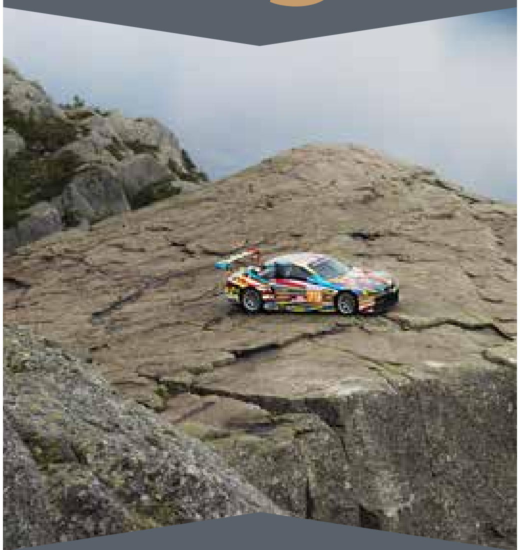
# FAMILY OFFICE ELITE

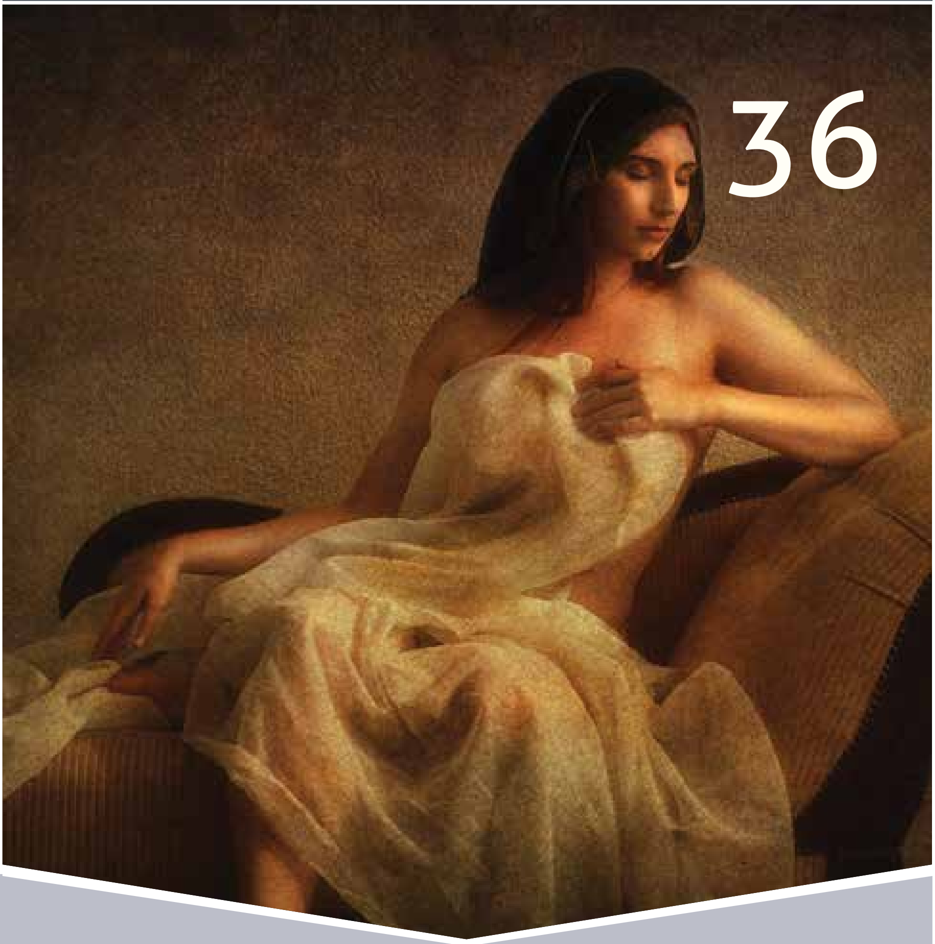
Spring Issue

FAMILY OFFICES - UHNWI - WEALTH - PHILANTHROPY- FINE ART - LUXURY - LIFESTYLE

Subscription $100 per year

www.familyofficeelite.com





# FERRARI'S HOMAGE

## TO HOLLYWOOD AND BEYOND


To celebrate Enzo Ferrari's birthday, a new exhibition was unveiled at the Museo Enzo Ferrari in Modena, entitled 'Red Carpet'. As the name suggests, the exhibit is a tribute to Ferrari's role on the Silver Screen and beyond.

This exhibition brings together the models used on screen with clips of them in action in an homage of sorts to the world of film and television which was so quick to spot their star quality and give them their moment in the spotlight: from the famous Magnum P.I. 308 GTSs to the Miami Vice Testarossa, the 512S used in Le Mans and the 375 America driven by Sofia Loren in Boy on a Dolphin. But Ferrari's relationship to Hollywood is not limited to its role in the films themselves. Many actors and actresses are or were devoted Ferrari owners also. Paul Newman, for instance, even competed a 365 GTB4 in legendary races such as the 24 Hours of Daytona, while Steve McQueen owned a whole slew of Ferraris now much sought-after by collectors.

Marilyn Monroe adored Ferraris too – the white 250 GT Cabriolet Pininfarina featured in this exhibition was one of her favourites, in fact. Peter Sellers, Nicholas Cage and many other famous faces also fell under the Prancing Horse spell. Like any exhibition, this one has taken a little artistic licence to include the F430 Schumacher voiced in 'Cars', complete with big cartoon eyes. We also picked the Thomassima, an American-style Ferrari sculpted by designer Tom Mead on 250 GT running gear, to symbolise the many Maranello cars that have appeared on screen in disguise, not least in the Fellini-directed segment of 'Histoires Extraordinaires', 'The Racers' and 'The Love Bug'.

On a racing track, movies of the likes of 'Grand Prix', 'Le Mans' and, more recently, 'Rush' are the reasons why a contemporary Formula 1 car is the symbol of the event. Because Ferrari would never have existed without the track.


More than a beautiful experience,
Zimbali is a way of life.
Rated as the top residential estate in South Africa according to New Wealth Report.
Set on a 1000-year-old coastal sand forest with over 200 bird species and indigenous wildlife
A private championship signature golf course, five-star facilities and recreational activities.
ZIMBALI
ZIMBALI
COASTAL RESORT
www.zimbali.com

# HOW PRIVATE BANKS
## CAN HELP FAMILY OFFICES

By Jeffrey Sacks, EMEA Capital Markets Strategist, Citi Private Bank

There is a growing recognition that for wealth to be sustained over several generations, collaboration and good communication is required between family members. This lessens the potential impact of family disputes, poor decision-making, unprepared heirs and feelings of entitlement. This is especially the case with multi-branch families that are geographically disbursed. This article explores how private banks can be integrated into this process, and why is can be advantageous to do so.

A family office architecture has three elements:

1. Size: This is the number of family members, the number of staff and the amount of assets under management.
2. Complexity: This includes investment types, number of generations in the family and legal entity structures.
3. Autonomy: The degree to which professional functions are outsourced, what the typical professional services are and what the advantages of outsourcing are if done with private banks.

The burdens that come with significant wealth can be complex and challenging. This is why ultra-high net worth (UHNW) individuals and wealthy families are creating family offices. Sometimes, a family office can be separate from the family business; sometimes not. Family offices are typically dedicated to providing professional and personal duties for the family. They centralize the execution of investment strategy, tax services, insurance planning, philanthropic advice and personal services.

Given the breadth of the institutional level of access and service needed by UHNW and family offices, some of the needs are outsourced to the larger private banks. The demand for outsourcing is growing rapidly, particularly amongst a handful of bigger global private banks. In particular, the private banks that are succeeding in partnering with UHNW and family offices are those that can offer a mix of positive investment results, deep intellectual capital, quality research, unique products and dedicated advisory teams that can deliver exceptional client experience and have corporate reputations for ethics and innovation.

While the decision to outsource is firstly driven by considerations of cost, flexibility and confidentiality, family offices typically look to outsource functions where there are diseconomies of scale (i.e. too much volume), specialized skill needs (e.g. aircraft maintenance, estate law), low-cost access to alternatives like external fixed income managers and new

technology solutions to support consolidated reporting and risk management. In outsourcing, some or all of these areas have a higher probability of better transitions of wealth from generation to generation – a key advantage, as research has shown that, in 90 percent of cases, family wealth dissipates by the third generation (source: The Williams Group, Raymond James).

A large Private Bank can assist in four main areas:

1. Family mission statement.
2. Investment Strategy.
3. Governance Structure.
4. Wealth education curriculums.

The family mission statement's purpose is to assist the family in developing and establishing fundamentals for the extended family to follow and learn from. The objective of the mission statement is to define the core purpose of the family, and in so doing establish a guiding force for relevance of the current and future generations. In considering the mission statement purpose and objectives, some key questions need to be addressed, such as what the meaning of the family wealth is and why the family business exists. Ultimately, the family mission statement should help to align family core values and ideals and facilitate leadership. These core values should be regularly reviewed and periodically re-confirmed.

In formulating an investment strategy, the first step is to establish an investment committee. This involves selecting experienced investment professionals – both generalists with broad experience as well as specialists in key areas – and a strong well-respected Chairperson.

The investment committee should have no conflicts of interest. Its aims should be to formalize the investment process, enhance portfolio strategies, educate family members, provide a forum for discussion for internal professionals and formalize the review process. Its responsibilities include agreeing procedures and a decision-making process, writing an investment policy, monitoring strategic allocation and asset classes, actively reviewing the performance of managers and investigating new investment alternatives.

Of the above, the investment process and investment policy are critical, and are areas where the private bank partner can be actively involved.
The investment process should be rigorous and consistently applied in order to achieve strong long-term returns. The private bank partner can assist in all areas of the process:
1. Investment policy statement – defining objectives, benchmarks, roles and responsibilities.
2. Asset allocation – considering potential risks and potential rewards across all asset classes and regions, also taking into account liquidity and behavioural biases of the family.
3. Portfolio construction – using the bank's research and analytics capability, establishing minimum and maximum exposures by asset class and region, as well as rebalancing rules. Performance reporting - regular in-depth reporting of performance against benchmark and objectives.

If the family office does not need to outsource all of these elements of the investment process, then the private bank could undertake a competency risk analysis to help identify specific areas of weakness within the family office resourcing. With the portfolio construction, in the critical areas of fund and security selection, the best partners for family offices are those private banks with open architecture. In practise, this means having agnostic product selection with objective selection based on independent investment and operational due diligence, pricing transparency with only one level of fees and no retrocessions on discretionary or advisory mandates, having the right incentives with selections based on performance and no additional incentives for the salesforce to sell in-house products, and independent advice (i.e. private banks that do not own a hedge fund manager, do not run a private equity business, and do not own a fund management company). In addition, private banks that can offer the family office access to their institutional trading platforms should be preferred. In particular, access to a capital markets platform can offer speedy and efficiently priced execution with smooth settlement. Some larger private banks are also able to offer access to their institutional teams, so enabling family offices to create uniquely structured hybrids and customized structured products based on objective risk profiling and desired outcomes.

The investment policy can be framed by the private bank and needs to consider firstly the investment objectives; for example, how much loss is acceptable? What is the financial goal? What is the potential annual cost of achieving that goal? Secondly, the investment philosophy should be considered; for example, does the family feel strongly in favour of an aggressive trading approach? How much diversification is wanted? How many core positions are preferred versus non-core positions? Thirdly, specific investment selection criteria for funds, stocks and bonds should be decided. Finally, monitoring procedures need to be established.

These include assessments of how to monitor, how often to monitor and how to assess if the portfolio guidelines are being met. Private banks can have significant roles to play in helping to develop the right governance standards for the family office. There are four components within a governance system:

1. Constitution - the preservation of family vision and values.
2. Assembly – recurring meetings and leadership training for the next generation of wealth.
3. Council – enhancing strategic effectiveness by using the expertise of advisory professionals.
4. Process – efficient decision-making and conflict resolution process.

There are three key decision methods: principal directed, where one or two key family members make all the major decisions; family board, where three to six family members with a Chair make the decision formerly, at least, quarterly; outside directors, with whom the family board make all the major decisions. Private banks can assist with wealth education. This involves implementing strategies that provide age/skill/interest-appropriate opportunities to lead, learn, influence or grow. This builds family cohesion and communication. At the individual level, developments can be made in financial independence, internships, understanding how credit works and appropriate uses, encouraging saving and budgeting and understanding the power of compounding. In terms of continuing the family legacy, wealth education can encourage information sharing within families, using philanthropic accounts and foundations for exploring investment strategies and encouraging collaboration, and can also provide opportunities for the senior generation to guide the family and to share philosophies.

In summary, the private banks can help enhance the structure and governance of a family office, raise the rigour of investment decision-making and monitoring, help to build cohesion around the family philosophy and develop the younger generation. The larger private banks are especially well-placed to do this, with their institutional trading platforms, quality research and capital markets expertise.


TIMELESS
GALLERY
WWW.TIMELESSGALLERYGROUP.COM
INFO@TIMELESSGALLERYGROUP.COM

# TIMELESS GALLERY

## THE BEAUTIFUL, UNIQUE, AND VALUABLE, IN ONE PLACE

The new era of art collecting is here. Timeless Gallery Group is run by Joanna Segelstrom, who has more than 25 years' experience in the fields of fine arts and contemporary art and the young entrepreneur Mikael Segelstrom. Proof of this professionalism is the couple's expanding empire that now comprises seven galleries; six in Europe and one in Miami, Florida. The latter is an example of the strong professional relationships that Mikael developed in the United States.

The Segerstroms' success is due to good artist management, impeccable taste, painstaking attention to detail and strict client confidentiality. Most of us will be familiar with the maxim that holds that success will arise from following your passion, and this is exactly what the Segelstrom family has done. Moreover, they turned Timeless Galleries into not only a hotspot for art lovers and investors, but also a second home for many of them.

Timeless is outstanding for its tight relationships with artists and lovers of exquisite art. It is a place where one can experience the beautiful, the rare and the valuable in one space and feel part of one, big family. This is a venue where business is conducted smoothly and without pressure and where clients can make investment decisions while being treated like members of the family.

The luxurious side of art appreciation

The galleries offer a luxurious experience, not only via valuable art pieces, but also by paying the strictest attention to every single detail. From the showroom's design to the personal service offered to clients and the professionalism of the team, there is plenty to surprise even the most jaded investor. The gallery is a creative hub and staff members have revealed that several regular clients had never thought of collecting art before entering the gallery for the first time.

TGG doesn't sell art – it provides a base for understanding its enigmatic world, offering people the opportunity to define their taste, support artists, enter the world of free expression and, of course, to build knowledge of the business. Many clients are invited to TGG's private art villa in Benahavís, one of the most desirable spots in Europe, to enjoy the finest pieces of TGG´s collection.

After experiencing a couple of days in an environment filled with fantastic art, architecture, food, music, cars and intelligent people, many find it difficult to return to reality. Collectors are flown in to stay at Mikael's villa so they can experience living with art, proof of the man's exceptional business mind and artistic sensibility. This is how luxury is defined by TGG – the artistic should be experienced in every single element of our lives.

Timeless Gallery Group gained its reputation by providing top quality support for its artists, regular feedback to its clients, amazing ROI results for its investors and an unconditional passion for art, both as a pleasure and as a profession. This ultimately has led to the Timeless Gallery expansion, a constantly increasing client interest generating the opening of the two new showrooms – one in Marbella and one in Miami. Many artists have already expressed an interest in being showcased in these state-of-the-art venues. The collection is constantly increasing and, although the gallery specialises in exclusive artworks, there is a range for every taste and budget. If you love art and want to enjoy it, TGG will offer you the best, no matter what. This is another reason that TGG keeps expanding around the world.

The investments of passion

Not many realise that art is a valuable asset; already, TGG has built a serious portfolio of investors. This is augmented by strong artist support from TGG founder Joanna, the overseeing of all aesthetic, technical, legal and economic aspects, the High Net Worth Individuals (HNWI) network and impeccable artistic taste. These generate new assets daily for clients and investors.

The Segerstroms predict that the proportion of all luxury spending on art will continue to increase as investors seek assets that will retain their value in the longer term, especially in a period of economic uncertainty. Finally, there is a growing recognition of art as an investment asset class by TGG investors. People have become more sophisticated in their financial and estate planning and have begun seriously to view art as an investment. Some take a more in-depth and measured approach to portfolio management and are willing to consider diversification strategies that encompass more exotic investment classes, such as art and other collectible assets.

Last but not least, the current socio-economic context creates a demand for 'real assets', because many serious investors lost money in the financial crisis by investing in products they did not understand, and are turning back to things that are closer to their heart and which, at the same time, offer protection and a solid return on investment.

With financial markets still in flux, some HNWIs indicated they are approaching their 'passion' investments as investor-collectors, seeking out those items that are perceived to have a tangible long-term value, which is exactly what TGG provides. However, as the operation of fine art markets is complex, TGG allows those with or without inside knowledge to reap substantial benefits.

Finally, apart from a potential increase in value, art provides these additional financial benefits:

• Art provides a hedge against inflation and currency devaluation.
• There is little risk of losing your principal if you purchase from Timeless Gallery Group.
• No minimum investment is required.
• Art investments enjoy favourable tax treatment.
• Reduction of risk because of low correlation with other financial assets.
• Possibility of earning extra revenue by lending out the work or of participating in events such as exhibitions and meetings of experts.
• Art has no geographical risk and can be moved easily.
• Art can easily be insured.

The TGG team can use art to make your properties look more sophisticated, increase your asset's sustainability and advise you on building a collection. You will be surprised by the Timeless result.

Art is Timeless

The Art raises the ethos, sophisticates and stimulates creativity and innovation. Experiencing Art is experiencing the beauty of nature – it makes a man better. Thanks to Art, feelings, imagination and ability to the most personal reactions are awakened. It is the way of discovering one's personality. That is why Timeless Gallery Group wants to create an ambience where the most beautiful pieces of art can be found to inspire, to touch and to allow experiencing their wonderful, spiritual light through diversity. Timeless Galleries is home to artists and audience and where they meet without needless words. The nest of an aesthetic oasis, as well as an inspiring and developing community, because as Cicero once said, 'The Art is the philosophy of life'.

Timeless Gallery Group is and has been working eagerly throughout these many years to create a serene working environment and promote a magical scenery full of art, beauty and passion.

## ROLLS ROYCE

"Black Badge is an attitude to life, an aspect of the Rolls-Royce brand that appeals to those people who are elusive and defiant, the risk takers and disruptors who break the rules and laugh in the face of convention"

BLACK BADGE

# ROLLS-ROYCE

## AN ALTER-EGO FOR A NEW BREED OF CUSTOMER

# BLACK BADGE

### The substantive transformation of an icon

FAMILY OFFICE ELITE MAGAZINE SPECIAL



Torsten Müller-Ötvös, Chief Executive Officer Rolls-Royce Motor Cars

"Black Badge is an attitude to life, an aspect of the Rolls-Royce brand that appeals to those people who are elusive and defiant, the risk takers and disruptors who break the rules and laugh in the face of convention. They are driven by a restless spirit. They play hard, and they change the world.Technically and aesthetically Black Badge is the alter ego of Rolls-Royce, darker, more assertive, more confident and powerful, and more demanding. With Black Badge, we have created the most commanding presence on the super-luxury landscape. It is a truly transformative moment for our great brand."

Sir Malcolm Campbell, Howard Hughes, Keith Moon, Yves Saint Laurent, Muhammad Ali and our own Charles Rolls to name a few. Young gentlemen in a hurry, driven by their restless spirits to change the world in their own way. Untrammelled by social convention, these disruptors lived life on the edge, believing the ultimate power to be self-empowerment, pushing every boundary to realise their personal vision. Glamorous and daring, they lived fast, worked hard and played hard.

Today's generation of young, self-empowered, self-confident rule-breakers are just as uncompromising and unapologetic in their choice of living and lifestyle as their predecessors. They follow the road less travelled, live the unconventional life, darkly obsessed by their own pursuits and accomplishments from which they derive a pure adrenaline rush.

Their life is their entertainment, and they live it on their own terms.

And when the day is done, and the battle is won, these supremely confident people engage with the night, they go where it leads, and take all it has to offer as their just reward.

As demanding in their lifestyle as they are in their life pursuits, these highly-driven people insist on great substance from any symbol of their lifestyle. More and more, such individuals wish to demonstrate their success through a symbiosis between their life's work and their chosen brands.

Over the last years, many such individuals have gravitated towards the revitalised Rolls-Royce Motor Cars as the brand most appropriate to encapsulate their truly different lifestyles, much as their celebrated predecessors did in days past.

Always pushing their own boundaries, they have asked Rolls-Royce Motor Cars to do the same. Excited by the infinite possibilities that its Bespoke approach offers, they have asked the marque "to produce a Rolls-Royce like

*Rolls-Royce Black Badge speaks to the darker, more assertive, confident and demanding aesthetic of these customers.*

no other, a Rolls-Royce that not only appeals to, and projects, our sensibilities, but is fundamentally different – like us."

And, always ready to deliver a truly Bespoke answer to meet the customer's desire, Rolls-Royce Motor Cars has once again demonstrated its true luxury credentials as the world's leading super-luxury brand. Rolls-Royce has transformed the very icons of its brand to access a darker side of its character more suited to this breed of successful people.

Rolls-Royce Black Badge speaks to the darker, more assertive, confident and demanding aesthetic of these customers. As a truly Bespoke response to their desires, the interplay of brand and customer has had a transformative effect on the appearance and substance of Rolls-Royce Ghost and Wraith. The result is Ghost Black Badge and Wraith Black Badge.

Together with the Parthenon Grille, the famous Double R logo and the Spirit of Ecstasy are the very embodiment of the Rolls-Royce brand. However, these treasured symbols of the marque have been willing to change their identity in appropriate circumstances before.

In Ghost Black Badge it is important to ensure rear compartment passengers' comfort by maintaining Rolls-Royce's renowned 'Magic Carpet Ride'. Rolls-Royce engineers used the flexibility of the 6.6 litre V12 engine to make Ghost Black Badge a little more menacing. Subtle engine output modifications see power increase by 40hp (30kw) to 603hp (450kw) and torque by 60Nm (840Nm) compared to current Ghost, whilst upgrades to the 8-speed automatic transmission give Ghost Black Badge an added sense of urgency in how it delivers its power.


*"Black Badge was a fascinating challenge for Rolls-Royce's engineers."*

# RENAISSANCE CLUB

## CELEBRATES 10 YEARS

The Renaissance Club announced today the closing of a transaction that paves the way for The Club to become member-owned and governed. A small group of major member stakeholders increased their investment in order to retire the one-third ownership interest of Archerfield Estates Limited (AEL), an entity which will remain supportive of the club as its landlord. This one-third ownership interest is being offered to members only, and a Board of Directors representative of the membership is being incorporated into The Club's structure. Details of the transaction were not disclosed.

'This is an exciting time for The Renaissance Club as we celebrate our ten-year anniversary of the partnership and the Club. We believe this change of ownership structure allowing our members to become equity participants in the partnership will set the Club on a long-term path to create a world class golf club', commented Jerry Sarvadi, the Club's founder and CEO. Invest Archerfield LLC, a US-based Limited Liability Company, also founded by Sarvadi and his five brothers will continue its ownership participation and support. 'The Sarvadi family commitment to this club has been and will remain far more than just an investment but rather a testimony of our dedication to the great game of golf and our love for the home of golf, East Lothian Scotland. We are very thankful for the ten-year partnership with AEL, which formed and established The Renaissance Club through some difficult economic times' stated Paul Sarvadi.

'We have agreed to extend the original lease with The Renaissance Club, back to the original 99-year period, ten years into the partnership,' Elly Douglas Hamilton, Chairman AEL Ltd commented. 'This is a new beginning for the club & we look forward to supporting them.'

Nestled in the heart of Scotland's Golf Coast, The Renaissance Club's beautifully manicured greens and fairways have played host to elite golfers from all over the world, as well as a steady stream of dedicated golfers each of whom has a special passion for the sport. The course is everything at The Renaissance Club. Designed by world-renowned golf course architect Tom Doak, The Renaissance Club is recognised as a modern masterpiece of golf course design that many aficionados and golf media insiders consider the future of links golf and a worthy descendant of its illustrious neighbours, Muirfield & North Berwick West Links. With a recently acquired triangular piece of land which Doak fashioned into three new holes and the club's recently completed three-storey clubhouse with accommodation, the showpiece is finally complete creating a quality tournament venue and world class golfing experience which is attracting worldwide attention.

The magnificent cuisine is prepared by chefs trained in Michelin-starred restaurants, while the accommodation delivers everything a member could require whether they need to conduct business or unwind in the epitome of luxury and refinement. Complete with spa, gymnasium and treatment areas, perfectly appointed locker rooms, beautiful bar, a fabulous dining experience and 24 luxurious lodging rooms, members are presented with a golfing experience guaranteed to last a lifetime.

The Renaissance Club also looks forward to co-hosting its first championship this year, welcoming the world's leading boy golfers, for the Boys Amateur Championship in August 2016, alongside neighbouring venue, Muirfield.

For further information about Membership, please contact Stephen Walker or Jordan Whyte on 01620 850 901 or email membership@trcaa.com.

www.trcaa.com

# HEDGE FUNDS

## Why hedge fund manager selection is so important

By Kamile Gimbutaite

After years of specializing in hedge fund manager search, due diligence and selection, we challenge claims of the media that hedge funds underperform. First of all, hedge funds' performance in comparison to an equity index is inappropriate itself – it is all about the long-term value-added to the whole investment portfolio that is important. And then, the key is being selective and persistent in search for the hidden gems as manager selection is much more important in hedge fund space than anywhere else. One should not settle with the average ones and take the 'hedge funds don't perform' mantra as an excuse not to look for better options.

The role of hedge funds in an investment portfolio
Recently, the media has been buzzing about the relative 'underperformance' of hedge funds quite often simply comparing a diversified group of hedge fund strategies to an equity index such as S&P500. While only a fraction of hedge fund strategies are equities-based, even they aim to produce alpha – a different return stream than the general market, reflected by the performance of the index. The remaining share of hedge fund strategies has very little or nothing to do with equity markets. Thus, it is essentially a comparison of apples and oranges. Moreover, the overall expectation for hedge funds to outperform equities is inappropriate as hedge funds tend to underperform in the bull markets, but fare better and protect on the downside in bear markets. A longer time horizon is definitely necessary to see the real value too, but we have been living precisely in the bull period for many markets over the last few years, so currently hedge funds lag behind unhedged, beta driven strategies just naturally.

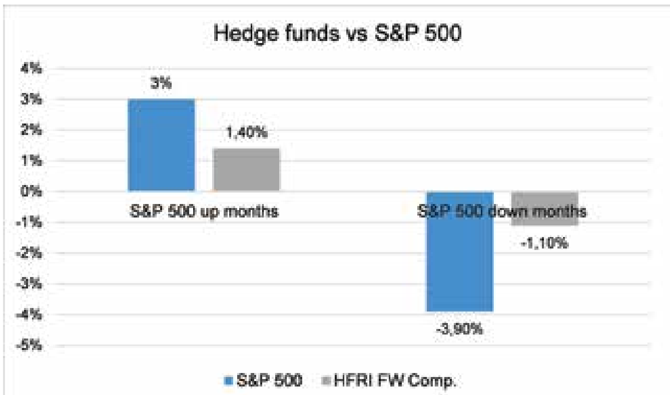
Hedge fund returns vary in different market environments – the average return in up and down months for S&P 500 and Barclays Aggregate Bond Index are presented opposite
Source: JP Morgan Asset Management, MC Investments, 2015

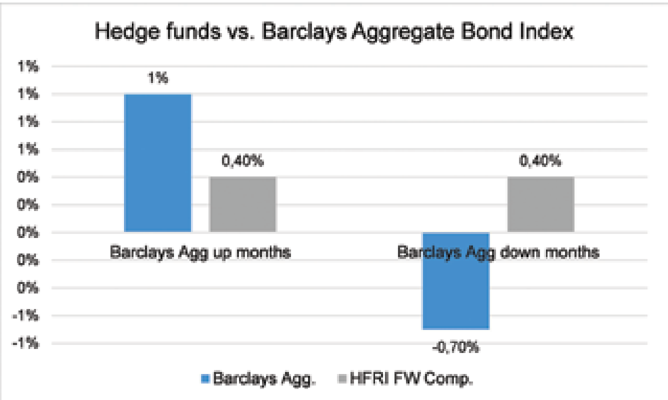
The media has been highlighting some of the large players pulling out their hedge fund allocations as well. However, apparently these were a few resonant cases, while hedge fund industry assets under management continue to rise reportedly reaching 3 trillion in 2015 and implying investors continue to discover the hedge fund value-added to their portfolios. So, what do hedge funds precisely provide?

> Hedge funds demonstrate low correlation to traditional markets, and thus provide the real diversification and downside protection, when it is needed the most, i.e., in distress environments

> Due to broad strategy and instrument selection as well as implementation capabilities hedge funds experience lower volatility, thus ensure better capital preservation over the long term

> Hedge funds allow access to unique ideas, niche strategies and tailor made solutions



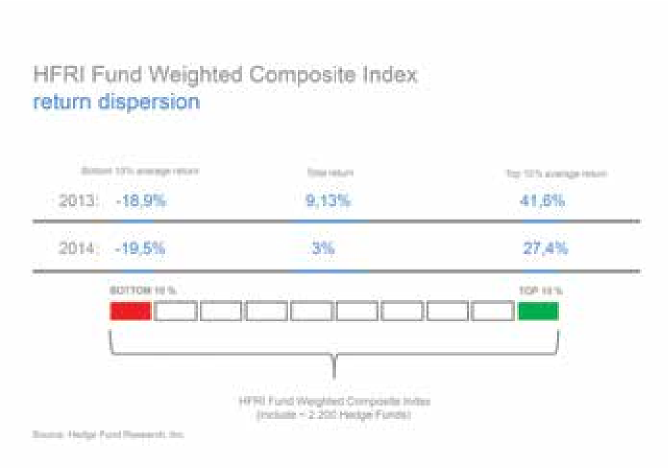




In short, the role of hedge funds in the portfolio is to reduce volatility and smoothen or even enhance the long-term return. You cannot look at three- or five-year average performance of the diversified group of hedge fund strategies and compare them to some merely relevant index – it is all about the long-term value-added to the whole investment portfolio that is important.

Hedge fund performance dispersion

In fact, we do indeed see a lot of funds being able to generate only mediocre returns, especially if you compare the history and the expectations. Add the classical hedge fund fee structure here and we end up with a conclusion that 'all the hedge funds are too expensive for their average performance'.

However, there are some hidden gems out there that investors are seeking to uncover. For example, the top 10 percent of the managers included in the HFRI Fund Weighted Index easily deliver double-digit annual returns. Instead of large, well-known 'flagship' funds, some of these are often new, niche ideas, out of capital market tools and innovative implementation vehicles, taking time and resources to find and understand. So what is the key here? Being selective and being persistent with your quest.

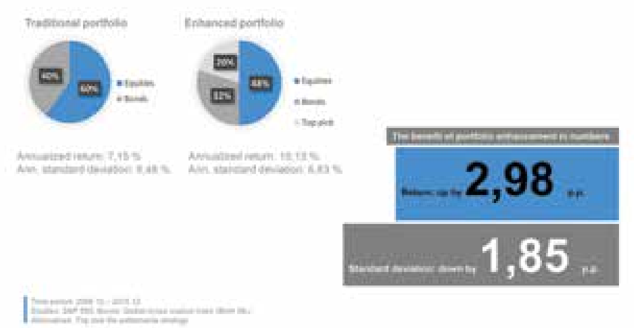



This huge return dispersion clearly emphasises the importance of manager selection, much more in the hedge fund space than anywhere else. Moreover, the scandalous hedge fund failures and collapses we all heard about did not happen, because their investment ideas didn't work. They happened because of shady operational practices and poor governance mechanisms, allowing for outright fraud while a thorough due diligence can help investors discover the potential red flags. Indeed, too many investors don't put enough effort and don't utilize all the possible sources for finding the outliers and leaders and innovators, but rather choose by famous name, personal reference, mesmerizing marketing or don't look further than their bank's shelf or most popular platforms. These are the ones ending up is that middle section of average returns and joining the army of hedge fund sceptics.

