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FAMILY OFFICE MAGAZINE

SUMMER 17 ISSUE

CITI PRIVATE BANK

Luigi Pigorini

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

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ONE STEP INTO THE PAST, ONE INTO THE FUTURE

WHAT CHALLENGES DO FAMILY OFFICES FACE?

"Family Offices once the preserve of a select few are becoming increasingly ubiquitous. We see an increase in the number of wealthy individuals globally with age-old concerns around wealth preservation, corporate governance and succession planning remaining" states Luigi Pigorini, Head of Citi Private Bank's operation in EMEA. Luigi has over 30 years' experience in the financial sector and oversees all aspects of the Private Bank's operations in Europe, the Middle East and Africa.

The current data points to phenomenal growth in the number of Family Offices with their history stretching back to the late 19th century with pioneering Family Offices such as Rockefeller and Co which was founded in 1882. Some experts on Family Offices credit the Medici's of Florentine fame for setting up the first Family Office in the 16th century.

The growth is most acutely being felt in Asia where unlike the established markets of North America and Europe, the explosion of wealth is creating a steady demand for more Family Offices as investment intermediaries.

This growth increases the demand for specialist services that Family Offices require, as well as expertise on how to structure themselves and how to adapt to an ever changing environment.

Family Offices are not immune to challenges. With the ever growing demands of wealthy families, offices are looking to external providers to outsource parts of their services; Family Offices also face challenges in terms of succession planning; and offices are facing technology roadblocks through ageing IT infrastructure, automation and the threat of cyber security.

To insource or to outsource?

A challenge that even Family Offices with vast assets under management (AuM) face is the question over outsourcing. The ability to provide all of the services that a wealthy family require begins to become overly costly and potentially dangerous if the staff of the Family Office is under resourced for each specialised task.

The average family office has more than 25 external relationships with institutions, including banks, professional firms, investment managers and administrative services firms that cumulatively support tasks that smaller family offices typically cannot .

Outsourcing banking services, in particular, has its distinct advantages for Family Offices. These include leveraging the economies of scale that larger

Luigi Pigorini
CITI PRIVATE BANK

institutions have, the advantage of objective and professional advice, and mitigating the regulatory burden on Family Offices by allowing investment decisions to be made by external providers.

However, keeping services in-house does have its advantages. Namely, Family Offices can offer a more consolidated management of family wealth, whilst allowing the family to have more direct control over decision making. There may also be concerns over confidentiality and privacy, which could be magnified if too many external parties are involved.

But the reality of servicing ultra-wealthy families means that Family Offices have to make a choice as to what services they can offer their clients. The family should decide whether it wants the Family Office to have responsibility for financial planning, tax and legal support, and philanthropy, as well as for mentoring the younger generation.

Many banks have teams to deal with the Family Office segment including Citi, with the Global Family Office Team. The needs of Family Offices differ to those of ultra-high net worth individuals (UHNWI) and Luigi elaborates on this point in stating that "Family Offices act more like an investment vehicle and the teams behind them tend to be financial professionals that have very clear and specific goals/ strategies that often require the infrastructure and investment platform of banks to be realised". The key to successfully serving Family Offices is for a bank to provide tailored institutional level expertise in order to better serve their needs.

The danger of too many banking relationships

Wealthy families have become notably more complex - with numerous business interests, a desire for more sophisticated investment products (such as private equity and hedge funds), as well as becoming more international with family members being resident in multiple jurisdictions.

Although there are numerous benefits to outsourcing banking services, there are often challenges apparent when Family Offices interact with multiple providers. The cost efficiency benefits of outsourcing can be quickly eroded when multiple institutions are involved.

Luigi says: "At first glance, engaging in multiple banking relationships mightn't sound undesirable. After all, having numerous advisors and custodians may help add diversification. However there needs to be a balance between ensuring you have access to a range of alternatives, and at the same time, making sure you don't have too many relationships, which can be both costly, and run the risk of leading to over-diversification."

The logistics of implementing a vast number of relationships can often be a headache for family offices. Scouring through a plethora of statements from various providers as well as dealing with potentially conflicting advice can be confusing, expensive and time-consuming.

Strategy conflicts

Where some advice from different banking relationships may be conflicting, there is also the risk that investment decisions may in fact overlap, thus mitigating any diversification benefits from engaging with multiple institutions.

Luigi says:
"Carrying out regular diagnostics of holdings across all relationships is essential for Family Offices. Our approach to this stresses finding out what is really driving a portfolio's returns by identifying the factors it is exposed to. There are literally hundreds of potential factors, such as individual market returns, US 10-year corporate spreads, valuations, earnings momentum and so on.

"The results of factor analysis can surprise Family Offices. They often learn they have exposure to return drivers they didn't know they had, as well as discovering hidden duplicated exposures. Take the recent case of the Northern European Family Office that managed more than US$500m. On the face of it, their holdings seemed well diversified. But our analysis found that more than 50% of their overall risk was concentrated in Western European market returns."

Luigi adds:
"Sometimes, Family Offices have a particular concern that makes them request a holistic analysis of their factor exposures. One Southeast Asia-based Family Office was worried about the risks that exposure to rising interest rates and currency moves could pose to their holdings. Our subsequent analysis confirmed their suspicions and we then came up with some strategies to hedge their precise risks."

Instead of engaging in multiple banking relationships, Family Offices would be well placed to choose an institution that can cope with the challenging demands of wealthy families. This includes the ability to handle complex investment and jurisdictional requirements. This approach provides a middle way for Family Offices, allowing for all of the benefits of outsourcing, whilst being able to engage in a close relationship with a select amount of institutions.

Luigi says:
"Citi provides our Family Office clients with all the resources so that they can get on with the business of achieving the aims of the principal. We are one of the few banks that can provide a truly institutional level of service, and in my opinion, a platform that caters to every need. In fact, if we are unable to address something the first time around, we plug into the vast resources of the whole of Citi outside of the Private Bank to find the right solution for our clients. For example, our Global Custody solutions allow execution over a number of banking relationships, best use of execution providers and consolidation of reporting. Similarly, for Family Offices who have an institutional trading behaviour, we provide direct trading capabilities and related extension of credit lines with our Global Markets platforms".

"We are facilitators; we provide the technology, the investments platform, the know-how from our combined expertise and experience as a leading financial institution to assist Family Offices from set-up and through every stage of their evolution."

The succession conundrum

One of the greatest challenges for wealthy families is the transfer of wealth to the next generation. According to one study, wealth is often dissipated within three generations in 90% of cases. The difficulties are particularly stark when a family business is involved in the transfer of wealth. But how can the erosion of family wealth be mitigated?

One of the challenges lies in communication. Patriarchs and matriarchs of family businesses must ask their children whether they want to preserve their ancestors' legacy. If the children wish to pursue other avenues, it's better to face up to this at an earlier stage than force children into to a life of affluent misery which will no doubt be bad for the family and the business.

If the business is to be transferred, then both seniors and the next generation should be involved in the conversation. Preparation is key, and successors need to be well informed of how the business is run before the handover takes place. Seniors should be prepared to pass leadership when the next generation is ready to lead, not when the current leader is ready to leave.

Luigi, suggests how structures such as Family Offices are paramount for the next generation when they take over the family business:

"Without a competent and motivated next generation, a multigenerational family can lose everything. Most critical is to stretch your next generation talent through challenging assignments inside the business, Family Office, family foundation, or through an entrepreneurial venture. Set performance goals and incentives; provide useful feedback; keep the momentum. Remember too that the next generation will also one day lead the family, requiring that they develop the emotional intelligence to earn the respect and trust of family members outside of the business."

Succession planning acts both as an opportunity and a challenge for Family Offices. Although offices will often have to arbitrate the differing views of family members, with growing global UHNW wealth and the imminent transfer of US$30trn of wealth over the next two decades , Family Offices are well placed to deal with the challenges that wealthy families face.

Creating a Family Office can help to prevent UHNW families from a riches to ruin experience. A Family Office can help centralise the execution of investment strategy, tax services, insurance planning, philanthropic advice and personal services. This can be especially useful in the case of large, geographically widespread families – especially where competing interests exist – as well as for those with complex arrangements.

A well-crafted family mission statement is essential for an effective Family Office. It should set out the office's core purpose, define the family's wealth, and address the goals of any family business. The overall objective should be to align the family's core values and to facilitate leadership.
To achieve cohesion, clearly defined governance also needs to be established. A well implemented governance mechanism ensures transparency and can prevent disputes or offer solutions to their resolution. Family Offices traditionally appoint a board to oversee the operation of the office, usually comprised of finance professionals. Citi Private Bank, with experience of a wide variety of UHNW families can bring valuable insights to this process.

Where do you stand on philanthropy?

Philanthropy is perhaps not the first thing that comes to mind when thinking about succession planning, but it can be a useful tool for engaging the next generation, especially amongst millennials who are looking to be more socially responsible with their wealth. It is therefore important for Family Offices to consider philanthropy as a useful mechanism.

Many children of wealthy families can be left in a state of confusion as to what their role in a family structure may be, especially if they do not possess an entrepreneurial bias. Philanthropy can give these children a focus, where they can wholeheartedly throw themselves into charitable projects.

Philanthropy can also be used to carry forward a family's core set of values and can often glue a disparate family together. Many Family Offices set up charitable foundations - either autonomously or in conjunction with a large private bank or consultancy.

Philanthropy can also be utilised as a training ground for future entrepreneurs. Charitable projects can be useful as early business training for children - developing leadership and teamwork skills that they could use in the future, if they were to join the board of directors of the family business. Even if the children decide not to join the family business, involvement in philanthropic projects from an early age can instill solid money management skills, and prevent children from living in a bubble, which should mitigate the chances of the children squandering the family wealth.

Technology and the Family Office

Although the family office industry is centred around close personal relationships, it is not to say that this segment of the market escapes the technology revolution. Technology helps Family Offices to achieve their core objectives, manage legacy challenges and adhere to regulatory updates, as well as freeing up human capital.

In terms of providing support to Family Offices, Citi Private Bank has not only focussed its resources on creating tailored investment and risk management solutions, but has also partnered with some of the dedicated Family Office Fintech star-ups, to ensure it has the right technology to implement those solutions. An example of this is the ability to route electronic orders securely and the ability to deliver securities to global custodians as well as the storage of key data in a digital bank vault and the assessment of risk in real time.

For the Family Office itself, one of the most important aspects of technology that has to be implemented is a consolidated reporting system. Failure to do so could become problematic, especially if the office has multiple relationships with third party vendors. A properly designed reporting system allows the office to have a truly holistic view of its investments, whilst identifying any potential risks. Family offices that work in conjunction with Citi Private Bank can take advantage of frictionless integration with reporting systems.

With relationships being of the utmost importance in the Family Office space, a sophisticated CRM tool is essential for a Family Office to be able to manage the critical information of family members in a central location. The CRM database should include contact information, minutes of discussions regarding major family events or financial decisions, the structure of the family, and third party contacts including legal, accounting and insurance.

Cyber Risk
The threat to organisations across the board from cybersecurity is on the rise and is a major trend for Family Offices to take into account. It is an issue that regularly makes

headlines in the news as cyberattack stories become more prevalent.

"An important thing to note is that many Family Offices manage levels of wealth which are comparable to successful small to medium enterprises, however unlike traditional companies, few Family Offices have in place the IT security systems and preparedness to combat cyber threats" affirms Luigi. It is critical that cybersecurity is high on their list of priorities.

Luigi goes on to inform us that banks "are investing a lot of time and resources in to cybersecurity, so it is only natural that they pass on what they have learnt to protect their clients and advise them on how to combat this ever evolving scourge."

The automated Family Office

Opportunities for both innovation and security arise in the form of automation. Family Offices may not appear to be the primary candidates for automation - due to their small, bespoke nature. Automation driven IT systems are also conventionally oriented around high volume, standardised processes where change is predictable. This is in contrast to the highly customisable environment of the Family Office.

However, the small size and agile nature of family offices makes them well placed to implement automation technology. Although Family Offices may be somewhat behind in the technology race, they are also very forward looking - most Family Offices have 100 year plans in place due to their focus on multi-generational wealth transfer. This approach of collecting and creating vast amounts of data on both past and future family members means that Family Offices may benefit greatly from innovations in artificial intelligence (AI).

According to an EY report , the best automation opportunities for Family Offices are in robotic process automation (RPA) - whereby the repetitive, manual tasks performed by humans interacting with computers are automated. An RPA robot operates exactly as a human would — logging in and interacting with applications, opening emails and downloading attachments, and storing files in well-defined locations. Rather than automating complete processes, the robots merely take on tasks that are low value add. This frees up human employees to engage in less laborious tasks and allows for time to deal with more complex issues.

AI and RPA will also be integral in dealing with cyber threats and maintaining the family's privacy, with an increased ability to analyse the vast amounts to data that will have to be monitored by a family office.

Citi Private Bank

BRITISH POLO DAY

60TH EVENT IN HENLEY-ON-THAMES

by Ty Murphy

British Polo Day
Upcoming events in 2017:

China in September and October the Britannia Elevation: Global Gathering in Nihiwatu.

British Luxury Emporium
at British Polo Day included

Drills by Amy Williams, Taylor Morris, Nyetimber True Luxury Travel, Land Chocolate, Jago Jackets, Beatrice Jenkins, Ottoman Collection




British Polo Day returned for its 60th event on Saturday 24th June, 2017 at Henley-on-Thames, UK. The event was presented by RJI Capital and hosted by The Schwarzenbach family.

British Polo Day Great Britain on the 24th June marked its 60th event. Having held 59 invitation-only events in 16 countries since 2009, the annual series of events always return to their home turf for the English Summer before completing the year in the Far East with events in China, the Indonesian island of Nihiwatu, and India.

British Polo Day is an unparalleled platform celebrating the history and heritage of Polo with a global community, bringing together the world's top companies and key influencers. It provides a platform for business in emerging and growth markets, giving partners enviable access to international contacts.

The Henley event was a high-calibre sporting spectacle with the number one male player in the world, Argentinian Adolfo Cambiaso, playing his first exhibition match. At the River Ground, Black Bears, the top female player in the world, Brit Nina Clarkin, was also competing. Over 100 top British and international players have played at British Polo Day since its inception, and this year attracted well-known names in the polo world, such as HH Maharaja Sawai Padmanabh Singh of Jaipur, former England Captain Malcolm Borwick, Lord Wrottesley, and The Hon Tristan Phillimore.

Play commenced with home side Black Bears Vs KIG Polo, followed by British Schools Vs Rest of the World. The highlight of the opening game was undoubtedly the chance to watch the Cambiaso family take the field, with Adolfo joining forces with daughter Mia, and son Peroto representing the Black Bears. It was evident that the Cambiaso name will continue to dominate polo for years to come, with Peroto, in particular, relishing the dual against his father. Ultimately neither side could break away though, with KIG owner Bash Kazi taking the 'Most Valuable Player' award in a game that ended all square at five goals each.

The second game saw the British Schools side coming up against the Rest Of The World. With England international Malcolm Borwick controlling the game for the British side, they never looked in danger of losing. British number two Henry Porter set the tone early on with arguably the goal of the day, and their confidence never dropped from there. With both Will Emerson and Jamie Morrison at the back for Rest of the World, the British Schools side had to remain alert, and it was only a late intervention from Malcolm Borwick that secured their 5-4 victory.

Ben Vestey, the recently appointed CEO and Partner of British Polo Day said: "The base of partners – with over 2,000 years of combined heritage between them - speaks volume about the relationship building opportunities that British Polo Day creates.

The Chairman Tom Hudson and I are particularly proud this year of the level and spirit of competition at the Great Britain event, with the world's number one male and female players competing, Adolfo Cambiaso and my sister, Nina Clarkin. This is Adolfo's first exhibition match of this kind, and he is delighted to be playing with his 15-year-old daughter Mia for the Chelsea Barracks team against his 12-year-old son Poroto playing for Black Bears. This year we are also hosting a British Luxury Emporium (BLE), which showcases young and upcoming British brands."

The current title partner is RJI Capital, the strategic advisory and merchant banking firm with a premium track record in global transactions. Mr Ron Wahid, Chairman & CEO of RJI Capital observed "RJI Capital celebrates its third year of partnership with British Polo Day in 2017. It has been a wonderful journey of discovering new synergies between our business and this unique international network of like-minded individuals founded upon a love of the sport of kings."

British Polo Day is a fast-growing, ambitious company, which partners with some of the World's best companies, including RJI Capital, Chelsea Barracks, Royal Salute, Yachting Partners International (YPI), Nyetimber, Vista Jet, Hackett, Charles Russell Speechlys, Justerini & Brooks, Clinova, Dr Harris, Taylor Morris, Barnard & Westwood, True Luxury Travel, Chrystal Capital, Floris, and South Kensington Club.

The success of the British Polo Day has been largely down to word-of-mouth endorsement from many guests and supporters including key figures in government, the aristocracy, diplomats, military, fashion, art and popular culture.

Also, British Polo Day has hosted members of 12 royal families, 100 independent billionaires and leaders in world innovation including Sir Richard Branson and Elon Musk. Over 20,000 guests have enjoyed British Polo Day in the last seven years, and British Polo Days have to-date raised over $2 million USD, from a standing start in 2011.

www.britishpoloday.com

SOLID LIKE A ROCK

For years Turkish yard Evadne and project managers Tufan and Brothers have a strong relationship with Dutch Studio Vripack in building small yachts that are like gems on the water. When they met with yacht owner Ali Sayakci, they connected on all levels and jointly created a modern fast explorer solid as a Rock.

"When I began to ideate the MY Rock concept, my utmost concern was how to make a sturdy and rugged yacht with sex appeal", says Mr Sayakci. "Many of the practised explorer concepts did not meet the aesthetic and technical criteria I was looking for. Their designer, Robin de Vries of Vripack, introduced us to the concept of an SUV yacht and it was love at first sight."

