duty of Care obligation to provide a safe and secure working environment for employees, neglecting physical security may be fraught with legal peril. Fortunately, a roadmap exists to better secure not only the family office but any subordinate businesses as well. Better still, every step in the journey involves the very people you are charged with protecting.

All-hands security is a concept whereby everyone

within the family office receives a level of training that turns the individual into a player within an overall security game plan. Don't worry, training in hand-to-hand combat is not involved. Instead, the focus is on alertness, recognising when something or someone poses a threat and developing the wherewithal to confidently respond adequately.

Assessing your current risk exposure and prioritising its reduction is step one. Broadly speaking, assets are people, property and information. Threats are anything that would harm or deprive you of your assets. Vulnerabilities are gaps in security that threats may exploit to reach assets, and risk is the potential for loss. Consideration is given to not only the most dangerous threats but also the most likely for which vulnerability is often greater. If a terrorist is unlikely to bomb your office, but the recently sacked employee vowing revenge knows the front door is unlocked, where does the greatest risk lie? Priority for risk mitigation dictates locking the door before applying a blast-resistant film to windows.

Family offices can begin the risk assessment process internally through self-assessment. Are you ready, today, to stop workplace violence if it arrives at your door or starts from within? Do your staff know what to do in the event of a violent demonstration on the street outside? Who has unneeded access to your business secrets and other vital data? Can someone bent on mischief merely walk into the heart of your family office unhindered? If your offices became uninhabitable today, where would your staff assemble to conduct business tomorrow?

Unacceptable risk exposure is indicated by unsatisfactory answers to some or all these questions. Please understand this short list merely scratches the

surface. When you multiply the vulnerability across the breadth of your empire, to include your other businesses, residences, and other key sites, you begin to grasp the enormity of the situation. The remedy, however, begins with a single vital conversation with an elite security professional, one who understands listening carefully to you is as important as knowing the right questions to ask.

A security consultant comfortable working with clients of your calibre understands that only a bespoke solution, mindful of your unique circumstances will do. To that end, expect that you and key members of your staff will be interviewed. All this is part of a proper security risk assessment, as is a careful examination of your premises and the surrounding area.

Findings from the risk assessment will be presented, as will recommendations for mitigating the risks uncovered. One suggestion may be to enhance security by involving everyone in the family office, the all-hands approach.

Considering the wealth under management, many family offices are lightly staffed. Often few, or no security personnel are employed. While responsibility for providing a safe working environment rests most heavily upon your shoulders, everyone can actively take part with a bit of training and knowledge. The training is neither complicated, lengthy, nor tedious. In fact, my experience shows most employees are quite keen to dive in, and they feel empowered afterwards.

Training is first focused on subjects familiar to all employees in your family office. Situational awareness is a cornerstone. Staff must learn to not only notice when someone or something doesn't look or feel right, but they also practice the proper response. Are you being followed into a car park? Is that new vendor genuine, or a criminal using a pretext to reconnoitre the office for a later burglary? Necessary skills are taught, and scenarios are acted

out with employees playing different roles. Every situation reinforces the security plans created with your consultant's assistance. Now is the time to make the mistakes, and to do it again until actions become second nature. Proper training requires active participation. In an emergency, no one will remember the clever computer slide show, but everyone will recall the correct response because they have all done it before.

Think of training as the tactical employment of your strategic security plans. Those plans should be written down and signed off by the head of the family office. Under these plans are the procedures everyone in the office must follow to enact the plan. The procedures are learned and practised during training.

If one security plan is to Prevent Unauthorized Access to the Family Office, the procedures might include keeping doors secure, checking vendor identification, and questioning those in the office whom you do not know. Several skills and tasks may be trained to support these procedures. Among these are conducting door checks and reviewing access control logs, recognising social engineering attempts at obtaining information both telephonically and in person, and ensuring visitors are positively identified and recorded.