At the same time, there are investors having around 3 trillion invested in hedge funds and obviously satisfied with their selection. There are around 11,000 hedge funds in the world. Around a thousand new ones launch every year (except a blow-out year 2014 when 2,040 new hedge funds launched according to HFR Inc.), while several hundred close. So, there definitely is some assortment out there. If you review between 200-300 funds every year, you should be able to find around five exceptional options out of them to enhance your portfolio.

Portfolio enhancement

After years of structured hedge fund manager search, due diligence and selection, we challenge claims of the media that hedge funds underperform since we continually manage to uncover sustainable, uncorrelated strategies and managers demonstrating robust operations. The best managers are also well worth the fees they are paid, too. Here is a classical enhancement exercise to demonstrate how a real, existing hedge fund that we have uncovered improves the risk-return profile of a traditional investment portfolio:




Source: MC Investments

As demonstrated, adding a top pick manager to a traditional portfolio helps achieve higher return with lower volatility. So there is only one recommendation: while hedge fund manager selection requires specialized competence, case by case experience and unfaltering judgement, don't settle with the average ones and don't take the 'hedge funds don't perform' mantra as an excuse not to look for better options. After all, there are specialized and focused advisors out there to give you a hand as well as free up your time and focus from the technicalities of selection to your client service excellence. It takes time and resources but being selective is worth it. - MC Investments is an alternative investment focused advisory based in Lithuania, working with institutions and advisors globally.

# 2016 THE RETURN OF BRITISH POLO DAY

## 400 guests and VIPs

British Polo Day returned this March for the first of its 2016 events. Both Abu Dhabi and Dubai played host to some 400 guests and VIPs including Sheikh Mohammed bin Khalifa Al Maktoum, Sheikha Maitha bint Mohammed bin Rashid Al Maktoum, HH Sheikh Saeed Al Maktoum, Mr Mohammed Al Habtoor, Ms Pooya Ahmadi, Mr Hossam Alsaady, Mr Amr Zedan, Dr & Mrs Hitesh and Minal Bodani, Hossam Alsaady, Mr Amr Zedan, Dr & Mrs Steven and Gillie Lamprell, Princess Alexandra Cantacuzene and Marc De Panafieu came together to celebrate the best of UAE and British tradition. Taking in the very best the Arabian Peninsula has to offer, guests embarked on an exciting itinerary which included an authentic dinner at Byblos Sur Mer with traditional Royal Salute 21-year-old Quaich experience, cricket match which saw Eton play Harrow at the Emirates Palace and traditional Majilis by kind invitation of HH Sheikh Nahyan bin Mubarak al Nahyan. Making their way through the cityscape to the modern oasis that is the Shangri-La Dubai, guests enjoyed an evening with Jaeger-LeCoultre to celebrate the 85th Anniversary of an icon – the Reverso timepiece - at the Dubai Polo & Equestrian Club, a Taylor Morris Volleyball tournament at Cove Beach Club and a

**Presented by RJI Capital, an international merchant banking firm...**



vintage Global Partnership Family Offices Desert Safari which took guests through the rolling sand dunes whilst also taking part in activities such as falconry. Rounding off the action-packed itinerary that had something for all the senses, Harrods also hosted an exclusive fragrance dinner presented by renowned perfumer Roja Dove allowing special guests a sneak peek into the new Black Tier Fragrance launching this summer. On Saturday 19th March, British Polo Day Abu Dhabi took place at Ghantoot Racing & Polo Club, the private royal polo ground of HH Sheikh Falah bin Zayed Al-Nahyan. The glamorous black-tie evening kicked off with two rather unusual takes on the traditional game of polo – with the Bentley Cavalry team beating the Etihad British Army Guards 4-1 in a game of camel polo for The Thesiger Trophy. The Hackett Rest of World Team won decisively 4-1 against the Intercontinental UAE team in a light-hearted game of Brompton bicycle polo; a sport played in the Olympics over 100 years ago. The highlight exhibition polo match of the evening – The British Polo Day Plate – saw the home team RJI Capital Ghantoot Polo Team play the visiting Royal Salute British Exiles. Following an official prize-giving ceremony, guests sat down to a delicious three-course dinner followed by a live charity auction raising a total of $46,000 for Women And Health Alliance International (WAHA) launched by Her Highness Sheikha Shamsa bint Hamdan Al-Nahyan and Ending Domestic Violence, a UK based charity under the patronage of Baroness Scotland of Asthal, dedicated to finding effective ways to end domestic violence worldwide. Guests bid fiercely for lots including a stay on ultra-exclusive Velaa Private Island, a safari of a lifetime to Kenya with The Safari Collection, a special cigar dinner at Franco's in London and a luxurious retreat to Royal Mansour Marrakech.

On Friday 25th March – the eve of the world-famous Dubai World Cup – British Polo Day Dubai brought a touch of quintessential British equine heritage to the Emirate under the patronage of Mohammed Al Habtoor, the Vice-Chairman and CEO of the Al Habtoor Group at The Dubai Polo & Equestrian Club. Once again, the opening match saw Execu-Jet Guards beat British Silverware Cavalry 1-0 in the camel polo. Swapping camels for pedals, Hackett Rest of World beat Taylor Morris UAE 3-0 in Brompton bicycle polo. These preceded the two highly-anticipated polo matches between RJI Capital Oxbridge and Shangri-La Dubai Gulf Polo and – following which – Royal Salute British Exiles versus home side: Bentley Habtoor Polo.

As is fitting for such a glamorous Dubai setting, the day's polo drew to a close with an official prize-giving ceremony and after-party. Commenting on British Polo Day UAE Tom Hudson, Co-Founder of British Polo Day, commented: "This is now our 7th year in the UAE, and we are very grateful for all the support we have received from our hosts and all our partners. Polo in the UAE is going from strength to strength and we are proud to have been part of that journey."

Photo credit Sam Churchill

# IMPACT INVESTING IN THE FAMILY OFFICE

## FIVE STEPS TO START

By Suzanne Hammer – Hammer & Associates

Impact investing is an investing approach that intentionally seeks to create both financial return as well as positive, social and/or environmental return — and one that is actively measured.

Across the globe, people are looking to put their assets to work on the world's problems while retaining their wealth and legacy for the long-term. For this reason, impact investing is attracting individuals, institutions, foundations and family offices the world over.

Whereas traditionally investors have kept their financial goals and resources separate from their philanthropy, impact investing offers an opportunity to give money and make money. Individuals and families can align their investments with their values, produce competitive returns, and make a significant impact on a local and/or global scale.

According to Peter Cafferkey of Boncerto Ltd.: 'For a number of families, there is a wish to have a larger scale impact on social issues which are just too large for them to address purely through their philanthropy. Through impact investing, families can put more of their resources to work with the aim of gaining social change. It enables them to recycle funds invested to enable a more long-term social impact, and also bring more of their investment skills and analysis to the investment.' Deals in this space, he said, can be innovative and exciting—adding to the attraction.

Some investors focus only on projects, not impact investing funds. According to Tatiana Alexandra Ward of Rex Clement Capital in Hong Kong, 'It's much harder to find suitable, diligence worthy projects, but the families I work with appreciate the more tangible impact of owning a real asset — be that a wind farm, a hydro plant or a training facility in rural Africa.'

Impact investing as a trend is in its early days, and it can be a complicated marketplace. There are barriers to entry, among them, the definition. According to Lisa Parker, vice president of philanthropic services at Whittier Trust Company, 'The term itself means different things to different people. Some view it as avoiding 'sin stocks' and investing in companies with positive ESG scores (Environmental, Social, Governance). Others see it as investing in much different terms — for example, funding social ventures in developing countries. Some expect market returns; others are not looking for significant returns but simply want their investable funds to work towards their mission alongside their charitable contributions. There are cases where impact investing is returning as much as, if not more than, traditional market investing, so it is not as straight-forward as one might think.'

Beyond finding a common definition of impact investing, other challenges include: finding opportunities, which can be rare, and how to go about measuring social returns, which can be a long and expensive process. Finding projects that match a family's cultural preferences can add even more complexities.

While the challenges to impact investing are real, they are not insurmountable. Most philanthropic families focus on traditional philanthropy first and dabble in impact investing on the side. 'The families we work with aren't saying 'let's pull our philanthropy and do impact investing,' said Cafferkey. 'Rather, they see impact investing as a way to leverage more resources for the social good, and make their philanthropic money work harder.'

Family offices can play an important role in bringing scale to the impact-investing sector in the coming years. The most successful impact investments are those in which the family is fully engaged — not necessarily from a time perspective, but from the actual project/investment perspective. For family offices exploring the possibility of getting involved in impact investing, here are five steps to start:

1. Decide why impact investing is for you. Write a list of what matters to you individually and as a family. Where is there overlap with other family members? Rule out whether exclusive investment or philanthropy would be more appropriate or effective. Why or why not?

2. Engage an advisor. An advisor specializing in impact investing can be brought in before, during or after the narrowing process of what to focus on and why. When identifying an advisor, take your time. Rely on personal recommendations and a comparison of fee structure, type of opportunities in which sector, region, size of the organization, etc.

3. Do your research. If a particular social issue is motivating you, research that issue (or engage others to do so for you) so that you understand the social element and the gaps in that marketplace. By building your knowledge of the social challenge, you will be better able to identify opportunities for the largest social impact in that area.

4. Engage with others. If financial innovation and potential returns are your primary motivation, look to engage with other investors, understand the common challenges and talk with others who are already involved in impact investing.

5. Learn by doing. Make a small number of initial investments in areas of interest and view them as learning opportunities. Within impact investing, many individuals have become involved by initially putting to one side a small part of their philanthropic portfolio to experiment with funds for which they have little expectations of returns.

To learn more about impact investing in family offices, read the report Philanthropy in the Family Office: A Global Perspective, June 2015, produced by Hammer & Associates and the Global Family Office Community. Download the report at www.suzannehammer.com.

About Hammer & Associates
Hammer & Associates is a full-service firm that works with a select number of family philanthropies. We form deep, long-term relationships with foundations, family offices, and the advisors who serve them, helping philanthropic individuals and families pair their passion.

# REAL ESTATE KEY TO SECOND CITIZENSHIP

## For High Net-Worth Investors

*Nuri Katz is President at Apex Capital Partners, a leading international advisory firm specializing in investment consulting and wealth management for multinational, high net-worth clientele.*

Nuri Katz
Apex Capital Partners

According to recent data, there are more than 211,000 ultra-high-net-worth investors (UHNWI) globally, with a combined net worth of nearly $30 trillion, a 6% increase from 2013. Experts are predicting that this number will grow by another $10 trillion by 2020. As this investor base continues to expand, many individuals realize the need to provide security and wealth protection for their families, as well as diversify their assets, particularly given the state of today's global economic climate and the increasing geopolitical instability worldwide.

Recognizing the investment opportunities around the world, one emerging trend among the ultra-wealthy has been citizenship-by-investment, which provides UHNWI and their families the opportunity to become legal residents or citizens of a new country of their choice, through investment in real estate or government programs. With more and more affluent investors seeking out ways to invest in second citizenship, especially in the real estate sector, financial advisors who work with these wealthy individuals and their families should understand the intricacies of how this process works and the benefits and challenges associated with this opportunity.

Obtaining Second Citizenship Through Real Estate Investments

In the past five years, the number of citizenship-by-investment programs has more than doubled. These programs vary from country to country, but they typically fall into one of three categories: investing in private sector assets, such as real estate or a business venture; investing in an entity or instrument issued by the government, such as a bond or promissory note; and, contributing to a government development fund.

Of the three options available, the most common financially sound approach to dual citizenship by UHWNI is through real estate. These types of investment opportunities are mutually beneficial to both the investor and the participating country – helping to create jobs and stimulate the local economy through the injection of direct investments from foreign investors, while also allowing the investor to gain lawful and permanent access to a more financially desirable region or country.

Right now, there are approximately twenty nations that offer citizenship or residency programs, with most countries located in Europe, North America or the Caribbean. The benefits and minimum investment requirements vary tremendously depending on the participating country. The least expensive country to offer second citizenship is Dominica, a small island in the Caribbean that requires a minimum investment of $100,000, plus $1,800 in filing fees.

Grenada reinstituted its residency program in 2013 and UHNWI can now immediately become a citizen for a minimum investment of $350,000 in real estate within the country. This program requires that the government individually vet applicants and their family members, though it typically only takes about 60 days for applications to be processed, with passports issued shortly thereafter.

St. Kitts and Nevis established their citizenship-by-investment program in 1984, making it the longest standing second citizenship program in the world. It allows investments in pre-approved real estate to be purchased for a minimum investment of $400,000. Antigua and Barbuda, which is home to the most active and prestigious yachting industry in the Caribbean, can also be an option for a minimum investment of $400,000.

For more luxurious real estate offerings, UHNWI can look to countries like Cyprus or Malta, where second citizenship can be purchased for a minimum investment of about $1.2 million. These programs offer full access to the EU and is one of the least restrictive passports available for global travelers. In Spain, the minimum investment is $700,000, while countries such as Portugal have a Golden Visa Program that offers non-EU investors a fast track to obtaining a valid residency permit.

In Cyprus, UHNWI can choose to invest €5 million in either state bonds, local real estate and other developments, or local businesses. Alternatively, investors can purchase a €2.5m stake in a collective investment opportunity, providing the total value of the plan is at least €12.5m. Applicants also need to buy a Cypriot residential property for at least €500,000 and maintain this after being granted citizenship. Challenges Associated with Obtaining Citizenship By Investment Ultimately, there is a great variety of citizenship by investment programs available to UHNWI, with the choices that vary based on available capital, desired location and the length of time required to obtain residence or citizenship. There are, of course, different challenges associated with each individual country's program, which financial advisors should understand in order to educate and advise their clients.

American UHNWI have additional issues to overcome in order to benefit from gaining a second citizenship. The most common hurdle is the financial obstacles that result from the Foreign Account Tax Compliance Act (FATCA), which took effect in July 2014. It requires banks worldwide to report to the U.S. authorities the accounts held by Americans abroad, meaning that U.S. citizens must continue to pay U.S. tax regardless of where they reside. With approximately eight million Americans living abroad, many have reported problems with applications for and maintenance of accounts locally as foreign banks have rejected American customers rather than comply with the exhaustive demands of FATCA.

This has presented a challenge for Americans living or doing business overseas that, according to recent data from the U.S. Treasury, 1,335 expats renounced their U.S. citizenship in the first three months of last year. Moreover, almost 75% of expats say at least one part of their finances has become more complicated living abroad, whether that concerns new currencies, taxes or moving money abroad.

Despite these obstacles, UHNWI's are continuing to seek out second citizenship investment opportunities around the world. They are looking to their advisors to understand the challenges, as well as the different minimum investment requirements required by each country, in order to weigh up the various government programs and real estate developments available worldwide in order to find the right opportunity that best meets their needs.

# CULTURAL COMMITMENT OF
# THE BMW GROUP

by Judy Holm

Partnerships are essential for society.
In a world where support for the arts is an ongoing challenge, and raising funds is always one of the biggest struggles for nonprofits, the role of corporations to act as community leaders is primordial.

The BMW Group has a diverse and extensive cultural partnership program. For almost fifty years now, the company has initiated and engaged in over 100 cultural partnerships, with specific focus on several categories - modern and contemporary art, jazz and classical music, architecture and design.

The BMW Group
With its three brands BMW, MINI and Rolls-Royce, the BMW Group is the world's premium manufacturer of automobiles and motorcycles, with 2014 sales of € 80.40 billion and over 100,000 employees. As a global company, the BMW Group has production operations in 14 countries and has a sales network in more than 140 countries.

The philosophy of the BMW Group is based on long-term planning and responsible action. The company has a strong standard of ecological and social sustainability and a commitment to conserving resources as an integral part of its strategy. They believe this is also a key to their success.

A serious commitment to art
The commitment to art begins right inside the front door of the company with a commissioned site-specific piece in the lobby of the Group's headquarters in Munich. Three large-format monochrome paintings 'Red', 'Yellow' and 'Blue' were created by Gerhard Richter in 1973 on display in the foyer of the newly created office.

The BMW Art Car Collection – mobile sculptures
One of the most symbiotic and significant programs of the Group's cultural initiatives is the Art Car Collection. Since 1975, seventeen prominent artists

from around the world have been commissioned to create a work for BMW and their 'mobile sculptures.' As expounded by Robert Rauschenberg in 1986, 'I think mobile museums would be a good idea. This car is the fulfilment of my dream.'

French racing driver Hervé Poulain had the original idea in the early 1970's to give an artist free rein with an automobile, and he commissioned Alexander Calder to paint his BMW racing car. This was the beginning of the Art Car Collection. In the early years, primarily racing cars were selected as the 'canvas.' – some even started in the renowned 24-hour Le Mans race. Later, the Art Car Collection was extended to include series-produced vehicles.

Following the seminal work by Calder, the subsequent artists selected for the Art Car Collection include some of the most significant artists of the contemporary art world- Frank Stella, Roy Lichtenstein, Andy Warhol, Robert Rauschenberg, A.R. Penck, David Hockney, Jenny Holzer and Olafur Eliasson.

BMW Art Cars reflect the cultural and historical development of art, design, and technology. As truly mobile museums, they are often on display at museums and galleries throughout the world, including the Centre Pompidou in Paris, the Mori Art Museum in Tokyo, the Contemporary Art Centre in Warsaw and the Guggenheim Museum New York.

The current commission is for two artists to each design a car – Chinese artist Cao Fei (born 1978) and American artist John Baldessari (born 1931) will be the youngest and the oldest artist represented in the collection respectively. These two pieces will be presented on the race track and subsequently in museums in 2017. Embracing interdisciplinary product design and architecture

Like for every automobile manufacturer, a core aspect of the BMW Group's operations is product design. For them, the design doesn't stop with the automobile industry. Engaging

dialogue and partnering with 'starchitects,' is another means of the corporate commitment and success in arts and culture.

Zaha Hadid, Pritzker Award-winning architect and UNESCO Artist for Peace, was one of the contributors to the BMW Group with her 2005 design of their Leipzig Plant. She states, 'As contemporary society doesn't stand still, architecture and design must evolve with the patterns of life. I think what is new in our generation is a greater level of social complexity – which is reflected in its art, architecture and design.'

Global art partners and programs – good for society and good for business

The firm develops and fosters a significant number of partnerships around the world, with participation and presence at major art fairs, music festivals and other cultural groups. In addition to fulfilling social responsibility, an important aspect of the company's leadership philosophy is to connect with their client's lifestyles, which is good for business.

Innovative programs support emerging artists, new media and trends

Rather than assuming a traditional corporate sponsorship role, the BMW Group is forging creative partnerships with preeminent art organizations including Art Basel, Tate and Guggenheim.

The BMW Art Journey is a new global art initiative launched by BMW and Art Basel in 2015 to promote young international artists. Like a mobile studio, the BMW Art Journey award enables selected artists to take a journey of creative discovery to a destination of their choosing – to conduct research, make contacts and create new works. BMW Tate Live is a long-term partnership between BMW and Tate geared towards innovative performances, interdisciplinary art and curation of the digital space. A global partnership was created in 2011 with the Solomon R. Guggenheim Foundation and the BMW Group with the launch of the BMW


Guggenheim Lab. This three-year project convened experts from a variety of fields to discuss creative and, most importantly, sustainable approaches for life in the world's largest cities. They created a mobile space for experimentation that transitioned across three continents, and garnered more than one million visitors.

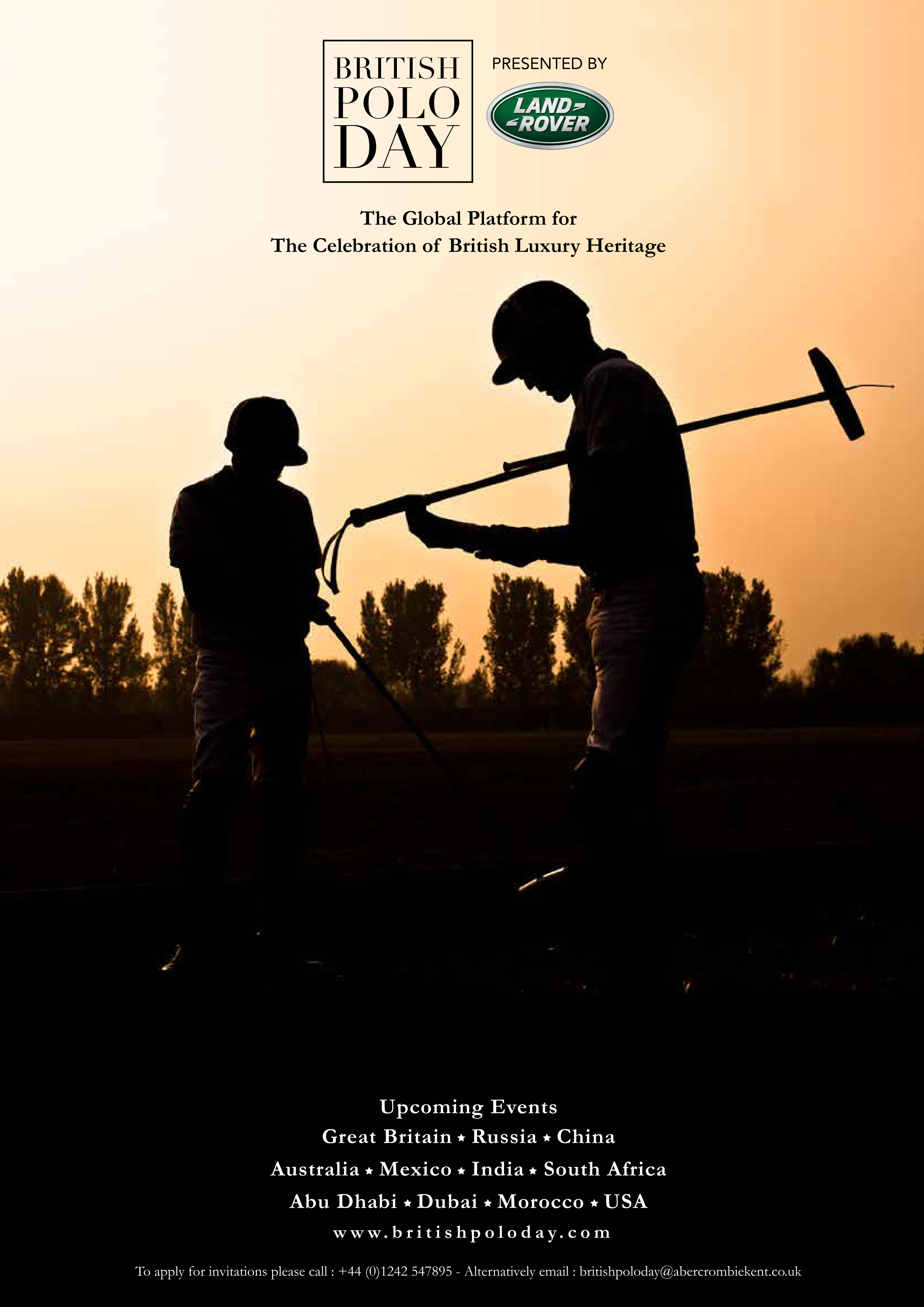
## The visionary

Art historian Dr. Thomas Girst is the Head of Cultural Engagement for the BMW Group. He was hired by the firm in 2003 to innovate and lead the development of cultural programs that must also be deemed successful by the company.

Girst says the firm's efforts go beyond corporate social responsibility. 'Over the past decade, the way people look at companies has changed. They're looking at them as good corporate citizens; at what they are doing inside the societies that they do successful business in,' he says, adding, 'it would be negligent to consider BMW's involvement in the arts as a sheer marketing tool. This is a brand that is conceived as a cultured brand. We like to engage in art fairs and biennials, have long-term engagements with opera houses, and collaborate with institutions that we consider have the same reputation in the art world that we have in the automotive world.'

## The future looks bright for the BMW Group

For a firm whose primary business is to build cars, it is clear that art and culture are an integral part of the company's strategy. Their commitment to culture and community involvement continues to shine brightly-serving to elevate the importance of culture, and enhance the image of the world's largest premium automotive company.


BRITISH POLO DAY
PRESENTED BY
LAND ROVER
The Global Platform for
The Celebration of British Luxury Heritage
Upcoming Events
Great Britain ★ Russia ★ China
Australia ★ Mexico ★ India ★ South Africa
Abu Dhabi ★ Dubai ★ Morocco ★ USA
www.britishpoloday.com
To apply for invitations please call : +44 (0)1242 547895 - Alternatively email : britishpoloday@abercrombiekent.co.uk

# US Congress Enacts Entirely New Tax Examination and Collection Regime for Partnerships and LLCs

Caplin & Drysdale By By Charles M. Ruchelman

In recent years, the U.S. Internal Revenue Service ("IRS") and U.S. Congress recognized two important divergent trends. While the use of pass-through entities, such as partnerships and limited liability companies ("LLC"), as business and profit-seeking structures, was growing, the number of IRS examinations of these entities was staying stagnant. According to the IRS's own statistics, the percentage of partnership and LLCs that were examined each year for the past decade was less than one-half of one percent. In 2015, the IRS examined only .51% of the partnership and LLC tax returns that were filed. In comparison, in 2015, the IRS examined over 11% of all large corporate tax returns that were filed.

Charles M. Ruchelman
Caplin & Drysdale

The IRS and the Congress appear to have laid the blame for the low examination rate, and related lost tax revenue, to the complex procedures set forth in the 1982 partnership examination laws, known as "TEFRA," the statute that originally enacted the unified partnership examination provisions ("TEFRA stands for the "Tax Equity and Fiscal Responsibility Act of 1982"). The inconsistent judicial interpretations of the TEFRA partnership rules, as well as the agency's slow-moving enforcement and actual implementation, demonstrated that these rules were not appropriate for the changing partnership and LLC landscape. Accordingly, Congress made an important change in the law that all persons with partnership or LLC interests should be aware of.

Certain provisions of the Bipartisan Budget Act of 2015 (the "Act") made fundamental changes to the rules by which partnerships, and entities that elect to be treated as partnerships for tax purposes (e.g. limited liability companies), interact with the IRS with respect to the tax examination, litigation, and collection process. The Act repealed the "TEFRA" partnership regime and replaced it with an entirely new set of rules. While the new regime has similarities to TEFRA, there are significant changes that will now require careful review and revisions to certain tax provisions of partnership agreements. In light of the new legislation, partnerships and partners should now evaluate the current provisions of their partnership agreements and make fundamental changes to the tax procedure provisions.

Generally, the Act substantially changed (1) the ability of the IRS to collect an underpayment of tax, penalty, and interest from the partnership itself, (2) current partners' exposure to tax liabilities of prior partners, and (3) the powers entrusted in the partnership's designated liaison with the IRS (formerly known as the "tax matters partner"). Also, Congress provided the Treasury Department with broad regulatory authority to implement the goals of the statutory revisions. Therefore, partnerships should pay attention to the issuance of new Treasury regulations in the coming months.

Some of the statutory revisions that affect typical partnership agreements are as follows:

I. New Tax Terms and Concepts: The new regime repeals well-known TEFRA terms (e.g., "tax matters partner") and creates completely new legal terms and concepts including "partnership representative," "imputed underpayment," "reviewed year," and "adjustment year." To synchronize with the new Code requirements, these terms and concepts should be incorporated into partnership agreements. Reviewing and revising the partnership agreements now will allow for an orderly process if and when the IRS examines a partnership tax return, makes tax adjustments, and/or requires payments of additional tax, penalties, and/or interest. Furthermore, revisions to the partnership agreements will provide clarification of the rights and obligations of the partnership and the partners.

II. Tax Underpayments To Be Collected from Partnership: As under TEFRA, tax adjustments will continue to be made at the partnership level. However, unlike under TEFRA, unless a partnership is eligible to make an annual election and does, in fact, make the election, the tax attributable to an adjustment, and related interest and penalties, will be collected, subject to certain possible adjustments, at the partnership level.

When the IRS makes a tax adjustment, the partnership's current partners (the "adjustment year" partners) will effectively pay the tax for the partners who were in place in the tax year for which the adjustment was made (the "reviewed year" partners). The tax to be paid is based on another new concept, a calculation called the "imputed underpayment." Generally, the imputed underpayment is calculated at the highest tax rate for the reviewed year. This change in the law may require parties to consider or review indemnification provisions in the partnership agreement.

III. Ways to Modify or Avoid Tax Collection at Partnership Level: The "imputed underpayment" collection process can be avoided or modified in one of three ways.

1. Elect Out on Timely Filed Return: First, if a partnership has no more than 100 partners and no partner is itself a partnership (or an entity that has elected to be treated as a partnership, like a limited liability company), then the partnership can make an annual "opt-out" election on a timely filed tax return. To preserve this option, a partnership agreement could be amended to limit the number of partners to 100 and to restrict the ability of other partnerships to join the partnership as a partner. If a partnership elects out of the new regime, the partnership and partners will be examined under the rules applicable to individual taxpayers.

2. "Reviewed Year" Partner Pays Tax With Current Year Individual Return: Second, within 45 days of receiving a notice of final partnership adjustment, any partnership, regardless of size, may elect out of the "imputed underpayment" process so long as it provides the IRS with "a statement of each partner's share of any adjustment to income, gain, loss, deduction, or credit (as determined in the notice of final partnership adjustment)." Under this procedure, "reviewed year" partners calculate their share of additional tax due based on the statement described above (i.e., like an amended Schedule K-1) and the "reviewed year" partners will pay the additional amount with their respective current year individual tax returns. An election under this provision, however, increases the applicable underpayment interest rate by two percentage points. The new statute requires fast action by the partnership (i.e., 45 days) to perform computations and send the proper notices. Therefore, a procedure should be put in place to accomplish this procedural route.

3. Modify "Imputed Underpayment" Where Reviewed Year Partner Files Amended Reviewed Year Tax Return: Third, a partnership can reduce the amount of the "imputed underpayment" if one or more of the "reviewed year" partners files an amended return and pays the tax attributable to the adjustment allocable to that partner. To implement this, the partnership must submit information to the IRS sufficient to modify the "imputed underpayment" amount within 270 days of the notice of proposed adjustment. Verifying that an amended tax return has been filed by a reviewed year partner may raise certain privacy concerns. A partnership thus may wish to establish a method that allows for the implementation of this alternative, rather than undergo the "imputed underpayment" procedure.

IV. Powerful New Partnership Representative: The Code now mandates that the partnership designates a "partnership representative" instead of a "tax matters partner." The "partnership representative" will "have sole authority to act on behalf of the partnership" and the "partnership and all partners shall be bound by actions taken ... by the partnership." Interestingly, this controlling entity need not be a partner in the partnership. Furthermore, the new rule significantly curtails the ability of other partners to participate in an IRS examination or litigation with the IRS. Therefore, partnership agreements may need to be adjusted to provide contract rights to other partners that once existed as a statutory matter under TEFRA. For example, a partnership might consider whether the Partnership Representative has unbridled power to settle a case or extend the statute of limitations without approval from the other partners. This new statutory regime obviates the need of the IRS to "chase down" each and every partner to sign a Form 870-PT (Agreement for Partnership Items and Partnership Level Determinations as to Penalties, Additions to Tax, and Additional Amounts) or sign a Form 906 (Closing Agreement On Final Determination Covering Specific Matters) in order to implement an examination's adjustments or a settlement. For present purposes, partnership agreements should be revised to reflect this new, critical designation. If there is no partnership designated representative, the Code gives the IRS the authority to designate one. Certainly, partnerships and partners do not want to relinquish that selection right to the IRS.

These new rules apply to partnership tax years beginning after December 31, 2017. However, a partnership may elect to have the new rules apply to partnership tax years beginning after the date of enactment and before January 1, 2018. Given the many new legal terms and concepts, and the potentially significant shift of the benefits and burdens of post-adjustment tax items, existing partnerships and partners should review and modify their partnership agreements. New partnership agreements should accommodate the new partnership tax audit and collection regime.