To create a design that's more than meets the eye is what they do best at Vripack, and MY Rock is another fine example. Robin de Vries explains his design approach, "In order to draw a radical new style which is future proof I adapted our VriThinking method which let me to the trend of Marble we've been spotting for a couple of years. To adopt the masculinity of the stone with feminine shapes of a yacht created a style that was spot on for this owner. Working in a Holistic design team, my colleagues from Naval Architecture and Engineering provided from day one the right tools which makes MY Rock a true Vripack Explorer."

The uniquely lined vessel is under construction at the Evadne yard with project management support by Tufan and Brothers. Ready to be launched early 2018 she will be noticed especially for her interior volume use. "On board, the Family will always be facing the sea, that's how we designed her," continuous De Vries, "although a rather open plan layout the routeing and furniture are placed more like a modern loft than the traditional yacht. In plan view that creates an a-symmetric layout which at first sight startles you, yet you don't experience your time on board in plan view. When you actually use the yacht at sea it all makes sense." On board the Family will always be facing the sea, that's how we designed her Robin de Vries, Designer at Vripack Vripack - Robin de Vries - Designer at Vripack

MY Rock is designed with Vripack; her Fast Displacement Hull allows speeds up to 16 knots with two CAT C12 engines at 1000hp and at 12 knots she still boasts a Transatlantic range of 3000 Nm. Her contemporary interiors are designed by the Vripack Studio as well. Angler 3D shapes from Maple Bush wood are contrasted with soft tactile couches, continuing the exterior theme on the inside.

"We kept her length in a fashion to be able to get in virgin areas of Mediterranean. MY Rock has a high straight bow to intercept rough seas and low aft to be close to sea as some sea gurus prefer", continues owner Sayakci.

www.vripack.com

ROLLS ROYCE SWEEPTAIL

A distinct vision

A most personal, coachbuilt Rolls-Royce for a specific customer, every aspect of the material treatment of 'Sweptail' exudes handcrafted quality and exacting attention to detail.

Concealed in the outboard walls on either side of the motor car, behind the opening of the coach doors, are two identical panniers. Each pannier, when activated, deploys forward to present the owner's bespoke made attaché case which has been carefully packaged to exactly house a personal laptop device.

The cases themselves have been hand-constructed from lightweight carbon fibre, wrapped in the finest leather that matches the interior of 'Sweptail' and detailed with machined aluminium and titanium clasps and locks.interior design direction

ROLLS ROYCE

A distinct vision

SWEEPTAIL

by Ty Murphy

When, approximately one year ago, Rolls-Royce presented 103EX to the world, it invoked its coachbuilding heritage to inspire its future clientele. This Vision Vehicle envisaged a world of completely personal luxury mobility where new technologies would allow every Rolls-Royce to be designed in their owners' image, should they wish.
Products

When, approximately one year ago, Rolls-Royce presented 103EX to the world, it invoked its coachbuilding heritage to inspire its future clientele. This Vision Vehicle envisaged a world of completely personal luxury mobility where new technologies would allow every Rolls-Royce to be designed in their owners' image, should they wish. Such a Rolls-Royce would represent the truest meaning of luxury – a personal, Bespoke motor car like no other for each individual commissioning patron.

The mere idea of a modern coach built Rolls-Royce was not enough for one Rolls-Royce connoisseur, however. This individual approached the marque with his own idea of a two-seat Rolls-Royce that he wanted to be created in the here and now. That motor car is here, now and is christened 'Sweptail'. In a nod to the swept-tail of certain Rolls-Royces from the 1920s, admired by the client so much, he asked Rolls-Royce to reimagine this feature on his one-off motor car.

Presenting the car to the media at the Concorso d'Eleganza at Villa d'Este on Saturday 27th May 2017, Torsten Müller-Ötvös, Chief Executive Officer, Rolls-Royce Motor Cars said, "Sweptail is a truly magnificent car. It exudes the romance of travel for its own sake, and immediately places 'Sweptail' in the pantheon of the world's great intercontinental tourers. Rolls-Royce's history as the world's leading coachbuilder is at the very core of its identity as the world's leading luxury brand. The arrival of 103EX shone a light on the future of Rolls-Royce in this field, and 'Sweptail' is proof, today, that Rolls-Royce is at the pinnacle of coachbuilding. We are listening carefully to our most special customers and assessing their interest in investing in similar, completely exclusive

coach built masterpieces. At the same time, we are looking into the resources which will allow us to offer this unique service to these discerning patrons of luxury."

Through this commission, Rolls-Royce has proven once again to be the world's leading luxury goods provider.

'Sweptail' – how the vision became the reality
"Sweptail is the automotive equivalent of Haute Couture," comments Giles Taylor, Director of Design at Rolls-Royce Motor Cars. "It is a Rolls-Royce designed and hand-tailored to fit a specific customer. This customer came to the House of Rolls-Royce with an idea, shared in the creative process where we advised him on his cloth, and then we tailored that cloth to him. You might say we cut the cloth for the suit of clothes that he will be judged by."

Inspired by the beautiful coach built Rolls-Royces of the 1920s and 1930s, the client's desire was for a coach built two-seater coupé featuring a large panoramic glass roof. As a connoisseur of Rolls-Royces, he was inspired by many of his favourite cars from the marque's golden era of the early 20th Century, as well as many classic and modern yachts.

The grandeur, scale, flamboyance and drama of the 1925 Phantom I Round Door built by Jonckheere; the svelte tapering glasshouse, dramatic dash to axle proportion and up-sweep of the rear departure angle of the 1934 Phantom II Streamline Saloon by Park Ward; the elegantly falling waist-rail, swept tail coachwork of the 1934 Gurney Nutting Phantom II Two Door Light Saloon, and the flowing roofline, rising departure angle, and again the swept tail coachwork of the 1934 Park Ward 20/25 Limousine Coupé were all considered by today's Rolls-Royce designers in the creation of this very distinctive motor car.

"Sweptail is a truly magnificent car"

CANNABIS

PRIVATE INVESTMENT SUMMIT

The morning was sunny, warm, and alive. It was a picture-perfect Southern California day in Beverly Hills on May 3 at the Peninsula Hotel. The stage was set for an amazing day of networking and learning from some of the cannabis industry's most reputable leaders. These leaders ranged from investors and entrepreneurs to lawyers and enthusiasts. The event included an incredible pre-event brunch, a series of panels discussing a variety of industry topics, a pitch-off by six very promising companies, and a networking happy hour to top things off.

When Noa Kahner, CEO of Kahner Global and the founder of the summit was asked what the goal of the summit is, she stated that "We are seeing a unique opportunity to invest in a multi-billion dollar industry that is growing exponentially in the U.S. and abroad. This summit is designed to formalise valuable relationships and educate those seeking to be a part of this historic and rare investment opportunity. Ultra high net worth investors and family offices now have a place to learn about the best investment strategies from thought leaders helping them to capitalise on the legalisation of the cannabis industry."

Some of the key takeaways from the event were as follows:

It will ultimately be better for the industry that Trump won over Hillary.
Although Sessions has made some worrying remarks about his stance and plans for the cannabis industry, the "genie" cannot be put back in the bottle, so companies in legal states should be safe as long as state laws are followed and taxes are paid.
Government taxation on the industry isn't likely to improve anytime soon.
There is still a lot of confusion around CBD and whether it should be legally categorised as a schedule 1 narcotic.
The investment market for cannabis in both the US and Canada are very positive for small and medium-sized investors. Institutional investors are largely still shying away due to federal regulations.
Two things were repeated several times as important to investors considering a company to invest in; at least one bank in place to transfer and store funds and a strong management team.
Although the US attracts a lot of attention for investing and businesses, Canada should not be overlooked and has extensive opportunities for investing.
Advancements in technology and seed-to-sale systems mean a promising future for streamlining the industry and making processes and products safer for everyone.
The future of branding for the industry is not overusing the colour green and pot leaves, the future is elegant, refined, and targeting the fastest growing market segment; older consumers.

Government and Cannabis:

By far the most talked about topic at the summit was in regards to President Trump, his cabinet, their stance on cannabis, and the industry outlook as a result over the next 4 years. The panel, which included Michael Weiner, a partner at Dorsey & Whitney LLP, was in agreement that investing is a bit more difficult with Trump and his cabinet, but overall deals are still being closed. It was also discussed how much government loves taxes. Due to this, we will most likely not see a change in the overbearing tax levels that cannabis businesses currently experience. As for whether CBD is or should be classified as a schedule 1 narcotic, the consensus was that it depends on who you ask. The one thing that was agreed on is that to be safe, anyone looking to sell CBD products should refer to it as hemp oil and not CBD.

The Cannabis Industry In Canada

"If you aren't investing in Canada's cannabis industry, you aren't truly invested in cannabis" -Dooma Wendschuh of Province Brands
Right from the start of the Canada cannabis investing panel the panellists wanted to make it clear that although the market size is much larger in the US, Canada is not a market to ignore. If a US based cannabis company is looking for investors, it is easier to get investors in Canada and is also easier to go public than in the United States.

The main concerns that were voiced to the panellist about investing in the Canadian market revolved around government regulations, restrictions, market size, and market saturation.

That being said, the feeling was that there are still many great opportunities to invest in the industry. As Dooma so well put it, Internet companies haven't lost their worth after the "dot-com" bubble. In the same way, Canadian cannabis investments won't lose their appeal and value simply because it is a bit more mature and saturated for the market size than the US.

The Future Of Cannabis

It was very clear that the future of cannabis is bright. During the panel discussion, the work Israel is doing came up several times. CBD is seen to have the potential for extreme growth in the near future. The vision for CBD is that someday it will be consumed as regularly as a daily multi-vitamin.

As seen in most mature industries, big data is soon to become a very valuable resource. With improved seed to sale systems, companies are able to capture extensive and valuable data. This data will help companies make a more educated decision that will benefit the consumers. As the government loosens on their policies, further research will be conducted which hopefully will reveal further proof of the positive health benefits of cannabis. Another result will be improved processes and safer products. All of this will spell good news for manufacturers and consumers who are currently feeling the growing pains and inconsistency due to rapid industry growth and lack of federal approval.

The Pitch Off

This was possibly the most exciting part of the day. Six teams faced off by presenting their business idea to a panel of judges. The benefit for each company to pitch was that it was in front of a room full of investors. The benefit of winning though was that the winning company gets to be featured on The Fresh Toast, the fastest growing cannabis lifestyle website.

The six participating companies were as follows:

1. Nesta Holdings Co. Ltd. - A private equity firm that builds partnerships and brands within the cannabis space

2. Coda Signature - An award winning infused product manufacturer based in Colorado that focuses on high-end chocolate creations developed by their world class chocolatier
3. Province Brands - A Canadian based cannabis adult beverage company that is dedicated to creating a better, more healthy alternative to alcohol.
4. Revolution Enterprises - An industry leader in production, research, and development of medicines derived from cannabis.
5. Green Thumb Industries - A Chicago-based cannabis cultivation and dispensary operator
6. Quanta - A company that provides a patented technology that energises the cannabis experience while eliminating the negative side effects such as paranoia, anxiety, sluggishness, and slow mental function.

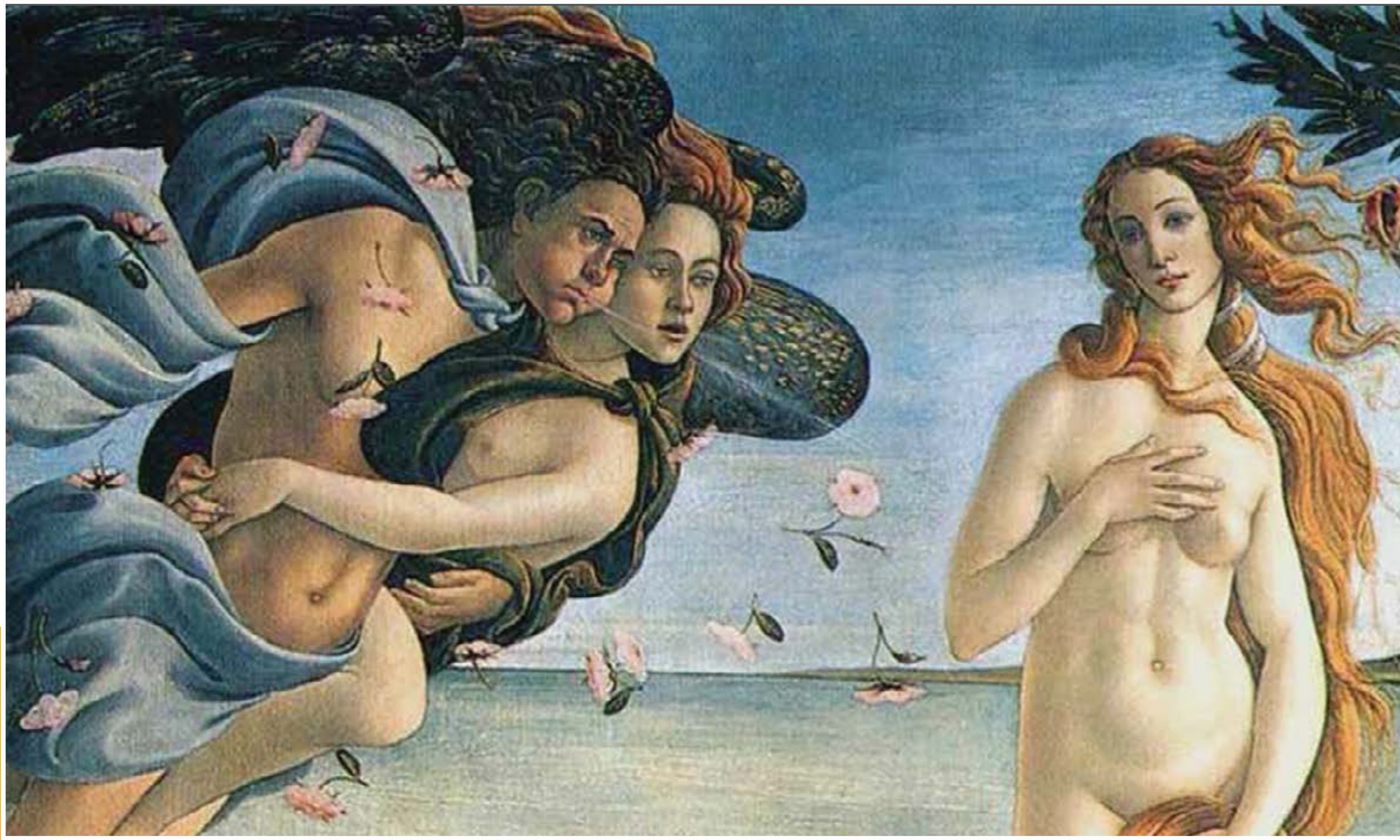
The winner of the competition and my personal favourite was Province, with their patent pending process of making alcoholic beverages like gin and beer out of cannabis with no traces of alcohol whatsoever. Their claim is that due to accelerators and decelerators, the effects of the beverage will hit consumers within 10-20 minutes, unlike other edible/drinkables that take around 1 hour. Also, due to the method in which they make the drinks, the experience is more like a drunk euphoria than a high one. In addition to giving you an alcohol like experience, they stated that since the drinks do not have any alcohol in them, their products eliminate any of the health risks and negative side effects of alcohol. As someone who enjoys craft beers and cocktails, this is super appealing.

Although they are a Canadian based company, they have plans to launch in the United States, so keep an eye out for their delicious beverages at retailers near you. To find out more about them, visit their website here (https://www.provincebrands.com/).

In Closing

So it was an amazing day filled with good food, rich panel discussions, and exciting new opportunities. What stood out the most about this event was how professional and well run it was. People were here for one reason... to learn, invest, and build connections. This made for a very enjoyable experience that showed just how far the cannabis industry has come in recent years.

If you are on the east coast and were unable to make it to the Beverly Hills summit, don't worry, the 3rd annual Cannabis Private Investment Summit will be taking place at Dorsey & Whitney, New York, NY on September 19th and at Bennett Jones in Toronto on November 2nd. For more information, visit the event's website here (https://www.cannabrunch.net/).



TOP MARQUES MONACO

SUPER CARS, FLYING VEHICLES & 24 CARAT GOLD MACROONS

By Ramona da Gama

The heavily anticipated annual car show returned once again in the Principality of Monaco for the 14th edition. The event took place at The Grimaldi Forum from the 20th to the 23rd April. Monaco was certainly an ideal setting as supercars, yachts and luxury was everywhere.

Those who attended this year were able to see the finest collection luxury brands from the latest luxury cars, planes, and yachts to the most inimitable watches, jewellery, gadgets and much more. The event is held under the patronage of HIS Serene Highness, Prince Albert 11 of Monaco who describes as the 'most exclusive live show in the world.' The number of visitors over the 4 days were more than 42.000.

This extravagance is also for a good cause as a quarter of the ticket sales are donated to 'Monaco Aide et Presence' Prince Albert's charity to help children and people around the globe.

This year at Top Marques, we saw some of the latest innovative and amazing technology, the newest models and prototypes including flying cars, diamond painted cars, the world's fastest drones, super yachts and many other luxury brands.

The super luxury cars stole the show. The world premiere of the 'Bentley Azure' created by the famous diamond dealer Jean Boulle took centre stage on The Grimaldi Forum esplanade. It's exterior painted with 2 million diamonds sparkling brilliantly under the April sun, while 'Diamonds Are A Girl's Best Friend' by Marilyn Monroe played in the background.

Calafiore presented the C10 Super car with an unbelievable acceleration of 0km/hr to 60km/hr in 2 minutes and an ultimate speed of 360km/hr. The Shelby GT350 1969 Classic muscle car sought after for its timeless design and quality, David Brown's renovated classic Mini were all on show and available to test drive on the Grand Prix track.