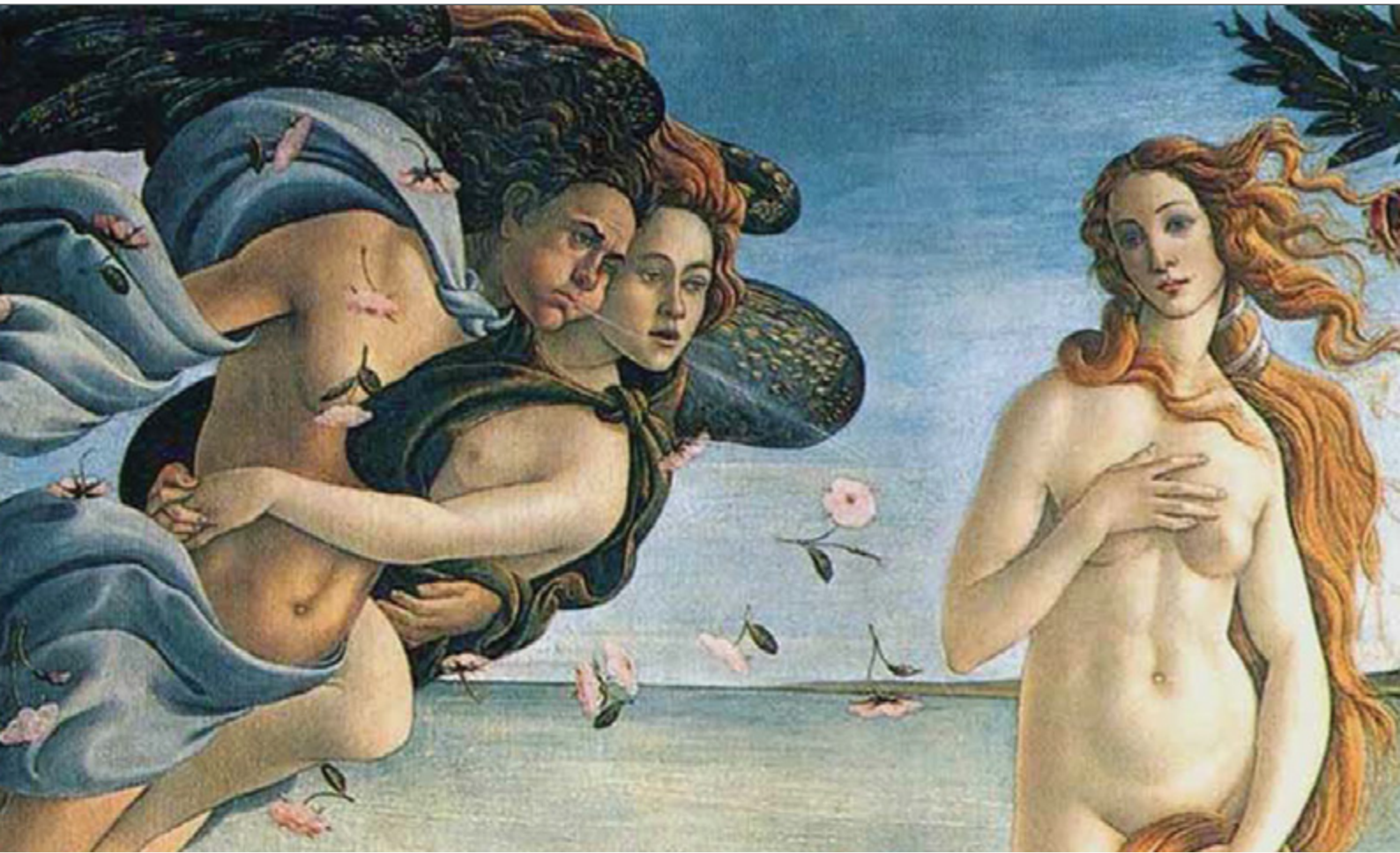
Unlike fine wine, security plans do not age well in the dark. Dust them off regularly, update frequently, and rehearse procedures consistently. Threats evolve continuously. Your risk assessment and mitigation efforts must also.

Michael O'Rourke is CEO of Advanced Operational Concepts and a former member of the US Army Special Forces. When not writing about security, he leads his firm in providing bespoke security advice for exclusive clientele around the world. Michael can be contacted at [mike.orourke@adopcon.com](mailto:mike.orourke@adopcon.com)

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