Charles M. Ruchelman is a Member of Caplin & Drysdale, a Washington, D.C.-based law firm. cruchelman@capdale.com / 202.862.7834

ifc
Sub-Saharan Africa
Islamic Finance Convention

10th & 11th May 2016
Kampala Serena Hotel, Uganda

## Africa's New Momentum

## Affiliate Partners

IIFS

DOME

FAMILY OFFICE ELITE
Magazine & Events
www.familyofficeelite.com

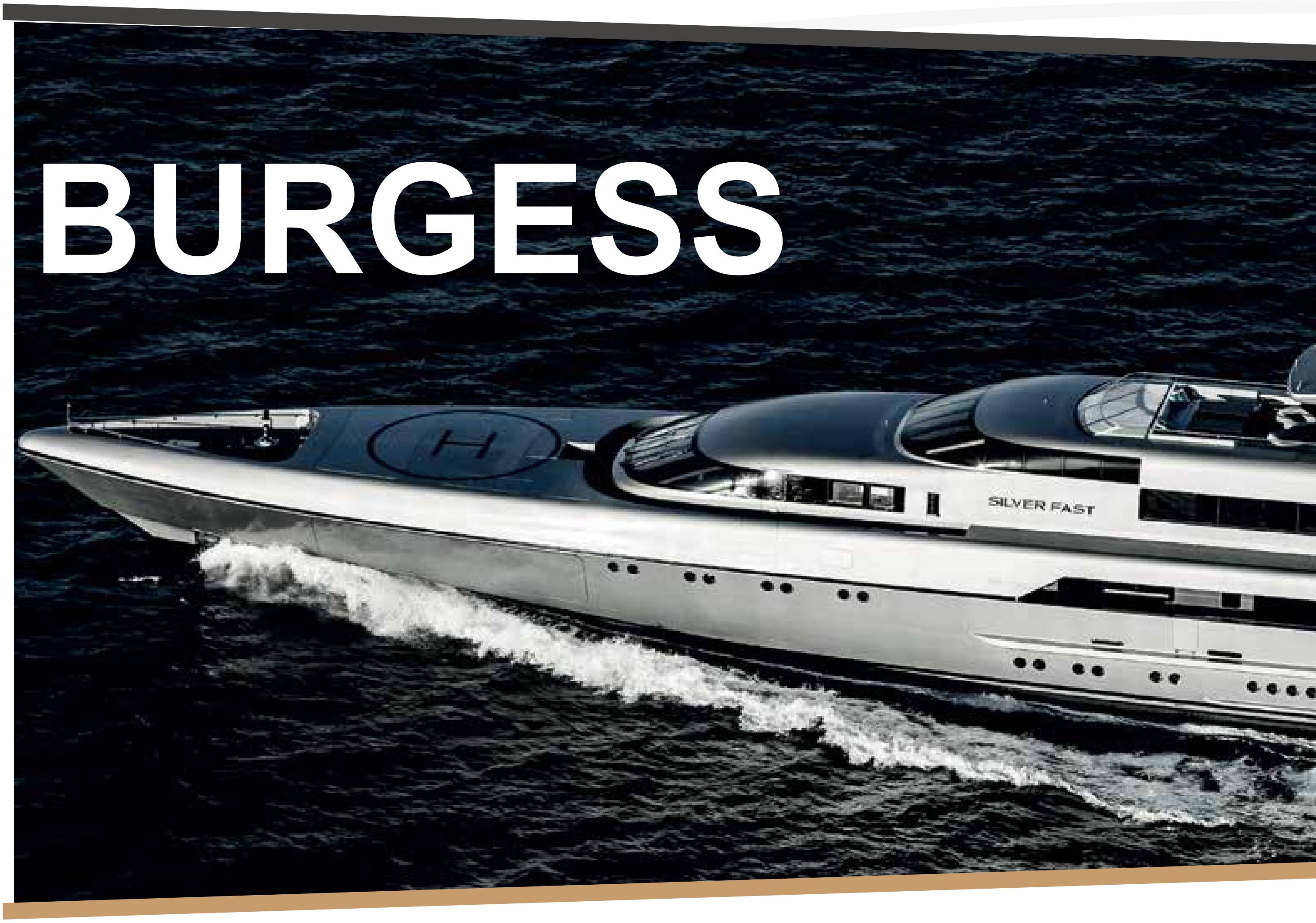
**To become a Partner at this major International Conference, please contact our Strategic Partnerships team**

Yasmeen Shah on
E: yasmeenshah@ethicolive.com
T: +91 124 418 2794/95 M: +91 9899000538

in collaboration between
ETHICO LIVE! THE BUSINESS OF GOOD
ABLDUNAMIS
www.ethicolive.com/events/uganda/

Ethico Live Limited is a UK registered company with its corporate headquarters at 2-4 Blythswood Square, Glasgow G2 4AD, UK. Through our on-the-ground presence in key centres across the world we are able to serve our clients in the global financial markets with high-profile international conferences in Europe, the Middle East, Africa and Asia.

# BURGESS




## BURGESS SILVER FAST

At 77 metres (252.6ft), SILVER FAST is the world's largest and fastest aluminium motor yacht with conventional propulsion. Her distinctive styling, with a sleek, streamlined hull and metallic silver livery was designed by Espen Øino. She is the fourth and most advanced vessel in the multiple award-winning Silver Series, whose DNA is based on high calibre all-aluminium superyachts with fast, fuel-efficient credentials and long range cruising capabilities.

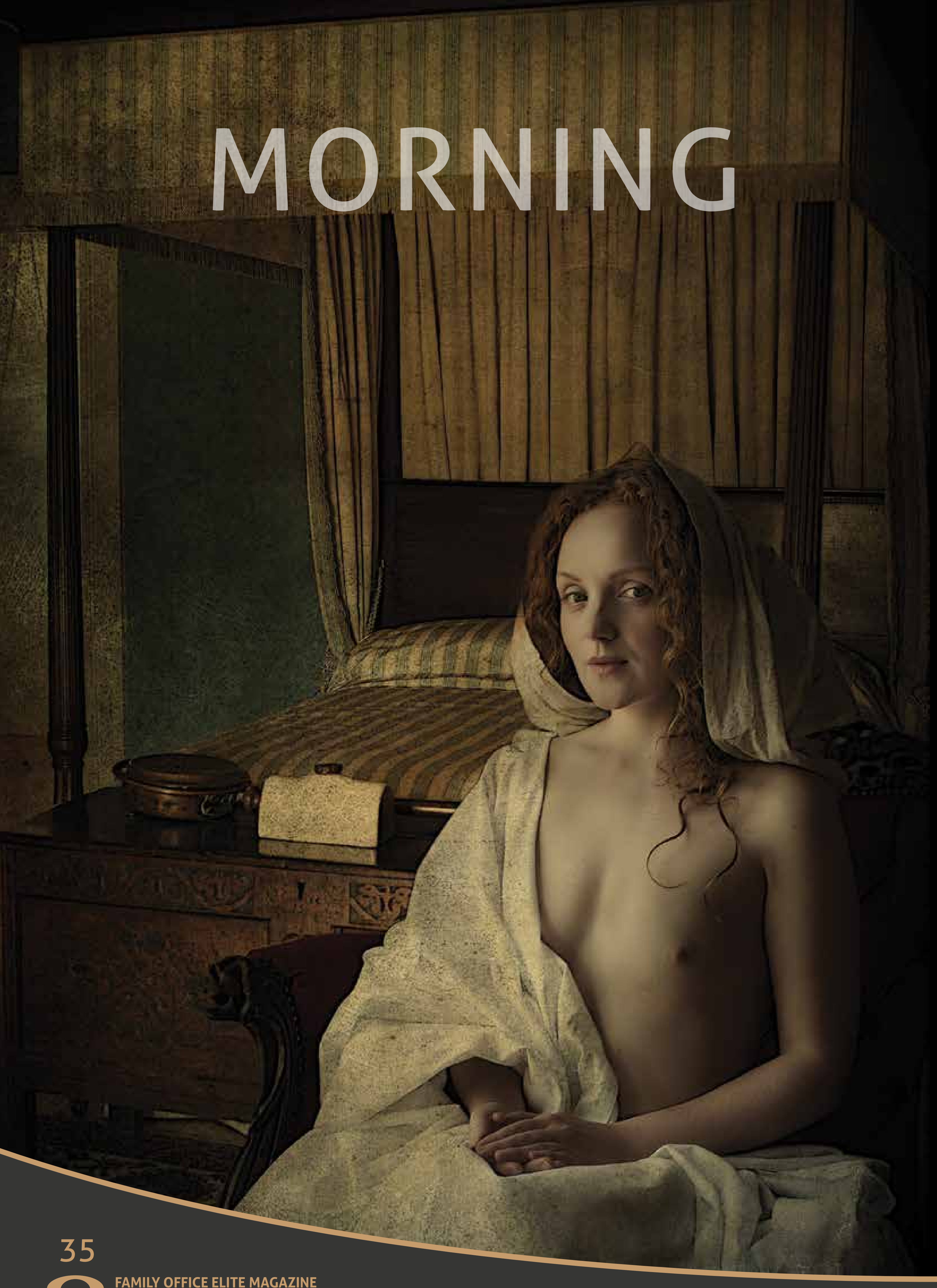
SILVER FAST's remarkable performance was demonstrated last year on her 3,200 nautical mile maiden voyage from Perth, Western Australia to Sri Lanka, which she completed at an average speed of 17 knots with fuel consumption of only 400 litres per hour (106 US gallons per hour). Delivering a range of 4,500 nautical miles at 18 knots, her powerful MTU engines can carry her to a top speed of 27 knots in optimum conditions, and her long-range cruising speed is 20 to 22 knots. Proven for long ocean passages in all sea states, her slender hull cuts through the waves with ease, and she is quiet and vibration-free for night-time passages at 18 to 20 knots. Quantum zero-speed stabilisers keep her equally comfortable at anchor. Her shallow draft of 2.6 metres (8.5 feet) makes her perfect for cruising the shoal waters of the Gulf, the Maldives, the South Pacific and the Bahamas. SILVER FAST's airy, the contemporary interior was conceived by Andreas Holnburger of Vain Interiors to be both fresh and luxurious. Teak paneling and grey glass mirrors are complemented by innumerable custom finishes such as metallic painted walls with leather steps on the central stairwell. Weight reduction is

achieved by the use of lightweight aircraft honeycomb construction. The main deck features panoramic views from large picture windows and leads aft to the 'theatre room' with huge plasma cinema screen. From there you can head out into the 'winter garden' – a fantastic glass-screened, air conditioned space that allows for flexible indoor/ outdoor dining whatever the weather. Wraparound sliding glass doors shield from wind and rain without detracting from the view, while the mirrored ceiling adds light to the dining area below which can seat up to 20 guests. The aft deck itself features comfortable raised lounge seating and a top-of-the-range fully integrated 70,000 watt sound system.

The spacious sea level 'beach club' on SILVER FAST has been expanded to allow for more gym equipment in the comprehensive spa facility with customized sauna, hot steam room, massage room and beauty salon. On the sun deck, the mirrored bar front converts into a TV to allow movies to be viewed from the glass-fronted eight-person Jacuzzi.The innovative tender stowage area is accessed via forward gull wing doors and houses two 7.4m (24.2ft) all-weather custom tenders. On the foredeck, the "touch and go" helipad is suitable for an AgustaWestland AW109 or a Eurocopter EC135.

This ground-breaking superyacht is a real head-turner and offers speed, efficiency and stylish luxury in equal measure. - www.burgessyachts.com

# MORNING



# MORGAN O' NEILL

## From the old masters to contempary photography (Front Cover)

Morgan O' Neill's unique photographic style has earned him the respect of his peers and numerous international awards. His interest in photography began as a young teenager while trying to make a camera from a shoebox. His Father took notice of the young boys interest and let him use his own old Brownie camera.

At the age of 14 his Mother told him that she'd love if he would take up photography, After his Mother passed away, he never forgot what she said to him about photography. Shortly after he went out and bought the best camera, he could afford and started taking photos whenever he could and at times whenever he could afford to.

His love for photography was strong, but his hunger for learning was even stronger, and he enjoying every moment he had a camera in his hands. Morgan said, 'I was so fortunate to meet great friends that were willing to share their knowledge, and eventually I found I was developing my own style'. He became a member of the Irish Photography Federation and later achieved his Licentiateship (LIPF) and Associateship (AIPF) and in 2010, he achieved his Fellowship (FIPF). He is now also been a member of the Royal Photographic Society and was awarded his Associateship (ARPS). He enjoyed the challenge of salons and to date achieved his EFIAP/silver. He has won over thirty major Awards in international competitions from FIAP(Fédération Internationale de l'Art Photographique) and the PSA(Photographic Society of America), and his work has been exhibited in over thirty-five countries. Other awards were overall best image in the Celtic Challenge and overall best image in the IPF (Irish Photographic Federation), and overtime won over thirty Irish national awards.

He is on the Irish Photography Federation list of judges for national judging and also gives lectures on photography around the country. He is on the panel of judges for the Irish Photography Federation and has written numerous articles about photography.

So what inspired Morgan to create this unique style of photography? We think it's best to read it in his own words.

'I think this goes way back to my early school days. I wasn't the brightest pupil in school; I was a daydreamer. I was always imagining the days gone by and trying to visualise how people used to live. I always had a love of history, and I had an obsession with Leonardo da Vinci. Everything about him just fascinated me, his inventions, his paintings and especially the 'Mona Lisa' and other great works. I wondered how he got the effects he did, the lighting. The result of hundreds of years of ageing seems so natural to us when we look at the old masters now was not acceptable then.

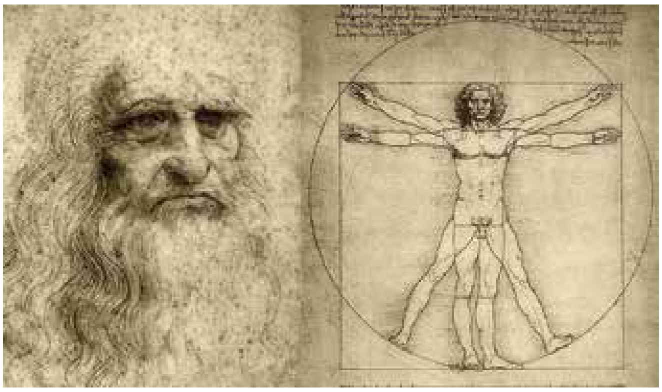
My passion for old master paintings is not something I could discuss with my school friends. It just wouldn't have been very cool. As the years went by, my appreciation for these fine painters grew more and more. I had a particular interest in portrait photography, and I started with my young daughter as a model when she was just three. As time went on, my photography style seemed to have taken on a life of its own.

Friends, family and other photographers were praising my work. I'm really not one for receiving praise. It makes me feel like I don't deserve it. That said, I know I have developed a unique and different style, something that came out from deep inside me. Perhaps it was my obsession for Leonardo da Vinci and Renaissance Art.

It finally looks like all those school days I spent looking out the classroom window daydreaming and lost in thought have paid off.

# INVESTING IN FINE ART

## Fine Art SPV: Buy and Hold – VS – Buy and Loan



With the current instability in the world markets, more and more Investors are paying attention to fine art as an asset class. Of course, one of the primary factors in this sector, like any other, is conducting thorough due diligence on any art that may be under consideration.

One of the first issues in this process would be to ensure that the provenance and condition of fine art must be right. If there is even the slightest of doubt as to the validity of the provenance of any fine art, no matter how attractive the painting looks, the obvious conclusion is to pass on it. There are many other issues in relation to fine art that need to be addressed as part of the due diligence processes; these may include taxes, export licensing, forensic examination and so on.

That said, investing in off-market Fine Art has a number of interesting advantages over traditional asset classes, as it is now proving to be a very attractive option for the wealthy. One way of achieving this is via a fine art SPV (Special Purpose Vehicle) An SPV can be set up in most jurisdictions and in a number of different ways, dependant on the client's requirements. However, from an investor's perspective, the SPV should be owned entirely by the Investors.

Therefore, there are little running costs, no salaries, no huge commissions and there can be attractive tax incentives dependent on where the SPV is located.

The Buy and Hold SPV – This is a rather simple process and is predominantly utilized by the hard-core investor as a vehicle to park funds for a long-term period. The art that is owned by the Buy and Hold SPV can be stored at a Free Port or another location, home or office until the investor then decides to sell. Although this is horrifying prospect to most fine art connoisseurs (individuals who reputedly have the ability to tell almost instinctively who painted a picture), to your hardcore investor, it's just business.

We asked one art investor recently how he felt about the connoisseurs' aversion to this 'Buy and Hold' process; he replied 'when the connoisseur saves up enough money, just like I have, then he can come back and buy the art from me. Until then, I'll have if safely put away for them.

Buy to Loan – This is another option for investors to consider, as investing in quality fine art and loaning it out to a reputable museum has some unique advantages.

This strategy also falls under the remit of Family Offices, as investing in quality fine art, is in essence, preserving the wealth for the next generation. This may have a number of advantages, namely the low costs associated with loaning it to established museums, this would be dependent on the terms and conditions of any loan agreement.

Should you need more information about acquiring fine art then please use the contact details below.

DOMOS Fine Art


The 9th Annual
9 & Wealth Management Private Banking Asia 16
THE 9TH ANNUAL
WEALTH MANAGEMENT &
PRIVATE BANKING ASIA
Hong Kong, China | June 23–24, 2016
Key Issues
> Market Analysis on Asia and China Wealth Management
> Globalization of China Wealth Management Institution
> Insurance Package for Private Wealth Management
> Risk Control with Diversified Portfolio
> Innovative Technologies for Wealth Management
> Big Data Application for HNW Clients Wealth Management
Organizer
士研咨询
SHINE CONSULTANT
Media Partner
FAMILY OFFICE ELITE
More information, please contact us:
Angela SUN
Tel: 86-21-52428067
Email: angela.sun@shinemediaworld.com
Website: www.private-bank-china.com

# PULSE CINEMAS

## Pushing the Boundaries of Home Cinema Style

From its humble beginnings in the late Seventies, home movie viewing has come a long way. Not just with advances in audio and visual technology but also with comfort and design. Even the 'home' is no longer a restriction; you'll see many a lavish private cinema on board yachts, in penthouse suites or beside swimming pools.

Since 2003, Pulse Cinemas have become the go-to consultants in the home cinema landscape. Pulse supply inspiration and technical know-how in order to push the boundaries in home cinema comfort, sound and visual quality for their elite client base. In Pulse's book, there are no restrictions. Anything is possible; ideas are without limit. Home cinemas are an interior design feature, and no detail is overlooked.

Use of space is important, Pulse CEO Mike Beatty insists ", there's not a more fascinating experience than spending the evening with friends and family watching the latest blockbuster movie on your the big screen within your very own dedicated cinema. But what if space doesn't allow for rows of Fortress Cinema chairs and a dedicated Screen Research screen, a projector shining from a darkened ceiling, a rack of Datasat processors and power amps; all driven by a Kaleidescape movie server?"

The solution here, he explains is the super covetable flex cinema set up, where a living space has a dual function and some serious wow-factor ", at first, glance your beautiful living room offers nothing more than a low-level Japanese dining table; cushions scattered around the floor and lighting that focuses the guests' attention on the gorgeous meal that has been served... Then, at a touch of a button, like something from a Bond movie, your beautiful living space becomes an amazing cinema... Your Lutron lights dim, the blinds silently fall from a slither in the ceiling, the hidden Runco projector and Screen drops into place and suddenly the generous Kaleidescape offering of the latest blockbuster movies, in full HD quality, appears on screen for your guests to choose from."

Of course, whatever room the cinema is in, acoustics play a key role in the perfect set up "Cinema Acoustics offer a whole range of acoustic panel treatments to improve the audio performance of a room," explains Andy Jones,

Sales Director at Pulse ", by using a combination of absorption, diffusion and bass control these panels dramatically improve the listening experience, increase immersion and reduce listener fatigue. These acoustic panels are made to order and can be customised with the clients' own artwork or images, giving a completely bespoke solution. We have seen movie posters, family photos, artwork or even suede finishes complete the room."

Sitting pretty? Pulse Cinemas insist that the performance and quality of the seating should match that of the technical equipment and work closely with Californian company Fortress to create stylish seating, right down to the detail of the stitching. Whether your penchant is for fringed red velvet reminiscent of a vintage theatre seat to a sleek leather finish monogrammed with studs, Fortress chairs can be created to differing back heights, reclining to the angle of the customers' choice.

Another component that Pulse fully endorse is the Kaleidescape system, which they describe as "THE high-performance movie and music server system." The newly available Encore product line allows movies to be purchased, backed up and saved to a cloud – then watched in 4K Ultra HD at any time. For the luxury cinema environment, it seems, anything else would be inferior. "It's the only choice for clients looking for their cinema at home to recreate what the director intended..."

With prices for a bespoke home, cinema beginning at around 15K (and going up to over £million) another trend Pulse are quick to highlight is that they are no longer the bastion of the single male. Mike Beatty emphasises ", On the contrary, 95% of our dealers' customers are couples, choosing the cinema for the family to enjoy. Home cinema is definitely no longer perceived as Dad's toy; our business is to create beautiful cinema designs, and this includes choosing fabric for chairs, bespoke colour-schemes... It is a family decision. People often think home cinema is just for watching films, but they are awesome for watching music events or even playing console games."

www.pulsecinemas.com

# AN INNOVATIVE MANAGER FUSING MATHEMATICS AND MARKET EXPERIENCE

USA, Boston-based PEAQ Capital is fusing advanced mathematics with decades of trading experience to manage systematic (computer oriented) transparent, uncorrelated liquid alternative investments.

They codified their expert trading systems, and also use a new math area to run artificial intelligence pattern recognition systems. PEAQ has invested 12-years & over $2M in systems research. They only manage assets for institutions and large family offices, called Qualified Eligible Persons, and their minimum account size is $5-million.

Through the technology of Ian Tracy at Accelerate Product, QEPs can quickly review ten very short videos, a virtual brochure of sorts, here: http://moneybytes.accelerateproduct.com/peaq-1-0-3-dp

The firm was founded in 2013 by Peter Harrison, a veteran floor trader and discretionary trading systems expert, who in 1985 became Tudor Investment Corporation's first proprietary trader under Paul Tudor Jones. Harrison has focused on computerised trading systems since 2004.

After programming for Harrison since 2004, mathematician and systems developer Julian Mulla, who won the Albanian Math Olympiad 1990 and was 3rd place in the Balkans Olympiad 1991, joined PEAQ as Managing Partner, Chief Technology Officer in 2014.

Frank Casey, who has 41 years' experience in financial markets, the latter half in alternative investments and portfolio management, is Managing Partner and leads business development. He is best known as Harry Markopolis's partner whistleblowing to US SEC on the Bernie Madoff fraud for 8-years.

Frank Casey
PEAQ Managing Partner

Family Office Elite (FOE): Frank, What is PEAQ?

Frank Casey (FC)
"A little background is in order. We started trading Summit, our short-term counter-trend system August 2014. The algorithms used to select trades were codified 2005-2009 and tested via extensive simulated-trading 2010-2014 before implementation.

Those original trading systems performed well, but we have made substantial advancements in establishing greater confidence factors for each trade prediction.

Past performance is not necessarily indicative of future performance of course, but we believe that we are building an innovative, higher-profit, lower-risk, asset management business. We use advanced mathematics and deep machine learning to establish signals and confidence factors for successful 1-3 day trades.

We refined the signals to be more adaptive to rapidly changing markets. This should allow more profitable signals in volatile markets. We are always researching to improve our profit potentials while lowering expected risks. The current research has allowed more adaptive, higher profit expectations, at lower risk assumptions."

(FOE) Peter, given the time you spent on the floor and developing discretionary investment systems alongside some of the greats like Paul Tudor Jones, why did you make the transition to a systematic approach at PEAQ?

Peter Harrison (PH): "In 2004, we came to a crossroads, almost a generational opportunity.
In 2003, the markets started to shift to electronic markets, and market liquidity followed. I knew that we had to find ways to utilise the machines more to be competitive.

I came together with Julian in 2004 to answer the question: 'How can I move my trading expertise to a computer and become so much smarter than competitors?' We had the ability to be able to make more simulations than there are grains of sand on earth; we can be so much smarter. So how lucky am I to live in a world where the evolution of money management has come around. It's just so exciting!"

FOE: How does PEAQ distinguish itself as a systematic manager in the futures space, a space that has become dominated by large, mostly European trend-followers?

(PH):
"Let's look at trend-following systems. It just amazes me that some of our biggest money managers are trend-following systems, and yet they only make money 15% or 20% of the time. So. Wow. This is the first great opportunity, to say I want to be on the other side of that trade. So we buy the false breakdowns, and we sell the false breakouts because it our view it's going to be a false break out 80% of the time."

Julian Mulla (JM):
"Basically, the idea is we develop hundreds and thousands of models. From these, we want to pick those models that have predictive power, which are going to work in the future. It is difficult to tell if a specific model historically worked because of dumb luck or predictive power. We do a very advanced averaging of the modelling to cancel out models that do not have any predictive power. Then, only the group of systems that do have predictive power is going to come up with a signal that is biased higher towards the long side or the short side, and this is how we distinguish between noise and signals, real predictive power of the systems."

(FOE)
Julian, reference your mathematical research, in simple terms what is it that you're doing here?

(JM)
"We are adapting the most recent research results not only from finance but from a lot of other fields, fields like pattern recognition, handwriting recognition, image recognition, automatic translation, all of these and applying the core ideas to financial modelling. The strategies and the modelling entail cooperation between Peter, and his experience with markets, and my mathematical and programming skills. As part of the formalisation, we are also basing our work on prior research that has been done by bright mathematicians and professionals."

(FC):
"As far as PEAQ's investment philosophy, I've had the privilege of watching how well Julian and Peter work together. Both are extremely humble, and they are inquisitive, willing to expand their minds and look at all new alternative potentials to decipher whether such are additive, or noise.

Normally, people that are following trends are probably going to win 15% of the time. And the risk they assume when they get into the trend is high; for a trend moving from point A to point B, they have to absorb the risk to point A at the bottom. They are intolerant of that large risk profile, so they move stop loss orders closer, and when hit it wipes them out of the trend trade.

Peter's genius, as a floor trader and now as a manager of assets, is that he wants to be on the other side of that ledger. He wants to be picking trades where he has a defined risk parameter and might win 70% of the time. That is Summit countertrend in a nutshell: targeting more winning than losing days and months, within closely defined risk assumptions.

We are a convergent or mean seeking, manager of shorter-term trading horizons. We may have over 300,000 algorithms for each market that we trade. Each algorithm is a slight mutation of the other. So it might look at a 7-day moving average versus a 21-day moving average, or some higher math form of a moving average, but the purpose of looking at all these algorithms is that we are attempting the figure out, out of 300,000, the near 10,000 that showed profit over forward testing period. We built the algorithm, and we let the computer run. And the computer learns; that is the artificial intelligence component of this thing or the deep machine learning as we call it. Now out of the 10,000 algorithms that were profitable you do not know if each was dumb luck or if they are predictive.

And that is where it comes into Julian's high math skill set. Taking what looks like noise, 10,000 algorithms, and producing a higher signal-to-noise ratio, so we have a degree of confidence for direction, and how much we allocate to a trade."

FOE
How do you think about risk and risk management?

JM
"We define it in the simplest way. There are a lot of definitions for risk, standard deviations of return and things that are little bit more complex. Our definition of risk is how much money a specific component can lose in a day. Now there is risk in both modelling and also in the execution. Modelling risk is when you find trading systems that have worked well in history and don't work in the future. We tried to eliminate this risk by performing a walk forward testing of our methodology, or only looking only at information that is available up to that point.

On the other hand, we have execution risk: getting the price that we want in the market. And in order to achieve that we have developed our own execution strategies that work the orders in the market. In the countertrend systems, we use very tight money management controls; tight stops and objectives to control the positions that we have in the market. We are fully automated in trade prediction, execution, reconciliation and allocation to clients' accounts."


The Cannabis Private Investment Summit West: A Private Wealth Series will be taking place May 4, 2016 at the Peninsula Hotel in Beverly Hills, CA. The summit will explore the opportunities and risks institutional investors should consider when investing in the bustling cannabis industry. Speakers will include industry experts, entrepreneurs, and government enforcement officials. Kahner Global prides itself in producing this leading cannabis investing educational summit exclusively offered to high net worth investors and family offices. The cannabis industry is the fastest shifting industry in the United States. The shifting regulatory environment in favor of legal cannabis has brought on huge business opportunities for investors, especially those who are seeking ways to identify and evaluate early stage investment opportunities in the cannabis sector. The summit aims to help investors identify which business models are the most attractive and sustainable, as well as what risks are involved and how family offices should consider investing in the space. Summit attendees will take part in networking lunch and cocktail reception; educational sessions; peer-to-peer networking; special guest speakers and exclusive access to investment experts. Attendees will include family offices, accredited investors, angel investors, wealth managers, venture capital funds, cannabis companies, law firms and accounting firms. A preliminary agenda as well as additional information can be found at www.cannabrunch.net.

To request an invitation, email info@kahnerglobal.com and refer Family Office Elite Magazine in the subject line for a complimentary invitation.

# LATIN PRIVATE WEALTH MANAGEMENT SUMMIT

May 12-13, 2016 l Trump Ocean Club l Panama City, Panama

The **Latin Private Wealth Management Summit** is the premium forum bringing leaders from Latin America's leading single and multi-family offices and qualified service providers together.

- Schedule one on one business meetings with qualified buyers
- Grow sales faster
- Network in a luxurious and stimulating environment
- All inclusive investment

## KEY TOPICS

- Private Equity
- Foreign Direct Investments
- Family Conflict and decision making
- Cyber Security
- Financial Education for future generations

## NETWORK WITH INDUSTRY EXPERTS LIKE

**Chairman: Antonio Gastelum,** President, **Antonio Gastelum INC.**

**Carol Pepper,** Founder and CEO, **Pepper International**

**Sergio Schmukler,** Lead Economist, **The World Bank**

**Diego Pivoz,** Regional Head of Wealth Planning – Latin America, **HSBC Private Bank**

"The way to **wealth** depends primarily on two words: **work** and **savings.**"

Benjamin Franklin

FOR MORE INFORMATION, PLEASE CONTACT DEBORAH SACAL:
**alejandrad@marcusevansmx.com** or call **+52 55 4170 5555 ext. 2437**

marcusevans

# CONSIDER THE UPKEEP AND HIRE THE JET OR ISLAND

By Zeshan Ahmed

Many high net worth clients are subscribing to the idea that it is more economical to rent. Some of the more high-profile billionaires are now renting rather than purchasing Private Islands at a rate of $5,000 to $150,000 per week.

This recent trend also affects other luxury categories including exotic supercars, designer fashion, private jets, diamond jewellery, private villas and private yachts. This is a slow trend toward a sharing ecosystem that has been the foundations of mainstream businesses such as city bike schemes and peer-to-peer sharing of goods and services. Ownership amongst this group does not have the prestige it once commanded, and renting is shedding its déclassé image. Even among our clients who could comfortably buy an island, renting simply makes more sense for their requirements.

Our clients, as mentioned in other articles, are finding more satisfaction, comfort and status in experiences rather than material possessions; a position that is supported by a 2015 survey on the sharing economy by PriceWaterhouseCoopers high net worth clients are also advised by their wealth advisers of the ongoing costs of property that may have limited use during the year. Generally, if you own a property, you have to pay taxes and insurance and manage the property. There is a change in the market. They rent and have fun for two weeks, and then they go and maybe come back next year. While some of our clients have owned yachts in the past and still do, the allure of charter is that they have the freedom to choose any charter destination, anywhere in the world, selecting from a choice of different yachts. It's a relationship which is fully flexible and gives clients many more options and in a very short timescale.
Here are six luxury categories in which we are observing the wealthy are opting to rent.