What was most exciting at the event was that you can now purchase the world's first commercial hybrid flying car with a retractable rotor designed and manufactured in The Netherlands, The PAL-VLiberty. Prices start at 300,000, is assembled in 4 days. The project started in 1990 their founder and CEO Roger Dingermaine told us 'we have finally succeeded in creating and an innovative car now available on the open market that complies with existing safety standards determined around the world.' For those fortunate enough to purchase the PAL-V they will need a gyroplane license.

Aeromobil's newest model of a flying car was also inaugurated and unveiled at the show. Head of development engineering Mohammed Imran told us it can reach heights of 3000 metres and a private pilots licence is required. He said 'people have been driving on the road for 150 years, now it's time to take off!'

Luxury gadgets included the underwater scooter, The Sea Bob distributed by Luxury water Toys of Monaco, the desk and cigar cases designed by Sebastien Barrau using recycled materials from the aerospace industry, 'state of the art' watches made to order by Gruebel Forsey, Switzerland prices ranging from 250,000 to 1.2 million euros.

Stunning jewellery from Italian designers Sabbadini, Volund from Vancouver, incredible sculptures made from her studio in Cannes by Laurence Jenkell, luxury made to order beautiful handbags designed by Angela Miklas from Germany and De Biasi's edible 24 carat macaroons at 9000 euros for a box!

It's easy to see why Top Marques, Monaco continues to be one of the most innovative and exciting luxury show in the world. A truly incredible experience.

PRIVATE EQUITY ALLOCATION WITHIN A FAMILY OFFICE

CAVENDISH FAMILY OFFICE

Over the last decade, Private Equity as an asset class has grown in importance for families. Cavendish Family Office has examined some of the most important factors behind this trend, and whether the alternative strategies open to families in accessing this asset class is likely to continue

Mark Estcourt Founder & CEO of The Cavendish Family Office share his thoughts on what they are aiming to provide to their families Office clients.

So why are families increasing their exposure to Private Equity?

While every family is different, we see the following as the most common themes driving this trend:

1. Higher returns: in an environment of low-interest rates, Private Equity has achieved an average annualised return of 12% to 15% net per annum, or circa 500bps above public equity markets (*).
2. Long-time horizons. Private investments (PE, VC, distressed securities) were the three best-performing asset classes over the past ten years outperforming all public equity and bond indices (*).
3. Shared entrepreneurial spirit: families often identify with the ambition and aspirations of business owners, understanding their needs, concerns and long-term goals.
4. Long term partner: unlike most Private Equity Funds, families invest for the long term and can be more pragmatic regarding exit timetables and growth strategies generally. This makes families an attractive investor class for many business owners and has led to families competing aggressively and successfully for direct private equity investments.

Although much is changing from a global political and economic perspective, we expect the growth in Private Equity investments by Family Offices to continue. Governments and politicians across the globe are encouraging entrepreneurs, fiscal and tax incentives are pushing capital towards private businesses, advancements in technology are accelerating, and people are generally more willing to take greater control of their destiny by starting and creating their own businesses.

These trends strongly suggest the momentum behind Private Equity will continue for the foreseeable future and in such an environment, family money is increasingly attractive. We, therefore, anticipate allocations to Private Equity from Family Offices to increase both due to its propensity to provide a higher economic return and because families understand the market and its participants.

How do families expose themselves to Private Equity?
Exposure to Private Equity can be achieved through two main routes. Historically, the most popular route has been through funds and limited partnerships. The challenge with funds is identifying the best managers, gaining access to those funds that is often difficult without a substantial investment and gaining attractive co-investment rights. Although a relatively passive approach in nature, it's entirely valid and is pursued successfully by many families globally.

Increasingly, however, families are looking to take greater control of their investments by investing directly or in partnership with specialist Private Equity firms. Families are now recruiting some of the best talents in the industry and competing directly with the established Private Equity investors and funds. While this latter approach requires greater effort and commitment, it will appeal to certain families, and the rewards may be substantial. At Cavendish Family Office we appreciate the importance of Private Equity as a distinct investment class and have established strong industry relationships to ensure our clients are given access to both new and established funds as well as proprietary direct investments. We work with respected partners in all areas and pride ourselves on providing a tailored service for each family and every engagement.

How does Cavendish Family Office allocate to Private Equity?
We have developed a process for investing in Private Equity that achieves the following key objectives:

1. Provide access to proprietary investments originated or identified by Cavendish
2. Assist clients in reviewing and investing in deals that they originate or receive directly
3. Assist on allocations to Private Equity funds and limited partnerships
4. Ensure the process for investing in deals is robust and the reputational risk to our clients is minimised

What is your strategy for providing clients with access to Private Equity and Due Diligence?
Given Private Equity deals are characterised by high returns but also high risk, we have established a stringent process for looking at Private Equity investments.

On the fund's side, we work with our partners to identify funds that provide above average returns and gain access for clients within these fund structures. We aim to identify new, smaller funds where the returns can be higher, carrying out a thorough review of their approach, performance and process.

These individual funds will be used to enhance and compliment our core approach. On the direct investment side, we will source Private Equity deals from our network and have carried out our own internal due diligence, work with our regulated partners who will arrange funding for the deals from our clients and other investors as required.
What is your strategy for implementing the proposed approach?
Cavendish Family Office has appointed Tony Fabrizi as Board Advisor to be responsible for Private Equity activities within the firm. His initial goals are to identify a pool of funds with which the firm's clients can invest and implement processes for analysing and reviewing potential Private Equity deals.

Tony will use external specialists to help identify funds and these will then be discussed and reviewed by the Board before finalising the approved list. It is also possible that as this activity matures within the business, the opportunity to launch funds on behalf of clients will emerge.

Regarding individual Private Equity deals, Tony would make an initial assessment of all potential deals to determine whether the deal should be formally considered. At that stage, the regulated entity with whom Cavendish works with will undertake its own due diligence before a final decision is taken whether to move forward.

Once fully committed, Cavendish will work with its families and partners to ensure the funding is raised in the most appropriate manner.

Cavendish will then provide ongoing monitoring of the investment and reporting.

Cavendish Family Office is an independent and modern multi-family office working with entrepreneurial families.

CAVENDISH FAMILY OFFICE

RETURNS FOR 2017

CARTIER QUEEN'S CUP

RH POLO BEAT LA INDIANA IN A THRILLING MATCH AT THE CARTIER QUEEN'S CUP ON SUNDAY 18TH JUNE 2017

The biggest names in the sport of polo were in action yesterday on the Queen's Ground at Guards Polo Club, Windsor Great Park in a bid to win the prestigious Cartier Queen's Cup 2017.

One of the most prestigious and renowned events of the British sporting calendar, hosted by Laurent Feniou, Managing Director Cartier Ltd, watched alongside a strong crowd of polo aficionados and illustrious guests, was played out on Sunday. The summit of the day was the exhilarating play for the Queen's Cup between Ben Soleimani's RH Polo and Michael Bickford's La Indiana.

RH Polo, featuring the World's Number One Player, Adolfo Cambiaso, who was looking for his 10th Queen's Cup victory, started strongly and were 6-3 ahead at half-time. Although it was Cambiaso's team-mate, 21-year- old Tommy Beresford, later named the Cartier Most Valuable Player, who stood out in this game, playing with a maturity well beyond his years and handicap. La Indiana were equally competitive, but failed to convert some beautiful play into goals. That changed in the second half, with Agustin Merlos and Nic Roldan scoring five goals in as many minutes, giving La Indiana the lead for the first time. But Cambiaso, who has been inspired in this year's tournament playing for a new patron, kept his cool as the clock counted down and fired through the winning shot as the bell rang out to mark the end of the match. One of Cambiaso's impressive string of ponies, Caraquenia, was later named Cartier Best Playing Pony.

"The Polo players' passion and commitment are very akin to the values of Cartier. Our Maison is proud to celebrate this distinctive relationship with polo and the legacy built up over 30 years" Laurent Feniou, Managing Director of Cartier UK.

DJ Mark Ronson
and DJ Hugo Heathcote

The afternoon finished with DJ Hugo Heathcote, accompanied with unique performances by saxophonist Ben Barnett and percussionist Tom Carr, followed by internationally renowned DJ Mark Ronson.

Cartier has a long-standing tradition of supporting polo for over 30 years and is delighted to continue its involvement in the prestigious high-goal Queen's Cup tournament. To mirror the impressive talent on the field, Cartier invited guests from the worlds of stage, screen, sport, society, and literature into the Cartier enclosure, welcoming them to the elegant reception, serving Cartier champagne and a lunch created by Cellar Society.

The enclosure was transformed into a quintessentially colorful 'English Garden' with beautiful floral creations; with shades of soft lilac Sweet peas and Aliums, Blue Delphiniums and Clematis, Soft and hot pinks Roses and over 1000 Peonies with a thread of pale green Thyme and Hydrangea throughout.

KEEP IT IN YOUR DIARY
CARTIER QUEEN'S CUP2018

WALLS VS ROADS

The different economic strategies of the world's two main super powers

It's no secret that global economy depends on the success of the individual economies of world superpowers China and the United States. This has been a fact for quite some time. What is interesting, however, is the recent focus of THE economic policy shown by both countries. The U.S., has begun looking for ways to bring trade back inside its own borders. China, on the other hand, has begun working to connect many countries to make other regions – and itself – more prosperous. So, which economy should we be most positive about right now?

Building a wall. We've all heard of the plans of the new U.S. president to build a wall between his country and Mexico as a major immigration initiative. It's said the wall could cost $22B, and the Trump administration has said it will be paid for by the American public and reimbursed by Mexico. The wall is meant to control illegal immigration, but it may pose a threat to the Mexican economy and indeed prices at the tills in the US.

Some say the wall looks to be paid through severe taxation on imports from Mexico, which could hit pockets in the U.S. as those taxes trickle down to the U.S. consumers. Mexico is the 3rd biggest trading partner for the U.S. after Canada and China. Mexico ha $545B in total trade with the U.S. last year, with its exports to the U.S. exceeding imports by $63B, the fourth largest bilateral U.S. trade deficit after China ($347B), EU ($146B), and Japan ($69B).

The U.S. administration is working on bringing trade more within its borders by offering tax breaks for U.S. companies and imposing import taxes on major trade partners. I don't see this could ever work long term. The introvert's guide to economics no longer works in a such a highly-connected world. Putting "America First" may result in "America By Itself."

Building a road. China, on the other hand, is taking a different approach. They are working on the OBOR project – One Belt, One Road – a connection of countries and economies over the Silk Road economic belt (inland trade route following the world's first trade route – the silk road) and the Maritime Silk Road (MSR).

China is working to connect approximately 70 countries with new roads and trade routes that will not only increase the economies of these countries, and in turn the investment that China is making in them, but also create additional profit for China's economy by making the logistics of their exports cheaper and more cost effective.

China may also look to control which developers, suppliers, and construction teams work on these connecting roads through these countries, and while boosting the economy of the countries will also boost their own through deals on steel and other materials required for these developments

The CPEC – China-Pakistan Economic Corridor – is the flagship product for this development and will be the poster child to many of the other countries for the positive impact it is having on Pakistan's economy. It also cuts the logistical time for product delivery from China to the Middle East, Africa, and Eurasia. China is investing $46B into CPEC, and this will be more than made up for in the increase in its economic standing due to the development in Pakistan.

Can the U.S. keep up? Working to create a prosperous global economy should be the way forward for a world superpower. How can the U.S. compete by being more introverted? Perhaps it can't. The U.S. may be building a wall between themselves and a prosperous economy.

Simon Calton is the co-founder and chief executive officer of Carlton James Group.

www.carltonjamesgroup.com

WE'RE TALKING ABOUT A REVOLUTION

DUTCH YARD AND DESIGN STUDIO RECEIVE ORDER FOR 47M GLOBE TROTTER

It's not often that the stars align perfectly bringing together the revival of a famous yard as well as the long-awaited keel laying of a bold concept. Yet the order for the 47m Revolution brokered by Swell Yachting for the Jongert yard and Vripack studio did nothing less than that, and the owner didn't stop there.

Revolution is based on the Flow concept of Vripack, and although that already ticks a lot of boxes, the owner, Jongert and Vripack pushed way beyond any known limit for this range of yachts. "At 47 meter just under 500GT she boasts no less than seven staterooms and six crew cabins, a 6-meter swimming pool, 8 meter Limo tender and 28 square meter gym. And that's just the tip of the iceberg", says Marnix J. Hoekstra, one of the creative directors at Vripack. "Also her technical backbone is the crème de la crème giving her outstanding expedition capability in terms of safety, reliability, comfort and longevity. More than one part hasn't even been invented yet."

Layer by layer

Vripack is widely known for its novel and ultra user-friendly layouts, and this yacht doesn't disappoint. The lower deck guest staterooms are directly connected to the crew cabins allowing for quick undisturbed service access. A central staircase is available for the crew as well as for the guest. Right at the back, you'll find the giant jet stream pool with separate jacuzzi. "As the owner is an experienced captain who enjoys sailing his yacht more than anything, we placed his quarters on the bridge deck with a running machine on the steering wheel and his bath in the Gull Wing giving rear and front unobstructed views." The top deck boasts a full blown gym and sports-bar.

Mooring without lines

Following the holistic signature, the yard team together with the Vripack engineers created a diesel-electric drive train which to date is only available for bigger yards. "The biggest benefit is for the owners as the engine room is about 50% smaller than normal due to the space efficiency of electrical drives and electrical pods. Those Veth pods, by the way, aren't even existing yet. Veth is inventing them as we speak." Another innovation which will be created is the mooring system that will allow the yacht to be docked without any mooring line hooked or anchor dropped.

www.vripack.com

AUDEMARS PIGUET

MECCA EDITION DESIGNED BY SPLENDORE UNIQUE

London-based company; Splendore Unique is a premium luxury company that specialises in the personalisation of high-end luxury watches and jewellery.

London-based company; Splendore Unique is a premium luxury company that specialises in the personalization of high-end luxury watches and jewellery.

This time last year [June 2016] they came up with a creative concept that saw many individuals gravitating towards it, especially from the Middle East.

The design was an inscription from the Kaaba door, which can be found in Mecca (Makkah), Saudi Arabia and was placed on the dial of a 41mm Audemars Piguet Royal Oak.

The original and initial design is based on a steel model, which is then coated in black DLC. However, because Splendore Unique is very well known for their specialist skills in dial making, they can replicate this same design onto any precious metal variation such as the choice of pink gold and also on the chronograph models.

Splendore Unique has managed to provide this level of creativity to the top tier members of Royal families in Saudi Arabia, Kuwait and Qatar; just to name a few, who are of course premium collectors of the companies work.

A year later this amazing and creative concept particularly, has watch lovers from all over the Arab nation conversing on such an innovative idea wanting to know and also see more.

This design is currently available for purchase as it is based on a NEW watch each time it is personalised for each client specifically.

The current average lead-time for production is 8 -12 weeks. Each purchased watch comes with a bespoke luxury watch box and a two-year warranty from Splendore Unique Ltd.

Also, Splendore Unique also deliver the finished watch to its respective owner anywhere in the world, so you do have to worry about picking up your special timepiece.

www.splendoreunique.com

LIFE INSURANCE SOLUTIONS AND SWISS PRIVATE BANKING : THE GAME IS CHANGING !

How will the end client benefit from the evolution of insurance distribution and the changes brought by a new regulatory framework? It is certainly no news to anyone that the Swiss Private Banking sector has been undergoing a continuous transformation process since the end of the late 1990ies. This process is fostered by profound regulatory changes and has brought along with it news ways to do business, new investment tools and new planning and wealth structuring solutions. Be it for an existing clientele or the acquisition of new clients showing interest for the Swiss Private banking scene, things have changed for good, and business models have been almost completely redesigned.

Performance, effectiveness and compliance

For a clientele not residing in Switzerland but of course working with Swiss banks, independent asset managers or Family offices under the principles and rules of AEI (Automatic Exchange of Information), optimisation of financial portfolio management performance can hardly be considered without a form of tax deferral solution. In many jurisdictions, in the European Union but also in many countries beyond Europe, optimising the financial performance of assets managed out of one's country of tax residence, requires, like at home, a locally compliant and tax-effective solution.

One of the most widely used solutions nowadays is life insurance as well as its derivatives such as capitalisation bonds. These tools allow for flexible asset management, estate protection, tax deferral or effective inheritance planning while allowing the policyholder to chose his financial advisors and the bank or banks where he wishes the insurance underlying assets to be in custody. Though the use of insurance was at first timid in Switzerland in the late 1990ies, it is now increasingly widely used for an ever larger range of end client cases. Most professionals agree today on the fact that Switzerland has become a mature and, in the case of some traditional European clients such as those of France, Southern European countries, UK or Germany, an almost saturated

Olivier Kramer
GATSBY AND WHITE S.A

insurance market. This phenomenon is evidenced by the ever larger number of insurers, mostly from Luxemburg and the Principality of Liechtenstein, showing their presence in Switzerland and trying to carve out a share of this large market. The vast majority of insurers have a Business to Business approach and focus on the development of institutional partnerships with banks, asset managers, legal advisors and Family offices.

Insurance Distribution Directive

From a few insurance players active in Switzerland about 15 years ago to several dozens today and taking into consideration the regulatory requirements set forth by the Insurance Distribution Directive (IDD), the distribution and sale of insurance solutions are yet about to change. The IDD that is coming into effect in February 2018 plans for better client protection and information but also for more independence and freedom of choice. The latter is especially true when it comes to choosing an insurer and the suitability of the proposed solution for the client's situation. Together with the difficulty for insurers to differentiate their positioning or their brand from one another and the often almost similar range of proposed products, the new requirements set forth by IDD call for a new breed of operators in the market: highly specialised insurance brokers.