Vacation Homes and Islands
Many HNW (High Net worth) clients choose to rent their vacation homes instead of buying for a range of reasons, including a desire to avoid burdens like maintenance and homeowner association (HOA) fees. One Client, a Spanish restaurateur, bought into an Exclusive Resorts with his partner, in conversation, he said' It is 'like owning exquisite vacation homes all over the world without having the responsibility or the headaches that come with homeownership'. The hire cost was £66,000 for 20 days over two years. Clients are willing to pay a premium to rent places they want for only for the time they want them. We also have a client who owned a place in the Cayman Islands for the last three years, but he got burdened with HOA fees, hurricane insurance, maintenance upkeep, etc. Now he goes to the Caymans for the month of February every year. He pays significant rent for a penthouse at a Ritz-Carlton community. But when the month is over, he simply leaves and has no worries the rest of the year and no carrying costs.

Then too, there are tax considerations. Another reason not to own property can have to do with residency and taxes. For someone who has citizenship in a country where the tax system is based on residency — as it is in mostly in Europe — it can make sense to rent to avoid becoming a tax resident if an investor visa is not required. For those afraid of commitment, renting adds flexibility. You can enjoy one place, then move on. Although the St. Barts' real estate market is booming right now, we see many of the uber-wealthy, including celebrities, continuing to rent on the island. These arrangements fit their globe-trotting lifestyle and provides them with the flexibility needed for their busy schedules.

Private Jets
While cheaper than buying, flying a chartered jet is still a significant outlay short-term. Rates vary from £2,500 an hour to more than £12,000 an hour, depending on the type of jet or helicopter, the miles travelled and the number of passengers. Another popular product from the aviation industry is the prepaid Jet card which allows a certain amount of flight hours to be purchased and used throughout the year and even split amongst colleagues or family A Sky card, for instance, allows

purchase of individual flights on demand and permits selection of the specific jet type for each flight. Sky cards rates range from $50,100 to $1m, depending on the size of the jet. A lot of people don't want to own their own plane because it's a big undertaking. The transaction process alone is complicated with aviation industry commitments that must be met by the buyer. It only really makes sense to acquire a jet for over 200 hours or flight time a year, if you don't have more than 200 hours a year usage, a lot of people choose to charter.

For most people, chartering benefits are clear. The convenience and time savings, you don't have a big capital outlay, you don't have to manage the plane and the crew, and you just make one call and someone shows up with an airplane. The disadvantages of chartering are that the plane is usually different every time, and its condition may vary.

Yachts

Many wealthy clients don't want the hassles of owning a yacht.

We've done the figures and realise they can charter the latest and greatest superyacht for a completely unique vacation, personalized for them, with none of the ongoing expenses of ownership. It's a walk-on, walk-off convenience. There are no maintenance logistics or crew to manage, no cleaning, no paperwork and no ongoing invoices and expenses for berthing and upgrades.

The 157-foot called Cocktails, with five staterooms, can be rented starting at 2016 rates of £110,000 per week in the low season to £195,000 per week during Christmas and New Year, and taxes and expenses.

An upside to chartering is that experts estimate it might easily cost £1 million annually to keep a £10 million mega-yacht running. Even for well-to-do yacht owners, fixed costs for fuel and paying a captain and crew, on top of docking fees and maintenance, can be formidable.

Luxury Cars

One of our clients splits his time between London and Hong Kong for his businesses. Although he owns a 2015 Alpina B5 Edition 50, when he is in Hong Kong, he prefers to rent a black Aston Martin Lagonda Taraf for up to three months at a time, at around £8,200 a month. We know the client well. When he gets off the seven-hour plane journey, he likes it to be streamlined. Our client does not have to deal with insuring, storing and maintaining the car. This rapid growth is evidence of the strong demand we continue to see for luxury rentals. Affluent customers who own similar luxury vehicles that are in the shop for repairs are behind some of the demand. Other renters include those who are shopping for new high-end autos and want to rent for a few days to get a feel for the ride or try something new without having to live with any of the impracticability of ownership.

Jewellery and Watches

A £159,500 pair of platinum emerald and diamond earrings can be rented at £3,180 a week.

For particular clients, well-known jewellers will lend high-end jewellery. After qualifying for eligibility, clients can rent pieces worth up to £900,000 by paying an annual membership fee. (As with many luxury rentals in any category, insurance against loss, damage or theft typically is factored into the deal somewhere.)

A Millefleur diamond cuff bracelet that retails for £145,500 rents for £2,335 a week. A Man's Patek Philippe Annual Calendar watch that retails for around £56,500 goes for a weekly rate of £985.

Designer Clothes

A Marchesa Notte gown that retails for £1,600 can be rented at £290 for four days. The service lets women rent designer clothing (mainly dresses) and accessories, rather than own.

The concept is unpretentious: Customers select a dress, rent it for four days and then return it to the company in a prepaid carrying case. Want to wear a Naeem Khan dress that retails for £5,180? It rents for £800 for four days. A Hermes Kelly Leather handbag that retails for £8,200 rents for £800.

There is a feeling of satisfaction from our service of only surrounding our clients with things that they need. The observations above are just a recent trend to cater for a budding enthusiasm for a more uncluttered lifestyle; these sharing-based services offer more convenience and choices; a trend brokers are adapting to rapidly.

# ROTHSCHILD FAMILY OFFICE

Faberge Match Case

Faberge Rothschild

Faberge Rhodonite Box

## FABERGE - ROTHSCHILD

The great banking family, the Rothschilds, had an extensive interest in the arts, and its members were among the greatest collectors of the nineteenth century, furnishing their homes with a range of historically significant art and antiques. This penchant for the arts necessitated a family office: custodians of a growing collection tasked with its maintenance and development. In addition to keeping track of the varied collections, family office staff also sought works of art to suggest to the Rothschilds. These family offices were also responsible for managing household finances and running the Rothschild homes.

The Rothschild collections encompassed seventeenth and eighteenth-century paintings and eighteenth-century French decorative art. The homes housing these collections, consisting of large estates in a range of styles throughout Europe, left quite an architectural legacy. One such famous estate is Waddesdon Manor, now owned by The National Trust of the UK, where some of the Rothschild collections remain on view.

Renowned for their wealth and prestige, the Rothschild family had humble beginnings. The dynasty's founder, Mayer Amshel (1744-1812), reached beyond the confines of the Frankfurt Jewish ghetto by establishing a coin business catering to wealthy collectors from the surrounding principalities. He later opened a money exchange, which became the first Rothschild bank. Mayer Amshel's five sons would later disperse across Europe, establishing an international banking family.

The Rothschilds also had an eye for Fabergé and, next, to the British Royal family, were among the Fabergé London shop's most important clients. All members of the famous Dynasty patronized the firm and purchased the majority of their pieces in London. The Rothschild family developed a close relationship with Henry Bainbridge, the manager of the London shop, resulting in custom Fabergé pieces in accordance with their tastes and family emblems. Bainbridge intended them to be gifts exchanged within the family, but the Rothschilds presented the majority of such items as gifts to others.

One manner of customization was enameling pieces in blue and yellow, the Rothschild racing colours. One such object is a gold and diamond-set match case, illustrated with its Wigström Workshop drawing.

Not all Rothschild-owned Fabergé pieces bear their iconography. The family's taste was not limited to customized objects, as evidenced by such works as a gold and rhodonite box with a white and green enamel border, a Louis XV style sedan chair, a bonbonnière, and a portrait brooch of Nathan Rothschild

(1840-1915). These items are a mere selection of Fabergé's oeuvre, whose production and artistic output encompassed a wide range of objects, all made with fine, often unusual, materials and craftsmanship. Beyond their undeniable beauty, these objects are a tangible connection to the past and a surviving testament to Imperial Russia. While it has taken the rest of the collecting world generations to appreciate and understand the lasting value of these unique treasures, the Rothschilds, were wise to recognize their worth in their own time... If only we all could have started collecting back then.

A La Vieille Russie, founded in 1851 and now in its fifth generation, has been dealing with Family Offices for decades.

# DEFINING ASSET ALLOCATION AND DIVERSIFICATION STRATEGIES THROUGH INTERNATIONAL FORUM GROUP

Our ever-changing world continues to impact family offices, requiring them to evolve with the growing demand for a more comprehensive service that serves not just the wealth, but all family needs. Family offices have expanded their teams and leveraged partnerships with world-class professionals to meet clients' expectations and keep their loyalty. Private wealth managers are still expected to deliver the highest return on investments in the current low yield environment while navigating through the sprouting regulations and rising taxes. Now more than ever, the complexities of family dynamics need to be examined to successfully transfer wealth and knowledge to the next generation.

The Elite Summit is the largest gathering of its kind. Our audience consists of over 100 senior partners from Europe's most prominent family offices as well as world leading asset managers and investment solution providers. Through our invite-only approach, which ensures optimal insights sharing and networking onsite, our event results in a high-level audience that is imperative that we have the best of the best attending! Discussing topics such as Preparing the Spouse to Transition into the CEO of the Family's Wealth Enterprise, Intangible Assets as Value Catalysts and Drivers of Fundamental Value and Adapting To the Challenges and Opportunities of the Next Decade are a few of the many topics the Elite Summit will cover on. The upcoming Elite Summit will be held at the Fairmont Le Montreux Palace in Montreux, Switzerland from April 20-22, 2016. What makes the Elite Summit unique is not only the high-level and intimacy of the sessions, but also the research that goes into organizing each session. The Investor research team spends six months researching with family offices to define very specific requirements for all participants while our experienced Advisor team analyses the market and determines relevant Managers in each asset class.  CEO of ASCOT Investments comments: 'The summit offers a unique opportunity to match investors and investment objectives. Also, to give industry insights, it allows an outstanding opportunity for networking among peers.' The Investment Director of Value One Holding AG, a past attendee, assures that 'If you're struggling to meet the right investors at conferences, trust Marcus Evans to solve this problem for you with their structured approach. The one-to-one meetings and networking in superb locations make for a successful event every time.'

'Without a doubt the most well-organised event I have ever attended. The keynotes and presentations were all of the great value.' Comments Director of Kuberawealth. As a result, the Elite Summit has become the leading family office investment event over the past few years and continues to provide a platform for family office thought leaders to establish powerful alliances.

For more information email Ali Tamashiro
alit@marcusevansch.com

# HOW A DREAM CAME TRUE

## Himalaya kingdom of Bhutan

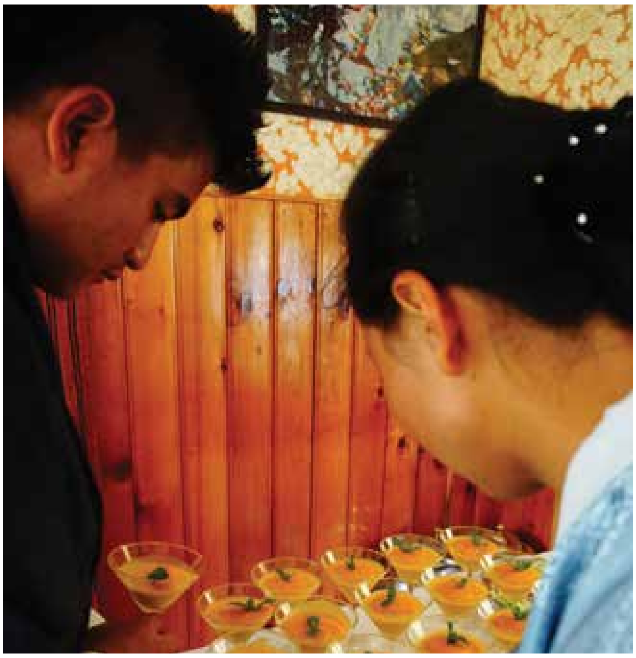
By Dr. Rieki Crins

During Spring 2009, I guided a group of wealthy Dutch people through Bhutan. On a regular basis, I do this work once or twice a year as a cultural tour. I like doing this work because I can visit Bhutan, travel the country, stay at many hotels and share my knowledge about Bhutan with people who want to learn about the country.

I have a long relationship with Bhutan as an anthropologist. My first encounter with Bhutan was 25 years ago: I was invited by the Bhutanese Ministry of Agriculture to conduct research in a remote village. During my stay in the village, I learned so much about Bhutanese culture and spirituality. In those days, village life in Bhutan was like a time machine that brought you back 200 years. There was no electricity and no indoor plumbing. Most children did not attend school. Bartering was the main way of economic exchange, and nature provided what people needed for their daily lives.

Spirituality played an important part of the people's lives in the village. It was the guideline for the people in their relation with nature. Still, today nature is considered sacred, there are deities everywhere; in mountaintops, lakes, forests, rivers, rocks and lands are the abode of the gods. These deities can bring abundance of crop and protection or can bring diseases and destruction when offended. Specialist-like shamans can communicate with this deities and advise people what kind of rituals are needed to maintain the harmony.

In this way, the villagers treat nature and their fields with respect and never abuse the soil. It is an ancient way of sustainable agriculture. Also, in Bhutanese Buddhism, respect for nature and all living beings is an important value, hence the sustainable policy towards preserving the forests of the country and the ban on hunting and killing of animals. Every house has a protective deity, and this deity needs to be



worshiped and respected. In most houses, there is a special shrine for this deity next to the Buddhist altar.

Many tourists who visit Bhutan do not know about this Bhutanese sacred world and the rich cultural heritage that makes Bhutan so unique to the world. Coming back to my story: We were driving to Jakar in Bumthang and arrived late in the afternoon at our lodge. This lodge is run by a family who is dedicated to giving their guests quality service and food. I always stay there with my guests, and its one of the best lodges in Bumthang. On our second day at the lodge, one of my clients had a tantrum – he is a wealthy investment banker and he was upset because he needed to check the Dollar-Yen situation. He needed access to a computer and he wanted to have a gin tonic. Tonic water was not available in Jakar and there were no computer connections available either. On top of this, he was very upset because there was no closet in the room to hang his clothes in. In his frustration he commented, 'this country needs a hotel school'! I thought this was a brilliant idea: a quality vocational hotel-school is needed here. Why not do it?! I thought about the idea and talked to people in the capital, Thimphu. Most people who work in the tourism sector thought it was a good idea. Also, because of the fact that in Bhutan there is no hotel-hospitality tradition, it has to be constructed from the scratch.

At the same time, I thought of a new concept in hospitality: Why not include the Driglam Namzha, the ancient old etiquette, established by Shabdrung in the 17th century, into hospitality and also all its spiritual values, the sacred Bhutanese world that I talked about earlier in this article? This would make it a unique and true Bhutanese way of hospitality. Driglam Namzha gives guidelines for dzong architecture, the characteristic monastery-fortresses of Bhutan. Shabdrung also established many of the traditions of the tshechu 'district festival' such as the Cham dance. Also Bhutanese dress, architecture and the way of interaction between people of different rank are based on the Driglam Namzha guidelines who were intentionally codified to encourage the emergence of a distinctive Bhutanese identity.

From then on, things started to move forward. In Bhutan, with the support of the Ministry of Labour already at hand, we met Mr Tshewang Norbu, who owns a hotel and was interested in joining us. We began to work closely together, and Mr. Tshewang Norbu set up the Bongde Institute for hotel and Tourism, a unique project that came into existence because of the collaboration and selflessness of people from three countries. It's a unique non-profit project for Bhutan and the people involved are so proud of what we have achieved. Our hotel-school is a promising project that is welcoming guests for a different cultural experience unique of its kind In Bhutan This sustainable development project is a social initiative and focuses on to increase working opportunities in the hospitality industry as an answer to the high unemployment rate.
Located in Paro, Bhutan, the hotel school has been created in March 2015. The training delivered to 30 students each year will specialize on each professional section: kitchen, service and reception / housekeeping, in order to reach a basic operational level. Between the hours of service, students will have theoretical courses focusing on each professional aspect. Next to their core business of educating these young minds, they operate a boutique hotel with 13 rooms and one of the rare fine dining restaurants in Bhutan for curious guests to visit. Their vision is to fund the school by providing excellent service and a unique cultural experience to their guests. The hotel is located in the middle of the rice fields and all rooms face the scenic farmlands. It boasts a great view of the neighbouring monasteries, mountains and the surrounding valley. All rooms have an understated style incorporating western and traditional flair. The kitchen is serving a wide variety between authentic Bhutanese dishes and international cuisine. Classical French and Italian cooking with a Bhutanese touch, oriental and even Indian and Nepali specials. For the training of the students the hotel has included a bakery and even plans for an outside pizza wood-oven are on the way. We are planning to make a chösam (altar room) in our institute according to Bhutanese tradition. In this room, the students and guests can meditate.

We also made a small brochure that is available in all the rooms of the hotel, in which we give information about Bhutanese customs that is not mentioned in most of the travel guides about Bhutan. The hotel strictly collaborates with the local community of local farmers and suppliers. Most of the organic products can be found in a radius of 5 km in the vicinity of the hotel. You can experience the taste of the farmlands while actually enjoying the view where everything is produced.

Two young Hoteliers from Switzerland and The Netherland, train six Bhutanese trainers and the Bhutanese trainers then train 30 students. The students – 20 girls and 10 boys from all over Bhutan – are very motivated and happy to be at the BIHT, Bongde Institute for Hotel and Hospitality. You support the institute by staying with us or have dinner, lunch or drinks.

www.lefoundation.info

LONDON ON WATER YACHT & BOAT SHOW

LONDON YACHT,JET & PRESTIGE CAR SHOW

These exciting events are running with...

# PRESTIGE LONDON

## THE INSIDE TRACK

Located at Old Billingsgate, a prestigious Thames-side exhibition centre, and at St. Katharine Docks, London's premier marina village, more than 120 exhibitors and 6,000 visitors attended the first London Yacht, Jet & Prestige Car Show in April 2015.

Following this success the show has been developed into three very special events by joining forces with 'Prestige London', showcasing London's premier luxury goods and services and 'London on Water', an exclusive on-water yacht and boat show located at St Katharine Docks. Designed to appeal to those who enjoy the finer things in life, 'Prestige London' and 'The London Yacht, Jet & Prestige Car Show' held at Old Billingsgate (4-6th May 2016) will display and present companies from around the world that create the globe's most exclusive luxury items.

London is arguably one of the most important international market for superyacht and luxury yacht builders, being home to more than twice as many billionaires and millionaires than any other city in the world. One of the major attractions of this event is the participation of many of the world's top superyacht builders: Nobiskrug, Lürssen, Blohm + Voss, Amels, Abeking and Rasmussen, Azimut Benetti, Pendennis Shipyards, Sunrise Yachts, Princess, Sunseeker London, Westport Yachts, Spirit Yachts, Fincantieri, plus many more. Some will be exclusively showing visitors the latest yachts launched and a wide variety of designs of the future.

One of the most eagerly awaited features of the event will undoubtedly be the supercar and prestige car grid. Building on the fantastic display of cars at The London Yacht, Jet & Prestige Car Show 2015, this year's event will present several superb cars and specialist car dealers, including McClaren, Noble, Tesla Mansory and for the first time Ferrari and Lamborghini. Possibly the most special car at the event will be the ultra-exclusive Ferrari LaFerrari, the fastest road-going car ever built by the famous Italian brand. Alongside this, a selection of the world's top private jet and helicopter dealers and charter agents are exhibiting at Old Billingsgate. Leading names such as NetJets, Xclusive Jet and Sikorsky helicopters will be on hand to discuss your airborne travel requirements.

As well as yachts, jets & cars, connoisseurs of luxury goods and services will also be in for a treat. The 'Prestige London' element of the show features an exclusive presentation of companies engaged in interior design, luxury furnishings, fine art and sculpture, exclusive audio visual technology, fine watches, jewellery, objets d'art and fashion. If you are thinking of investing in London property come and see the experts exhibiting at the show, such as Harrods Estates, who can advise you where and when to invest.

Visitors will also exclusively be able to view highly sought after collectors items from our event sponsors Ulysse Nardin and Senturion With entertainment and client networking an important factor of the inaugural London Yacht, Jet and Prestige Car Show and Prestige London, the 2016 event will display enhanced facilities to accommodate this. Featuring a VIP sponsor lounge, private meeting and function rooms, plus champagne, seafood and sushi bars overlooking the River Thames, Old Billingsgate is the perfect venue to meet clients, friends or simply enjoy a day out shroud in luxury. Designer fashion shows will add even more to this unique occasion, with three evenings of fashion shows planned in association with Fashion TV. In partnership with The Superyacht Group, a cutting-edge series of

talks on luxury asset acquisition, focusing on the three themes of air, land and sea, will be held from 4th – 6th May at Old Billingsgate. Created for superyacht owners and high net worth individuals, the seminars will be hosted by The Superyacht Owner and Superyacht Buyer, and organised by Superyacht Events.

The summit will take place over three consecutive mornings and will focus on the problems and pitfalls of owning, buying and managing luxury assets. Each day will concentrate on a specific commodity; private jets, property and superyachts respectively. With a targeted audience of industry stakeholders and a chance to engage with leading panelists from the luxury industry during daily Q&A sessions, the event is sure to be an unrivalled networking opportunity for anyone involved in the purchasing of luxury assets.

Running along side Prestige London & The London Yacht, Jet & Prestige Car Show, London On-Water (4th-7t May 2016) will present the UK's leading marques of luxury sail and power boats with several choosing the show to premiere new boats for 2016 such as the extraordinary Glider SS18 and the superb Discovery 58. Britain's major luxury yachting brands such as Sunseeker, Princess, Fairline and Spirit Yachts among others, are all supporting and displaying yachts at this event. Located just a short walk from Old Billingsgate at St Katharine Docks next to Tower Bridge, this wonderful display of yachts and boats is rapidly developing its place on the calendar as London's largest and most prestigious On-Water Yacht & Boat Show.

Show tickets for all three events are now available to purchase online with up to 30% discount off the 'on-the-door' price. Visit www.prestigelondon.org (general ticket price covers access to all three events).

## MAYBACH S600 GUARD

S 600 Guard is €470,000 plus VAT

The special-protection version of the Mercedes-Maybach is the first vehicle to be certified with the highest ballistic protection level VR10 for civilian vehicles.

WORLDS FIRST PASSENGER CAR WITH HIGHEST LEVEL PROTECTION

# MAYBACH S600 GUARD

The special-protection version of the Mercedes-Maybach is the first vehicle to be certified with the highest ballistic protection level VR10 for civilian vehicles. These guidelines specify that the bodywork and windows must be able to withstand hardened steel core bullets fired from an assault rifle. When it comes to blast protection in accordance with Directive ERV 2010, too, the Mercedes-Maybach S 600 Guard leads the luxury class. With the new record, the Mercedes-Maybach emphasises its exclusive position as a Mercedes-Benz flagship in terms of occupant protection, too. The price of the Mercedes-Maybach S 600 Guard is €470,000 plus VAT.

The Mercedes-Maybach S-Class fuses the perfection of the Mercedes-Benz S-Class with the exclusivity of Maybach. At 5453 mm long and with a wheelbase of 3365 mm, the flagship of the Mercedes-Benz model range is 20 cm larger in both dimensions than the S-Class Saloon with a long wheelbase. Rear passengers benefit from this increased size, as well as from standard equipment that includes executive seats on both left and right and other exclusive details such as innovative voice amplification.

Heads of state and business leaders en route have never been as comfortable and simultaneously as well protected as they are in the new Mercedes-Maybach S 600 Guard. The armoured version of the Mercedes flagship delivers the highest levels of ballistic and blast protection available for non-military vehicles, at the same time offering unsurpassed standards of spaciousness, ride comfort and luxury on-board features. The rear seats have been repositioned further back, adding to the sense of privacy.

Part of the protection concept is that it takes a very keen eye to distinguish the armoured version of the Maybach from its series-produced counterpart. A series of special technical features also ensures that the Maybach S-Class remains mobile during and after an attack and is, therefore, able to exit the danger zone.

The new Mercedes-Maybach S 600 Guard has been officially certified by the Ballistics Authority in Ulm; for the first time, it meets the requirements for VR10 protection rating according to Directive BRV 2009 Version 2 (Bullet Resistant Vehicles). These guidelines specify that the bodywork and windows must be able to withstand hardened steel core bullets fired from an assault rifle. The vehicle also has an ERV 2010 rating (Explosive Resistant Vehicles). The test criteria used to determine this rating are not in the public domain. After inspection by Germany's Federal Office of Criminal Investigation, the vehicle was approved without any constraints.

The Guard principle: sophisticated integration of all protective elements

The armouring of the Mercedes-Maybach S 600 Guard follows the principle of integrated protection based on many years of Mercedes-Benz experience in building special-protection vehicles. The key advantages are:

- Outstanding strength and stability thanks to specific reinforcement of the base structure which is integrated into the bodyshell production stage.
- The high level of comfort is maintained by sophisticated integration and intelligent overlapping of all protective elements.

Already at the bodyshell stage, protective components of special steel are integrated into the cavities between the body structure and the outer skin. Special aramid and PE components help ensure the protection offered by the vehicle. Intelligent overlapping systems at particularly critical points, such as material transitions and interstices, provide comprehensive ballistic protection.

The windows are a

fixed and essential part of the protective elements, and particular attention was paid to selecting the appropriate materials and thicknesses. The windows are coated with polycarbonate on the inside for splinter protection, and have outstanding visual characteristics, despite their laminated structure.

The interaction between all the components provides the occupants with a highly effective protective space which not only includes ballistic protection, but also comprehensive protection against explosive devices. In the event of an explosive charge detonating at the side of the vehicle, the armouring protects the occupants as effectively as it does in an assault with explosives beneath the vehicle: the new underbody armouring, already tried and tested in the S-Class, entirely covers the underbody under the occupant compartment, a unique feature in the civilian special-protection segment.

The Guard family: special protection ex-factory
In addition to the new Mercedes-Maybach S 600, the Mercedes-Benz Guard range currently includes S-Class, G-Class and GLE models. With special-protection vehicles in six model series, Mercedes-Benz offers a more extensive range of special-protection vehicles than any other manufacturer. As in the case of series-produced models, the full manufacturer's warranty also applies to the models in the Guard family. All the Mercedes-Benz service outlets worldwide are also able to service, maintain or carry out any necessary repairs to the Guard models.

• Mercedes-Benz G 500 Guard: The G 500 Guard is equipped with a
5.5-litre V8 engine and highest protection to VR7 (according to BRV 2009).
• Mercedes-Benz GLE Guard: Available as GLE 350 d 4MATIC and as GLE 500 4MATIC. As a special-protection vehicle, the GLE Guard meets all requirements of protection levels VR4 or VR6 (according to BRV 2009) and ERV 2010.
• Mercedes-Benz S-Class Guard: Available as an eight-cylinder (long-wheelbase S 500) and as a twelve-cylinder (long-wheelbase S 600). The special-protection version of the new S-Class, presented in 2014, was the first vehicle to be fully certified with the highest ballistic protection level VR9 (according to BRV 2009, version 2). When it comes to protection against explosives, the S-Class proved its capability by fulfilling the requirements of ERV 2010 (roof, floor, sides) and Germany's Federal Office of Criminal Investigation.

Experience: Mercedes-Benz has been building special-protection vehicles for over 85 years. It started way back with the 1928 Nürburg 460 model when Daimler-Benz became the first company to begin factory-fitting saloons with special protective features to shield the occupants from gunshots and explosives. Mercedes-Benz also developed specially protected variants of subsequent luxury-class and prestige vehicles such as the "Grand Mercedes" 770 and the 500 model. Emperor Hirohito of Japan personally selected an armoured "Grand Mercedes" as his official car. Today the vehicle, delivered in 1935, can be seen in the Mercedes-Benz Museum in Untertürkheim.

Many politicians and heads of state followed the emperor's example and entrusted their safety and security to Mercedes-Benz special-protection vehicles. From 1965 onwards Mercedes-Benz offered numerous models with special protection. In addition to the legendary Mercedes-Benz 600 Saloon and Pullman Saloon models, in the 1970s and 1980s, the range included the 280 SEL 3.5 and V8 S-Class models, the 350 SE/SEL and 450 SE/SEL as well as the 380 SE/SEL to 560 SEL. Since 1979, Mercedes-Benz has also been building G-Class models with protective systems.

Article by **Tim Barber**

# AIRCRAFT PURCHASE

## Thinking of buying an aircraft?

The merits of flying privately can't be disputed: total flexibility on flight timing (subject to security and Air Traffic Control); access to many more airports (so you get closer to your destination); improved personal security; you choose the other passengers; no queuing; huge baggage allowance; greater comfort; and swifter airport transition. It's great for your ego and so on, but where do you start when you choose to buy your first aircraft?

Like everything, you can type 'Jets for sale' into Google and immediately you'll be confronted with an overwhelming choice of portals offering you a fantastic choice of aircraft. Perhaps the most important thing to remember about a broker offering an aircraft for sale is that they are representing the seller, not the buyer, and there's a reasonable chance that they know more than you do about the aircraft, and its shortcomings, as well as the market. So, if you approach one of these brokers, do you know the questions to ask? Is the aircraft capable of achieving everything that you want it to? Is there any major and therefore costly maintenance due? What is the real impact of the presence or lack of maintenance programs? Does the heavy landing or bird strike last year have any impact on the value?

All too often, we find owners who have succumbed to the charms of the seller's agent and ultimately realised they purchased the wrong aircraft. Often, it's because the aircraft quite simply isn't capable of doing what they were told it could do – usually the combination of passengers, payload and range. Sometimes, it's because the cost of operating the aircraft is far beyond their expectations? Others have been told that if they put the aircraft out to charter, then they would 'fly for free' but this is the stuff of dreams more so than the reality of business aviation.

The most efficient way of ensuring that you don't get caught out is to find a trustworthy advisor. There are plenty of them out there, but how do you find the right one? With so many individuals purporting to be global players in this market through a glitzy website, it's important to understand the scale of their business and their credentials. Ask for references, and don't forget to follow up by speaking to a couple of them before making your decision.

Once you have established what aircraft you intend to buy, it's important to understand the market dynamics. How many are for sale? How long have they been available? Is the inventory rising or falling? How many sales have there been recently? What is the trend of the values over the past couple of years and what is likely to happen over the coming weeks? Once you know all of this, you will understand just how aggressively you should enter the market. There's little point in entering the market expecting to buy at $5m less than is the current reality. Equally important is to appreciate that the majority of sellers are not dealing with a distressed asset, so be realistic.

Once you have appointed your advisor, identified the aircraft type that you are going to buy and shortlisted the key criteria for the aircraft search, what happens next? You want your advisor, agent or broker to search the globe for the right aircraft, not just looking at those that are for sale but going beyond that and seeking out the ones that are likely to be entering the market over the coming months. The next step is to streamline the number of options, eliminating individual aircraft for a multitude of reasons – age, hours, maintenance history, installed options, paint and interior condition and so on. Eventually, you'll have a shortlist of perhaps 3 or 4 aircraft.

These aircraft have to be close to what you are seeking; they need to 'tick most of the boxes', otherwise you'll have doubts further down the line by which time you'll have invested time, energy and money into the venture. You certainly don't want to be having doubts once you are committed to the legal process. Your advisor will then review the aircraft and, more importantly, the logs and maintenance records and once this has been done you be presented with the final selection. At this point, you will probably want to invest the time to look at the aircraft, but you may opt to view a selection from the short list. You may also choose to undertake a test flight at your own expense at this stage, although some owners will only permit this once they have an agreement on price.

Once you are happy that you have the correct aircraft, then it will be necessary to submit a Letter of Intent (LOI) in which you state the price you are willing to pay and any other conditionality. Prepare for this to be countered before a deal is agreed. Sometimes, this part of the process will be ahead of viewings, and an experienced buyer may be happy to rely on the next few steps to secure them the right deal without ever viewing the aircraft.

Within the LOI there will be a commitment to pay a percentage of the purchase price within a specified timescale; this is typically 5 percent to 10 percent with 3 or 4 days. The deposit is usually placed into escrow and remains refundable through until you technically accept the aircraft.

The LOI becomes the basis for the Aircraft Purchase Agreement (APA), also known as the SPA, which should be prepared by a specialist aviation lawyer. The contract will cover all of the points addressed within the LOI, along with the warranties, repositioning cost responsibility and conditionality for the PPI, the detail of the PPI process itself and any other conditionality that you have stipulated and agreed upon with the seller.

The aircraft then moves to pre-purchase inspection at a mutually acceptable location, during which a comprehensive assessment of the aircraft will be carried out in line with the standards specified within the LOI and SPA. Any airworthiness items found will be rectified at the cost of the seller, but any cosmetic issues will be down to you unless agreed otherwise. In some cases, the cost of such remedial work could be significant, so it's important that you have professional support on board.

With the PPI complete and all technical issues resolved you are ready to technically accept the aircraft and at this point your deposit becomes non-refundable, so it's a very important step in the process. Sometimes, in order to expedite the completion process, there may be a mutually agreed adjustment to the transaction price to allow for the remedial actions to be concluded by the buyer after the deal has closed. This can be to everyone's benefit but make sure that your advisor manages this process well to avoid any surprises.

Deal closing can then take place within days or a few weeks and, at that point, the balance of the purchase funds will be released to the seller, and you take delivery.

To maintain some semblance of brevity I have had to ignore a lot of detail – the purpose of using an escrow account, the closing call, ownership structuring and many more nuances of a very complex and time-consuming process. There is also a plethora of post-closing details, but perhaps that's best to save for a subsequent article.
So, to conclude; choose the right professional partners, find the right aircraft and look forward to enjoying your purchase but whatever you do, don't rush it or think you'll benefit by saving the odd thousand dollars here and there.

Tim Barber is the Senior Vice President – Private Jets for Cabot Aviation, a subsidiary of Air Partner +44 1293 844 759 - tim.barber@cabotaviation.com.

READ THE LATEST ARTICLE ON LUXURY CHALETS

## LAVISH FACILITIES

SPECIAL PERMISSIONS FOR RE-DISTRIBUTING THIS ARTICLE ARE NEEDED, CONTACT US

The exciting world of skiing...

# LUXURY CHALET

## A SKI AREA OF 600KM

When Ultimate Luxury Chalets first launched in 2005, a luxury ski chalet could be classified as such if the property had fully en-suite bedrooms. Nowadays, there are whole new benchmarks being set season after season that now provide guests of the most sought after luxury ski resorts in the Alps with a whole new level of sumptuousness. Private swimming pools, hot tubs, massage and wellness centres, and extravagant home cinemas are now a standard wish list inclusion of our discerning clients. It seems that in the key resorts of Courchevel, Megeve, Val d'Isere, Verbier and Zermatt, new chalets are popping up each year that simply try to out-do the older chalets by offering more lavish facilities and much larger living spaces. In Courchevel, for example, the previous 'top dog' in terms of size was the vast Chalet Edelweiss at 3,000m². This season sees the introduction of the Chalet Apopka, a chalet that will span 4,000m² and includes a 26m swimming pool, an additional indoor/outdoor swimming pool to the master bedroom, and a plethora of facilities even including a golf driving range! Things just got silly!!

Although some international markets are down in their touristic visits of resorts such as Courchevel, particularly on the Russian side, there is a new wave of visitors with a huge demand for the resort coming from the United Arab Emirates and South America. The lure of Courchevel is obvious..... pristine piste maintenance, a vast ski area, covering approx. 600km of runs, a huge choice of pistes offering great skiing for all abilities and with plenty of opportunities for beginners and early intermediates to learn or to master their parallel turns. Couple these ski related pluses with the fact that the Three Valleys is now home to 12 Michelin starred restaurants, and shopping boutiques in Courchevel offer all of the latest ranges from Fendi, Gucci, Chanel, Bognor, Moncler and many more, it is easy to see why Courchevel remains the No. 1 ski destination in many people's eyes.

When discussing the best properties available to rent in Courchevel, we would, without doubt, have to include the aforementioned

Chalet Edelweiss, spread over six levels and with eight luxuriously appointed bedrooms. The chalet has a huge area dedicated to wellness with a 13m pool, hot tub, sauna, Jacuzzi and a superbly equipped gym. For those that like to entertain or simply want to carry on partying after the nightclubs in a resort close their doors for the night, there is even an in-house personal nightclub with DJ booth!

A personal favourite has to be the Chalet White Dream. Immaculately finished and white washed, the chalet gives off an aura that encourages you to believe that you are staying in a fairytale chalet, tucked away in your own winter wonderland. It's not the largest or the grandest chalet in Courchevel, but it offers a charming location for its guests to enjoy a celebration or gathering of friends and family in the mountains.

Verbier is home to some stunning ski chalets, with the largest on the rental market being the Chalet Truffe Blanche, spanning 3,000m². The chalet has not one, but nine treatment rooms dedicated to pampering the 18 guests that it can occupy. Chalet Truffle Blanche's entertainment on offer is so vast that you will struggle to comprehend finding the time to head out onto the mountain. The chalet features a state-of-the-art private cinema, a sushi and vodka bar, chic private nightclub, pool table, an impressive wine cellar and a huge private gymnasium. As Verbier is such a desired corporate destination, over recent years there has been a significant increase in properties set up to cater for these company groups

and to establish themselves as the coolest chalet for clients to be 'wowed.' The Chalet No 14 is one of the undoubted contenders for this mantle, equipped with 13 bedrooms sleeping a total of 26 guests. The chalet is, as standard, equipped with a 10m indoor pool, a wonderfully cosy cinema, indoor and outdoor hot tubs, and offering a team of 16 dedicated staff who will wait on the guests and address their every whim.

Then comes the choice of those looking for a more discreet location, one of the most charming and authentic ski resorts in the Alps, where fine dining and boutique shopping are in abundance, and with a refined elegance that captivates its visitors. We are talking obviously about the resort of Megeve, just an hours' transfer from Geneva airport.

Opulence is situated on the legendary Rothschild hillside of Mont d'Arbois with stunning views of the surrounding mountains of Megeve. It spans 1,350m² of living space and sleeps up to 26 guests in unrestrained luxury. As with all of the top-end chalets the obvious inclusions are the indoor swimming pool, hot tub, steam room, private nightclub and cinema. The chalet's attention to detail is impeccable, and it is most definitely one of my top 10 chalets in our ever-expanding collection.

The Chalet Ma Datcha holds a location that is very hard to find and impossible to beat in Megeve. Being a freestanding chalet sleeping up to 14 people in 7 bedrooms, the chalet is situated just a short stroll from the centre of Megeve and the central lift station of Rochebrune. The chalet has a picture postcard outdoor swimming pool with neighbouring hot tub on the vast terrace. Inside, it oozes sophisticated luxury, yet with a very traditionally styled décor.

For further information
Ultimate Luxury Chalets
T +44 (0) 1202 203650

# SAFRA FOUNDATION MAKES DONATION TO CLINATEC

## Edmond J. Safra Foundation

The Edmond J. Safra Foundation makes a new major donation to Clinatec. The foundation will match each euro donated to Clinatec, up to €5 million, through the end of its eight-month fundraising campaign

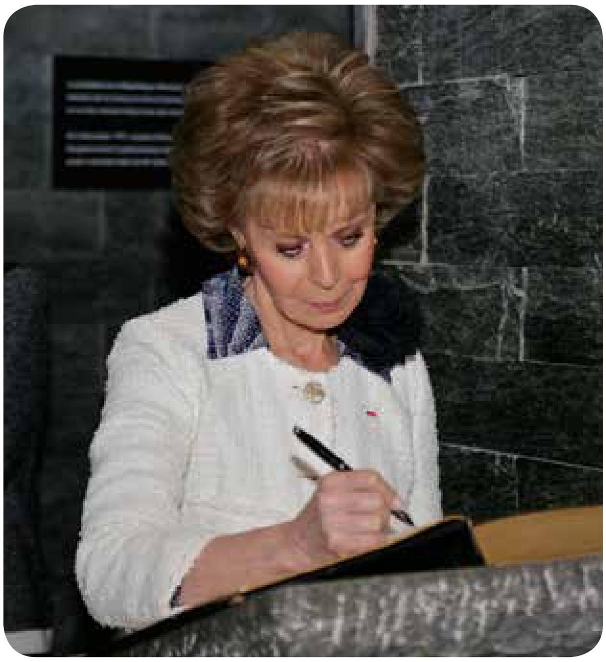
Mrs. Lily Safra, Chairwoman of the Edmond J. Safra Foundation, recently announced a major matching grant donation to Clinatec, the pioneering biomedical research center. The Foundation will match every donation given to Clinatec, euro for euro, up to a total of 5 million euros.

The objective is for Clinatec to raise 10 million euros in its fundraising campaign. The matching grant challenge is open to all: philanthropists, corporate sponsors, foundations or individual donors. Proceeds will be used for medical research projects at Clinatec on neurodegenerative diseases, motor disabilities and cancer.

As one of the founding donors of Clinatec, the Edmond J. Safra Foundation's 5-million euro donation demonstrates its continuing commitment to this leading research center, co-founded by Professor Alim-Louis Benabid and Jean Therme, Director of Technological Research at the CEA (the French Alternative Energies and Atomic Energy Commission).

Clinatec, the Edmond J. Safra Biomedical Research Center, is a unique research facility utilizing the latest technologies – micro- and nanotechnologies and electronics – to treat patients. At the heart of the research and development center is a hospital service that includes a surgical unit and laboratories.

The multidisciplinary team comprises more than a hundred doctors and biologists, as well as scientists from the CEA, Inserm, the Grenoble Hospital and the Joseph Fourier University, all under the leadership of Professor Benabid. Professor Benabid thanked the Foundation and Mrs. Safra, for their renewed commitment: 'Once again, it is a great honour and demonstration of confidence of Mrs. Lily Safra, for our past and upcoming research. You have been part of the Clinatec project from the start. Thanks to you, Clinatec has become what it is today: a unique place where research is entirely devoted to patients' well-being.' Mrs. Lily Safra commented: 'Three years have already passed since we had the privilege to inaugurate Clinatec, the Edmond J. Safra Biomedical Research Center. In this short period of time, the Center has reached all of its objectives, and in a remarkable way. I am delighted to provide renewed support for Clinatec through this additional €5 million gift. Professor Benabid and his colleagues represent hope for millions of patients and their families. I know my husband would have been proud to be associated



*Mrs. Lily Safra signing the visitors' book at the Mémorial de la Shoah (the Holocaust Memorial) in Paris, with former Minister Simone Veil in the background. The Edmond J. Safra Education Institute at the Mémorial de la Shoah organizes programming for the 30,000 young people who visit with their school classes each year, as well as groups of police officers, health care professionals, army officers, and elected officials.*

with their efforts.' Professor Benabid's findings in the area of Parkinson's disease have earned him several prestigious prizes and international recognition, including the 2014 Lasker-Debakey award. Professor Benabid has notably initiated the development of high-frequency deep-brain stimulation of the subthalamic nucleus, a surgical technique that decreases tremors and restores motor functions in patients with Parkinson's disease at an advanced stage. More than 150,000 people in the world have already benefited from this treatment.

*Mrs. Lily Safra visits the Edmond and Lily Safra Children's Hospital in Tel Hashomer, outside Tel Aviv, one of the leading children's hospitals in the Middle East. Over the past decade the Edmond and Lily Safra Children's Hospital has developed from a small pediatric medical division into a unique and well-regarded tertiary medical service, treating children from Israel, the Palestinian Authority, and throughout the region."*

Edmond J. Safra, one of the 20th century's most accomplished bankers and a devoted philanthropist, established a major philanthropic foundation to ensure that needy individuals and organizations would continue to receive his assistance and encouragement for many years to come. Under the chairmanship of his beloved wife, Lily, the Edmond J. Safra Foundation draws continuing inspiration from its founder's life and values and supports hundreds of organizations in over 40 countries around the world. Its work encompasses four areas: Education; Science and Medicine; Religion; and Humanitarian Assistance, Culture, and Social Welfare. Clinatec – The Edmond J. Safra Biomedical Research Center teams of medical doctors, biologists, mathematicians, engineers and other specialists bring a unique, multi-disciplinary approach to diagnosis and treatment of neurodegenerative diseases cancer and motor disabilities, and development of innovative biomedical devices to improve patient lives. The teams comprise personnel from the Grenoble University Hospital Centre, CEA, Université Joseph Fourier and Inserm.

Clinatec's current projects include:
Adapting a brain-computer interface to an exoskeleton system to provide mobility to quadriplegics. Clinatec teams already have demonstrated the feasibility of controlling equipment attached to the body and connected to the human cortex. This project awaits human trials.

The start of clinical trials for the Near Infrared Radiation (NIR) project, which is investigating the progress of Parkinson's disease through the neuro-protective effect of near infrared light. When applied to the precise spot in the brain where PD and other diseases cause irreversible damage, near-infrared radiation can prevent damage. By protecting the neurons, this process could avoid the gradual degradation of the patient's faculties and the major disabilities that follow. An intracranial NIR system is currently under development.

The fundraising campaign is led by Alain Mérieux, chairman of Institut Merieux, an international medicine and public health concern focused on diagnostics, immunotherapy and nutrition. 'Since its beginning, the Mérieux Institute has worked on developing biology and innovative medicine that is accessible to all. This is an ambition we share with Clinatec, one of the world's most unique research centers,' Mérieux said. 'Together with Clinatec, we are taking part in the fight against diseases that can affect all of us, and by supporting Clinatec, we are joining a great scientific, medical and human initiative.'

www.edmondjsafra.org

# THE NEW FAMILY OFFICE MODEL

## BASED UPON CONNECTIVITY AND COLLABORATION

by Enzo Calamo, CEO, Lugen Family Office

Our world is changing at an exponential speed with disruptive technology. When I was growing up, mail, the rotary phone, telegrams, television, radio and fax were the most common forms of communication. In today's world, communication is virtually immediate, and global, with texting, emails, Instagram, mobile phones, tablets, personal computers and the Internet.

In the fourth industrial revolution, described by Professor Klaus Schwab as the fusion of technologies between the physical, digital and biological spheres, we will need to create a new family office model which adopts disruptive technologies quickly while relying more on trusted external information. In my opinion, we are at an inflection point in history, very similar to the age of the printing press, where empowering family dynasties can now be achieved on a much broader scale. However, disruptive technologies are causing a major shift in the current family office model, founded on privacy and confidentiality, since some privacy will need to be sacrificed in order to take advantage of the speed of third party platforms and services, such as the Cloud. In fact, Bernard E. Harcourt's new book, Exposed: Desire and Disobedience in the Digital Age describes:

'that we live in a society where every action, every piece of social media content, every call and every purchase can essentially be tracked, traced, transformed into data and sold. This data, ultimately, helps solidify a new identity for people, a virtual one. Even our offline activities leave a mark in the digital sphere — a world in which our everyday actions can be used and reconfigured in order to gain new context. We become data'.

As human knowledge is doubling at speeds never seen before in history, family offices will need to become private eco-systems of connectivity and collaboration for UHNW families, other family offices, internal and external professionals, and trusted third party institutions and service providers. In reality, this increasing speed of change within the fourth industrial revolution is only highlighting what wealthy families have known for generations – namely that a holistic approach to life and intergenerational family planning is very complex. In the past, and even in today's society, this complexity has been the domain of lawyers, accountants, bankers and financial advisors surrounding UHNW families and their family offices. Unfortunately, when I work with wealthy families, I find that most of their advanced financial and tax planning strategies are focused on the founders of the wealth, their children, and the grandchildren. In my mind, it is the time that we break this short-term nuclear family focus since this approach has not worked for centuries. We have all heard the saying of shirtsleeves to shirtsleeves in three generations. As Craig Aronoff and John Ward state,

'In virtually every language there is a similar, fatalistic view of family wealth and enterprise. In England, they comment, 'From clogs to clogs in three generations.' In Italian, 'From barn stalls to the stars back to barn stalls....' In Chinese there is a comparable expression, 'The first generation builds the wealth; the second generation lives like gentlemen; the third generation must start all over again'.

Research as shown that for 70 percent of successful business families, their hard earned money is either spent or otherwise lost before the end of the second generation. By the end of the third generation, 90 percent of families no longer have their wealth. JSA Advising explains that 'of the 70 percent of businesses that fail to transition successfully; 60% fail due to problems with communication and trust. Twenty-five percent fail due to a lack of preparation from the next generation. 15 percent fail from all other issues (e.g. poor tax or financial planning, legal advice, etc.) Therefore, roughly 85 percent of business transitions fail due to a lack of communication, trust or next generation competency.' Knowing these facts, is it not the definition of insanity to continue doing the same things and expecting different results. Just to be clear, it is NOT the products, services, strategies,

MAY 2016
3 SPECIAL EVENTS
2 HISTORIC VENUES
1 GREAT CITY
THE LONDON
YACHT, JET & PRESTIGE CAR SHOW
www.lyjapcs.com
PRESTIGE LONDON
www.prestigelondon.org
LONDON ON-WATER
YACHT & BOAT SHOW
www.londononwater.com
YACHTWORLD
4th - 6th/7th May 2016
Old Billingsgate & St Katharine Docks, London
Tickets Now On Sale at:
www.prestigelondon.org
Enter Media Code: FOE on the Tickets page for a FREE Prize Draw Entry
ULYSSE NARDIN
Willis
SENTURION
HELFORD POINT
BLUE MARINE FOUNDATION

or professionals that are the issue within the current family office model but the three generation linear time focus of our recommendations. Legacy planning requires, at least, a seven generation focus. This long-term multi-generational approach has been difficult to implement in the past since personal technology was limited to gadgets versus data. As the third industrial revolution created a digital world, family offices now are capable of capturing, preserving, empowering, and passing on the family story like no other time in history.

Nevertheless, even though wealth has grown exponentially among new entrepreneurs and innovators, I still encounter family offices, and their families, focusing only on the money management needs of the immediate nuclear family. I can only assume that it is the rapid speed of wealth accumulation in our new Golden Age of Capitalism that is keeping family offices focusing on wealth management rather than holistic legacy planning. For example, consider how quickly the following richest billionaires have created their wealth:

Real Time Net Worth from Forbes Billionaire List on Feb 10th, 2016:
Bill Gates, worth $75.1 Billion, founded Microsoft in 1975, average growth over past 41 years – approximately $1.8 Billion per year or approximately $153 million per month
Amancio Ortega, worth $69.1 Billion, co-founded Zara in 1975, average growth over past 41 years – approximately $1.68 Billion per year or approximately $140 million per month.
Mark Zuckerberg, worth $44.7 Billion, founded Facebook in 2004, average growth over past 12 years – approximately $3.725 Billion per year or approximately $310 million per month.
Jeff Bezos, worth $44.3 Billion, founded Amazon in 1994, average growth over past 22 years – approximately $2 Billion per year or approximately $167 million per month
Larry Ellison, worth $43.8 Billion, founded Oracle in 1977, average growth over past 39 years – approximately $1.1 Billion per year or approximately $93 million per month

Although I can go on and on about billionaires, what is very clear from my research of the current billionaires and past tycoons is that wealth grows exponentially within the first generation of entrepreneurs or innovator. The second, third, and future generations then focus more on the management of this wealth. This is why family offices have typically been great tacticians for heirs at investing money, tax planning, trust management, etc. However, as change is now happening at exponential speed, the core foundation of a family office must shift from simple wealth management to adopting disruptive technologies and innovative strategies for mastering intergenerational legacy planning. If we do not begin empowering family dynasties immediately, then we will be compounding the shirtsleeves to shirtsleeves cycle rather than stopping it. In one of my recent articles, 'Your Legacy Is Really The History Of Your Heart', I described the importance of moving from a family of success to a family of significance as follows:

Everyone's life journey is comprised of individual days. Some people are blessed with many days, while other loved ones leave us far too soon. Unfortunately, we have all fallen into the trap of tracking our life journeys by plotting them on a calendar, or using the concept of linear time. The reality is that none of us have a guarantee of tomorrow. We need to remember that we only have three days within our possible control: today, which is the only day within our immediate control; yesterday, which is no longer available and now only a memory; and the hope of a tomorrow, which is only a promise. By refocusing our time, talents and treasures on ONLY these three days, you can create better tomorrows and happier yesterdays by simply making and acting upon wise decisions today.

The challenge with the term 'legacy' is that we believe that legacy is something that we leave behind when we die… We are confusing success with significance… John Maxwell says that Success asks, 'How can I add value to myself?' while Significance asks, 'How can I add value to others?' …M. Scott Peck said, 'Until you value yourself, you won't value your time. Until you value your time, you will not do anything with it.'

'The real advantage of focusing only on today, yesterday, and tomorrow is that you will come to the realization that your legacy is really the history of your heart. Your DNA is simply the interplay of your Divine gifts, Natural gifts, and Acquired gifts…We forget that life is about being present each day, In the end, we must transform family offices into the curators and facilitators of new disruptive technologies, implementers of new discoveries in neuroscience on behavioural management, and the aggregators of internal and external data relevant to the family's sustainable legacy. In my opinion, the future has never been brighter for family offices.

# REAL ESTATE IN THE FAMILY OFFICE PORTFOLIO

## How to Add Quality Real Estate to Your Portfolio

*DJ Van Keuren is a Director for a Real Estate Family Office based out of Colorado. He has over 25 years of experience in real estate, finance, fund management and investing. DJ is a graduate of Harvard University, author of "real estate investing for family offices", founder of www.usfamilyofficerealestate.com, and sits on many Family Office panels regarding real estate investing for Family Offices.*

DJ Van Keuren
Arsenault Family Office

Real estate is an important part of any portfolio, especially for family offices. Real estate has many benefits—from the use of leverage, tax-free growth, and tax deferment to depreciation and mortgage interest deductions, and especially the opportunity for families to build legacy wealth. A good property in a good location can be a long-term family asset, providing cash flow, appreciation, and tax benefits for generations to come.

Because of these benefits, the question then becomes: How can a family office invest in real estate and maximize the benefits that real estate has to offer?
The options available to family offices are 1) direct investing, (or a subset of direct investing), 2) fund investing, and 3) investing through publicly traded entities such as REITS or individual stocks of real estate and real estate-related companies. For the purposes of this article, we will focus on direct investing through joint ventures, separately managed accounts, limited partnerships, and club investing rather than when the family or family office invests directly and manages the property themselves.

Choosing the right real estate asset to invest in is more of an art than simply investing in what appears on the latest broker flyer or what is offered during a phone call from a real estate operator. To choose the proper asset and opportunity, one of the best ways to add real estate to your portfolio is to partner with another family office that has created its wealth through real estate. After all, as a family office, this group will also understand the challenges facing your family or family office related to estate planning, transferring wealth to subsequent generations, building a business, and creating or preserving wealth. The question then comes down to: How does a family office evaluate a potential real estate partner?

Although you may want to add a few more items to your list when evaluating a potential partner, the following are five items that real estate investment banking firms and institutions consider before investing with a real estate partner. This should help with your evaluation of a partner as well as touch on some of the areas that should be explored by the family office during the due diligence process.

The five areas are: partner's experience, partner's strengths, partner's track record, the economic viability of the investment(s) or opportunity, and alignment of interests with your potential partner.

**Partner's Experience**

What is the partner's experience? Does the real estate partner have experience in similar types of deals, property types, and geographic markets for the asset that the partner is asking the family office to invest into? Does the partner have an excellent reputation in its field, a focused investment strategy, a proven track record, and management by a team of experienced professionals?

As the family office will look to its partner for relative expertise in the day-to-day operations of the real estate opportunity, it must have complete confidence in the partner's ability to manage the project not only during good times but also when things don't turn out as projected or the market changes direction.

**Partner's Strength**

Does the partner have both a strong business balance sheet and a personal balance sheet to complete the suggested project(s) and weather any storms? How many projects does the partner have in their pipeline and how many opportunities are they evaluating on a monthly basis to choose from? Is the partner spreading themselves too thin, or do they have the capacity to see each of its projects through to fruition? The last thing the family office wants is to see an investment fail because the partner spread itself too thin or took on too many opportunities because "the market was hot." Lastly, if you are investing as a Limited Partner or LP, make sure that your documents do not make you liable for any recourse or carve outs as part of the joint venture or investment. This should be standard so that the only financial risk you assume concerns the capital you invested, but it is better to check before the transaction is completed in case a problem exists.

**Partner's Track Record**

When evaluating an investment with a real estate partner, the following questions must be asked: What does the partner's history show? Have its returns been consistent? How long is its track record? One year? Five years? Twenty years? If the partner's track record started in 2010, ask whether its success is simply due to a favorable market. Has the partner weathered multiple real estate cycles? If so, how did it perform during those times? The track record says a lot—it can give insight into the future relationship with your real estate partner. Don't take your partner's word for it; be sure to confirm the track record.

**Economic Viability of the Investment Project(s)**

The investment opportunity must be carefully reviewed to ensure it's economically feasible and the partner's ability to secure financing, whether it comes from public, commercial, or private sources. The funding sources and profits earned must be legitimate and transparent. Also, you should understand whether:

• The project is able to cover operating costs over its lifetime and generate an acceptable rate of return for you and the family office.

• The project is flexible enough to adapt to future changes in user needs, ownership, laws, regulations, and economic fluctuations.

• The project's financial models proposed to the family office by the partner are aggressive or conservative? Ideally, you should understand your potential returns from three vantage points: the worst-case, best-case, and middle-case scenarios. Too often, all that is presented to the family office is the best-case scenario.

• There are similar properties with similar markers from existing or recent sales:

- the cap rate projected at purchase or sale;
- any increase in percentage in rent over the estimated period; and
- Construction costs and price per square feet are applicable; for example, if everyone is renting a space for $100/month, the last thing you should expect is $150/month.

**Alignment of Interests**

Conceptually, in the majority of partnerships, the family office is considered a Limited Partner (LP) and is a passive partner in the management of the deal. Investment and risk management considerations, for example, are entirely delegated to your real estate partner, who is also considered the General Partner (GP)—but that brings us back to what you are looking for and hoping to accomplish: finding an experienced partner that you can trust and rely on. The success of the partnership model relies on the interests of both he passersby.parties being adequately taken into account.

One way to address still-existing shortcomings in the alignment of interests is to implement what we will call here an enhanced alignment model. The goal of such a model is "defensive": to ensure that the real estate Partner or GP and its managers deliver on the agreed-upon investment objectives, undiluted by other interests.

The financial structure associated with partnerships varies greatly; however, a typical investment might provide for leverage or debt of 75% on the property (of which should be non-recourse to the family office), with the limited partner(s) providing 80%–90% of the equity and the general partner investing 10%–20%. All equity will receive a pari passu return to an agreed-upon level or preferred return, after which the general partner receives a disproportionate share of the returns, referred to as a "promote." Promotes are negotiated so that the partner, based on leveraged internal rates of returns (IRRs) at the time of refinancing or sale, could earn an additional 25%–50% above a certain equity return.

As the operator of the asset, the GP is generally able to earn market rate fees for its services, such as development and property management fees.

Some family offices prefer a simple structure of a "50/50" split with minimal fees going to pay the basic expenses of the transaction. Sometimes, general partners will want to charge fees that may be more than what the true costs are for the property. Although it is fine for the general partner to charge fees, you still need to have a good understanding of what they are to ensure a proper alignment of interests rather than a structure that benefits the partner regardless of the investment outcome. The end purpose of fees is to compensate the general partner for the expenses that it occurs, rather than to serve as a profit center.

**Conclusion**

Forming a partnership with a real estate operator or real estate family office is an exciting way for family offices to gain exposure to real estate as a direct investment, which, is an important addition to any investment portfolio. Such partnerships free the family office from the tedious and time-consuming task of looking at and evaluating enough deals to make a good decision, and to operate the property from purchase to sale.

Many families have created their wealth in a variety of ways. From chemicals and food businesses to hedge funds, each family's wealth is created from expertise in its respective industry. Knowing that, one of the best ways to gain exposure to real estate is to find another family office that created its wealth through real estate. After all, by combining a partner's history, track record, and awareness and understanding of the real estate industry with your capital, one family office can benefit from another real estate family office's experience and, ultimately, from this important asset class.

# THE HEADHUNTERS

## Proper executive placement

By Alan J Cutts,

Why you should use a specialist executive search consultant to fill those key roles?

Many years ago we were called in to meet with a well-known, global, investment house. The company had been searching for a key investment desk head for many months and had retained an expensive and high profile international recruitment practice to find an appropriate individual. They were now at their wits' end as the only candidates that had been put forward on a shortlist were people they knew already that did not have any confidence in to undertake such an important role. The search company had produced a mountain of research and had taken nearly six months, effectively to produce no real results.

When we walked into the meeting we were confronted by the Head of HR and the chief investment officer. The Head of HR picked up a beautifully bound report from the incumbent executive search firm and threw it on the desk in front of us; she said, "we have paid £60,000 for this heap of rubbish (my word not hers) and it is completely worthless." After we had examined the research, we had to agree. It was totally irrelevant and the vast majority of its content was either out of date or way off message. She asked us if we felt that we could pick the assignment up and turn it into a silk purse. We picked up the sow's ear and ran with it! Suffice it to say, it took five weeks to find four potential candidates for the client, each of whom could all tackle the job in hand. This was choice enough to reach a happy conclusion for them. In addition, the client did not have to pay another huge retainer up front, just a small fee to cover the initial research. The final fee was simply based on the contract given to the successful applicant, without extra percentages for "entertainment, messengers, contingencies and estimated bonuses..." Also it is important to note that there was no fee due at a notional second stage; we prefer to be paid on results.
On the other side of the coin we have often been called in to meet a client when their management team has exhausted its collection of "little black books" and Linked in/ outlook contacts.

To succeed as a specialist head-hunter a search consultant has to be remarkably good at finding appropriate candidates and filling complex vacancies with unique blends of skills. They should provide clarity by acting as an objective filter that functions on the facts, the market's opinions and on their own informed understanding that has been built on years of experience in their market, supported by the candidates' responses to a comprehensive array of key questions that allow us them to build reports that are an effective way of comparing like with like. An excellent consultant strives to move from a "qualitative" opinion to a more "quantitative" conclusion.
The simple fact is that no one can compete with the combination of experience and objective knowledge about a specific industry segment that a specialist, targeted search consultant brings to the table. Add to this the ability to think out of the box and produce lateral solutions for difficult assignments, often where none appear to be evident, and you will understand why the specialist search consultant can command both a reasonable (hopefully not exorbitant) fee and, more importantly, a great deal of respect in the market from both clients and candidates.

Serious search consultants generally work on a mandated, retained, basis because the initial retainer engages both parties, committing them to each other and building a relationship and atmosphere of mutual trust; the surrounding contract defines the relationship and etiquette going forwards. Also, retained relationships protect the client from the depredations of a contingency only environment. "Off limits" applies to retained clients for an agreed time after the latest retained placement is effective – normally twelve months or longer as agreed. Hopefully the relationship between the search consultant and client will develop so that they need never think again about time limits on off limits in any case and the interests of client and consultant will totally converge. The combination of true objectivity and total familiarity with the nuances of a role and the culture of the hiring company means that hiring a specialist executive search consultancy to concentrate on mission-critical vacancies more than justifies the outlay, and the speed at which they can work should not be underestimated. Generally, most of the delays that occur can be laid at the door of the hiring company. This is understandable because clients have busy staff with demanding schedules, they have huge demands on their internal diaries and often there are shadowy politics at play behind the scenes. Additionally, head-hunters are realistic enough to understand that they are rarely at the top of the clients' priority lists for lots of reasons!

In terms of timescale, the time lapse from initial briefing to first interviews should not take any longer than 8 weeks and quite often can be quicker than that. In addition, you should expect that all the candidates put forward can more than tackle the job in hand and each will bring unique skills to the table. The client's ultimate decision will be based more on cultural and personality issues than raw ability and experience. The aim is to find the very best person for the job. As an industry our measure of success is long term; we like to hear that the people we have placed are thriving after years in their roles and that they have become valued members of their teams. Anecdotal and procedural elements to assignments are fine; all of us probably have a good idea of what a recruiter should be doing (after all, there should be no rocket science or witchcraft involved). A good search and its corollary good conclusion depend on some very simple factors and the responsibility for defining these is shared between the client and the search consultant.