Complex regulatory environment

Surprisingly, until recently and contrarily to other areas of insurance intermediation, the distribution of wealth planning insurance solutions to the HNWI clients was fairly lightly regulated and has remained almost exclusively in the hands of the insurers themselves in the form of direct selling or distribution by tied sales agents. This is however changing, and it is interesting to observe the emergence and rise of a new breed of specialised insurance brokers or qualified intermediaries. To some extent, one could almost say that the qualified and highly specialised insurance broker is becoming to insurance companies what the Independent Asset Manager or Family Office is to a custodian bank. Beyond pure insurance intermediation and guiding private clients in achieving their wealth planning objectives, an insurance qualified mediator or broker, acting independently and without any form of conflict of interest, should also assist and support clients' financial advisors in navigating an ever more complex regulatory environment.

Holistic approach to insurance solutions

Although Private Placement Life Insurance (PPLI) remains the core for life insurance services for the Swiss private banking industry, only 15% of the average end client's assets are actually bankable. Clients may have other planning needs on the remaining 85% of their assets such as family security planning, liquidity planning and inheritance equalisation planning.

These needs could be addressed with specialised life insurance solutions. A holistic approach of this kind by the wealth manager or the Family office could contribute significantly to the retention of the existing book of business or support the acquisition of new high potential clients. Such an approach does require a holistic offer by a specialised insurance mediator, an offer in which one finds harmony and cross fertilisation between PPLI and newer life insurance solutions instead of competition and conflict of interest.

LAMBORGHINI
A NEW HURACÁN FOR THE ITALIAN POLICE

POLICE VERSION OF ITS HURACÁN SUPER SPORTS CAR

Latest advancements in high technology

equipped with an aspirated V10 that produces 610 HP

Automobili Lamborghini has delivered a new Huracán Polizia, the police version of its Huracán super sports car, to the Italian Highway Patrol in Rome. The keys were handed over to Interior Minister, Senator Marco Minniti, at the Viminale building by Stefano Domenicali, Chairman & Chief Executive Officer of Automobili Lamborghini. Also attending the ceremony was Chief of Police and General Director of Public Safety Franco Gabrielli.

The Huracán of the Italian Police is to be assigned to the Highway Patrol in Bologna. It will be used both in normal police operations and for the urgent transport of blood and organs. Another Huracán has been operated by the Highway Patrol in Rome since 2015. The ceremony also provided an occasion to hand over to Rome police the 2009 Gallardo Polizia from the Lamborghini Museum in Sant'Agata Bolognese. The car will be on permanent display at the Highway Patrol Auto Museum in Rome.

Huracán Polizia

The Huracán Polizia is used in highway patrol service, and for first aid and emergency medical transport. It sports the official colors of the Italian Police (Police Medium Blue), with the white areas and lettering specially executed to match the Huracán's dynamic look. The livery is completed by a stripe divided into the three colors of the Italian flag, which runs along both sides of the vehicle. As is true for all Lamborghini cars, the Huracán Polizia is equipped with P Zero Pirelli tires, but their sidewalls are tinted in Police Medium Blue and were specially created for the occasion.

High-tech equipment

The passenger compartment of the Huracán Polizia has been given the latest advancements in high technology. The vehicle is equipped with an on-board system consisting of a tablet supplemented with a computer, recording equipment and a video camera.

These systems are used to document police operations on the road.

HOW DO IRREVOCABLE TRUSTS SERVE FAMILIES AND THEIR HEIRS?

By: Steven Abernathy

Families who employ irrevocable trusts do so for multiple reasons, chiefly lessening tax burdens when wealth is passed to heirs. Modifying an irrevocable trust used to involve lengthy, potentially costly, time in court. Depending on how recognisable the family name was, unwanted media attention could ensue. Decanting a trust today is not done in court, costs a fraction of what it used to and allows for an air of discretion and privacy.

There are a variety of trusts and trust structures which, while easier to modify, don't offer the same tax advantages. Trust "decanting" allows a degree of change within these types of trusts. At one time, irrevocable trusts were hard to change—and even if you could, it was expensive to do so; including occasions where the trustee believed such an alteration would serve the interests of the recipient. Decanting a trust allows trustees to modify some provisos within it by "pouring" the assets into a new trust. 23 states allow this at present.

"Decanting is simply a tool. When a client brings in a problematic trust, there may not be enough flexibility within it, or it's very old. There may be features of the trust that we don't have the power to change by virtue of the grantor, trustee or trust advisor (a.k.a. trust protector) powers alone. In that case, we can "decant": appoint the property into a new trust with essentially the same substance but more features. There's no downside to this," says Austin F. DuBois, a law partner at Blustein, Shapiro, Rich & Barone in New York.

It's worth noting; not every state has the same rules, and, there are restrictions which vary greatly. Trustees, for example, may: move the trust to a state that offers greater flexibility as far as taxes go, push back the age at which the recipient gets a disbursement, or, if the trustee decides to retire, decanting creates an occasion where it may be easier to assign a new trustee. However, they're not allowed to change the beneficiary's interest

Steven Abernathy
The Abernathy Group

which has vested to date. There are some states which allow the trustee's role to be divided among multiple people. For example, one person might deal with the trust paperwork, someone else would oversee to investments and another could manage payments to the recipients.

And, in certain states, trustees who decant an old trust where one person administers all three roles can transition to a new one where the roles are split. For instance, a family member might be named as the investment manager and take a more hands-on approach. In this situation, an outside facilitator, such as a family office, is recommended to act as counsel with a fiduciary, objective and unbiased approach.
Now, taxes in relation to decanting can be complex. When a family employs this to move a trust from one state to another, it's important to note the legal intricacies in each state—and counsel from an experienced tax attorney could prove useful here. A Connecticut Trust which is decanted in another state won't necessarily make it "immune" to Connecticut taxes. (Real property based in Connecticut will be taxed in and by Connecticut – there is no getting around that.)

What about gift, income, generation-skipping, transfer and federal taxes? "If the decanting trust is similar to the appointing trust - no tax effect should ensue just with decanting - it should be a wash. The only tax differences are specific - i.e. new state, new terms," says DuBois. "You can use decanting to put assets from one trust into another and change the "situs", similar to residence, of the trust.

When you plan to move a trust from one state to another, it's important to fully understand the state tax implications and other state laws. Are you severing ties with the prior state? When something goes wrong, clients and beneficiaries will want the new trust to hold muster with whatever new state they are dealing with. However, when a trust is drafted appropriately from the get-go, there should already be provisions spelt out, so you need not rely on particularities of law separate from the document itself," says DuBois. Discretion, flexibility and the opportunity to change how heirs will receive assets are often discussed among family offices and their clients. Here, an objective, outside facilitator, along with a highly skilled attorney, can guide this conversation so as to keep it efficient and in the best interests of the beneficiaries (for whom the trust was created in the first place). If you want to know if an irrevocable is appropriate for your wealth planning, please feel free to reach out to discuss this further with us.

Steven Abernathy counsels affluent families on multi-generational wealth management strategies. He contributes articles and commentary to a variety of publications. For more information, contact him at sabernathy@abbygroup.com.

The Abernathy Group II
Family Office

TECH SECONDARY MARKETS

A DIFFERENTIATED OPPORTUNITY

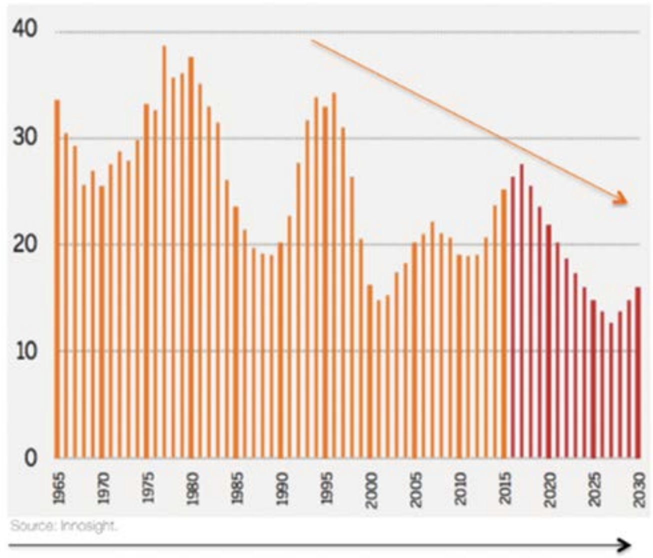
In a yield-starved world, the private tech asset class is becoming increasingly indispensable. Anaemic public market returns, a lukewarm M&A environment, and a prolonged period of low-interest rates fuelling easy capital availability from institutions that have traditionally eschewed private tech assets have shaped the evolution of a number of the current private technology leaders or 'unicorns'. Remaining private has allowed these companies to focus on innovation and market share without the scrutiny that a public listing entails.

Much has been written about the private technology secondary market, which was fuelled as a market phenomenon by the unique factors that supported Facebook's (FB) journey to a public listing. FB's exponential monetisation drove its ability to keep raising private capital at ever-higher valuations and delay its IPO, leading to the formation of a vibrant market for its shares. The secondary market thus created has since expanded to encompass virtually all major VC-funded private companies globally.

Both global demand and supply of private tech secondary interests have grown rapidly in recent years. Our internal estimate is that annual global secondary volume, including LP transfers, is ~$35Bn to $40Bn. On the demand side, the unprecedented level of family wealth creation over the last decade has not been matched by corresponding levels of access to private tech. The historical under-allocation of global private wealth, particularly family offices, to private technology will reverse over the next decade, and we believe there are powerful reasons why a meaningful portion of that capital will enter via secondary markets.

1) Dominance of technology companies will accelerate

Software is re-imagining entire legacy industries such as automobiles or financial services that were regarded as well-insulated against new entrants. Even large MNC's are impacted by this new paradigm of technology-induced competition. The graph below highlights how the average lifespan (in years) of a S&P 500 company has been declining over time (on a rolling 7-year basis).



Private Tech Secondary Markets - Overview Figure 1. Average lifespan of an S&P 500 company

The trend towards technology eating non-technology is further borne out by the composition of the Top 10 names in the S&P 500 over time. In 1990, there was only one technology company in the Top 10 (IBM – market cap US$64Bn). In 2015, 5 of the top 10 were tech companies (MS, AMZN, GOOG, Apple, FB), representing nearly US$2.3 trillion of the cumulative market cap. It is not inconceivable that by 2030, the Top 10 will exclusively comprise tech companies.

2) Within Tech, private tech returns will dominate public tech returns

We are in the middle of a profound shift in value capture from public markets to private markets. Before the Google IPO, the best technology companies were going public earlier in their lifecycle. This allowed public investors to capture disproportionate value relative to private investors. Starting with the Google IPO, this trend reversed dramatically (Table 1), as the lion's share of value has been captured in private rather than public markets, the recent Snap IPO being a case in point where a public school turned a $15k seed cheque into a ~$25mn windfall.

Name	Year of IPO	Revenue @IPO*	Valuation @IPO*	Current Valuation	Prvt Return/Public Return****	
AirBnB (2008)	2018**	$1.5bn***		$30bn	3000x/	
Uber (2009)	2018**	$6.5bn***		$69bn	6900x/	
Snap (2011)	2017**	$300mn***	$24Bn	$37Bn	2300x/1.6x	Pre-IPO Companies largest winners
FB (2004)	2012	$3.7bn	$104bn	$344bn	11,400x/3.3x	
Goog (1998)	2004	$1.9bn	$28.1bn	$526bn	2,300x/25x	
AMZN (1994)	1997	$23mn	$430mn	$344bn	30x/1150x	
MS (1975)	1986	$293mn	$1.1bn	$455bn	50x/875x	Post-IPO investors largest winners
Apple (1976)	1980	$329mn	$1.5bn	$576bn	150x/385x	

* Inflation adjusted - in constant 2012 USD, ** Expected IPO year, *** 2016 Estimate, **** no inflation adjustment, no dilution

Private Tech Secondary Markets – Overview Table 1. Trend of value created in Public vs Private Tech Companies

3. The Secondary Tech markets provide certain key structural advantages

The private tech markets represent a vast continuum of risk-reward requiring differentiated portfolio construction approaches. We are not concerned with seed stage tech investing, which is best regarded as a distinct asset class. Rather, we are postulating that any allocation to mid or late-stage private tech should also incorporate the secondary markets.

Historically, access to these mid/late-stage opportunities has been via an LP interest in a top-tier Silicon Valley VC fund such as Sequoia Capital or Andreessen Horowitz. Given that a few VC funds capture nearly all the venture return, non-US family offices are at a strategic disadvantage vis-à-vis established LP's in VC funds such as large US endowments or pension funds. Even the allocations available to new LP's will tend to be directed to strategic, deep-pocketed players that can provide additional pools of co-investment capital. This locks out many family offices which have large but finite balance sheets. We believe this segment would particularly benefit from the unique value secondary markets provide vis-à-vis primary markets.

- Primary markets are centralised and controlled by founders/management teams and established investors (VC's/ strategic investors/hedge funds/sovereign wealth etc.) – difficult for smaller/newer investors without track record to access
- The Secondary Tech market is different in that

Driven primarily by liquidity needs; solvent buyers have more leverage than in primary markets

Most efficient way to build exposure to diversified basket of names due to ability to transact in smaller bite-sized than in primary markets

Allows risk-reward optimisation by selecting proven business models on cusp of accelerated value creation

Often offer value not available in primary markets, for example via discounts to last round pricing

More time for diligence and comfort on name

Currently, the global secondary tech volume is only ~0.65x – 0.75x of annual primary issuance. In our view, this asset class is poised to grow significantly over the next decade, analogously to global corporate bond markets, where secondary trade volume has grown to ~5x to 7x of the primary volume, as technology created transparency and accessibility for entirely new types of investors.

One of the core tenets of platforms such ZPX(www.zenprivex.com) is to leverage technology to provide both deep, private market analytics insight as well as curated access to the best opportunities across the private tech continuum.

ZPX seeks to bypass the opacity and information asymmetry that has hitherto stymied the emergence of a robust, deep secondary market. The trend toward deeper and more liquid secondary tech markets will be shaped by platforms such as ZPX that provide curation, better data before investment, and seamless and efficient execution.

TWENTY FIVE QUESTIONS

TO ASK TO YOUR AI-BASED HEDGE FUND MANAGER

By Andrés Bagnasco

Every day we learn about new Artificial Intelligence-based Hedge Funds startups mostly created by former Silicon Valley Data Scientists or former Machine Learning quants from large quant funds and prop shops.

Some, such as Jim Simon's Renaissance Technologies' Medallion Fund have delivered unbeatable returns for quite a long time, however these funds are neither open to new investors nor easy to find.
Academic research indicates that early-stage hedge funds tend to outperform larger players, however barely a few funds pass the 100 MM AUM mark, being mortality rates significant.

Said that, family offices and institutional allocators need to separate the wheat from the chaff by screening funds though appropriate due diligence procedures. It would be too simplistic to provide a "standard questionnaire for AI funds" given there is a myriad of aspects to look at and they actually depend on the specifics of each fund / strategies involved.

After having conducted several hedge fund due diligence checks / risk audits, I would stress that standard DD questionnaires / procedures are mandatory but not a sufficient condition in order to properly assess the risks and alpha quality, as well as properly addressing the risks the fund may be exposed to.

With these limitations in mind, we humbly aim to supply a set of questions with AI funds in mind in order to help family offices screen the right AI funds before performing any capital allocations.

1. Why do you believe your strategy works?
2. Why others have not yet exploited such market inefficiency yet?
3. Who else is doing what you do? How do you compare against them?

Professor Andrés Bagnasco
Uruguayan Catholic University

4. Entry barriers: What makes your "secret sauce" unique and not easily reproducible?
5. Under which circumstances/market conditions your system underperforms?
6. Which type of strategies / asset classes would be a good complement (i.e. have negative correlation) with your strategy during periods of underperformance?
7. How do you know when your system has stopped working / has significantly deviated from past historical performance? Is there any systematic criteria for turning off the algo should it happen?
8. How do you prevent your personnel from starting their own shops after knowing your secret sauce?
9. What is the AUM capacity of your strategy? How have you arrived to such figure?
10. How do you deal with data snooping and overfitting in your models?
11. All markets are efficient in the long run as technology and knowledge is widespread / leaked throughout the market. Based on your judgement what is your expected shelf life for your strategy? Why?
12. What is the weakest piece of your trading/ execution system?
13. Was the strategy developed by the Hedge Fund owners or by some key employee(s)? What if they leave?
14. In terms of TCA (Transaction Cost Analysis), how sensitive are your profits to transaction costs? Please provide metrics.
15. How would you know if your strategy is replicated (i.e. your trades are copied)? Do you have regular procedures in place in order to detect it? Please explain.
16. Is your system a trend-following, a mean-reversion, a regime-switching one or a portfolio of the previous ones?
17. How dependent is your system profitability on execution latency?
18. If the answer to the previous question is high, which are your investment/development plans in order to be able to maintain your system profitability as AUM increase?
19. Prime / execution brokers typically have tiered volume-driven commission structures. Which percentage of your current AUM would need to be withdrawn in order to (at current trading frequency) produce an increase in transaction cost due to the tiered commission / transaction cost structure currently in place?
20. Backtesting: some years ago, deep learning open source packages, GPUs, FPGAs, ML algorithms, trained data scientists and cloud computing were not as easily available as today. As such, considering today's technology being applied over historical data is at least optimistic. Needless to say others will likely apply similar techniques further shaping the efficiency of markets from now on. What would you do in order to increase the shelf life of your system even if it implies modifying it from where it stands today?
21. AI pattern recognition usually result in a few extremely powerful patterns (i.e. they have a significant lift* at low recall**). In layman words there are some patterns which are highly profitable but do not trade very frequently. On the other side, other patterns are less profitable (i.e. their signal to noise ratio is not as good as the former ones), but on the flipside they are far more frequent and thus may have higher capacity for managing a larger AUM amount. As your AUM increase, will you start increasing trade ticket sizes (i.e. leverage) on current patterns or will you allocate trades to lower signal/noise ratio trades in order to accommodate/expand capacity in order to foster AUM growth? Please explain your growth strategy.
22. Please indicate the weakest modelling aspects of your model?
23. Please name at least one aspect you would prefer your investors not to know about your fund.
24. Specify which features present the greatest explanatory power in your models.
25. How different is you training data vs. your real-time data feed? Please explain.