Firstly, it is important to insist on a coherent job description. If the client and the consultant do not know what is needed, they are on the road to nowhere. The document should not be "War and Peace", far from it; what is needed is an agreed understanding of the role, its responsibilities and limitations, and the ideal mix of experience and qualifications expected from suitable candidates. Obviously, we all want to hire someone we can trust and like, but without some kind of definition nothing can happen.

Secondly, the search consultant will seek commitment from the client and needs to know the full background to the hire including the negative points; good candidates will be insightful, plugged into their markets and probably very good at researching. It helps us to have the answers to those awkward questions that they will pose and to become ambassadors for the client. Often the consultant will be candidates' first ever point of contact with their client so they need to understand, thoroughly, the client's marketing, goals and culture. Consultants, should be willing to take long shots as well as certainties, because creativity can unearth really special people where none would be apparent. Also, as trusted consultants, they should be able to articulate their views and make recommendations, even when the client has initially rejected someone who would seem to be a great candidate! Conversely, if a candidate checks out badly, a good search consultant should not let their hearts overrule their heads; they should be prepared to drop them like a hot potato. A large part of specialist search consultant's skills is their understanding of the market and their ability to take informal references without trying to hear what they want to hear or ignore what they do not want to hear.

Finally, in the complex mix of relationships between candidates, clients and consultants a major skill on all sides is the ability to be responsive and decisive, even in the most trying circumstances. We all really appreciate good decision-makers who listen to valid arguments, make considered decisions and articulate them well. This is how we make that perfect hire. To quote client views on what we bring to the table:

"Your success with us is founded on your understanding of the knowledge and skills you bring and your ability to communicate, relate, and work with us. The candidates understand that you're not just trying to deal, but are genuinely in this game trying to get the right results, knowing that your reputation and your business flourishes by doing just that"

"The soft skills of recruitment are so important, and that's what you guys bring to us. A sense of individual rather than a commodity, and I thank you for that."

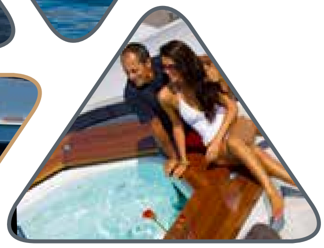
www.alancutts.com

DREAMING OF THE PERFECT HOLIDAY...

# SUPERYACHT CHARTER

## THE ULTIMATE LUXURY VACATION - Part 1





# Eastern Mediterranean

# Croatia and Montenegro

Endless sunshine, sparkling sea, beautiful beaches and absolute indulgence: these are the synonyms of a perfect vacation! With the Spring just around the corner, our desire to relax on a beach, sip on a refreshing cocktail and bathe in the warm summer breeze ceaselessly increases. We have been waiting for this vacation all year round and want to make sure that it is as flawless as possible. Embarking on a luxury yacht charter, you can rest assured that you will be pampered day and night, while effortlessly discovering multiple destinations, thanks to the made-to-measure travel itinerary carefully planned ahead of your departure.

The Mediterranean Sea is without doubt the most popular summer destinations for yachting, offering beautiful weather, stunning natural environment, rich architecture, vibrant atmosphere and colourful traditions of the countries covering this area. While the French Riviera and Italy are traditionally the most frequented locations by superyachts, Croatia, together with Montenegro in the Eastern Mediterranean are steadily gaining in popularity.

Dotted with seemingly endless amount of islands and islets, Croatia boasts immense natural beauty coupled with charming architecture of terracotta roofs and warm, inviting locals. It is home to numerous UNESCO World Heritage sites, awe-inspiring natural parks and water falls. White beaches, crystal-clear waters, river canyons, glittering lakes, combined with your superyacht's water toy selection, provide for unlimited fun and entertainment. Cobble-stoned streets wind through charming little seaside villages and towns, offering an array of restaurants, cafés, art galleries, souvenir shops and boutiques. Croatian cuisine offers fresh Mediterranean dishes, with plenty of seafood, vegetables and local specialities, accompanied by locally produced selection of wines.

One of the most prominent tourist destinations and a great starting point for a charter vacations, Dubrovnik is amongst the most important cities to visit in Croatia. A UNESCO World Heritage Site since 1979, the city is known as "the Pearl of the Adriatic" thanks to its truly beautiful and mesmerising Old Town, adorned by Gothic, Renaissance and Baroque architecture, narrow cobbled streets and an endless amount of museums, art galleries and monuments to visit. Once the sun sets, Dubrovnik lights up to unveil a fabulously sparkling atmosphere with numerous fine-dining restaurants, high-end nightclubs, wine bars or discotheques to visit. If loud music and dancing is not your thing, you could sample some of Croatia's excellent wines in one of the relaxed and quaint little wine bars or sip on a late night coffee watching the passersby.

A popular stopover for jet sets, movie stars and discerning clientele, the Croatian island Hvar prides itself on boasting captivating Gothic palaces and impressive 13th-century walls, as well as buzzing atmosphere and nightlife. For a quieter, yet still very exciting excursion, Mljet offers a unique stopover for families, or groups of friends travelling together. It is known as the most beautiful and the greenest islands of the Adriatic. It is home to the Mljet National Park, incorporating two salt-lakes: Veliko Jazero and Malo Jazero, encircled by rich forests and mesmerising nature.

Leaving Mljet, set off to the magnificent historic town and island of Korcula, famous for its traditional Knight's dance, celebrating the Turkish assaults on the island. The island itself is covered with heavy pine, oak tree and cypress forest. Thanks to its unique historic heritage, it is amongst the most interesting islands to visit. From Korcula cruise to the nearby island of Vis and enjoy a leisurely day, followed by an exquisite dinner at one of the best local restaurants set in the exotic gardens of the 16th century Garibaldi mansion. Following day, cruise to the Palinsky islands, renowned for its secluded coves and stunning beaches. This is a great place to unwind, snorkel, swim or simply sunbathe relaxed, away from the hustle and bustle of the busier destinations.

An exceptional final destination and situated just south of Croatia, Montengro is often included as part of a yachting vacation in the Eastern Mediterranean. It is famous for its breathtaking Bay of Kotor (of Boka Bay) and the recently developed and very exclusive Porto Montenegro marina in Tivat. Known as the southernmost fjord in Europe, the Boka Bay is home to mimosas, kiwi, palm, agave, oleander and pomegranate plants. Kotor, located in the Boka Bay, is yet another famous UNESCO World Heritage town, representing an old coastal and cultural centre boasting charming churches and ancient squares. Some of the most popular destinations in Montenegro include the 14-kilometre long Velika Plaza (Grand Beach) located in the southern part of the country - a perfect place for kitesurfing or windsurfing. Tara Canyon, a UNESCO World Heritage site and the second deepest canyon in the world, offers impressive waterfalls and number of sandy beaches to escape to.

www.charterworld.com
World.reservations@charterworld.com

Photos © Heesen Yachts

# FUNDS EVENT 2016

## FAMILY OFFICE ELITE PARTNER EVENT


## FundsEvent 2016: The ever-changing landscape of the funds industry

On February 4th, 2016, two hundred funds professionals gathered at the European Conference Center Luxembourg for Warren's first event of the year: FundsEvent. For the seventh edition, the topic 'Investments in 2030: what does the future hold' was addressed by the passionate international and local speakers who shared their knowledge and expertise with the audience. Technology, geopolitical risks, and thematic investments were at the heart of the discussion. The event was officially opened by Edouard Bokuetenge, Chairman of the Board of the Fund Platform Group.

Where will the growth momentum be located in 2016? The second speaker of the day was none other than Philippe Waechter, Chief Economist, Natixis AM (photo). He reviewed the different economic and political risks for 2016, stating that this year is the first since World War II 'with no driver', since neither the United States nor China will player the role of economic leaders. According to Mr. Waechter, 'there is no growth momentum'.

In the US, which is at the peak of its business cycle, companies have cut their investments, and the economy is slowing down. On the other hand, China is turning from an industry is driven economy to a service driven economy: many adjustments need to be made, and companies will disappear in the years to come. Therefore, the challenge, for European countries, will be to create their own growth. In this respect, the economic policy will stay very accommodative, but the fiscal policy will need to be revised. Political issues will impact the global economy, and the refugee problem will need a collective answer. On the other side of the Atlantic, the American election will also create uncertainty.

'Bond is not dead.'

The next panel session addressed the topic of thematic investments and was moderated by Sasho Bogoevski, Managing Director, Multi Asset Solutions, AB. As we are about to celebrate the Chinese New Year, the moderator highlighted the fact that we are entering the year of the Red Monkey, which is a year of 'Competition and Challenge'. Charles Nollet, CIO of Indosuez Wealth Management (formerly known as Credit Agricole Private Banking) put the emphasis on two identifying themes: aging and innovation. He also insisted on the fact that we need to be modest, as we cannot predict what the future will hold: 'We need to create a portfolio which will allow us to survive'.

The third participant, Lionel Balle, Head of Fixed Income, Kredietrust Luxembourg, started his speech with the following 'Bond is not dead, but it surely needs a new investment philosophy'. He is also keen on relying on alternative asset classes: real estate, hedge funds, and private equity. Lionel Balle, therefore, suggested trusting companies that explore investments outside of Europe and the US.

Two workshop sessions followed this inspiring discussion. Cyrille Geneslay, Balanced Portfolio Manager, CPR AM addressed the following topic: 'Capturing opportunities while navigating uncertainty'. Serge Pizem, Global Head of Multi-Asset Investments, AXA IM lead a workshop entitled 'Succeeding In A Volatile World' and Sasho Bogoevski, Managing Director, Multi Asset Solutions, AB, discussed the 'Factor Premiums within Client Solutions' with the participants.

Then, Julie Dickson, Investment Specialist, Capital Group, conducted a workshop a discussion on 'Investments without borders', Nick Sheridan, Manager of the Henderson Horizon Euroland Fund, Henderson Global Investors, asked the following question to the audience: 'Is there still value in European Equities?'. Finally, Bernard Lalière, Head of High Yield Bonds, Degroof Petercam Asset Management, lead a workshop entitled 'Investing in high yields bonds, an attractive solution in a low yield environment'.

Technology can help getting closer to the client. The second-panel session, moderated by Carlo Duprel, Director, Deloitte Luxembourg, focused on the impact of technology and customer centricity on the asset management sector. Alexey Yeremenko, Head of Fixed Income, EWUB, then raised the following question: 'To what extend will robo-advisors, and algorithmic platforms impact the value chain and create a new ecosystem of players?' On Big Data and Blockchain, Maxime Aerts, COO of Fundsquare added: 'Today Big Data is used to ensure the quality and comprehensiveness of information at the beginning of the investment process'.

Economic & Policy challenges for 2016. The afternoon started with the speech of Etienne de Callataÿ, Chief Economist at Université de Namur and UCL on 'the European gap'. He started his presentation with a question: is it an issue or a non-issue? In the latest predictions by renowned economists and the IMF, the European risk is nowhere to be found. But what will happen in the US and China will necessarily impact Europe. So far, the ECB has been doing the job: wages are up, employment rates are higher and so is the GDP, but it needs to go further: 'the ECB is not short on ammunition, but we won't agree on where/how to use it' said Mr. de Callataÿ. Plus, macroeconomic imbalances and policy issues will be the hot topics of tomorrow. Brexit should also make things more difficult and the weakening of Germany, with the current migrants situation, are some of the bad news of 2016... Here again, modesty is one of the keys.

Wilfrid Galand, Directeur du Conseil en Investissements, Banque Neuflize OBC, then addressed different political risks: China trying to add new borders, the oil situation in the Middle East, and closer to us, the possible end of Schengen which will strongly impact commerce and growth in the years to come, and, Brexit, again. A Q&A session moderated by Hans Bevers, Chief Economist, Bank Degroof Petercam, where the role of central banks was discussed along with the situation in China and the US.

The event ended with one last workshop session: T. Rowe Prince International, with Leigh Innes, Portfolio Specialist, Emerging Markets Equities, addressed the topic of 'US Growth opportunities outside FANG', Francesco Spadaccia CFA, Portfolio Manager, Crédit Suisse, lead a workshop on 'Credit Suisse Reddito – Stellar Allocation Fund – Balanced Investment Strategy'. Yves Duponselle and Giancarlo d'Elia, from Xeon International, talked about Social Responsible Investments 'made in Luxembourg.'

# SOUTH KOREA

## EXPLORING HNW AND UHNW POTENTIAL

Over the years, it has been very difficult to map the true wealth that has been generated in South Korea. In addition to a general reluctance of the High Net Worth (HNW) & Ultra High Net Worth (UHNW) families to go public about their wealth, there is a unique Korean wealth hierarchy that has no other similar structure in the world. In comparison with other Asian countries like China and Indonesia, the coverage and knowledge of the super wealthy in Korea have been kept out of the spotlight to a certain extent. However, if we look closer into its UHNW segment, it becomes a true revelation for the rest of the world, and there is huge potential for the wealth management industry and family office businesses as a whole, explains Rakesh Naker, Head of International Business at Machlin-Oracle (part of Oracle Capital Group).

By Rakesh Naker
Head of International Business at Machlin-Oracle

Family conglomerates in Korea are called Chaebols, and they came into existence in the 1960s when President Park Chung Hee came to power and helped South Korea start its rapid rise to becoming a major industrialised nation. The Chaebols wealth rose rapidly during the 1980s and 1990s, but in turn, this has led to the gap between the rich and poor widening, especially since the Asian financial crisis in the late 1990s. To put this into perspective, the 2015 OECD report states that the top 20 percent of the population earned nearly six times as much as the bottom 20 percent of the population.

This is primarily because the Chaebols have flourished to make Korea the economic powerhouse that it is today. This is further evidenced by the fact that there are approximately 20 billionaire families in South Korea, and nearly 100 families with assets greater than $250m, out of a population of nearly 50m people. Furthermore, the richest family in Asia in 2015, according to Forbes, was a South Korean family, with a combined wealth of over $26bn. This family's net revenues in 2014 amounted to nearly 22 percent of Korea's GDP alone. In turn, the number of Ultra High Net Worth (UHNW) people (classed as those with wealth greater than US$50m in net assets) has grown to approximately 1,800, as of 2015. However, when you compare this to the rest of the Asia-Pacific region, which has just under 16,000 UHNW families, South Korea with around 11 percent of the Asia-Pacific wealth, still has a way to go.

Traditionally, when wealth is generated, it is put back into the family's operating businesses, which in turn has helped to create the conglomerates that we are familiar with today. This is how the Chaebols have grown over the years, and this is a normal, traditional practice but in turn, this opens up a door of opportunity.

Due to the tradition of recycling profits back into the operating businesses, these UHNW families are now seeking advice and guidance on how to segregate their wealth out of the business and put it aside for 'a rainy day'. Furthermore, the concept of a Family Office is still fairly new in Korea and Asia as a whole. Where some Family Offices exist, the structure is more likely to be dominated by the family members, which is in contrast to the normal operating structure seen in the Western world. This, in turn, means that the concept of segregation can be lost as independent advisors are not engaged to the fullest extent. However, this trend toward a more professional structure is starting to change in conjunction with generational change, where the existing Family Offices are now looking outward for guidance and support. This has been supported hand in hand, with the continued growth of the Chaebols looking to the international markets for further opportunities to stoke the fires of their growth. Currently, these Family Offices tend to operate on a 2-tier structure. The 1st tier still encompasses the family involvement in the investment process, as the family money and the business money is being considered as one for potential investments.

These tend to be more on the physical asset side like acquiring businesses, or real estate, etc. and whereby once the investment is made, the shareholding in the investment is allocated accordingly between the business and the family office. The 2nd tier then is where local expertise within target markets is engaged to give a more professional insight. However, this trend is changing where actionable opportunities exist. These Family Offices are now becoming more open to engaging with proven professionals on a more permanent basis to help advise them on potential investments outside of Korea. This is also being segregated more and more from the business and allowing for more standard financial investments to be made purely on the personal wealth side, while still retaining the Family Office to assist the beneficial owners with more business investments. Now that the home markets have become slightly more saturated than before, the Chaebols have started to become global players, which in turn means that the depth of their experience has grown to allow a greater appreciation of different models and thoughts. This, in turn, is allowing the idea of the Family Office, to grow and evolve into the model that we are more familiar with in the West. Though this transition is happening, it is a process that will take some time, as there are several generational layers to go through to get agreement and acceptance from. At Oracle Capital Group, from our significant experience of the Emerging Markets, especially within the GCC and Asia regions, we believe that South Korea will become one of the top hot spots for the Family Office industry in the coming years. This opportunity lies in understanding the situations where a Patriarch wrestles with the need to devolve power while making assessments on new thinking and opportunities. To gain their trust, the industry needs to translate their various experiences into tailored advice that reflects modernity and proven business practices while respecting the unique flavour of the Chaebols.

# FRONTIER MARKETS

## IMPROVING RISK ADJUSTED RETURNS

By: Peter de Vries

Traditionally, asset managers have advocated constructing a balanced portfolio with fixed income instruments, listed equities and cash. The relative size of each of the asset classes depended on the age and risk appetite of the owner and stage of the market cycle. Since then, real estate, commodities such as gold, and alternative assets such as hedge funds have been touted as components for a portfolio which can provide increased returns as well as diversify risk. In particular, it is now well understood that a portion of carefully selected hedge funds in a diversified portfolio of bonds and stocks can reduce volatility while maintaining the return or even increasing it. Now, I'd suggest adding frontier market equities exposure as an additional component to the asset mix which would improve the overall risk/return characteristics of a balanced investment portfolio.

The advantages of investing in frontier markets are clear:

• Frontier markets are in earlier stages of their development, and many of them go through a period of strong growth in their development path towards becoming emerging markets. For example, Vietnam is currently eying to get included in the MSCI Emerging Market Index, though further openness of the market is required.

• Frontier markets come from a low economic base, and there is a lot of room for sustainable GDP growth.

• The correlation between frontier markets and developed markets, or even other frontier markets is very low. Each frontier market tends to have their own opportunities, and challenges, and with their own currency, political landscape, and natural resources they show quite different behaviours in stock market performance.

• Demographics tend to be favourable with relatively young and fast-growing populations.

• Low labour costs mean that they attract industries from developed markets, and even emerging economies. Consider the current shift from China-based manufacturing of low-cost goods to Vietnam and Bangladesh.

• Immature financial markets in frontier countries mean that with fewer local and international investors valuations are relatively lower than those in emerging and developed markets. Further, these markets are not very actively researched, which present opportunities to generate sustainable longer term returns.

But with all the good news, frontier markets are exposed to a number of risks too. For example, the possibility of war and terrorism, policy shifts, political instability, corruption and immature financial markets can depress share prices. In addition, access to these markets can be difficult with troublesome account opening procedures, capital controls, low liquidity and limitations on foreign ownership of listed companies. All of these challenges are also seen in emerging markets, but perhaps to a lesser extent.

Given the idiosyncratic risk involved with each frontier market, the best way to invest in frontier markets is to select a number of them in order to diversify the idiosyncratic risk away and benefit from the overall expected higher GDP growth translating into share price performance.

Through the low correlation between the various frontier markets, investing in a number of them will reduce the overall volatility to a level that is significantly lower than that of the MSCI World Index. For example, the volatility of our AFC Asia Frontier Fund is only 9.71 percent, while the correlation between the Fund and the MSCI World index since inception nearly four years ago, is only 0.34. At the same time, its correlation with the MSCI Emerging Markets index stands at an even lower 0.33.

| | Annualised Volatility | Cumulative Returns* |
|---|---|---|
| AFC Asia Frontier Fund | 9.71% | 68.22% |
| MSCI World Index | 11.80% | 19.07% |
| MSCI Emerging Market Index | 15.30% | -28.72% |
| MSCI BRIC Index | 19.02% | -34.60% |
| MSCI Frontier Markets Index | 12.30% | -2.96% |
| MSCI Frontier Markets Asia Index | 15.24% | -3.17% |

How to obtain frontier market exposure

One way investors might like to get exposure to frontier markets is through an ETF. While this may be a good approach in developed economies, in frontier markets, this tends to be a disappointing choice. In many cases, frontier markets' ETFs have a large to very large tracking error. This is the result of the difficulty of investing in these immature markets, caused by low liquidity which increases bid-offer spreads and trading costs, limits on foreign ownership, and trading suspension arrangements during volatile periods.

Actively managed diversified frontier funds may be a better choice. A fund manager that can invest in a range of frontier countries can assess the idiosyncratic risk of each of the markets at all times, and shift the funds to the most promising markets. He/she could also manage currency risk in the same fashion.

An active manager also has the capability to select the best companies in his/her universe for investment, and since the frontier markets are less mature, competition for the best stocks is less, offering more chances for undiscovered gems and undervalued quality companies, resulting in better chances for active managers to be able to generate alpha compared with the developed markets.

# THE RELEVANCE OF ALTERNATIVE INVESTMENT SHOULD BE GROWING

by Thomas Fliegner, PhD

After a 30-year bull market in bonds and a strong, multi-year recovery in equities, investors wonder what lies ahead for financial markets. The current low-interest-rate environment and the search for market-neutral solutions is increasingly prompting investors to rethink their allocation decisions with regard to alternative investment strategies.

We believe the Fed's efforts to engineer an exit from its ultra-low monetary policy should get risk premia to rise once again, that if fear should come back to the market, volatility should rise, creating headwinds to 'risky' assets, including equities. That said, this isn't an overnight process, as the 'buy the dip' mentality has taken years to be established. Conversely, it may take months for investors to shift focus to capital preservation, i.e. to sell into rallies instead. When we talk with investors, we hear that many like neither stocks nor bonds, but that they haven't changed their investment strategies. The fear of losing out on the next rally appears to still be high.

Yet, when we look at the market, we can't help but be more on the pessimistic side. We see classic symptoms of a stock market top, including a lack of breadth (few companies participating in rallies). It's no secret that the US economy has not been firing on all cylinders; the global slowdown appears to have hit the US as well. All of this unfolds despite low energy prices that, theoretically, should boost consumer spending.

As 'risky assets' in general have benefited from the low interest rate environment, those may be most at risk. Of course, there's no assurance that risky assets may indeed plunge. The 'buy the dip' mentality has proven profitable for many investors, and it may well continue. However, investors may want to look at investment strategies that, by design, have a low correlation to traditional investments. Financial repression is not only set to continue, but also it has even reached a new level. Regardless of the recent (April-June) correction in bond markets, investors are still facing negative nominal yields for government bonds with solid credit ratings. It speaks for itself when roughly 50 percent of outstanding German Bunds are now in negative territory. Neither real nor nominal bond yields in negative territory are able to play their traditional role for income generation. At the same time, downside risks are on the horizon as markets must start pricing in higher US central bank rates in the coming years. This is why alternative strategies especially on the low-risk, low-return end of the spectrum are becoming increasingly popular among investors seeking an alternative to bonds in low-yielding times.

Ongoing expansionary monetary policy globally, and a world economy growing at around potential, should support risky assets longer-term. Nevertheless, valuations of various asset classes are stretched – after a strong, multi-year recovery in equities, stocks in some geographies might deliver fairly little upside potential. Therefore, many investors are seeking for more market-neutral strategies, with low net exposure, that complement their equity allocations.

Last but not least, investors should be prepared for increasing volatility. High valuations of various asset classes, gradual interest rate hikes by the Fed, as well as intensified (geo-)political risks could provide some headwind for risky assets. Managing volatility and buying protection against drawdowns will therefore gain importance.

For investors looking for equity or bond substitutes (i.e. income generation with managed volatility), uncorrelated returns (market-neutrality), enhanced portfolio diversification, lower volatility and tail-risk protection, the relevance of alternative investments should be growing.

www.skenderberg.ch

# PRIVATE BANKING NOW COMES WITH AN INVESTMENT BANKING FLAVOUR

by Christian Fringhian
Partner, co-head of Reyl Corporate Advisory & Structuring


In a time when Swiss private banks are being forced to revamp a business model relying heavily on wealth management, it is worth paying attention to a stimulating initiative currently taking place in Geneva. Located in the heart of the city, near the Old Town, REYL & Cie has been actively engaged over the past few years in renewing its approach to private banking, thus opening new perspectives for the entire Swiss financial sector. The main idea underlying its approach consists in completing its wealth management services with high added-value corporate advisory services. In the view of its executives, who favor a cross-border entrepreneurial clientele, private bankers with corporate banking DNA might very well make the best wealth managers.

The aftermath of the 2008 financial crisis has taken a painful toll on Swiss private banks. The Swiss financial marketplace has certainly displayed overall strong resilience, but its banks still need to cope with constant margin erosion. Increases in costs due, in particular, to new regulatory constraints, are forcing the wealth management industry to re-examine its value proposition as well as its business model. Swiss private banks are thus incentivized to innovate and find relays of growth in order to remain competitive. In that regard, the corporate angle certainly deserves more attention.

Rather than focusing strictly on financial assets, the bank has widened its value proposition to the customers' asset base in its entirety, no matter how complex it might be, to the extent that it now includes corporate advisory services. Partners at REY & Cie are confident that a private bank needs to move beyond portfolio management, and must be able to address all constituents of their clients' overall wealth. Although banks do not necessarily see them as an area of focus, corporate assets obviously fall into the category. REYL & Cie has therefore committed to filling the gap, eager to prove that corporate advisory and wealth management can develop synergies aimed at creating long term sustainable value for clients.

REYL & Cie was created in Geneva by Dominique Reyl in 1973 as a wealth management boutique. His son François, who joined, in 2002, initiated a significant diversification program. Over the past 14 years, REYL & Cie has developed a diversified range of financial services which now encompass Wealth Management, its historical core business, Asset Management, Corporate & Family Governance, Corporate Advisory & Structuring and most recently Asset Services. Across these five distinct yet complementary business lines, the bank is developing a client base consisting mostly of institutional investors and cross-border entrepreneurs with an expansion strategy geared towards high growth regions such as South-East Asia and the Middle East.

The Corporate Advisory & Structuring business line was launched in 2013 with the ambition of assisting international entrepreneurs in the most critical stages of their business expansion. Drawing on an interdisciplinary team with in-depth expertise, REYL & Cie covers most sought-for areas such as strategic advice, financing strategies, capital raising, balance sheet restructuring and optimization, recapitalization, mergers, and acquisitions. Over the past two years, it has also acquired a solid know-how in the particular field of private debt financing, an innovative yet affordable funding solution for entrepreneurs looking for an alternative to bank lending.

However, corporate advisory services add up to a larger picture. "The value we create at the corporate level contributes substantially to growing the asset base", says Christian Fringhian, who heads this business line. "Here lies our key selling proposition. In many ways, we ensure our clients that the development of their corporate assets will be fully integrated into the overall wealth management process.

We have succeeded in aligning wealth management services with corporate advisory services in an integrated way. Few banks can actually provide this kind of approach. Many of them are used to having separate divisions which can create challenges when interacting with each other. REYL & Cie, on the other hand, can quickly and efficiently mobilize a multi-disciplinary team around a joint project. Our main strength is that we understand the central role played by the company in the wealth creation process. We have always considered companies as assets in their own right and we have assembled the resources required to incorporate the entrepreneurial dimension of our clients into the wealth management framework".

For REYL & Cie, adding Corporate Advisory to the value proposition follows a natural path. Companies have always formed a familiar work environment for the bank's managing partners who have previously distinguished themselves in well-renowned investment banks. For years, they have dealt with the harsh realities and challenges of developing a business, acquiring over precious time experience. REYL & Cie has the particularity of being a private bank managed by former renowned investment banking professionals.

François Reyl, CEO of the bank, embodies this concept of convergence. Between 1995 and 2002, he worked at Credit Suisse First Boston in London, where he executed numerous mergers, acquisitions, leveraged buy-outs as well as equity and debt capital markets transactions. « This is the kind of background that our clients value", says François Reyl. "They prefer to talk to a private banker who understands how important their businesses are in building up their wealth.

The profile of Lorenzo Rocco di Torrepadula shows a similar pattern. Lorenzo worked with François Reyl in London, at Credit Suisse First Boston, which he also left in 2002 to join REYL & Cie. A partner and member of the Executive Committee, Lorenzo is now co-responsible for the Bank's wealth management activities in Switzerland.

Also a partner and a member of the Executive Committee, Christian Fringhian is in charge of the Global Corporate Advisory & Structuring practice. He has gained over time a solid expertise in this particular field. His career first took him to JP Morgan, in 1992, and then on to Deutsche Bank in Paris and London. Next, he moved to Barclays Capital, where he led the Public Sector Solutions group, developing and managing a range of advisory services in the areas of Debt Capital Markets and risk management.

Wealth Management might be our core business line; he sums up, but the corporate advisory is a big part of our genetic code". REYL & Cie might still be a newcomer in the corporate advisory landscape but the bank's latest performances suggest a promising future. Five years ago, REYL & Cie's assets under management accounted for CHF 4 billion. At the end of last year, they were closing in on over CHF 11 billion. The corporate advisory expansion clearly contains a recipe for success and, as such, it is certainly catching the attention of other Swiss wealth management firms in search for relays of growth.

# NEW GENERATION PRIVATE EQUITY

## Leading the mega trend of European SME Acquisitions dubbed the 'greatest transfer of wealth in history'

by Stephen Greenwood

A recently established 'new-generation' PE fund has opened up to investors the prospect of high rewards generated by combining the acquisition of profitable SME businesses with employee ownership. This ethical investment hybrid is the Acuity Private Equity Fund and predicts 25% plus returns annually over the ten year life span of the investment. One of the most successful business models operating in current markets is that based upon employee ownership. The best known example of this is the John Lewis Partnership, dubbed 'the socialist on the High Street'. All 69,000 permanent employees are Partners who own John Lewis department stores, Waitrose supermarkets, an online and catalogue business, johnlewis.com and a direct services company, Greenbee.com, with a turnover of nearly £7bn last year.

According to research carried out by the Employee Ownership Association, employee-owned companies consistently outperform the FTSE All-Share, with a 9.9% boost to share value (Martin Conyan and Richard Freeman, Shared Modes of Compensation and Company Performance, National Bureau of Economic Research, Working Paper 8448). Other research shows that this model outperformed the FTSE-100 throughout the post-credit crunch crisis, generating 174% greater earnings per share (EPS). All very well, but how can this include a return for external shareholders? The principal architect of Acuity, Stephen Greenwood, believes that an answer to this conundrum has now been skilfully engineered. "This is the only fund in the world that acquires the majority equity of between 60%-70%, for example and creates employee ownership by allowing the employees and managers to own 30-40% and benefit from higher growth for investors and co-ownership with employees " he explains. Collaborating in a Joint Venture with Close Brothers Merchant Bank enables the Fund to use only small slices of equity investment while still obtaining the majority equity. The Fund is executing a strategy that directs this ethical approach to acquisition towards the demographics of the baby-boomers born between 1947 and 1957. Thousands of 'grey entrepreneur' business owners across the EU are now turning 65 years old and want to retire but wish to leave in such a way as to protect their legacy and see their staff rewarded. This has been called the 'greatest transfer of wealth in history' but the financial crisis of 2008 means that these businesses, while established and profitable, are finding it difficult to find buyers.

Stephen Greenwood
Acuity Management Limited

Many of these businesses now face the very real prospect of disappearing, effectively wiping out decades of dedicated work and destroying the livelihoods of their employees, with the knock-on negative impact that this will have on their local communities. Nearly a third of all the 19.3 million SME's in the EU are owner-managed businesses (OMBs) set up by the post-war generation. Many of these businesses would, pre-2008, have been up for sale. According to the European Commission reports on Succession there are 690,000 profitable trading businesses that must find new owners each year for the next ten years. This will continue up until 2025 and involve businesses worth an estimated €27.3 trillion that must find a new owner.

Before the credit crunch, the exit strategy for such businesses was relatively simple: a management buy-out (MBO. The credit crunch put an end to that, devastating the MBO market is so that there is barely any activity compared to pre-2008 levels: less than 10%. The reasons are two-fold: the banks will not lend and the private equity houses are only interested in the bigger businesses, typically £60 million plus (as shown in Private Equity Demystified 2012 by Prof Mike Wright and John Gilligan). For business owners of the baby boomer generation succession is the key issue as there is no easy way of realising the true value of their business while also safeguarding jobs and creating the conditions for future growth.

The option to sell to the employees preserves what is unique and special about the business – its DNA – while ensuring that it is owned and managed by people who share the values and vision of the outgoing owner. Employee ownership also preserves jobs and the contribution that the business makes to the economic viability of the area in which it operates – the aim of many social enterprises.

There is a ten-year window of opportunity in which the Fund can take its pick of the very best SMEs available. The Fund has six basic criteria in selecting suitable businesses:

- Ten years of profit
- Strong managers
- Recession resilient
- Defined market niche
- Unrealised growth potential
- Long-term dividends

The Fund is currently invested equally within the three sectors of Industrials, Procurement and Media but the strategy is based upon demographics rather than being sector specific and neither is it limited by geography: it will acquire SMEs in any EU state. The team behind Acuity has put a lot of effort into creating buy-out vehicles that create what Greenwood terms 'a low risk environment for investment' that will also deliver high rewards – the targeted return is more than 25% for the life of the Fund. Greenwood himself has some form in this regard as he was involved in a joint venture with Mitsui Sumitomo that acquired a portfolio of 122 SMEs over 15 years for £600 million that was worth more than £1 billion at the time of disposal. Highlights included the acquisition of the North West chemicals company Multisol for £31 million, which was valued at £80 million on exit.

Greenwood and his team have developed three new buy-out frameworks or 'intelligent buy-outs' that are tailored to acquire the SME's that private equity houses ignore, those worth between £1m and £25m. These 'IBO' vehicles are unique to Acuity and are registered as intellectual property and legally protected as such. The three types of framework are Management Involved Buy Out (MIBO); Management and Employee Involved Buy Out (MEIBO); and Employee Co-Ownership (ECO). These are based on sharing the ownership of the business – and its increasing value - with managers and employees, but taking a long view.

Again, unlike traditional private equity houses, Acuity plans to keep the companies in which it invests for 10 years, not five, and so that investors will benefit from long term dividends. In fact, Acuity has already bought a small number of businesses and is expecting to distribute its first dividend in May this year. Though the amount to be paid has yet to be decided, the Fund says that already the return on investment has been an extraordinary 560% due to the effect of gearing. The Acuity Fund offers an alternative investment for sophisticated investors who want to diversify their portfolio with exposure in the developed economies while remaining true to the social values of economic security and job creation. It also offers a potentially high earning investment at a time when yields from many conventional asset classes are sharply diminished.

The Fund's combination of a high yield with a social impact has led to a number of coinages, with some terming it 'The Ethical Acquisition' while others prefer "Socially Engaged Capitalism". Based on the Berkshire Hathaway model, the Fund's strategy is for long term investments that offer a high yield while being risk-averse so that the initial capital is protected and secure.

www.acuityag.com

# JEREMY HOUGHTON

## Profile of An Artist In Residence

By Hannah Norman

The Goodwood estate on the UK's picturesque South Downs has welcomed award-winning contemporary visual artist Jeremy Houghton as its first ever Artist in Residence, allowing him to draw inspiration from the international events and beautiful setting. Houghton's work is an ongoing study of speed, horsepower and flight, and with Goodwood's cultural heritage and sporting history, his residency here provides him the perfect place to capture the spirit of sport and spectacle, as well as the Goodwood community; the house as a home, life on the farm, at the kennels, in the forests, in the gardens and on the Downs – this is where generations of families have kept Goodwood the very place it continues to be today.

Houghton was offered the residency at Goodwood following his success as Royal Artist in Residence at both Highgrove and Windsor Castle and reveals a love for residing on great sporting estates. 'The estates have both a public perception and a private side, and during a residency I can sit on the fence and observe both. At Goodwood, there are the noisy times when the big events are taking place, but I am also interested in the down time when the park is quieter,' he said.

Not that Houghton minds being in the thick of it when Goodwood's annual events are in full swing. At the Goodwood Revival, he was photographed beside his beloved vintage 1935 Bentley, which he revealed was originally his great-grandfather's. It won the RAC Scottish rally in 1937 when it was driven by his grandmother, and during the war, it went on to be used by his great uncle, as part of the homeland fire brigade in Coventry, where it survived the bombing. Family members have raced the car since then, and it counts a healthy 660.000 miles on the clock. Now, BOP600 is in Houghton's safe hands, and the family uses it to potter, picnic and paint – but at a more moderate speed!

Cars have, however, featured in Houghton's repertoire before, when he became Tour Artist of the Aston Martin Centenary Tour of Europe. Taking in some truly fabulous settings including Monaco, Como, Garda and Reims, the tour enabled Houghton to paint iconic Aston models in his signature style, which culminated in a month-long exhibition at the Heritage Motor Centre. 'The courage of the drivers, combined with the skill of the engineers, gives this art exhibition a story like no other I have been involved with,' he said at the time.

Jeremy Houghton
Award-Winning Artist

Art and sport have always been intrinsically linked, however, and for this particular contemporary sporting artist, his latest commission is possibly one of the most exciting yet. Announced as Land Rover Ben Ainslie Racing's artist in residence for the forthcoming America's Cup, Houghton will spend one week per month at the team's home in Portsmouth before heading to Bermuda in 2017, attending, at least, one of the Louis Vuitton America's Cup World Series events.
'My background is as a sporting artist, and when I paint, I work with movement, light, time and space. I did a lot of work around the 2012 Olympics and spent time in Weymouth where the sailing events were held – the light, the spray, the movement and the speed mean the artistic possibilities of sailing are endless,' Houghton enthused. 'I think life off the boat is just as important as life on it. There's a massive team backing up the five

guys on the boat, and it takes a lot of blood, sweat, tears, perseverance and hard work to get them to the final. I really want to make sure I represent the people who design and build the boats, as well as those who sail them,' he added. All eyes will be on the team, and their attempts to win this prestigious trophy – something Britain has so far never managed to achieve – and so Houghton's poignant paintings will help to lift the lid gently on the hard work that goes on behind the scenes.

So, how to best describe Houghton's paintings?

What is immediately obvious about all of his artworks is that the images take on different forms depending on where you stand to look at them, with the subjects often floating in and out of abstraction. From a few feet back, the paintings display a clarity, and there are definite outlines to the forms within the painting. Up close, the brush strokes appear almost random and more abstract, asking questions of how the overall picture is formed. 'I stand back and squint when I'm painting,' said Houghton of his methodology. 'If you look from a distance, the shapes and outlines are clear, and I have sometimes to paint at arm's length. Up close, it can just look like a mess!'

In experiencing all his works as a journey, the viewer's senses are richly stimulated: sensual colour or contrasting tonal relationships lead to the discovery of visual pathways; imagery leads to the anticipation of memories; forms and movement are implied by the play of light and shade; objects seem to coalesce or evaporate before the eyes. Everything Houghton depicts in his work imbues reality and emotion, and every one of his pieces is somehow much more convincing than any scene captured on camera. It doesn't require a big stretch of the imagination to see why Houghton has not only been chosen for some truly prestigious residencies, but why he has also become one of the most collectible artists of his generation.

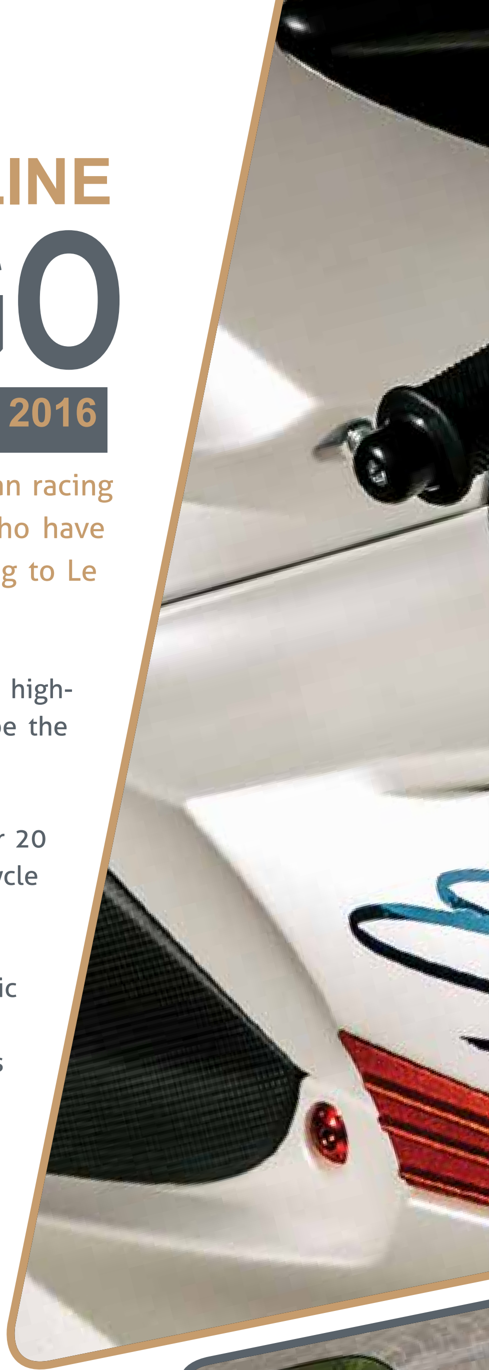
www.jeremyhoughton.co.uk

## 100% ITALIAN RACING BLOODLINE

# ENERGICA EGO

### ENERGICA MOTOR COMPANY LANDS IN THE UK - 2016

The world's first all-electric superbike bred from the heartland of Italian racing legend: The Energica EGO. Designed and built by the same people who have designed and engineered racing performance from Formula One Racing to Le Mans 24h for over 40 year



Energica Motor Company ('EMC'), the Italian Motor Valley's manufacturer of high-performing electric motorcycles, lands to UK Market. Moto Corsa Limited will be the Energica Official UK Dealer.

Moto Corsa Limited was founded by Mike Russell de Clifford MIMI in 2004. Over 20 years' experience makes Moto Corsa one of the most respected Italian motorcycle specialists in the country.

The growth of Energica Motor Company follows the positive trend of UK electric mobility market, up to 27 percent in January 2016.
A recent research published by the Society of Motor Manufacturers and Traders (SMMT) shows that EV market in the UK rose dramatically in the last year. The SMMT's analysis shows that around 2,400 electric cars were registered per month in 2015, instead of 500 EV in 2014.

The UK long-term economic plan is investing £600 million by 2020 on sustainability. Go Ultra Low Cities is a key part of this plan, which involved four cities (Bristol, London, Milton Keynes and Nottingham) that received £40 million to promote plug-in vehicles. The emerging field of sustainable mobility is getting more and more confirmations in UK country as demonstrated by the growing of EV charging points network, from a few hundred in 2011 to more than 9,500 in December 2015.

'First of all Energica dealers are our partners: we are going to build a successful global brand with them' says Livia Cevolini, CEO Energica Motor Company.

- MOTOR TYPE PERMANENT MAGNET AC (PMAC), OIL COOLED
- PERFORMANCE MAX SPEED LIMITED AT 240 km/h
- TORQUE 195 Nm FROM 0 TO 4700 rpm

# ELECTRIC SUPERBIKE

The Bike is equipped with a communication platform based on the Bluetooth and UMTS I GPRSII Standards

# SIX STEPS to Fundraising With Middle Eastern Family Offices

by Abbas Hashmi

Whether you are a seasoned fundraiser or just getting started, for most, the Middle Eastern market is very niche. With changes in the Asian markets, many people are now expanding their efforts and looking to the desert to raise money. According to the EY Family Business Center, despite having many substantially wealthy families, there are few single family offices (SFOs) and even fewer multifamily offices (MFOs) in the Middle East. Some estimates put the number of SFOs at between 60 and 75.

Whether that's right or not, most analysts think that there are many more families that could afford to run a family office than are currently doing so. But this is going to change. Not least because the level of expertise available to service family offices in the Middle East has improved substantially in the last five years.

There are many examples of very well-run and extremely sophisticated family offices in the region. The Al Touq Group and Manafea Holdings in Riyadh, and the Future Group and Majid Al Futtaim Group in Dubai, are just a few examples. Most are, of course, discretely 'hidden' and aim to keep away from public attention. There are some cultural formalities to be aware of when working with Middle Eastern Family Offices. The following list is not comprehensive, but is intended as a primer for considering cultural and business norms in the region.

Go to where the Family Office is. You need to learn how your potential clients like to be contacted. Pick up the phone and call, but not excessively. You cannot solely rely on email interaction with these clients. Even with the most astute and sophisticated businessman, very rarely will you get a reply to your emails. In proportion to how close you are to sealing your deal, check in with your client with a friendly call. Be aware of family and regional politics. Most families are either known to each other through marriage or common social circles. Be careful of name-dropping, as it may backfire. Sometimes certain family offices will avoid co-investing with another particular family. Always remember that privacy and confidentiality are the epitome of Middle Eastern family offices. State a Clear Need. You need to create a strong emotional connection to the cause. Don't assume your clients already know what the need is. Tell a story, make it personal, and tell them how they can help. Build relationships.

Gender differences. Many Middle Eastern cultures definitely prefer doing business with men. That does not mean that as a woman you have no chance. You will, however, have to prove yourself at every step while men may get that respect from the beginning. On another note, when meeting your client's family, do be respectful of their wives. Do not go in for the hug or, god forbid, a kiss on the cheek. Some women of these sub-cultures will not even offer a hand to shake. Take your cues from them.

Do not assume anything. Respect your clients enough to learn their family's customs. That is not necessarily their religious customs, but how they practice within their families. We have dealt with clients who keep halal at home but are not so strict outside of their home.

Prepare for a long close. Financial decisions are consultative in nature for these investors. Before making any final decisions, your potential donor will most likely speak to family members and may even go silent on you for months. Family elders play a huge role as influencers in the investment process. If and when you get to meet with these family members, do make sure to be generous with your time as well as extremely respectful and kind.

As more families in the Middle East organize into proper SFOs, and the world gets smaller, we must all recognize the need to be adaptable and culturally aware. www.greencardcapital.com

# SPIRIT YACHTS SHOWCASE
# JAMES BOND YACHT

British classic yacht company to exhibit renowned Casino Royale© yacht at London luxury show. Luxury yacht designer and builder Spirit Yachts will be showcasing the iconic 54-foot yacht, which starred alongside Daniel Craig and Eva

Green in Casino Royale©, at this year's London on Water show at St Katharine Docks from 4th – 7th May. Officially named Soufrière, the yacht was sold following her movie début and enjoyed subsequent years' cruising and participating in competitive racing.

Spirit Yachts CEO and head designer Sean McMillan comments, 'Soufrière was designed specifically for Casino Royale© following the production company's search for a classically elegant, unique, British built yacht. The scene in which Daniel Craig and Eva Green glide into Venice on-board, Soufrière granted her a place in British film history. What better place to re-launch her to the public than London; the home of James Bond?'

On display in berth C09 at the London show, Soufrière is designed to appeal to a distinguished owner looking for an iconic British yacht with the style and performance to match. This elegant, modern, classic yacht is suited to an owner who desires a balance of racing and leisure cruising. Down below, Soufrière has a forward owner's cabin as well as a double cabin aft, both of which have en-suite facilities; ideal for owner and guest privacy. Sporting a powerful rig and an impressive displacement of just over eight tonnes, Soufrière excels on longer passages when racing but still has the capacity required for cruising.

During her recent refit in the Spirit yard in Ipswich, Suffolk, Soufrière was given a fresh coat of paint on her elegant ice blue coloured hull, and all external varnish was stripped and re-varnished where necessary. The interior woodwork has been re-varnished where required, and all equipment from the engine to the rigging has been inspected and serviced.

# ALEXANDER BOGOMAZOV

by James Butterwick

The sale of four works by Alexander Bogomazov to the Kröller-Müller Museum at TEFAF 2015 represented an important step in the reappraisal of this astonishing artist.

This personal exhibition is another. It is a logical step. All seven of the works we sold at TEFAF 2015 were by Bogomazov. This is no coincidence. Bogomazov deserves to be spoken of in the same breath as his better-known Ukrainian compatriots Malevich, Arkhipenko and Exter. Kazimir Malevich, whose native tongue was Polish and second language Ukrainian, considered himself Ukrainian or Russian at various stages of his career. From 1928-1930, he taught at the Kiev Art Institute, where Bogomazov was Head of Easel Painting. A recently unearthed document from 1929 shows that the two were acquainted.

Alexandra Exter was born in modern-day Poland but spent her student years in Kiev, where she married. She provided an important link between West and East for Bogomazov, her friend, and fellow student, as the person who brought to Russia Western journals and magazines with their articles on the Italian Futurists who may have inspired Bogomazov. Alexander Arkhipenko, the youngest of the three, was born in Kiev and studied with Bogomazov at the Academy of Arts. They were close friends. Both were expelled from the Academy in 1905 for their role in anti-Tsarist demonstrations.

They exhibited together the following year, before Arkhipenko emigrated to France and, later, the United States. The first reason Bogomazov has remained in the shadow of his Ukrainian colleagues is partly geographic: the impecunious Bogomazov never travelled to Western Europe. In fact, he only left Kiev on three occasions: in 1907-8, to admire the work of Gauguin and others in the Shchukin and Morozov Collections in Moscow, where he continued his studies; in 1911, when he travelled to Finland; and in 1915-16,

Alexander Bogomazov - 1898

when he worked in the Caucasus (then part of the Russian Empire). He was an artist essentially rooted to his home spot. The second reason derives from the first: largely because of his limited travelling, Bogomazov's work was not exhibited in Western Europe until 1973 when Fischer Fine Art put on the exhibition Tatlin's Dream; then for the first time publicly in 1988 – when four of his paintings were again shown in London, this time at the Barbican Gallery's exhibition 100 Years of Russian Art from Private Collections.

He was also, until 1966, absent from Russian and Ukrainian private and state collections (including that of George Costakis). Then, thanks to the tenacity of Professor Dmytro Horbachov, his first retrospective was staged at the Writers' Union in Kiev. This was a brave initiative: Bogomazov was still denigrated as a 'Formalist' and the Avant-Garde remained taboo. But this landmark 1966 exhibition saw the emergence of a local market for Bogomazov, and prompted Moscow's Valery

Dudakov, among others, to start collecting his works. Bogomazov exhibitions remained a rarity. The next were not held until 1991 – in Toulouse and Kiev. Another 16-year lull ensued before St Petersburg's Russian Museum hosted a Bogomazov show in 2007. Such scratchy museum coverage does grave injustice to this pioneering artist, who is also (with the honourable exception of Kiev's National Museum of Ukrainian Art) chronically under-represented in public collections.

The third reason Bogomazov has anguished in undeserved obscurity is his status as a 'Ukrainian' artist. As a result, he has been ignored by many of the exhibitions devoted to the Russian Avant- Garde in the West. 'Ukrainian' is, mind you, something of a misnomer: Alexander Bogomazov was Russian by virtue of his mother tongue and birthplace in what was then the Tsarist Empire. Yet, insofar as he spent virtually all his life in Kiev, Bogomazov may unquestionably be considered Ukrainian.

He was educated at the Kiev Academy of Arts and spent almost all his creative life in the city – including his final, illness-wracked years as a polemicist and teacher at what by then was Kiev Art Institute. With its hills, escarpment, twists, turns and vistas, Kiev is his city. Bogomazov wrote: 'Kiev in its plastic outlines is full of beautiful, varied and deep dynamism.

Here the streets thrust into the sky, the forms are tense, the lines are energetic; they fall, split up, sing and play. The verticals of poplars and mountains slash across the horizontals. The general tempo of life underlines this dynamism even more; it gives it what might be called an ordered basis and broadly flows over throughout, until it rests on quiet shores of the Left Bank of the Dnieper.' Indeed, it is no exaggeration to say that Bogomazov is now regarded as the Ukrainian Avant-Garde artist par excellence.

He is unquestionably worthy of this title. His theories, as outlined in his 1914 treatise Painting and Elements are considered prophetic – he wrote how the black square on the white background is the 'most finished form' a year before Malevich, while his musings on rhythm, colour and line predate those of Kandinsky. Only with increased exposure and research will the legacy of this artist be assured. A personal exhibition, the first in his homeland since 1991, is now planned at the National Museum of Ukrainian Art for the winter of 2016 and archivists are working through the myriad of documents and letters, only a fraction of which have ever been published.

The works chosen for this exhibition fall into four sections. The first is devoted to Bogomazov's inspiration and support: his wife Wanda Monastyrska, whom he met in 1908. Two 1911 portraits of Wanda at this exhibition are intimate and touching. A 1913 view of Wanda reading is more daring (they were now married). By 1915, his images of Wanda had evolved into something far stronger, more confident and sexually charged. Before 1915, Bogomazov painted or drew his wife on at least 30 occasions. The relationship between the diffident artist and the fiery, self-confident spouse (herself also an artist) was slightly unconventional.

Bogomazov was smitten with Wanda on first sight but, initially, she rejected him. His persistence paid off and, by 1911, his images of Wanda had acquired an immediacy that suggests he had reason to believe in her change of heart. Their marriage in August 1913 detonated what Dmytro Horbachov calls an 'explosion of creativity' for Bogomazov, whose artistic career could have fizzled out into despair and emptiness without Wanda's support.

After his death from tuberculosis in 1930, Wanda single-handedly preserved the work of 'her Sasha' from the Soviet authorities and Nazi invaders. We have obtained first-hand impressions of the remarkable Wanda from Professor Horbachov and her granddaughter Tanya Popova. The second part of the exhibition, Kiev 1914-15, encompasses Bogomazov's angular, dynamic Self- Portrait; his vibrant view of Kiev's main avenue, Kreshchatik; the Cubo-Futurist swirls of his Landscape, Locomotive. The third part, The Caucasus-Kiev, is divided into two subsections. The first deals with the period 1915-17 when, in my opinion, Bogomazov was at his peak - producing work whose intricacy and subtlety is more than a match for the Italian Futurists. The second section deals with four late works from the 1920s when Bogomazov was a teacher at the Kiev Art Institute and includes two portraits of his daughter Yaroslava (whose reminiscences are also published in English for the first time in our catalogue). Yaroslava quotes her father's diaries to suggest that Wanda filled the emotional void created by his loveless childhood.

The works from 1915-17 include an astonishing Armenian Woman, and the swirls and curves of a Bouquet, which, Tanya Popova tells me, was one of Wanda's favourite paintings. The circular mosaic Tanya made using elements from this work (a copy of which we have on show) was placed on her grandfather's grave. Between 1917 and 1926 Bogomazov virtually abandoned easel-painting - He produced just two oils during these nine years: Funeral and Catafalque. Between 1918 and 1921, as the government of Kiev changed sixteen times, his focus was on surviving the Civil War.

He contracted tuberculosis in 1920 (an event described by his daughter on page 109) and later concentrated on teaching, Agitprop and administration, becoming Secretary of the Artists' Union and Professor of Easel-Painting at the Kiev Art Institute. The final section of our exhibition is devoted to Bogomazov's last years and his legendary but unfinished triptych Sawyers (1926-29). The right-hand part of the triptych, Sharpening the Saws, hangs in Kiev's National Museum of Ukrainian Art – where the central section, Sawyers at Work, is undergoing a major restoration. The triptych was unfinished when Bogomazov died in 1930 before he had been able to start the left-hand section, Rolling the Logs. We are fortunately able to show the only surviving colour study for this work. It gives a clear impression of Bogomazov's intentions. Elena Kashuba-Volvach's article for this exhibition, The Rhythm of Creative Will, evokes the composition's energy, dynamism and angularity. Bogomazov's palette changed during the 1920s, becoming brighter and more Fauve. His style – described by Professor Horbachov as 'spectral' – became more realistic.

Although an art dealer's opinion is inevitably biased, selling a work to a major museum signals recognition of its quality, however, little-known the artist. We are currently preparing a catalogue raisonné of Bogomazov's work and, despite the sensitive political climate, Moscow's Pushkin Museum has offered to host a Bogomazov exhibition. In Kiev, an exhibition is being prepared for late this year. In his foreword for the catalogue of the 1991 Bogomazov exhibition in Kiev, Eduard Dymshyts wrote: 'What happened? How is it that for decades the names of our greatest creators have disappeared into nothingness?

How could it be that an extraordinary and multi-talented personality was presented as a deception or a mistake? A. Bogomazov, who was worthy of the title Ukrainian Picasso, one of the greatest artists of his time, was excluded from the artistic process. Perhaps now the time has come.' The myth of this 'great unknown', this 'Ukrainian Picasso' – only now taking his rightful place among the leading lights of early 20th century Eastern European art – is finally being unravelled.

James Butterwick
www.jamesbutterwick.com
Tel: +44 (0)20 8748 7320

# CANNES COLLECTION

## ALL YOUR HEART DESIRES

Cannes Collection is a brand new show, debuting in June 2016, conceived by friends and collaborators Bertrand Foäche and Eric de Saintdo, both renowned for putting on international shows such as Première Classe, Who's Next, Fame and the Cannes Boat & Yacht Show.

Cannes Collection is based on evolving notions of luxury and hopes to inspire and delight a discerning, global clientele who seek convenience, speed and service as well as world-class quality and performance.

Here you will find yachts from 20m to 60m, private planes, helicopters, prestige cars and motorcycles, art, property, travel, objets d'art and more...a selection of the very best brands and finest products carefully curated in one of the worlds most beautiful cities.

Held from June 2nd to 5th, Cannes Collection is scheduled to run immediately after the famous Cannes film festival and the Monaco Grand Prix, two landmark events that draw the eyes of the watching world and which, for many visitors to the Riviera, represent the beginning of the Summer Season.

In fact, everything at Cannes Collection will be available to try and to buy, lease or order right away to enjoy over the coming summer. A concept summed up in the show's rallying cry – 'WANT IT NOW? HAVE IT NOW!'

Cannes Collection will be held around the famous Old Port in Cannes, a unique and iconic location in a city that already hosts some of the most important shows in the world, boasting as it does a beautiful harbour and bay, fantastic hotels, restaurants, bars and nightlife. At the show itself, an exclusive network of sector experts and specialists will be on-hand to offer advice and insight including:

Eric de Saintdo, former organizer of the Cannes Yacht Show.
Michel de Rohozinski, President of Azur Hélicoptères.
La Squadra, Agency specialists in experiential car marketing who manage all test drives during « Le Mondial de l'Automobile » in Paris.
Romain Réa, Horology expert, retained by the auction house Artcurial.

A visit to Cannes Collection promises to be a truly unforgettable experience with the opportunity to try many of the fabulous items showcased. Sail a yacht out into the Bay of Cannes and see how she performs on the open water or take a beautiful car for a spin with an experienced driver at your side. Take a trip over the old town of Cannes in a helicopter or peruse impeccable timepieces and stunning contemporary art in one of the modern pavilions. A number of auctions of exceptional and rare pieces will be held during the show culminating with a charity dinner in support of The Womanity Foundation, created and chaired by Yann Borgstedt, whose mission is to improve the access to quality education, training and empowerment for disadvantaged girls and women.

The Old Port of Cannes, one of the most beautiful Mediterranean ports, will host CANNES COLLECTION, thanks to the commitment and confidence of the City of Cannes and the Nice-Côte d'Azur Chamber of Commerce and Industry. The perfect showcase for hosting this new event, the strategic location of the port facilitates the display of prestige automobiles and motorcycles, helicopters and private jets around an extraordinary selection of yachts up to 60 metres long.

Cannes Collection runs from June 2nd to June 5th 2016. Further information is available at

www.cannes-collection.com

# IMPACT AND PHILANTHROPY

by Christopher Carnie and Wolfgang Hafenmayer

There is a Babel of new terminology in philanthropy. We talk about 'impact investing', 'social enterprises', 'Social Impact Bonds', 'soft loans', 'patient capital', 'quasi-equity' and 'crowdfunding'. We talk about 'Programme Related Investment' or 'Mission Related Investment' and 'philanthropic banks' (an apparent oxymoron, until one, realises that these are foundations acting as 'philanthropic banks.')

These and a range of other terms have been created by the new professionals operating in the non-profit space. This is a flowering of new, or substantially recycled, tools for philanthropy designed to meet the needs of the new generation of philanthropists and their advisers.

IMPACT

'Impact' is the theme of many, perhaps most, of the conversations that one has with philanthropists. It is used in a number of ways, with a range of meanings. Impact is used to mean 'a measurable change in society or in the environment,' normally with the implication that this is a change for the better. It is linked to the word 'investment' to mean 'an investment that brings both financial change and social or environmental change' with, again, the hoped-for changes being positive.

Why do we hear so much about impact? Interviews and research conducted for a forthcoming book authored by Christopher Carnie "Uncovering Philanthropy in Europe: A practical guide" (Policy Press, 2017) suggest at least six reasons for the growing interest in impact:

- A new generation of philanthropists, with new demands
- Growing professionalism in the philanthropic and non-profit sectors
- A search for sustainability in investments
- The identification of significant social and environmental problems, and opportunities
- The entry of foundations
    - o As grant-makers interested in impact
    - o As investors interested in impact
- The potential for catalysing system change, by demonstrating impact

NEW GENERATION, NEW IMPACTS

'Some people say that venture philanthropy started in the 1960s,' says Wolfgang Hafenmayer, Head of Societal Impact Advisory at Trusted Family, 'but it only really took off in the 2000s when business people came into the sector. They brought their business mind-set, that of people who had made a lot of money quickly. The impact investing field emerged here. They focused on organisations that could link making money and doing good.' This link is present, says Wolfgang, in all asset classes; 'in all of them you could find ways of making a positive impact.'

Judith Symonds, a consultant in philanthropy, strategic planning, and public affairs, says that 'the younger generation want to be certain to have an impact, and to control where their money goes.' These ideas were underlined by a Dutch philanthropist and social investor interviewed for the book, who said that 'social impact is new for our family. It combines two things - doing good, and you can reuse money multiple times. We are an entrepreneurial family, so we like the entrepreneurial logic, the discipline, and rigour. With a social impact approach, you become co-owner rather than just donor'. But there are nuances, and this philanthropist is not solely interested in impact; his motivations mix giving with the measures of efficiency that impact offers. 'Social impact is a complement to [traditional] donations. We have been an impact-first social investor for a long time.'

## IMPACT, THE PROFESSIONAL APPROACH

Impact could be a way of expressing your professional status – 'professionalism through impact measurement' as Serge Raicher, co-founder of EVPA expresses it.

Funders, fundraisers, and staff in the field have 'become more professional,' says Arnout Mertens, General Director of Support Services at Salvatorian Fathers and Brothers in Rome. 'We are moving away from charity to impact. Governments are imposing more stringent rules. They don't fund without a needs assessment, and if we don't have a financial [management] manual in place then the project does not get the grant. We need three quotes for bills of quantity - in places where even basic literacy may be a problem. There are visits from funding organisations, financial audits... There has been a significant change in funder attitudes over the past two years.' Arnout debates the practicality of all of this. Salvatorian Fathers and Brothers work in what he describes as 'forgotten places' – the lost villages of the Global South. Data gathering, reliable monitoring, long-term impact evaluation are all very hard to achieve when there is no electrical power, no or few literate adults and the constant threat of natural or human disaster.

That view is seconded by Marie-Stéphane Maradeix, CEO (Déléguée générale) of the Fondation Daniel et Nina Carasso, a philanthropic foundation based in Paris and Madrid which derives from the family that owned Danone, the dairy foods company. She illustrates the difficulties and contradictions inherent in measuring philanthropy; 'There is a real demand [amongst philanthropists] to understand impact. They are used to working with KPIs [Key Performance Indicators]. When [the foundation board] interviewed me [for this job] they asked me about KPIs. I said that the foundation was working with complex social and/or cultural issues which are not always measurable in the way that an industrial product can be measured. Measuring social impact needs a long-term vision that is not always compatible with short-term projects.'

## INVESTMENT, SUSTAINABILITY, AND IMPACT

Impact is part of a convergence of ideas. It has emerged as the basis for a class of investment. Investment with impact – that creates both financial and social or environmental value – is a fast growing class of assets. The annual J.P. Morgan/Global Impact Investing Network (GIIN) survey of the sector for 2015 (Saltuk, 2015) reports a 7% growth in capital committed between 2013-2014 and a 13% growth in the number of deals, with survey respondents managing a total of US$60 billion in impact investments.