This list is neither exhaustive nor highly technical, instead it aims to be a starting point / complement to standard DD questionnaires in order to help allocators address relevant features being usually advisable to involve a Data Scientist in the DD process.

Notes: * - Precision: percentage of successful trades out of the total number of predictions made
** - Recall: percentage of the total successful possible trades meeting the pattern condition

Bio: Andrés Bagnasco is a post-graduate professor of finance, and Director of the Investment Management Programme at the Uruguayan Catholic University. He has held several positions such as Hedge Fund Analyst, Derivatives Market-maker, Risk Manager, Quant Researcher, Trading Room Manager, Big Data Scientist and Portfolio Manager. He has co-authored several publications as well as being a frequent visiting professor / keynote speaker at conferences / expert in AI-based alternative investments.

YACHT INSURANCE

By Sam Bowen Stackhouse Poland Limited

Once your financial future and that of your family have been secured, you may decide that it's time to enjoy the fruits of your labour. This could mean travelling to new countries and visiting some of the most luxurious destinations the world has to offer. What better way to travel than on your yacht!

New Super Yacht owners must be aware of the some of the issues they will face and seek advice from experienced professional advisors. Before you even take delivery of your new yacht, there are the decisions to be made around the ownership of the vessel. Depending on your country of domicile and current financial structure, the most tax efficient way to arrange the ownership of the vessel can vary. It is vital to take advice from an experienced lawyer and tax advisor. New owners must also be prepared for the ongoing running costs of Super Yacht ownership. It is often reported that the annual operating costs are equal to 10% of the initial purchase price so there can be significant financial outlay.

While the life of a Super Yacht owner can be extremely glamorous and rewarding, today's world presents ever-changing challenges and demands to yacht owners, captains & crew, and managers. You can remove the uncertainty this presents by employing the skills of an experienced yacht Insurance Broker who has solutions for yachts operating worldwide.

So what are the insurance risks that any potential Super Yacht owner should consider?

What if you decide to commission the construction of a new yacht? You should not assume that the yard you have chosen will have adequate insurance in place. If there is a fire at the yard, for example, will you get your instalments back or will there be insurance in place to repair a partial loss? Always have a specialist insurance broker review the yard's 'Builders All Risks' policy. It is vital that the owner's financial interest is noted on the policy. This way, if a claim were to occur, the proceeds can be paid to the owner and not solely to the yard.

The obvious risk is to the yacht and associated items which should be insured against all risks of physical loss or damage. This includes tenders, toys and water sports equipment. The insurance may also need to be extended to include cover for personal belongings, cash, drinks and even fine art collections. This is referred to as Hull Machinery & Equipment Insurance.

Where do you plan to use the yacht? One of the key rating factors that insurers will consider is her cruising limits. If it is solely to be used in the Mediterranean, for example, this will attract a more favourable insurance premium than if you plan to sail her across the Atlantic to the Caribbean. It is essential that you keep your insurance broker notified of your plans. If your policy limits you to the Mediterranean and you decide to head off further afield, then your policy will not respond in the event of a claim.

The next obvious risk is a wide spectrum of liabilities to third parties that arise out of the ownership and operation of the yacht. This can including damage to third party vessels and other property, and injury to people both on board and off the yacht, including liabilities that exist as an employer of a crew. (Protection & Indemnity Insurance/Yacht Owners Liability to Employed Crew)

One area that may not be obvious to a new Super Yacht owners is to provide the Captain & Crew with emergency medical expenses cover (with options to include elements of cover for routine medical, dental and optical treatments) and to provide lump sum and/or weekly benefit payments in the event of specified injuries and/or death (Crew Welfare Insurance)

In summary while, the ownership of a Super Yacht is a real privilege is doesn't come without risks. The insuring of such a vessel is not straightforward and takes a truly in-depth knowledge of these risks, and how to protect the beneficial owner, the captain, crew and of course the yacht itself. Yacht insurance is not a commodity product such as car insurance where you simply buy a policy and not have to worry about it until the renewal falls due or a claim occurs. Super Yacht Insurance is an active and on-going relationship between the owner, captain and managers. Clients should be clear about how they plan to use the vessel and have open and transparent conversations with all parties to ensure the ownership of a Super Yacht is a rewarding and pleasurable experience.

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OVERLOOKING INVESTMENT OPPORTUNITIES

The Alerian Index

When something seems too good to be true, it generally isn't true. In the stock market, if something "appears" to be very attractively priced, we immediately look for the negative arguments, What are we missing? What are the risks? These are questions we ask about the midstream energy sector. Investment highlights of that sector are:

- high current yield: the midstream sector (using the Alerian Index) has cash yields of about 7.5%--mid-June
- low current taxation: on average, well over half of current distributions are treated as return of capital and are not currently taxed
- industry analysts expect annual growth of cash distributions of 2-5% over the next 5 years
- valuation levels are below past averages, using a variety of metrics

US midstream service providers are a major beneficiary of the dynamic and disruptive changes taking place in shale oil technology

-----as a side benefit, this success contributes to greater American energy independence and allows more flexible geopolitical policies

Some basic background: The midstream sector provides mainly the pipeline transportation, storage, gathering and processing for the energy commodities—oil, natural gas and some natural gas liquid by-products. These services have the most stable earnings and cash flow and are by far the largest component of the midstream universe. That stability comes from the fact that their revenues are primarily fee-based or volume-based, rather than being tied to the price level of the underlying commodities. The stable cash flow and, therefore, stable distributions to investors were the initial raison d'etre for early Master Limited Partnership (MLP) investing. Most of the midstream energy companies that are publicly traded are organized as MLPs. These are publicly-traded partnerships, as opposed to traditional corporations ("C-corps"). They were enabled/created by legislation in the 1980s to encourage the development of U.S. infrastructure related to the energy and other natural resource industries. They trade in the same way and on the same exchanges as companies with a traditional corporate structure. The advantage of MLPs is that they are taxed as partnerships, i.e. the company itself is not taxed. Rather, taxable income is passed through to the partners. Thus, MLPs have only one level of taxation, instead of the double taxation that applies to traditional corporations. This is a major competitive advantage and has contributed to successful development of the U.S. energy infrastructure.

A recent development and very important enhancement of the case for midstream/MLP investing is based on major changes in U.S. energy production which reached fruition in the early 2000s. After a decline in US oil production for several decades, two major technological developments reversed that trend and facilitated growth of oil and natural gas extraction from shale formations. The improvements were in horizontal drilling and hydraulic fracturing (fracking), and those have led to a renaissance in the U.S. energy industry. Midstream/MLPs have been a major beneficiary of this renaissance as the need for additional infrastructure is clear and visible.

MLPs now yield about 7.5% and growth of those cash distributions are forecast to be in the 2-5% range. It can easily be demonstrated that MLPs are attractively priced based on absolute and relative historical multiples of cash flow and EBITDA, by comparing yield spreads with other income-oriented investments and by other valuation metrics. In addition, the long-term growth prospects for the US energy industry are excellent and have changed the character of MLPs from income to growth (but currently with very attractive income as well). At a time when investors are struggling with low yields and legitimate concerns that both the stock and bond markets are richly priced, why don't more investors appreciate the strong investment appeal of the midstream sector which we see?

We think there are two main factors. One is that MLPs trade as though they are exposed to the same kinds of risks as the companies that extract the commodities, i.e. the drillers. Their price movements have shown an inappropriately high correlation to moves in oil prices. That can persist in the short term (and it has, especially in downturns) but it can't in the long term since the risk profiles are so different. In the severe downturn in oil and gas prices from late 2014 to early 2016, price movement of MLPs had the same direction (with less magnitude) than the exploration and production sector.

That was notwithstanding that the exploration/ production companies had numerous bankruptcies, while midstream sector had significantly fewer. In one of the most severe downturns for the energy industry, the cash distributions of the MLPs in the Alerian Index dropped by less than 10% and have already begun to recover.

The second factor relates to the nature of ownership of MLPs. When they were first allowed in the late 1980s, they had little growth potential, were viewed as "income investments" and were primarily held by retail investors. That market never fully developed because so many individual investors are averse to holding investments that provide a K-1 (K-1-phobia) rather than a 1099. This is because of the perceived (with some justification) complexity of K-1s. As a result, we believe MLPs have generally been underpriced relative to their economic value, notwithstanding their very acceptable return to investors.

The Alerian Index has an annual return over the past 20 years through May 31 of 12.4%. This compares to a return for the broad stock market (S&P500) of 7.4% over that period. K-1s do add some complexity, but any moderately sophisticated tax preparer can handle them. Nonetheless, many investors are deterred by this and we believe it is the main reason for the current very attractive pricing. That 7% cash income and expected growth may well be worth a bit of extra accounting and tax prep work.

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Photo credit Heesen Yachts - Guillaume Plisson

Beauty and bounty in Croatia: Luxury yacht charters along the spectacular Dalmatian coast

Why luxury yacht charters are so popular

Luxury yacht charters have seen a surge in the traditional charter grounds of the Mediterranean in recent years, and with the industry's success comes access to a greater range of superyachts and amenities to suit an ever expanding range of budgets.

A luxury charter offers groups of up to 12 people a tailor-made holiday and experiences far removed from mundane life. One of the greatest benefits of a superyacht is the freedom to move from one location to another and have the same high-quality service and amenities always available, minus the issues of rowdy neighbours, morning commute traffic jams and the possibility of poor quality meals.

Why choose Croatia

The Eastern Mediterranean differs greatly from what is on offer compared to its Western variant and such renowned cities as Cannes, Monaco, Naples and Rome: Although both sections of the Mediterranean are filled with history and world heritage sites, a visit to Greece, Montenegro and Croatia is less about artefacts in white-washed museums and more about exploring ancient ruins in historical context out in the open summer air. There are far more sandy beaches on offer too and for hotter, more stable weather lasting longer into the year, the Eastern Mediterranean cannot be beaten. Visibility in the water reaches as far down as 50m/164ft and the conditions are perfect for snorkelling. Divers too will be spoiled for choice with a number of shallow shipwrecks and tunnels to delve surrounded by vibrant flora and fauna. The Dalmatian Islands are filled with dive sites, and if you charter a yacht with PADI Dive Centre certification, everyone from seasoned experts to complete beginners can see the beauty beneath the waves and get up close to the friendly wildlife.

Croatia is a diners' delight, filling plates with fresh seafood from diverse seabeds, unique cultural recipes and full-bodied wines that contribute to the success of any corporate yacht charter or family holiday. Visit just before or after the height of the July-August summer season, and your party can catch all the best summer weather along with a bargain price on a superyacht.

Party lovers won't feel left out in Croatia: The Ultra Europe music festival takes place mid-July in Split, and beach parties and clubs come alive throughout the summer months. There's also endless opportunity to create your own private party with luxury yachts designed with dance floors and top of the range audio-visual equipment to carry the beat into the early hours. Move your party onto the silky sands with barbeque grills and beach games adding to the mix to entertain night after night.

Whether sailing or cruising, the capital city of Dubrovnik is an excellent embarkation point and international flights will take you within half an hour from the marina where your charter yacht awaits. Wander through fantasy and reality in Dubrovnik: See the streets that became the King's Landing film set for the Game of Thrones TV series and discover the true medieval history of these narrow cobblestone lanes. The old city is a UNESCO World Heritage Site and worthy of a day in itself before you head off to the Dalmatian Islands or explore the rest of the mainland's winding chalky-white coast. Kayak in the harbour along the walls of the Old Town and snorkel in the shallows for a well-paced day to begin your holiday fun.

From Dubrovnik, make your way up through the Dalmatian islands starting in the picturesque town of Korčula. Your captain will direct you to the area hot spots and hideaways for a heady mix of local culture and relaxation among the best sights the destination has to offer. Korčula is an excellent place for snorkelers and beginner divers to make use of any equipment on board their luxury yacht because of the incredible contrast in wildlife only a few metres just under the surface: Octopi and nudibranchs can be found hiding among the coral and gorgonians, providing amazing sights for divers with little experience.

Head up to Hvar and discover Croatia's party capital where there are plenty of bars and clubs to fill your luxury charter holiday if you intend to stay close to one place. A little research beforehand will help you find the best places for quality, service and price for a night of fun that can be followed up with a spa session either on your superyacht or within the town The bars of the evening become lunchtime cafes with a creative variety of coffees and meals for travellers to fill up on before moving on to the next activity. Hvar is not only a place to party and the sheltered blue lagoons, and fine sand beaches are waiting to be discovered - as is the island's unique history told through its architecture, arts and crafts.

Dolphins are known to swim through the straits near the Adriatic Sea, and at Bol on Brač Island you are quite likely to see them playing in the harbour. Join them with your snorkelling or diving gear, or head off to find your own quiet beach and spend the afternoon trying out your tender garage filled with water toys followed by a snooze in the sun.

Re-join the mainland north of the islands at Trogir or Split and complete your holiday in one final UNESCO World Heritage Site. At the centre of Trogir is the Cathedral of St. Lawrence which has survived several centuries through sackings and demolition to become a record of the successive architectural styles that construct Trogir. Diocletian's Palace in Split is a complete example of a Roman emperor's palace in the world and one of the best-preserved sites in Croatia. Game of Thrones fans might recognise some of the wings from the TV show and the true stories of what took place there are almost as lascivious as the film fantasy.

Split and Trogir are only half an hour away from each other, and the nearby awe-inspiring Krka Falls will leave nature lovers, photographers and artists breathless. Stroll through the markets and get a taste of daily life in a town surrounded by a blend of past and present.

However you choose to spend your time in Croatia, a superyacht charter has an attentive crew and all the private facilities to make your getaway break a success all on its own, but the friendly locals, dramatic, unspoilt scenery and densely packed attractions both ancient and modern bring together all the elements for an unforgettable adventure.

Written by Rachael Steele/CharterWorld
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CHARTERWORLD.COM

A WISER, SAFER AND BETTER WAY

TO BUILD DIVERSIFIED GLOBAL PORTFOLIOS

by Benjamin Halliburton of Tradition Capital Management

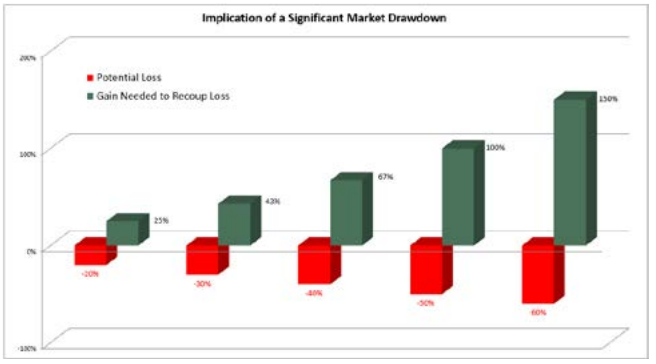
Reducing portfolio losses or drawdowns is key to building long-term wealth. Proponents of the Efficient Market Hypothesis discovered an often overlooked (or ignored) fact during the 2008-09 financial crises that negative equity returns are correlated with higher standard deviations (volatility, a typical measurement of investment risk). These proponents generally modelled average volatility across both up and down markets; however, negative equity returns generally increase volatility (risk). Most models failed to account for the increased portfolio volatility (risk) that occurs during falling markets; this falling market environment is the precise moment when risk measurement and risk control matter the most. Volatility (or risk) is generally lower in rising markets thus lowering the overall measured volatility (risk) across an extended period that includes both up and down markets; however, investors really only care about risk (or volatility) in down markets. Downwards volatility is the true risk to the investor.

In addition, negative equity returns generally drive up correlations among stocks in global equity markets across sectors, capitalization, styles, and geographies. All equity markets tend to have higher cross correlations when the markets are down significantly like in 2008-09. Moreover, these down equity market correlation increases spill over into risk-based fixed income markets such as high-yield, asset-backed securities (ABS) and emerging market debt, all of which generally suffer during equity market selloffs. Even the U.S. investment grade fixed income market sometimes experiences higher correlations and can be impacted negatively during severe equity market drawdowns. Thus, the typical approach to Efficient Market diversification fails in down markets as volatility spikes and cross-correlations increase towards 1.0. The result (as demonstrated in the 2008-09 Global Financial Crisis) was many globally diversified portfolios were riskier than most investors estimated and losses were significantly larger than anticipated.

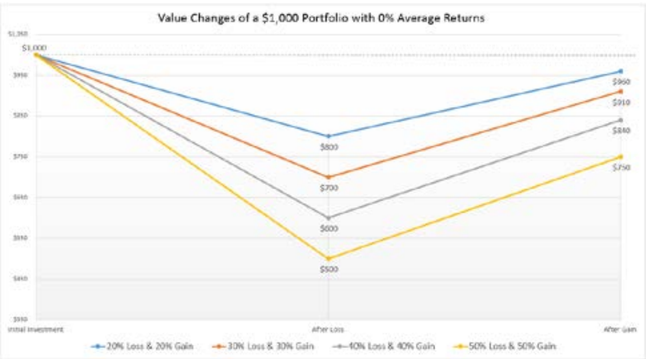
Wiser diversification requires the use of asset classes that have low correlation both between them and with stocks. Including low or non-correlated assets that can maintain low correlations in down equity markets is essential for building a less volatile or safer Diversified Global Portfolio Strategy.