Through the growth of impact investments more and more people were arguing that every investment has an impact, the only questions are weather this impact is positive or negative. And many people would argue today that we are at a point in human history, where we cannot afford more investments with negative impact.

## FOUNDATIONS OF IMPACT

Foundations in Europe seek impact in their grant-making, but they are increasingly also seeking it in their investments. This is a radical departure for a foundation sector in Europe that has, for years, focused only on the financial, and not on the social returns from its investments. That requirement was laid down in regulations – until 2011, for example, the UK Charity Commission guidance to trustees was to maximise financial returns. In that year, the Commission issued new guidelines 'on investments that help the charity to achieve its mission where this has no significant financial detriment (mission related investment)'. This new guidance allowed foundations in the UK to make impact investments. As is often the case, the US had been there before; in his 2016 book on the impact economy, Dr Maximilian Martin (Martin, 2016) reminds us that 'the Ford Foundation pioneered PRI [Programme Related Investment] in 1968.'

Philanthropic foundations can provide the first finance that leads to a social enterprise being created; the grant that funds research, or the zero-cost loan that buys a first vehicle or building for a project. Because foundations are not beholden to shareholders, they can afford to take on projects that offer no return, or a loss. This is the idea of 'de-risking', where a foundation accepts the highest risk tranche of a loan or investment in order to reduce the risks for other investors, and thus to encourage them to join the loan or investment.

## BACK TO PHILANTHROPY

'In no basic definition of philanthropy does it say that you cannot get anything back,' says. Wolfgang Hafenmayer. 'Sometimes doing good means being tough and saying "I want something back".'

## REFERENCES

Martin, M., 2016. Building the Impact Economy, Cham: Springer International Publishing. Available at: http://link.springer.com/10.1007/978-3-319-25604-7 [Accessed December 4, 2015].

Saltuk, Y. et al., 2015. Eyes on the Horizon: The Impact Investor Survey, London: J P Morgan. Available at: www.thegiin.org [Accessed February 15, 2016].

## ABOUT THE AUTHORS:

Chris Carnie is founder of www.factary.com, a consultancy on philanthropy and non-profits. He is a researcher, consultant, and trainer in philanthropy. His book, "Uncovering Philanthropy in Europe: A practical guide" will be published by Policy Press http://www.policypress.co.uk/ in January 2017.

www.factary.com

Wolfgang Hafenmayer oversees the Societal impact solutions for Business Owning Families at Trusted Family.

Before this, Wolfgang built LGT Venture Philanthropy from scratch to a recognized global leader in impact investing. Having started with the support of the Princely Family of Liechtenstein, Wolfgang's global team of investment managers and impact investing advisors took care of a significant number of families spread over five continents. Before starting LGT Venture Philanthropy (2007), Wolfgang gained rich experience in the industry as an investment manager with BonVenture. He also helped set up Forma Futura, a sustainable asset management company. Previously, he was the executive director of Consileon and also worked for Bain & Company.

Wolfgang is a well sought-after speaker in his domain of expertise. For his book "The Future Makers", he interviewed 230 social entrepreneurs, politicians and scientists in 26 countries.

www.trustedfamily.net


THE ELITE
LONDON
London's most exclusive jet-set lifestyle event
3RD - 4TH JUNE 2016
RIZONJET LONDON BIGGIN HILL AIRPORT
JET-SET
LIFESTYLE
Exclusively
SUPERCAR SHOWCASE
Exclusively
LUXURY BRAND SHOW
The
Marine
Showcase
Featuring over 150 luxury lifestyle brands
Unique experiences & features . Fine cuisine . Supercar test drives
www.TheEliteEvents.com
MEDIA PARTNER
FAMILY OFFICE ELITE
Magazine & Events

# THE ART OF CONVERSATION

by Paul Russell

The skilful conversationalist is at ease conversing with intimates of long standing as with new acquaintances, accomplished at adapting the topic under discussion to suit the company and steering potentially volatile subjects to safer waters, as comfortable with royalty as with normality and as assured with one culture as with the next. In the present day we face an interesting paradox, virtual communication is prospering whilst global boundaries are diminishing and cultures integrating. Without essential practice, our communication skills are eroding simultaneously with the demands on our communication abilities rocketing. A posting abroad, hosting international colleagues of oneself or one's spouse, attending social functions, even social travel, all will test the abilities of the individual who wishes to be perceived positively, and give and receive messages in the manner originally intended. To be a skilful communicator in these situations and more requires diligence and attention to detail.

In an unfamiliar, challenging social or business situation, particularly as the spouse of an attendee, the temptation to converse with only them can be great. However, protracted conversation between intimates can be excluding to others and discourage the objectives of the event, namely socialisation, development of relationships and so forth. Furthermore, speaking to intimates in your native tongue when this is not understood by the majority of others present should be avoided. Engaging an unknown in conversation needn't be an exercise fraught with tension. When initiating a conversation, remember that in general people may almost always be engaged upon topics of personal interest to them, which may be used as a conversation starter. Of course, to focus entirely on another to the exclusion of all (and everyone) else can be disconcerting, so offering a personal anecdote at an appropriate time and engaging others aids the flow of conversation. Listening is key to good conversation, as is a genuine interest which can be conveyed through appropriate questioning. Yet how and when to interject within a conversation can be imbued with cultural

Paul Russell
THE LUXURY ACADEMY

inference. In Britain or Thailand, it is considered polite to invite the opinions of others or to wait for a natural pause before adding a comment whereas some cultures, such as the US, would expect participants would add to the conversation more organically. Similarly, you can expect that your conversation with someone from the US, Italy, France or Singapore to be more affective, they being cultures that are more comfortable with expressing emotion in conversation, whereas British, Norwegian or Indonesian conversational partners may be more reserved. Having an understanding of culture in conversation allows you to hold realistic expectations and evaluate success; the reserved conversationalist can find the affective conversationalist overpowering whilst the opposite combination can cause misinterpretation of a lack of connection. To be an excellent conversationalist is a rare and valuable skill; to be able to engage others in discourse, draw reticent characters out, to be appreciative of the nuances of culture that make each individual unique, to be charming and interesting. Yet, a note of caution; the objective is never to shine so bright as to overwhelm. Be considerate to others, allowing them their moment in the spotlight too, and your reputation as the most skilful of conversationalists is assured.

www.luxuryacademy.co.uk

**BOSCO conference**

# International Conference & Expo

UAE, Dubai, 2015

# InvestPro

## The announcement of the conference program:

## Grosvenor House
## 24 — 25th of November

- RAK Investment Authority — Real platform for your international business
- Principality of Liechtenstein: Areas of Excellence
- Cyprus Citizenship and/or Permanent Residency through property investment
- Start Up Support as innovative opportunity for UAE investors
- Slovakia – the complementary jurisdiction in tax planning
- The Financial Markets and Wealth Management system of UAE
- Singapore companies, the perfect choice for entrepreneurs in the deoffshorization period
- UAE as a Tax Efficient IFC for European Holding Entities
- Inheritance in the UAE, DIFC Will Registry
- U.S. Tax Considerations for Inbound Investments in U.S. Real Estate
- Common Reporting Standard — Automatic Exchange of Information. Are You Ready?

## Who will attend?

The InvestPro — United Arab Emirates, Dubai 2015 Conference will bring together more than 300 high-level professionals (leading international providers of corporate services and banks) from more than 30 countries: CEOs and CFOs, lawyers of the companies and business owners | Resellers of corporate services | Tax Advisers | Bank Professionals | Consultants and Financial Advisers | Professionals on wealth management | Private Client Lawyers | Providers of trust and fiduciary services.

## Participation Fees:

| | 1 participant | 2 participants |
|---|---|---|
| Companies based in UAE and international companies with representative offices in UAE | free of charge | free of charge |
| Companies from other countries | 250 EUR | 400 EUR |

Preliminary registration is required on the site of the Organizer — www.bosco-conference.com
The participant package fee covers the attendance of the full 2 days of the **Conference, Exhibition, coffee-breaks, lunches and evening cocktail.**
The participant package fee does not cover travel and hotel accommodation expenses.

## Conference Sponsors and Partners

AUDINA
ZUGIMPEX
20 years Quorum INFOSCREEN
GNG GROUP Liechtenstein
LABWEALTH.COM
KELLEY DRYE
Government of Ras Al Khaimah RAK Investment Authority
seed mentors
A. GEORGIOU PROPERTY DEVELOPERS

## Conference Organizer

Bosco Conference
Tel: +44 203 519-34-84
Tel: +7 727 350-54-74
Tel: +7 499 705-91-98
E-mail: bc@bosco-conference.com

# Alternative Risk Management for Family Offices

by Dennis M Govan

Whether its a Single or Multi-Family Office, the challenges and demands in meeting your client's needs, objectives and expectations are huge. Each family has its own priorities depending upon the evolutionary stage of the family office, family culture, values, demographics, size, age, education, ambitions and other factors.

Since the financial crisis of 2008-09, it has become obvious that robust risk management is a crucial service that Family Offices (FOs) must provide for their clients. With this said, from discussions with FOs, Trustees, and other professionals together with various surveys on this subject, it would seem that many FOs unfortunately still fall short in this regard.

While most FOs do of course have specialist investment portfolio risk analysis, measurement and reporting capabilities and tools; they typically do not have comprehensive risk management processes and policies in place that cover many of the other inherent risks experienced by families and their businesses.

The recent investment market volatility continues to highlight the importance of appropriate portfolio strategies, tactical allocations, and regular reassessment and has already had extensive industry commentary. Therefore, in this article, I will concentrate on the wider subject of risk management and especially the use of insurance to cover other asset classes and risks.

As families evolve and invest more into custom and multiple homes, fine art, collectables, jewellery, yachts, aircraft, and car collections, whether this is for purely personal enjoyment or investment diversification, there is nevertheless an increased need to consider how to protect the real value of these assets. The heightened threat of Cyber-attack and Kidnap and Ransom must also be given serious consideration.

Recently introduced and proposed UK tax changes in respect of domicile and UK residential property, including potential IHT, create additional challenges and insurance considerations. It is, therefore, imperative that the proper attention is given to the assessment of current insurance requirements, adequacy of existing policies, security options, contingencies and of course what happens if you have to make a claim.

Traditional Insurance

Insurance coverage for a FO is not a simple single product. In many cases, the FOs have multiple brokers or agents covering different asset classes and several policies. Even if the family/FO has worked with 'trusted' brokers for many years, the lack of transparency in the level of brokerage commission can be an issue. Do you know if you are paying 5 percent or 40 percent?

Families with substantial assets who insure their homes, yachts and valuable collections through these traditional brokers or agents and with some of the better-known market carriers, frequently overpay for protection that still leaves them exposed to significant financial loss.

Furthermore, the diversity of the risk exposures for the extended family often tends to be overlooked with the insurance program focused only on the needs of the patriarch/matriarch.
It is not uncommon for families to view the cost of insurance prohibitive and rather run the risk of loss, believing that this is 'self-insurance,' which it is certainly not! There are, however, alternatives that can achieve significant cost savings and flexibility in cover.
The Alternatives

Stand Alone Captive Insurer
A 'captive' insurance company is effectively an 'in-house' insurance provider formed primarily to insure its owner and can be viewed as a form of 'self-insurance'.

The use of a captive insurance company can result in a meaningful reduction in overall insurance costs, improved risk management, efficient administration, and potential tax benefits in some cases.

However, the high operating costs and regulatory challenges of running you're own stand-alone captive insurer have meant that captives have typically been the reserve of major corporations only.

An alternative structure used by many SMEs, providing very similar benefits but at a substantially lower cost is a 'rent-a-captive' offered by an insurance protected cell company (PCC) or Segregated Account Company (SAC) or Segregated Portfolio Company (SPC), depending upon jurisdiction and relevant legal framework.

There are some subtle differences between PCCs, SACs, SPCs, but in essence, all have accounts (cells) containing assets and liabilities that are legally separated from the assets and liabilities of the company's ordinary account. For the purpose of this article, and my preference, I will concentrate on the Guernsey Insurance PCC.

A PCC Cell

Guernsey pioneered the introduction of the PCC for insurance companies in 1997 and is Europe's leading captive insurance domicile with more than 800 international insurance entities, of which 444 are PCC cells. Approximately 40 percent of FTSE 100 companies have captives in Guernsey.

The structure consists of a 'Core', which has an insurance license granted by the Guernsey Financial Services Commission 'GFSC'. The Core can issue an indefinite number of Cells which are separately approved and licensed by the GFSC to provide captive insurance to the owners of the individual Cells. As each cell is legally segregated, it has its own assets and liabilities and the balance sheet of one cell cannot be co-mingled or used to meet the liabilities of another. The physical assets are not held in the Cell. Each Cell is independently audited with no consolidated reporting at Core level.

Each Cell has its own captive insurance programme that is tailored to meet the owner's individual requirements. The same Cell can be used for several categories of insurance. This 'bundling' of risks into a single policy can significantly ease the burden of administration and benefit from the PCC Core's overall reinsurance market pricing and reduced brokerage. However, if preferred or volume and value justify the business case, individual Cells can be used for different categories of insurance.

A Cell must meet specific solvency requirements based on the risks underwritten and any risk retained within the Cell. The owner, therefore, has the ability to fund any smaller losses from the capital of the Cell, which can accumulate over time from the savings due to the lower costs of re-insurance. Typically, the owner will continue to pay premiums at the same level as previously, especially if this is tax deductible, but as the costs of the re-insurance is lower than the current premiums, this creates the surplus within the Cell. The greater the amount of the smaller claims the owner is prepared to self-fund, the greater the savings as insurance companies penalise clients that make smaller claims.

The Cell owner can decide to reinsure all the risks rather than self-funding the smaller claims. The Cell is thus used for re-insurance arbitrage to benefit from the lower insurance premiums available from the re-insurance market. If no risk is retained in the Cell, there is no minimum capital requirement at Cell level.

# SUPERYACHT OWNERSHIP

## A 3-phased approach to building a superyacht portfolio

by Simon Cardiff

As custodians of private luxury assets, family members and private staff can be delegated responsibility to oversee the ownership and governance of superyacht portfolios. However, it is not uncommon for an owner's family, private staff or family office executives to have only limited prior experience and knowledge of superyacht ownership, management, and operations.

A disciplined, business-like superyacht ownership strategy can help owners, family and staff to safeguard the substantial funds and emotional effort that owners invest into the acquisition and management of their superyacht portfolios. I set out a structured 3-phase approach to building a superyacht portfolio from scratch in the previous issue of Family Office Elite (Winter 2015) magazine. Expanding on those foundations, this article outlines several fundamental considerations that will help owners make informed decisions about superyacht ownership investments.

Why a superyacht ownership strategy?
A superyacht ownership strategy is critical to long-term ownership success for owners of larger yachts. Business-like discipline can help because yachts are comparable to 24/7 operating businesses.

It is prudent for disciplined owners to take it upon themselves – personally – to define the top-level direction and guidance that they expect their family members, private staff, family office executives and superyacht support teams to follow when building and managing their superyacht portfolio.

Know the risks that arise throughout the 'superyacht ownership lifecycle.'

Well beyond the excitement of the initial build project or a second-hand acquisition, owners are exposed to risk throughout the full 'superyacht ownership lifecycle', which refers to the period of time from when an owner first considers starting a superyacht project until their eventual exit from ownership or upgrade to a new vessel. This period typically ranges from about 5 to 15 years.

Family members and private staff can equip themselves with a disciplined governance and risk management framework that describes all the realistic risks, consequences, and mitigation techniques. Superyachts are conspicuous luxury hotels perched upon 24/7 floating industrial sites, so risk categories in the framework will include: personal reputation, safety, operational, financial, credit, legal, regulatory, environmental, personnel and security.

Wise up to the real ongoing costs
Families' financial policies and procedures should properly address significant ongoing costs required to operate, maintain and renew the yacht and its component assets. There is a popular deceptive myth that annual cost of ownership is about 10% of the purchase price. Although "routine running expenses" can range from 5% to 15% of the purchase price depending on the type of yacht, the true "total cost of superyacht ownership" is much higher.

Rather than rely on imprecise rules of thumb for running costs, family members and staff can estimate the total cost of owning and operating the yacht for the full duration of the 'superyacht ownership lifecycle.' Basing superyacht investment decisions on transparent lifecycle cost estimates ensures that owners have sufficient resources to build, own, operate and enjoy the superyacht.

Draft sound luxury service/asset management plans
Owners and their advisers can estimate these costs in various ways, but ultimately, it is for owners to decide whether they have sufficient information to make superyacht investment and exit decisions. Private staff

and family office executives can develop plans that allows them to support their principal by ensuring that the entire superyacht support team – afloat and ashore – is capable of providing: (1) the highest level of luxury service and superyacht asset management, (2) cost-effective ongoing operating and maintenance regimes, and (3) accurate estimates of cash flow and capital investment requirements.

Luxury service and asset management plans identify the full range of lifecycle costs and risks attributable to the superyacht and include its component assets such as tenders, toys, entertainment systems, gymnasiums and so on. A comprehensive plan allows the owner's superyacht team to focus on items that will have the most influence on the total cost of ownership. Plans also useful for comparing alternative designs, equipment specifications, and/or support service requirements. Ultimately, luxury service and asset management plans guide family offices and superyacht support teams through the budget process and allow decision-makers to determine which service options give the best value for money.

Using lifecycle cost information

Disciplined total lifecycle costing methodologies can assist owners and family decision-makers to make informed investment decisions about the emotional, intangible and tangible value of ownership. During the earliest superyacht requirements planning and design phase of a new build project, lifecycle costs are usually based on educated estimates of the cost drivers identified by the combined efforts of the entire superyacht project team. The lifecycle costs estimated at this stage can confer discipline on the owner's design and investment decision processes.

As the owner moves through the acquisition and in-service phases of the 'superyacht ownership lifecycle' the full lifecycle costs become more predictable and more reliable, which means owners can predict their financial commitments with a greater level of confidence.

Apply a disciplined approach

Disciplined ownership strategy creates a framework that allows the owner's team to achieve luxury service excellence alongside long-term operational efficiencies and cost savings by taking into account the true cost of owning and operating the superyacht throughout the full superyacht ownership lifecycle.

A disciplined planning process also enables owners and private staff to assign sensible responsibility, accountability and reporting requirements to the superyacht support team, afloat and ashore.

Adopt appropriate governance

When planning for superyacht ownership and ongoing management, family members and executives need to establish appropriate governance mechanisms that allow them to:

- properly manage, operate and maintain the vessel and support functions
- build a suitable decision support system to evaluate the quality of service delivered by providers in the superyacht's supply chain
- monitor the ability of the yacht and its component assets to meet the service levels demanded by the owner and the family
- maintain proper records of the ownership and operation of the vessel
- implement a risk management system and internal controls to safeguard assets from misuse, mismanagement, mistakes, or misappropriation
- create and monitor the vessel's long term financial plan to achieve the optimal full lifecycle ownership savings and costs when making decisions

Bringing it all together

The overriding message for owners, family members, and their private staff is that a disciplined superyacht ownership strategy can be a useful internal tool to oversee and optimise the acquisition, operation and disposal of a family's superyacht portfolio over the entire superyacht ownership lifecycle.

About the author: Simon Cardiff is a strategy and family office consultant at boutique advisory, Issues in Superyacht Ownership, providing niche services to strengthen superyacht portfolio governance, ownership lifecycle planning, asset management strategies and luxury service standards. For more information, go to superyachtownership.com.






BURGESS



# QUALITATIVE OR QUANTITATIVE

by Rene Levesque - Montjoy Capital

"Past Performance Is No Guarantee Of Future Results!!" The studies are well documented on the fact that manager selection based on trailing performance metrics is a losing proposition. Chasing return profiles ultimately result in disappointments for the investor. New research now suggests a mean-reversion theory: outperforming and underperforming fund managers across the world showed the idea of mean reversion to be factually correct, suggesting that strong periods of outperformance can be followed by less attractive results and that frequently strong periods of underperformance can be followed by improved returns.

Qualitative versus Quantitative

Quantitative tools do in fact help in building a case to justify manager selection decisions with evidence of hard data under the scrutiny of the investment committee members. "A judicious man uses statistics, not to get knowledge, but to save himself from having ignorance foisted upon him." (Thomas Carlyle) The institutional process has evolved into a culture that imposes quantitative filters on a discipline better referred to as an art rather than a science. Plainly, the justification process has somehow drifted as the core of the evaluation and decision-making process; while the two being two very distinct activities. The problem is acutely applicable in the evaluation and selection of absolute return strategies operating within a contaminated universe we all refer to as "hedge funds".

As a matter of fact, if you Google "qualitative hedge fund analysis", the word "qualitative" is underlined in red as if to indicate a spelling mistake, and you will be prompted with the statement "Did you mean: quantitative hedge fund analysis." This is obviously symptomatic of the industry's predisposition to apply and dwell on metrics rather than qualitative elements in the assessment and recommendation of hedge funds.

The large consultants previously prescribed but failed in the execution of Portable Alpha mandates. Perhaps their failure stems from the fact that the term "Portable Alpha" is a misnomer or, at least, a source of confusion between the intention and the means; the intention being adding a constant Alpha to a reference benchmark, and the means being the generation of absolute returns. The attributes leading to the failure of Portable Alpha mandates are strangely found in its nomenclature alone. "Beware of false knowledge; it is more dangerous than ignorance." (George Bernard Shaw)

Absolute Returns versus Alpha

A Portable Alpha program simply consists in overlaying a passive equity or fixed income allocation with a stream of a reliable and stable source of positive returns to supplement the index returns hence the word "Apha". The key words are "reliable and stable"; whatever the market environment, direction, and volatility regime. The all-weather and absolute return investment solution is a pivotal element to a successful Portable Alpha mandate. The concept, although sound and well-intended, unfortunately failed miserably because of ineffective and ill-qualified execution.

The term embeds a paradox; a successful Portable Alpha mandate simply does not dwell on Alpha. What good is a leveraged negative 14% when the market is down 22%? The key to the construct of a successful Portable Alpha mandate is an effective understanding and identification of absolute return strategies.

Recent research from a consulting group shows that even top-performing Alpha-seeking managers eventually underperform. They claim that the industry should revisit the idea of treating Alpha as if it were a regularly observable phenomenon, when in reality, Alpha is not stable. They also observe that Alpha is not necessarily "earned" in the period in which it is measured. True skill might be demonstrated in the period of idea generation and analysis, i.e. before portfolio inclusion rather than in that security's subsequent outperformance. Essentially, a manager's ability to add Alpha is dependent on forces beyond his control, such as the emotions of other investors. After all, the market, not the manager, ultimately determines prices. Dwelling on the emotions of other investors, or Alpha, is incoherent with the expectations of a reliable and stable source of absolute returns.

The concept about skill being demonstrated in the period of idea generation and research, or before portfolio implementation, is interesting. Once implemented, a portfolio of expressed ideas is subjected to the emotions of other investors rather than the manager's skill. However, it is at this juncture that the absolute return framework can significantly be distinguished from traditional Alpha-seeking asset management. Absolute return is more akin to the concept of discipline in the active management of expressed ideas already in a portfolio.

The process framework leading to the generation of absolute return is very much entrenched with the activities that coincide with and follow portfolio inclusion. The process is intimately relevant to, for example, the timing of entry and exits, the sizing of positions, the trade construct to express an idea, as well as the deliberate calibration of the net and gross portfolio exposures. Each of these active decisions is undertaken within the context of the collective emotions of other investors. Right or wrong, the collective perception of the market ultimately decides direction and price.

Effective absolute return managers are not-at-all focused on "beating the market" or generating Alpha. But rather, they are focused simply on generating returns. They effectively navigate in the markets' ever-evolving perception of reality or the collective emotions that are ultimately dictating price. They respect these overwhelming forces and understand that they can alienate market price well away from intrinsic valuation, and for an uncertain timeframe. The traditional asset manager may be "right" in expressing his research skills through positions sized/scaled to the underlying conviction level. However, in a leveraged portfolio context, he may be right longer than he may remain solvent. Absolute Return versus Hedge Funds

It is well documented that the genesis of hedge fund strategies dates back to Mr. Alfred Winslow Jones' investment framework, i.e. The Jones Model, where he added the concept of leverage to buy more shares and short-selling to mitigate/reduce market risk. However, this does not coincide with the concept of absolute return. As a matter of fact, and as history demonstrates, none of the basic hedge fund tools offer a guarantee of absolute return. Hedging, market neutrality, diversification, and pairing of positions, only serve as a means to reduce the volatility of returns. Contrary to conventional wisdom, absolute return is possible without the use of any of the above-mentioned tools.

Although difficult to pinpoint its genesis, absolute return strategies became significantly more prominent and institutionalized as global banking organizations with leveraged balance sheets started taking on an increasing amount of capital market risk. In the midst of the deregulation of the financial markets, the "Big Bang" enacted in 1986 by the UK government can best be described as a pivotal event.

By virtue of the fact that these large banks where highly leveraged, the heightened sensitivity to the tolerance of loss was clearly communicated to the risk-takers, i.e. the proprietary traders. There was very low tolerance in allocating leveraged capital among ideas while waiting for the market to monetize these positions. Thus, the emergence of the absolute return and protection of capital framework became commonplace.
These risk-takers (or risk managers) were hired, compensated and dismissed on the sole basis of generating absolute returns; not on generating "Alpha" or beating the markets. By virtue of the imposed

rules of engagement, absolute return became an active and disciplined process: "active" being the dynamic allocation capital to ideas then receptive to the market and "disciplined" in retrieving capital no longer being rewarded by the market. In contrast to the traditional asset manager spending most of his time researching ideas and building conviction, much of the absolute return manager attention and energy is focused on the portfolio implementation and ongoing risk allocation process.

The evaluation of investment strategies should go well beyond the means of quantitative justifications. An effective qualitative evaluation and understanding of investment strategies are paramount to the manager selection process, and particularly pertaining to absolute return strategies. The hedge fund universe is heterogeneous in nature. Applying the same metrics and filters throughout will systematically fail to correctly identify managers embedding the highest propensity of delivering absolute returns. "Statistics are like a bikini. What they reveal is suggestive, but what they conceal is vital." (Aaron Levenstein)

The core element in the quest for absolute return is a matter of discipline and humbleness. This is very difficult, if not impossible, to capture through statistics and quantitative analysis.

Mr. Stanley Druckenmiller explains it best with "It's not whether you're right or wrong, but how much money you make when you're right and how much you lose when you're wrong." When asked about the behavioral and personality characteristics of the successful traders, Mr. Schwager, author of several books on Market Wizards, answers with the following two elements: These are (1) "People who are successful traders will have the ability to quickly admit that they're wrong." and (2) "Discipline is also important."

These core competencies and behavioral characteristic are obviously best understood through a robust qualitative analysis framework.

www.mountjoycapital.com

**NTL trust**

CARIBBEAN
# CITIZENSHIP
SUMMIT 2016

## November, 3-10 2016
Grenada | Dominica | St. Lucia

**NTL Trust invites you to attend this unique "boots on the ground" event in the Caribbean! Learn more about economic citizenship, real estate investment, and asset protection!**

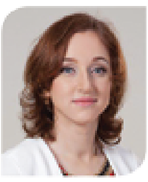
### Why attend?

- The Caribbean Citizenship Summit will showcase Citizenship by Investment Programmes in Grenada, Dominica, and St. Lucia while being right on the spot.
- This event is a unique opportunity to meet Prime Ministers, government officials, and authorized agents. Get the most authentic knowledge from the best in the business... first hand.
- Discover the latest in Real Estate and Developments approved under Economic Citizenship Programmes and learn which programme is right for you and your family.
- You will meet like-minded people and network in a very special Caribbean atmosphere!


### Who should attend?

- Immigration agents.
- Lawyers, private bankers, tax planners, family office advisors, and wealth managers.
- HNWI.

Register online
and get a DISCOUNT at
**www.citizenshipevents.com**

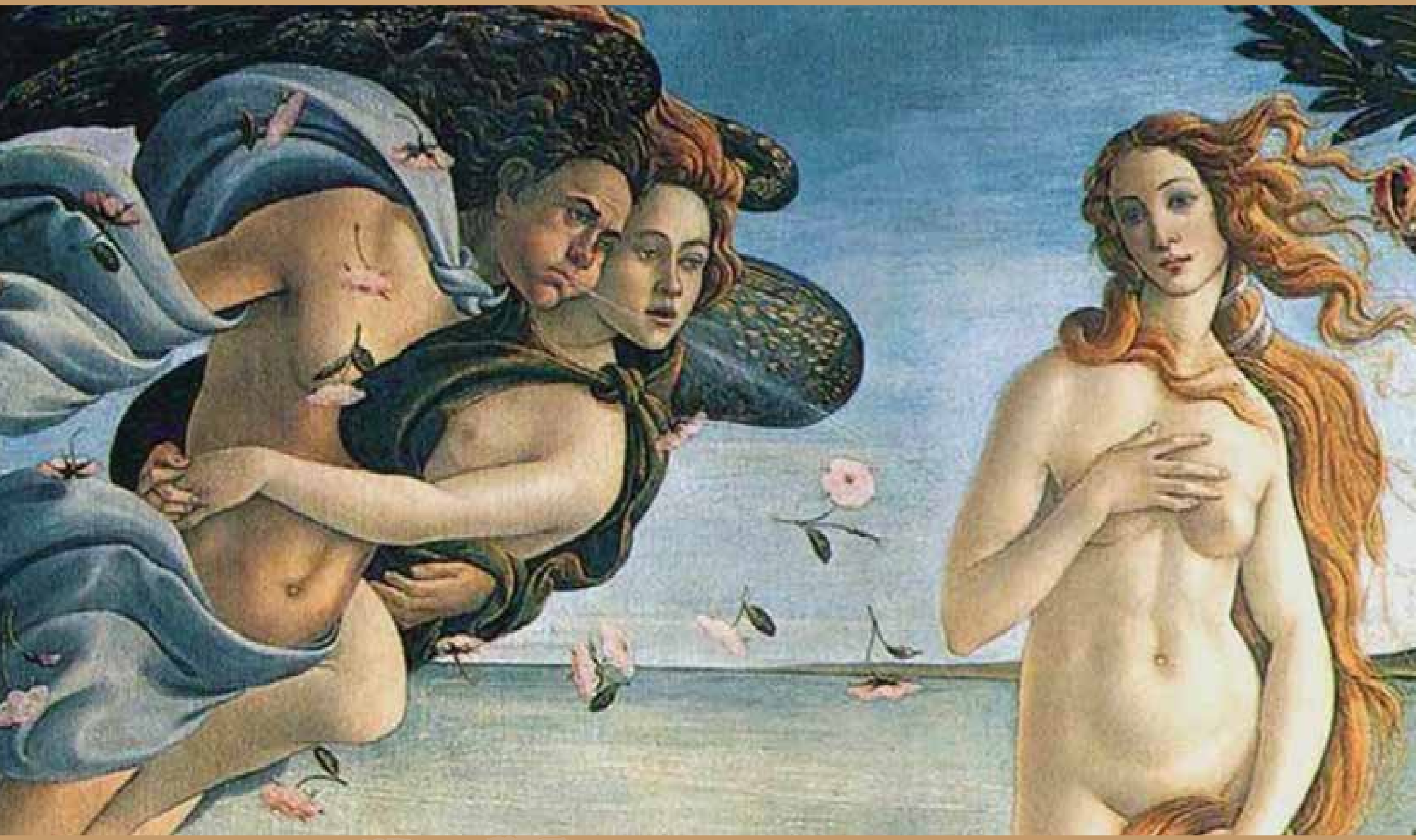


**Marina Savicka**
Event Sales Manager
marina@citizenshipevents.com
+37127878704
marina_ntl_immigration

NTL trust
since 1994

NTL trust
immigration

# DOMOS



# FINE ART
## CONSULTANTS

*SPECIALISTS IN OFF-MARKET FINE ART*

SKYPE: domosfineart | info@domos.co.uk | www.domos.co.uk