Concept 1: Volatility Drag

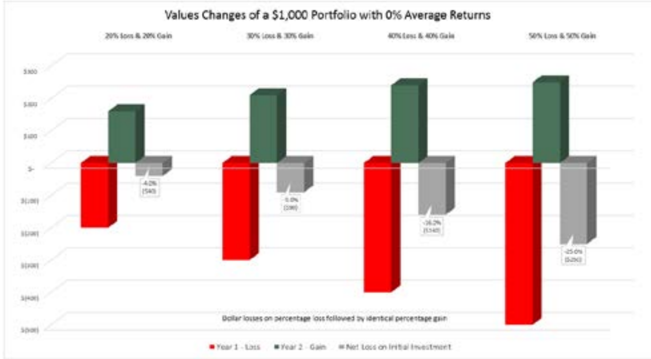
Our focus is on the preservation of capital. The graph below shows why this is so important and illustrates the necessary gain (green bar) needed to recover from a possible investment loss (red bar) and get back to break even. At every loss level, the necessary recovery gain to get back to breakeven is significantly larger on a percentage basis. Please see disclosures at the end of this document.



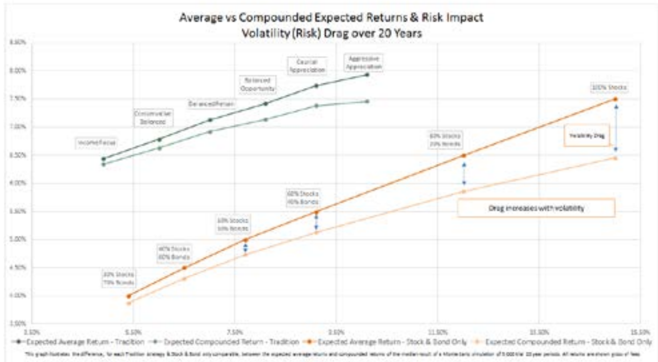
Another way of looking at this is to examine an arithmetic average return of 0% over a two-year period. The graph below shows four hypothetical $1,000 portfolios each with a loss in the first year and an equal percentage gain in the second year – generating a simple arithmetic average return of 0% over two years. The third point shows the value that the portfolio ends with after these two years – the difference between these ending values and the $1,000 beginning value is due to volatility drag.



To visualise the same concept in a different way here is a different graph that shows the dollar loss, gain, and net loss on initial investment for the same four hypothetical down then up identical percentage changes on a $1,000 portfolio.



There is a big difference in arithmetic average return and compounded return at different levels of portfolio volatility (or risk). The higher risk portfolio has a lower compounded annual return at the same arithmetic average return.

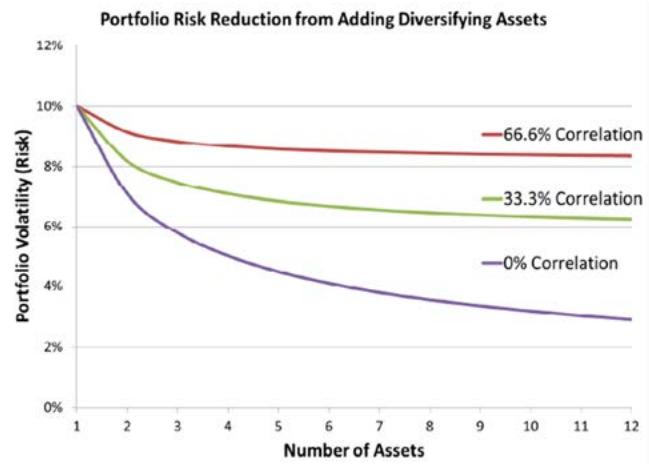


Volatility drag, at its simplest, is the reduction in performance over time caused by higher volatility which increases as volatility increases. Two investments with the same average annual return could end up with significantly different ending values after a period of time due to the negative pull of higher volatility. Volatility drag is present in any investments that have any degree of volatility but the magnitude of the negative effect increases in line with increases in volatility. Take for example a portfolio worth $100,000 with a -10% return in the first month followed by a 10% return in the second month. Simple arithmetic reveals an average return of zero. However, the average compounded return is actually less. At the end of the second month, you only wind up with $99,000, as the other $1,000 was lost to volatility drag. Due to continual fluctuations and movement in assets, the difference between the average rate of return and the rate at which your money actually compounds grows larger. The result is that you can wind up losing significant amounts of money to volatility drag.

Volatility drag can be controlled and kept in check by creating a diverse portfolio with low volatility. As shown in the graphs, the higher the volatility in a given portfolio, the greater the expected loss due to volatility drag. This is because the higher the volatility of a portfolio, the more frequent and sizeable fluctuations will be, resulting in more losses to drag. One of the numerous advantages of our portfolios, is they contain many unique asset classes that contain low correlations with each other. This diversification results in lower volatility for the portfolio overall, which keeps our expected compounded returns high and the volatility drag low.

Concept 2: Using Diversification to Reduce Risk

Modern Portfolio Theory (MPT) is the centre of our portfolio strategy modelling. Where we differ from most of our competition is our utilisation of low or non-correlated asset classes. We utilise proprietary estimates of return and risk as inputs into a Bloomberg Portfolio Optimizer. MPT is the most widely accepted framework for managing diversified investment portfolios. MPT has its limitations around correlations and volatility in down markets as these tend to behave adversely as discussed above. Wiser diversification through additional asset classes tends to improve the portfolios' risk-adjusted expected return profile.

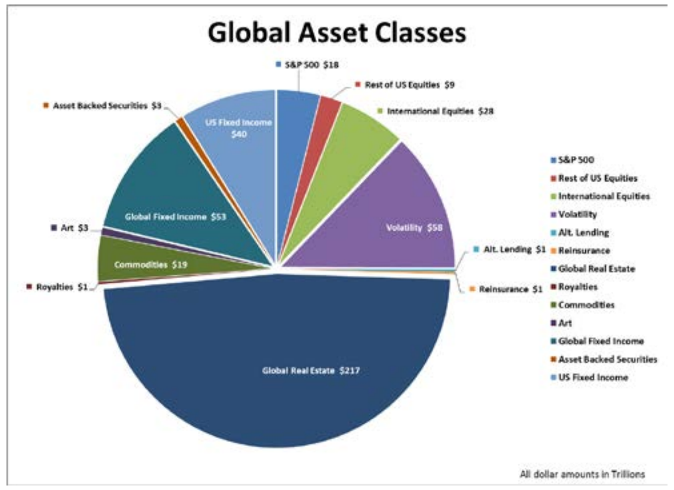


The line graph above shows the volatility or risk of a portfolio as different types of assets are added. The red line represents a portfolio where its assets have a high correlation with each other. These type of portfolios are quite common and consist mainly of stocks. As you add more highly correlated assets to this portfolio such as other stocks, the risk begins to decrease. However, as you add more and more stocks to the portfolio, the line flattens out showing how the risk plateaus, remaining at a high rate. Even a portfolio of hundreds of U.S. and international stocks has a high volatility because of the high correlation between its assets. Consequently, if there is a major downturn, these portfolios with highly correlated assets can experience large losses, as all their assets will tend to move downward together.

Our portfolios, on the other hand, contain more diversifying assets that for the most part have small correlations with each other. The green line, representing a portfolio with low correlation assets, consists of assets with moderate diversity such as stocks and bonds. As you can see, the addition of low correlation assets decreases the overall risk; thus lowering overall portfolio risk more than the portfolio with highly correlated assets. A key difference from most other advisory firms is that we go a step further for our clients and use unique asset classes that often have no correlation with each other. For example, an asset class we employ in conjunction with stocks is reinsurance. The reinsurance market, whose returns are mainly impacted by accidents and natural disasters, has minimal correlation with the stock market. So if there is a downturn in the reinsurance market, your stocks will likely be unaffected and vice versa. Therefore, when we create a portfolio filled with low correlation assets such as stocks, reinsurance, variance risk premiums, and others, the overall risk decreases as shown by the purple line. Overall, we fill our portfolios with many asset classes that have small correlations with each other, and in turn, your risk is mitigated and controlled.

Asset Class Correlation Matrix

	Cash	Bonds	Alternative Lending	U.S. Stocks	U.S. Small Cap Stocks	Developed Intl Stocks	Emerging Markets Stocks	All Asset Variance Premium	Alternatives Other	Equity Variance Risk Premium	Reinsurance	Real Estate and Real Assets
Cash	1.000											
Bonds	0.104	1.000										
Alternative Lending	-0.185	0.207	1.000									
U.S. Stocks	-0.163	-0.080	0.600	1.000								
U.S. Small Cap Stocks	-0.150	-0.131	0.500	0.920	1.000							
Developed International Stocks	-0.088	0.042	0.600	0.879	0.787	1.000						
Emerging Markets Stocks	-0.058	0.037	0.500	0.776	0.712	0.849	1.000					
All Asset Variance Premium	-0.027	-0.049	0.100	0.120	0.150	0.200	0.250	1.000				
Alternatives Other	-0.119	0.020	0.400	0.707	0.663	0.765	0.764	0.100	1.000			
Equity Variance Risk Premium	-0.163	-0.080	0.550	1.000	0.920	0.879	0.776	0.180	0.707	1.000		
Reinsurance	0.053	0.183	0.200	0.170	0.138	0.187	0.149	0.100	0.295	0.170	1.000	
Real Estate and Real Assets	-0.003	0.260	0.300	0.350	0.430	0.400	0.450	0.050	0.200	0.400	0.120	1.000



Research has consistently found the best way to maximise returns across every level of risk is to combine asset classes rather than individual securities (Markowitz, 1952; Sharpe, 1964; Brinson, Hood & Beebower, 1986; Brinson, Singer & Beebower, 1991; Ibbotson & Kaplan, 2000). Therefore, the first step in our methodology is to identify a broad set of diversified asset classes to serve as the building blocks for our portfolios. We analyse each potential asset class's long-term historical behaviour across different economic scenarios and provide reasonable go-forward estimates for characteristics of each asset class such as correlations to other asset classes, expected returns and expected risk.

The pie chart above shows specific asset classes and depicts how much of the global marketplace they occupy. While many investors and advisors act like the S&P 500 is the end all be all, as you can see here it is merely a fraction of the global asset classes.

Even when you add the U.S. Fixed Income market which contains instruments such as bonds, these two asset classes add up to just under $60 trillion which again is just scraping the surface of the massive global market totalling about $450 trillion.

Therefore, a portfolio consisting of only U.S. stocks, international stocks, and U.S. bonds is missing out on many global asset classes that could further diversify and better the portfolio. Many of these alternative assets classes were not accessible to non-institutional investors until recently. Now that these markets are investable for more investors it makes perfect sense to take advantage of the portfolio diversifying benefits these assets can provide. At Tradition, we make use of the wide range of global asset classes ranging from reinsurance to real estate to international equities and much more, to create a diverse portfolio. In doing this we utilise more of the opportunities, the asset classes, in the global market rather than just a fraction of them so that you can build a portfolio with higher expected returns at the same level of risk – stronger portfolios for both good and bad economic times.

Asset classes fall under four broad categories: cash, bonds, stocks and alternatives. Cash is known for safety but in the current interest rate environment does not really provide a significant return; hence, is only used tactically for short periods or for liquidity needs.

Bonds and bond-like securities are the most important income-producing asset classes for income-seeking investors. Although bonds have lower return expectations than stocks, they provide a cushion and potential reserve for redeployment to stocks or other higher expected return investments during periodic financial market sell-offs. Bonds show modest volatility and low correlation with global stock markets.

Stocks have higher long-term expected returns but have higher risk and will have periods of significant losses. Stocks, however, do have some long-run inflation protection as stocks represent ownership in real businesses that will grow in nominal terms in an inflationary environment.

Individual stocks are tax advantaged investments in their own right, as long-term capital gains and dividends receive preferential tax treatment and capital gain taxes are deferred until the stock is sold.

ETFs and mutual funds enjoy some of this benefit although individual stocks are more tax advantaged. Alternatives, as we use the term, are assets that have not been typically available to most investors. Our alternatives will have at least one if not all of the following attributes compared to stocks, bonds, or cash: low correlation, low volatility, or low risk/return profile.

Asset Class	Benefits
Cash	Safety
Bonds	Yield, diversification and safety
Alternative Lending	High Yield, low Interest rate risk
U.S. Stocks	Capital growth, long-run inflation protection, tax efficiency
U.S. Small Cap Stocks	Capital growth, long-run inflation protection, tax efficiency
Developed Countries International Stocks	Capital growth, long-run inflation protection, tax efficiency
Emerging Countries International Stocks	Capital growth, long-run inflation protection
All Asset Variance Risk Premium	Diversification and high expected return
Alternatives Other	Diversification and modest expected return
Equity Variance Risk Premium	High return with lower than stock market volatility
Reinsurance	Diversification and high expected yield
Real Estate and Real Assets	Income, diversification, inflation protection

Table 1: Asset classes and their functions

More detailed asset class descriptions are available at the end of the document. The asset classes we deploy may evolve somewhat over time, depending on long-term macroeconomic factors and their availability in an ETF or mutual fund.

Asset Class Assumptions

Nominal Expected Long-term Average Returns. Long-term being 10 to 20 years.

Asset Class Assumptions

Asset Class	Long-term Expected Return	Expected Risk
Cash	0.75%	0.10%
Bonds	2.50%	4.90%
Alternative Lending	6.50%	5.00%
US Stocks	7.50%	15.00%
US Small Cap Stocks	8.50%	18.00%
Developed International Stocks	8.25%	17.00%
Emerging Markets Stocks	11.00%	23.00%
All Asset Variance Risk Premium	8.50%	10.00%
Alternatives Other	6.00%	7.00%
Equity Variance Risk Premium	8.00%	12.00%
Reinsurance	7.90%	9.00%
Real Estate & Real Assets	7.00%	6.00%

Concept 4: Our Strategy

We review and update our estimates quarterly as market levels, and yields change. This could result in modest changes in our recommended Strategic Target Allocations. The Strategic Target Allocation, its corresponding asset class allocations, and the holdings recommended by Tradition are subject to change at any time and without notice. Moreover, the Strategic Target Allocation will be different than the actual current tactical allocation of your portfolio as we try to optimise transaction costs versus model divergence risk and occasionally make tactical decisions to deviate from the long-term Strategic Target Allocation based on the selected strategy. The actual tactical allocations will change without notice depending on our view of market conditions, risks and opportunities.

Rebalancing and Ongoing Monitoring of your portfolio is part of our management process. As market conditions change, our view of the opportunities and risks will evolve; this could result in changes to our Strategic Target Allocations. In addition, changes in market values will cause your actual portfolio allocations to vary from the initial targets. We will review for possible rebalancing at a minimum of every six months and more frequently if we deem appropriate or if cash flows in or out of the portfolio demand. We will execute trades to move towards the current Tactical Target Allocation where model divergence and trading costs warrant based on our judgement of this trade-off between divergence and transaction costs.

Model Strategies

Strategic Allocation Ranges

	Income Focus	Conservative Balanced	Balanced Return	Balanced Opportunity	Capital Appreciation	Aggressive Appreciation
Cash						
Cash & Money Market	0-20	0-15	0-15	0-15	0-15	0-15
Fixed Income	-	-	-	-	-	-
Short Term	0-25	0-20	0-15	0-15	0-10	0-10
Int. under 10 year	0-75	0-50	0-40	0-20	0-20	0-20
Long over 10 year	0-30	0-20	0-20	0-20	0-20	0-20
High Yield	0-20	0-20	0-30	0-30	0-30	0-30
International	0-20	0-20	0-20	0-20	0-20	0-20
Other & Alternative	0-25	0-25	0-20	0-20	0-20	0-20
Equity						
Domestic - All Cap	0-40	15-50	15-65	20-70	20-80	20-80
Small and Microcap	None	None	0-10	0-20	0-20	0-20
Convertible Securities	0-20	0-20	0-20	0-20	0-20	0-20
Developed International	0-10	0-20	0-20	0-25	0-30	0-30
Emerging Markets	None	0-10	0-15	0-20	0-25	0-25
Miscellaneous						
Commodities	0-10	0-10	0-15	0-15	0-20	0-20
Alternatives - Equity	0-15	0-15	0-15	0-15	0-20	0-20
Alternatives - Other	0-30	0-30	0-30	0-30	0-40	0-40
Real Assets	0-15	0-15	0-15	0-15	0-15	0-15

Given the long-term orientation of our strategies and limited liquidity in our some of our investments, funds allocated to Tradition's strategies should have a minimum one-year time horizon. If you expect to need the funds in less than a year, these strategies are not the appropriate investment.

If you are expecting to make withdrawals, please let us know at least three months in advance so we can attempt to obtain the needed liquidity, but we can make no guarantee that it will be completely available. Some of the funds in your Strategic Target Allocation may have limited liquidity on both the buy and the sell transactions and therefore we may not be able to execute buys or sales until the next purchase or sale window opens. This could result in being unable to sell a position even during periods of significant drawdown. Depending on timing and circumstances, the entirety of your portfolio may not be available for purchase for three months or more, and on the sale side, may not be available as cash for three months or more. On the buy side, we may substitute a liquid security to enhance possible returns if we are forced to wait for a window to open in order to execute the buy of a targeted fund.

Given these liquidity issues, Tradition requires a minimum investment of $1,000,000 and a minimum one year time horizon. Some of our initial investments will have both limited windows of availability and transaction costs, further emphasising the need for a long-term horizon. We are not opposed to liquidity but are more than happy to participate in lower liquidity investments as a tradeoff for having a superior targeted risk/reward profile. Limited liquidity often provides extra expected return; daily liquidity has a cost of lower expected returns. A portion of your portfolio will be in stocks, bonds and daily liquidity ETFs and available immediately.

Tradition utilises individual stocks and bonds when cost-effective, or low-cost ETFs that trade commission free whenever possible; however, we recognise certain asset classes require higher fund fees to either access or obtain specifically desired exposure. Most of our alternatives fall into this higher fund fee category; we do analyse this cost and develop our expected returns for our models on net returns, after fund fees. These higher cost funds give us exposure to assets that may not be available in a low-cost ETF. Tradition does not participate in these fees; the only fees that Tradition collects are from our clients for our advice and services. Since Tradition is a Registered Investment Adviser (RIA) with fiduciary responsibility, we always put your interests first.

Conclusion

Tradition combines the judgment of our experienced and knowledgeable investment team, Bloomberg portfolio optimisation, individual stocks and bonds, low-cost ETFs and unique diversifying assets to build an efficient portfolio for you. Our goal is to provide a superior risk-adjusted, net-of-fee, expected investment return for each client's risk tolerance. Minimising drawdowns and risk is, in our opinion, the best way to achieve expected long-term returns.

PRIVATIMUS SAFE ROOM

PRIVATIMUS

An affordable and prefabricated solution created for new buildings and also for a retrofit installation in existing rooms in houses and apartments.

FAMILY OFFICE ELITE spoke with Sven Leidel, an expert for HNWI/UHNWI Risk Mitigation & Protection Strategies located in Hamburg, Germany.

He is a partner at Privatimus GmbH, a provider of Sophisticated Premium Protection Services, with offices in Hamburg and London, as well as strategical operational hubs in Dusseldorf, Frankfurt, Munich, Berlin, Vienna and Zurich.

For more details, please visit www.privatimus.com.

FOE:
Mr Leidel, although this is already your second interview with our magazine, please tell us again about your professional security background and introduce yourself to our readers!

LEIDEL:
I was born in 1968 in Hamburg, Germany and I am a German citizen. As a former member of the German military police, I have been dealing with the topic of protection and security since 1988. Today I am involved, as an honorary member, in various national and international security and professional associations in advisory and executive functions. I am a professional lecturer and trainer, facilitator and specialist author, a security consultant and expert in the field of protection strategies for exposed individuals.

I have gained extensive expertise from more than 25 years of industry and professional experience, and I have operated in numerous foreign assignments and projects in Europe, North America, Latin America as well as parts of Asia. My longtime customers include many major national and international corporations and insurance companies as well as small and medium-sized enterprises, exposed private individuals, family offices and family foundations as well as entrepreneurial families and high net worth individuals. Last but not least, I am an author and editor of two books in respect of Travel Risk Management; see www.travel-security-handbook.com (English) and www.handbuch-reisesicherheit.de (German).

Sven Leidel
Privatimus® GmbH

FOE:
Your company provides Risk Mitigation & Protection Concepts for HNWI´s / UHNWI´s. Why do you call your "physical shelter concept" a SAFE ROOM and not a PANIC ROOM?

LEIDEL:
We have chosen SAFE ROOM for three reasons: (1) We feel, that SAFE ROOM meets the purpose and security aspect much better, plus the word "panic" sounds too negative in our point of view, (2) our exclusive technology and construction partner "Turtle Saferooms" is using the wording SAFE ROOM also in the company name and (3) the naming PANIC ROOM is often associated with the same name movie.

FOE:
That´s right, when I hear PANIC ROOM I am thinking automatically about Jodie Foster in the Hollywood movie "Panic Room".

LEIDEL:
Most people do! At the end you can use both conceptualities; there is no right or wrong. We have decided, we do not want to sell a "Hollywood Horror Experience or Feeling" to our clientele, that´s why we use SAFE ROOM. What you see in the movie "Panic Room" is more of a bunker with thick steel, massive concrete walls and a high-end technical solution (i.e. self-sufficient air conditioning, oxygen and power supply). Most of the time, the reality with private clientele and their SAFE ROOM solutions looks quite different.

FOE:
What makes your concept so different?

LEIDEL:
We offer a proven "room-in-room retrofit installation solution" as well as a professional architectural solution for new buildings. With the know-how and experience of our technology partner, we are able to plan a SAFE ROOM already in the construction phase or use existing rooms in the house or apartment also as a SAFE ROOM. For example, you can rebuild and use an existing dressing room, that is close to the master bedroom, as a SAFE ROOM. Optically the purpose of the room stays the same: A simple dressing room with all of your clothes. But if necessary, you can close the door(s) of the dressing room, and it protects you against intruders, kidnappers, criminals a.s.o.. The beauty is, you can still use the dressing room in your day-to-day routine for the purpose the room was originally planned and built. This concept gives us the opportunity to be efficient and costs effective, but it still meets the need for an individual and customised security and protection level; in our point of view the best possible price-performance-ratio.

FOE:
Your solution is not a bunker that protects against the next bomb or terror attack, right?

LEIDEL:
By far not ... our standard SAFE ROOMS are not designed to withstand and resist a bomb attack or a siege for many hours or days by trained and heavily armed terrorists. In order to be also on the safe side in respect of those threats, clients then must invest hundreds of thousands of EURO/GBP/US$. Anyway, upon request we can also assist with those demands; it is all a question of money and availability. Generally speaking, it is our understanding, unless you are in a witness protection program or you have received massive threats from Mafia or organised crime groups as well as from political, religious or otherwise motivated radical groups, you do not need a massive bunker or high-end technical solution. The vast majority of our exclusive clientele is looking more for a lean solution with a good price-performance-ratio. Having this said, our SAFE ROOM solutions start at a little under EURO 10,000 for the very minimum version and solution.

FOE:
What is your solution protecting from?

LEIDEL:
Our SAFE ROOMS are protecting from violent intruders and criminals, as well as from kidnappers, stalkers or violent ex-partners. The purpose of a SAFE ROOM is, to provide a safe retreat and to protect the homeowners from physical harm until the police, law enforcement or the contracted security company has arrived. If you can trust the statistics, this means that a SAFE ROOM needs to withstand and resists the penetration effort and attempt from criminals for approximately 15 - 20 minutes. In the meantime, help should have arrived at your house in most cases.

FOE:
Who is a typical SAFE ROOM client?

LEIDEL:
If you are talking about the age of our clients, this goes by all ages. It could be the retired wealthy couple, which does not feel comfortable anymore to use physical defences in case of an intrusion by violent criminals. It could also be the HNWI family, where the husband has to travel a lot for business, and the rest of the family members are alone at home a lot. Also, it can also be the successful mid age business couple, which wants to add another level of security while they are at home. So bottom line, you see that there is no typical clientele by age. It is more a question of the willingness to reach the next security level (on top of an existing CCTV and alarm system) or even the ability of the financial investment in the next security level.

FOE:
Does your SAFE ROOM concept also protect against bullets from handguns, rifles and automatic weapons?

LEIDEL:
Our standard solutions protect against 9mm, Magnum .44 and up to Kalashnikov 7.62. Nevertheless, if a client needs an extra level of protection, we can also secure the SAFE ROOM against higher and stronger calibres. Again, it is just a question of money and availability. To be honest, it is our experience that the resistance class 7.62 is sufficient in most cases. There is no need to spend more money on higher resistance classes if there is no real known threat need. In the end, the client will get what he or she is asking for.

FOE:
Are there any technical limitations or requirements from your end?

LEIDEL:
Not really, besides the fact that our collaboration partner Turtle Saferooms needs a minimum of two bearing walls in order to build in the room-in-room-solution. Other than that there are no real technical limitations or requirements from our end.

FOE:
Some interested persons might think: "We do not want all the conversion and construction dirt in the house (for several days)!". How do you respond to this statement?

LEIDEL:
I totally understand, that most clients would like to avoid any disorders, inconveniences and impairments at their homes for days like you experience when you i.e. convert your bathroom. In our case, the whole process is very simple, fast and "pretty clean". After assessing the threat and risk level and deciding which resistance class is reasonable for the SAFE ROOM, our technical experts will measure the room and create a 3D model with a special software program on the computer. All necessary materials and walls will be manufactured at the production site in Bremen. When all preliminary work is done, the technical experts will schedule a date with the client in order to build in the individual and prefabricated parts. Therefore, the team will arrive in the morning, build in all parts and leave already in the evening.

FOE:
Don´t you hope that the "Day X" will never come, where the clients have to use the SAFE ROOM?

LEIDEL:
Of course, I do! But even if the client never has to use the SAFE ROOM, it is my experience that having a SAFE ROOM in the house creates kind of a peace of mind for the client and the whole family.

www.privatimus.com

YOUR PROPERTY
EFFICIENCY, MANAGEMENT AND STAFF

It is well known that your property is one of your most valuable assets. So it is important to ensure that it runs efficiently and to ensure its value continues to increase. With an increasingly busy lifestyle, recruiting the right household and domestic staff who understand your requirements and can employ business principles are key to ensure it is cared for correctly.

So - how to manage your most important asset?

1/ Establish Household preferences/ create a plan of action: Having a plan and knowing what your expectations and requirements are is crucial to the whole process of running your home. The systems that you use must be simple and achievable goals so that they do not cause you more stress or are too time-consuming. It is key that you recruit staff or a lifestyle management company that fits your needs; they should fully understand your brief to ensure everything gets actioned with complete precision. Managing Director of The Organisers, Katie Shapley says, "Clients hire us to help keep their lives in order. Our list of services is an open ended book, but includes de-cluttering the family home, setting up a filing system, hiring the staff and managing their hours and PAYE and fully managing contractors. We run clients' homes like we do our business- calmly, efficiently and successfully. "

2/ Establish a routine: A routine is an essential element to running any business, so why not apply the same for your household? Your house manager should draw up a schedule for your domestic team. Each member of the team will then know what needs to be done and when. As it is often said "Fail to plan?Then you plan to fail"

3/ Define tasks: With goals set and a schedule in place, you or your household manager will outline the precise tasks for each member of your household team from the front of house to the gardener.

Managing Director: Katie Shapley
THE ORGANISERS

Ensure your expectations and requirements are well communicated, because when your staff know better, they do better. After all, you would not want your valet to set you up with the wrong evening wear when you attend an ambassadorial function – you must feel confident that your needs will be met appropriately.

4/ Run your accounts efficiently. Treat your household like a business. You should establish a short, mid and long term "business" plan for your household. Having a dedicated person tracking your personal finances with a defined level of detail will support you in reaching your targets. Another fundamental element is to ensure your staff understand their own area of the budget and that they account for all their expenses. Efficient reporting will ensure efficient spending. QuickBooks, a business accounting service say that many people track their business income and expenses extremely carefully, but then pay less attention to tracking their personal finances. Sure, most people have a general understanding of their monthly expenses and income; they have a feel for how much they owe and they also know how much and where they are investing. However, wouldn't it be nice to know exactly where you stand at all times? Tracking your personal finances with this level of detail will cause you to care about your personal finances."

5/ Your household team: In the office, everyone has a role to play and individual responsibilities. A strong team of domestic staff is the backbone of an efficient household.

Make sure they have a detailed job description to match your expectations and references are thoroughly checked. With the right training and regular feedback your staff should continue to grow and work effectively as a team.

- Butler/ Master of the Household – 'The Facilitator' - He/she will be responsible for the smooth running of your household and taking care of yourself and your guests, usually supervising others but also acting as your front of house presence.
- Housekeeper- 'The Pillar' - A clean and tidy home is important for the health and well-being of your family. A clean house is the best defence against the spread of germs and a tidy home helps to keep you feeling balanced and in control.
- Nanny- 'Mary Poppins' - If you have children, an experienced nanny can help ensure that they are safe, cared for and enjoying productive activities whilst you are at work. They will make sure you have quality time with your children.
- Chauffeur- 'The Timekeeper' - this is the secret for being on time with a focused mind for those very important appointments or events.
- Chef- 'Culinary Artist' - To ensure your family are eating healthily and well, and that parties and holidays are catered for.
- Others: From gardeners, and security staff to personal stylist - the list is endless and personal to your household and needs. A role can even be created to incorporate a mixture of responsibilities or just like in business, a current member of staff can be trained to widen and improve their skills.

Case studies

Skilled Housekeeper for London home and Couple for holiday home
The Client: Global Power Couple
The Brief: Advertise, interview and produce a shortlist of suitable applicants for an experienced, professional housekeeper role.

The Outcome: The client's first choice candidate had their references verified; DBS check processed and paperwork completed by The Organisers and started the position immediately.

Property Manager to oversee several property renovations
The Client: Formal English family based in Belgravia with a large property portfolio
The Brief: Source an experienced Property Manager to manage renovations for several properties both in the UK and abroad. Once completed the role will involve ongoing management of the properties.

The Outcome: The Organisers sourced a selection of candidates with excellent property management backgrounds and the role was offered to an individual with 10+ years' experience in this area. The renovations were completed on time and within budget, and the client couldn't be happier with our candidate's ability and attitude.

Put household Accounts in order
The Client: US businessman working in London

The Brief: To assist one of the top four accounting firms by sourcing and providing information relating to several years of overdue tax returns.

The Outcome: Sourcing and collating a large volume of documents to support complex income streams from several sources, providing information with regards to UK and US pension, medical bills and investments. The tax returns were completed within deadline and a new filing system was set up to ensure years of paperwork and journals could be found easily.

PREPARING FOR IMPACT: HOW FAMILIES ARE REALLY PUTTING PRIVATE CAPITAL TO WORK

By Wendy Spires

Impact investing is no longer a niche area as families increasingly aim to align investment strategy with their deepest-held principles. Big banking brands and specialist advisers alike are helping the movement rapidly gain momentum, and progress can only accelerate as wealth passes to the younger generations.

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Families have ever been cognisant of the power of private capital properly deployed for the greater good and have long been at the forefront of philanthropic efforts. As highly influential investors, many wealthy families also have a long history of investing responsibly in line with sound Environmental, Social and Governance (ESG) principles. Widespread divestment from tobacco, weapons, alcohol and other "sin stocks" beginning in the 1960s kicked off a movement recognising that it makes little sense to work hard philanthropically to solve the world's ills while at the same time investing family money in sectors and companies that may have a negative effect.

Thinking has now moved much farther on, however. Not only do families not want their principles and investment portfolios to be pulling in opposite directions, today they increasingly want them pulling together.

The notion that doing well (financially) and doing good (socially and environmentally) need not be mutually exclusive is now well entrenched. Research has proven that companies run well along ESG lines tend to be far safer investments over the long term, often generating superior risk-adjusted returns (and with far less danger of reputational damage) than those which are less carefully scrutinised. Scruples have grown since the Global Financial Crisis and the numerous corporate scandals

Wendy Spires
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that have hit more recently, and as a result, ESG assets have exploded, hitting $8.7 trillion at the end of 2016, up around 33% since 2014.

Doing well and doing good

Yet screening investments - either positively or negatively - is now only a part of the puzzle. Investors the world over and from the retail end right up to institutional level are seeking to yoke their financial and non-financial aims together through impact investing - and to make generating monetary and social/environmental returns one and the same thing where possible.

Make no mistake, this is not quasi-philanthropy, but rather real investments made with a view to making a real impact on the world's most pressing problems. As such, a family might invest in a company that innovates profitably in water purification to clean pools in the developed world, but also on a charitable basis to deliver clean drinking water in developing countries. Or, an investor might support a government's development efforts by buying bonds dedicated to funding efforts like prisoner rehabilitation or improving educational facilities.

Governments, institutions and wealth-holders themselves are now fully alive to the fact that private capital will be vital in promoting education, health, clean energy and other global development goals. There is also growing awareness that impact investments can be a useful addition to portfolios, making them easier to take to market. The financial returns might not be stellar, but they may well be attractive; there may be significant diversification benefits too.

The term "impact investing" may be fairly new, having first been coined by the Rockefeller Foundation's Bellagio Center in 2007, but in just a decade a huge amount of progress has been made. The impact sector may still be relatively modest compared to ESG (and dwarfed by mainstream investing), but the amounts involved are already large. Impact investing's assets under management already total some $60bn, with $12.2bn having poured in last year alone. Some forecast impact investing assets to soar to over $3tn in the next ten years.

Moving into the mainstream

Specialist advisers and investment organisations play an essential role in helping families formulate and monitor impact investing strategies so that they really deliver on their dual aims. Yet the global banking brands have also been making very impressive moves in this sphere, where once traditional investment houses tended only to offer responsible or ESG "overlays" and had little in the way of expertise or products for impact investors. For example, UBS - the world's biggest wealth manager - announced a new suite of thematic and pooled impact investments at the start of this year, and said that it hopes to steer $5bn of client assets into impact investments related to Sustainable Development Goals over the next five years.

Elsewhere, Morgan Stanley has been working hard to make impact investing accessible even to retail investors, with the firm recently rolling out two new sustainable investment portfolios with reduced account minimums of $10,000 on its Investing with Impact Platform. (Having launched in 2012, this now boasts over 140 investment products.)

As readers will have gathered, the nomenclature around impact investing and understanding all its possible applications is far from simple; innovative investment vehicles are springing up all the time, while worthy causes proliferate the world over. Families will need to think carefully about how they translate their principles into investment practice, and expert advice will be needed to ensure that they get the results – both financial and non-financial – that they seek. In such a nascent area of investments, even the question of how to measure "impact" is fraught with complexity.

What seems sure, however, is that impact investing will only rise higher on the family office agenda as the biggest wealth transfer in history progresses. Research has found that 67% of millennials believe investments are "a way to express social, political and environmental values" (compared to 35% of baby-boomers) and it is rapidly becoming accepted that the Next Gen are overwhelmingly seeking investments combining competitive returns with a positive social and environmental impact.

For financial services brands seeking ways to remain relevant and help young investors engage with family wealth, impact investing really does seem to be the way forward – it is certainly going to be a big part of tackling our most urgent global challenges.

Wendy Spires is Director of Client Research at findaWEALTHMANAGER.com, the online matching service for HNWIs and leading wealth management institutions.

find a wealth manager.com

LÜRSSEN

LÜRSSEN LAUNCHES PROJECT SASHA

Lürssen launches project Sasha on April 10, 2017

Name: Project Sasha
Loa: 85,00 m / 278'9''
Beam: 14,80 m / 48'6''
Builder: Lürssen Yachts
Exterior Designer: Winch Design
Interior Designer: Winch Design

Lürssen announces the successful launching of project Sasha on the 10th of April 2017. Her delivery is planned for later in the summer.

Responsible for the concept as well as the exterior and interior design is Winch Design who has given project Sasha a sleek and contemporary exterior accompanied with a traditional fresh interior style.

Project Sasha is a voluminous yacht featuring a large master suite and eight spacious guest cabins. A luxurious spa accommodating a sauna, hammam, jacuzzi pool and full depth plunge pool on the lower aft deck presents a relaxed outdoor space with a light and open beach club.

Project Sasha is a complete bespoke design and has been built to meet all of the owners' exacting requirements. Private exterior decks create the perfect retreat for the guests. She has been built to the highest standard and in line with the Passenger Yacht Code.

THE MODERN LEADER

by Paul Russell, co-founder and director of Luxury Academy

No matter our place in business or society, we are all called upon at one time or another to demonstrate our leadership skills. But leadership in the 21st century is rapidly changing. No longer is leadership purely managing, controlling behaviour and keeping followers to a rigid path.

We've moved on from a transactional style of bartering and exchange where the follower does the minimum that is required of them to one that has higher goals. Leadership today is about motivation, inspiration and even transformation. Think about the times when you have been led successfully by others; truly inspirational leaders are the ones that care about their followers and who have the ability to transform our goals and aspirations. They do this with an emotional appeal that rouses something in us and makes us want to do more and be better; it is only with this style of leadership that extraordinary things begin to happen. Followers are empowered, they strive for goals and objectives that previously would have been unthinkable.

The question is though, how do we become such a visionary leader, able to encourage and inspire those that we lead to not settle for the mundane but to reach for more?

When we look at successful modern leaders, we see leaders who are authentic. They are able to inspire their followers because they are seen as real. Often, now, when we choose our leaders we will opt for the candidate that shows us the most authentic version of themselves, we want realism, not a carefully presented image that has no semblance to reality.

The reason for this is simple, trust. There is a huge amount of trust involved in leadership from a follower's perspective and to truly believe in a leader we have to feel that their motivations as a leader are true.

As technology advances, barriers between leaders and follows have been virtually eradicated, allowing us to see more closely just how much (or little) a leader's thoughts and feelings chime with our own. And as we seek out authentic leaders, we also warm to those who are willing to show vulnerability. Leaders who are not afraid to talk about not only current business challenges but about personal challenges they have faced. They own that they have flaws and that they make mistakes, and in this way, they are able to engage with their followers in a meaningful way.

It seems that our appetites are insatiable for stories of how our heroes have overcome obstacles in business and in their personal lives, they show us what is possible and provide strength when times are hard. In this way, leaders who show their vulnerable side are leading by example and engaging where it counts, at the heart.

An added aside is that in this honest and supportive culture, as the façade of the traditional leader is displaced and the real, authentic and vulnerable leader emerges, the floodgates to originality are opened.

Employees realise that they are able to try, explore and discover, mistakes will happen but they will be learnt from, and slowly the transformational leader begins to make their mark. If followers fear reprisals from mistakes, they will be discouraged from ever trying, but if they see their leaders approaching situations with gusto they will endeavour to do the same.

So what stops us from embracing this new, modern way of leading? We can see the types of leaders that prosper in the 21st century; they are thought leaders, engaged within their industry and successful within their roles. We feel that we know them personally, that we are on the same wavelength as us. And yet we are reluctant to emulate their style of leadership ourselves. Certainly, it requires a high degree of transparency.

You must have confidence in your abilities and in your leadership strategy, be able to communicate well with charm and diplomacy with not only direct followers but with all stakeholders; you must have a strong vision for the future and the know-how to engage others with this vision. Confidence, communication, charm, strategic vision: it is these skills presented with authenticity and with a willingness to show the vulnerability that makes a successful modern leader.

Modern day leadership doesn't mean giving up power or showing weakness, quite the opposite, in fact, it means leading from a position of strength with an innate sense of self-awareness and honesty that underpins our actions, behaviours and overall our interactions with those around us.

www.luxuryacademy.co.uk

UNIVERSAL FILM AND FESTIVAL ORGANISATION

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

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

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

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

UFFO is now planning the 'Best of Festivals' event and bringing the member festivals, their best films, actors, directors and producers to one event that will rival the biggest events in the world.

Email info@uffo.org. - www.uffo.org

IS INDEXING GETTING TOO POPULAR?

by Bruce D. Simon, CFA, CPWA®, Director of Portfolio Research at Ballentine Partners

Market watchers have noted the stunning growth of indexed vehicles over the last few years. Coupled with the ease of trading and transparency of exchange-traded funds (ETFs), the low cost and tax efficiency of indexing have led to a boom in the growth of these vehicles to the detriment of actively-managed mutual funds.

With indexing beating the majority of active managers in most asset classes, indexing has been an easy concept for investors to embrace.

Domestic equity index funds (including ETFs) have seen growth in assets every single year since 1993, with net new flows exceeding $250 billion in 2016, according to Ned Davis Research. In contrast, domestic equity active mutual funds have seen net outflows for 11 straight years, beginning in 2006. Last year, net outflows topped $320 billion, the highest on record.

The popularity of indexing has been driven by a convincing performance advantage. According to the Wall Street Journal, the last time more than half of actively-managed U.S. stock funds consistently beat the S&P 500 on a rolling 12-month basis was in the middle of the last decade. Even then, the percentage of outperforming funds never reached 60%. Notably, these comparisons exclude the impact of taxes, which would skew the results even more in favor of indexing. Some active managers argue that they can protect investor capital better than an index during market declines, but the evidence would indicate otherwise.

In a recent article, The Wall Street Journal cited a study that looked at the market crash of 1973-74, when the S&P 500 lost 37.3%. Stock funds lost 38.9% on average, even though they had almost 10% of their assets in cash at a time when interest rates exceeded 7%! ("Sorry Stock Pickers: History Shows You Underperform in Bad Markets Too," written by Jason Zweig and published May

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12, 2017.) Indexers may have a legitimate concern if or even when we reach the point where indexing becomes a dominant force in equity markets. Since traditional indexing allocates money on the basis of market capitalization (i.e. company size), it is conceivable that valuations could become disconnected from company fundamentals, and that the largest companies would attain extremely high valuations based upon attracting the lion's share of new fund flows.

It is true that the mega-cap tech companies that comprise the so-call FAANG stocks (Facebook, Apple, Amazon, Netflix, and Google/Alphabet) are outperforming the rest of the index by a wide margin so far this year (as of May 31, 2017), but these companies are generating much faster earnings growth that has supported their stock price. On traditional valuation measures, at least one of these companies is not especially overvalued. Apple, as the largest company in the S&P 500, represents about 3.7% of the market cap of the index. It trades at a price/earnings ratio in line with the market as a whole, about 18 times earnings. So their popularity could be attributable to their strong fundamental outlook, not the huge flows into indexed vehicles.

Estimates of indexed assets range from approximately 28% to 35% of total fund assets, but when including individual securities held in retail brokerage accounts, the percentage of indexed assets drops to below 15%. In other words, indexing has a long way to go before it can move prices in a material way. In the meantime, active managers will be doing their best to correct any obvious mispricings caused by indexed fund flows by shorting overvalued stocks and buying undervalued ones.

Active managers complain about the high correlation among stocks and the notion that a rising tide lifts all boats, irrespective of company fundamentals. Such an environment makes it hard for stock pickers to separate the winners from the losers. And no doubt, the popularity of indexing has in part contributed to this phenomenon, as fund flows into indexed products are unconnected to company performance. But stock correlations have been declining in recent months, providing an opportunity for active managers to substantiate this assertion.

Indexing has had a long run of superior performance, and nothing lasts forever in financial markets. Indeed, 63% of active managers beat their benchmarks in April 2017, their best month since February 2015, and have generally been doing better since the fall of 2016. If active management in US stocks is to stage a recovery, managers will need to find a way to overcome the inherent drag of higher costs and less tax efficiency compared to their indexed brethren. It is a tall order.

www.ballentinepartners.com

CORE UK COMMERCIAL REAL ESTATE

THE CURE FOR YOUR INVESTMENT HANGOVER?

By Rupert Sheldon

It's been a strange period for global investing since 2007. A little boom, a lot of bust and a period of sustained wealth creation as markets recovered from the deepest downturn since the 1930's.

The last five years have delivered outperformance across many markets with value-add and opportunistic investors achieving stellar returns with the support of very cheap debt.

If that was the party then now comes the hangover: dreary, boring and at times a little uncomfortable!

The global geopolitical situation appears difficult whichever way you look. If the Arab spring of 2011 was a violent reaction to decades of suppression, the more peaceful, but equally destabilising voter revolt witnessed across "stable" western democracies in recent months offers a clear and unambiguous message to the ruling elite that the voting public has had enough of "them and us" politics and years of austerity.

If these socio-economic and cyclical trends have taken some of the fizz out of global investing, perhaps now would be a good time to consider core UK commercial real estate as the cure to any lingering investment hangover.

Core UK real estate is a long-term investment. It is illiquid and is as sensitive to economic and political crosswinds as other investment classes. However, patient, long-term capital gets rewarded through a combination of land value appreciation and progressive income. Smart investors learn how to minimise obsolescence and keep trading costs to a minimum. Follow these key maxims, while keeping a keen eye on tenant counterparty risk and income duration and you are well on the way to de-risking your portfolio. In today's investment climate, the core UK commercial real estate has something akin to gold dust – a high and sustainable income return which is hard to beat from other asset classes.

At Palmer Capital, our core UK commercial income fund provides investors with an annualised distribution yield of circa 5% across a UK portfolio of 22 assets diversified by sector (office, industrial, retail and others), regional geography and tenant mix. We achieve this with an average unexpired lease term of over 15 years (more than twice the market average as measured by IPD), guaranteed income progression via indexation (typically RPI) or fixed uplifts and low tenant counterparty risk with in excess of 70% of our occupiers categorised as "low" risk as measured by Creditsafe.

So, barring a calamity, we should still be distributing 5%+ in 5 years' time and again in 10 years' time. This is a great position in which to be starting each year, and although capital values may rise and fall, the patient investor can look beyond these short-term trends.

An open-ended structure and quarterly dealing, help to create a more liquid wrap around a notoriously illiquid asset class. This is key as many investors make the right call to go into the sector but choose the wrong vehicle with which to execute their strategy.

When investing in a core UK commercial real estate fund, you need the ability to be a long-term investor which means keeping control of your own destiny. To achieve this, it is important to adopt a conservative approach to leverage (or have none at all) and ensure your fellow investors have a similar philosophy and timeframe. Large open ended funds, while providing access to core real estate, typically have a disparate group of retail investors that can be fickle, often follow the herd and therefore drive the manager to buy and sell at the wrong times of the cycle with consequent value destruction. Our core income fund is unleveraged, and the investor base is all long term comprising UK pension funds and high net worth investors. While other large open-ended funds suffered forced selling following a run of redemptions post-GFC and Brexit vote, we had only £200,000 of redemptions during these periods. This has allowed investors to remain within a stable fund which has enjoyed steady value appreciation over a sustained period and some opportunistic buying courtesy of £50m of fresh investor capital committed into an unsettled market post-Brexit vote allowing us to be the hunter, not the hunted.

In today's uncertain investment climate, a well-executed UK commercial core real estate investment strategy can sit as a very appealing counterweight to other investment positions maintaining its appeal as a long-term diversifier – a comfortable cure for your investment hangover!

www.palmercapital.co.uk

CONTROLLING COSTS AND CARE FOR AGING LOVED ONES

The pull between emotional and financial factors of hiring help for a family member can leave one feeling dizzy. With all the options for care available, it can be difficult to determine which is best for your spouse or parent. Should you hire someone directly or go through an agency? What are the costs associated with each? What about quality of care? What about tax obligations? All of these are questions that someone with an aging loved one needs to consider, but most wait until the need for care is immediate before doing so. Family Offices can help by guiding their clients to ask these questions in advance.

To help put things into context, let us consider a family hiring a caregiver for a parent with dementia. This parent is ambulatory but their mental state can change at any moment, and thus their reliance upon a caregiver is unpredictable. With 24/7 care likely required, the family is certainly looking at a large financial obligation, in addition to an emotional one.

The first choice this family has to make is whether to hire someone in the home or move the parent to an alternative facility. Many seniors prefer to age in place, but this is not always logistically feasible for the supporting family. In our example the parent can usually care for him or herself, making the cost and hassle of moving unnecessary. In this case, hiring in-home care is likely the best option for everyone involved. The senior gets to stay in their home, the family doesn't have to coordinate a potential downsizing, and changing as few things as possible is a plus for someone with dementia. This is the point when a family office can deliver value to a family by helping them navigate the complex laws of in-home care. There are two main options to consider: hiring someone directly (either through a formal marketplace or independent options) or hiring a senior care agency. These two options have many similarities, but a few important differences.

When hiring caregivers through an agency, a family pays the agency an hourly or daily fee. The agency employs the caregiver and assumes the requisite employment

Daniel Rafeedie
HomeWork Solutions

responsibilities: payroll, tax filing, health insurance, worker's compensation, etc. While this sounds ideal, it comes at a steep cost. Employing a caregiver through a senior care agency often comes at a 30 to 40% premium over the alternative.

Similar to Uber and Lyft in transportation, private employment of caregivers through the sharing economy is challenging the traditional agency model. Families can now search online for local, vetted caregivers for their loved ones. Families benefit from an increased number of caregiver options and large cost savings. Online senior care marketplaces, such as Kindly Care and Carelinx, market a direct savings to families of up to 50%, as families can negotiate the hourly or daily rate directly with their selected caregiver and avoid a large agency mark up.

Kindly Care's Founder and CEO, Igor Lebovic notes, "In the past, families who wanted to hire their caregivers directly had to engage multiple service providers to ensure safety and compliance, as well as instant access to a large pool of candidates. Kindly Care provides all those services under one roof, combining the affordability of private care with the safety and convenience of the agency model."

By privately employing a caregiver, the family becomes a household employer as defined by the Department of Labor and IRS Publication 926. While you may recognize this employment responsibility as the "Nanny Tax," it clearly applies to more than just childcare. These laws apply to anyone privately employed in the home; be it a senior caregiver, nanny, chef, or laborer. The family assumes the payroll, tax, and insurance responsibilities traditionally accounted for by the agency. While these administrative tasks come with some cost, they are usually more than offset by the many benefits of private hire. Unlike employment through an agency, household employers can control the wages paid to the caregivers, avoid paying overtime to live-in workers (in most states) and maintain direct control over the working relationship. Annual savings on live-in workers can amount to $75,000 through domestic employment.

Helping families with this employment relationship is a great opportunity for family offices, though navigating the state specific legislation can be challenging. Household payroll experts like HomeWork Solutions aid family offices and their clients by offering expertise, simple administration, and a focus on compliance and protection of the family. Services usually include electronic paystubs, direct deposit of employee pay, HR consultations, online recordkeeping, and mobile timekeeping applications.

HomeWork Solutions is a household payroll and tax compliance company that maintains outsourcing partnerships with family office firms nationwide. We have served the needs of wealthy families for more than 24 years, both directly and in a back office function supporting family office staff with household employment matters.

www.HomeWorkSolutions.com

CLASSIC CAR COLLECTION: A QUESTION OF GOVERNANCE!

by Pierre-Yves Augsburger Senior Consultant at Fuchs & Associés Finance SA

In this recent contribution, we will not dedicate any time towards examining the classic car market and elaborating about the evolution of prices, but rather focus on the governance aspect of owning classic cars.

In fact, a proper due diligence and risk mitigation/ management is not merely necessary at the time of each acquisition but further critical on an ongoing basis when structuring and managing a collection of classic cars.

As known to most readers, the price surge in classic- and exclusive sports cars have been massive over the last 10 years, as quantified by key classic car indices showing increases above 400% over the course of a time period which is considered relatively short when taking into account the typical time horizon for the preservation and growth of HNWI's wealth. Such an extraordinary price appreciation has largely affected the concept and practicalities of classic car investments.

A passion investment...

Indeed, for illustrative purposes let's consider a classic car collection initiated in the late 90's or early '00s at a worth of one million Euros at that time. In today's environment, the same collection could easily be worth tens of millions.

This means that the practice of investing in classic cars, which initially was mostly done purely out of passion for the asset itself (referred to as "passion investments"), driven by the pursuit of an aesthetic pleasure and a so-called "dividend of pleasure" derived from the use of the asset, has developed recently into an investment category requiring a proper organisation, structure and planning taking into account among others tax, succession and governance constraints.
While these aspects can be addressed with specialised lawyers and tax advisors, the particularities of the asset class entail that it is important to complement this advice with the expert opinion of classic car consultants.

Proper planning is required...

The current investor landscape is still heavily represented by "older generation" classic car collectors whose investment approach is strongly dominated by their eccentricities, personal preferences and love for the assets themselves. However, in the preparation of passing on the classic car collection to the second generation, proper planning is required.

The importance of accounting for aspects such as the addition of new cars, reshaping of the collection, conservation and maintenance of the cars in setting up a robust planning shall not be undermined and can rather easily be addressed via a wide range of solutions available on the market, notably expert assessments and valuation services. Nevertheless, to guarantee a successful succession planning, the involvement of family members, as well as their education on the intention behind the succession and the planning thereof, is essential.

In particular, the governance of a classic car collection has to be laid down in writing, so as to ensure that the planning is clear, known to all parties and can be passed down from generation to generation. This should avoid family discords and costly litigations that often follow the passing away of a collector.

In this context, we would like to quote the following passage from the famous movie "Gran Torino", where the classic car owner (Walt) passed away, and family members had hoped they would be entitled to the house and in the daughter's case the classic car, only to find out that Walt's last wishes were somewhat different and most importantly had not been communicated to any of the family members beforehand...

Lawyer: [reading from Walt's will] And I'd like to leave my 1972 Gran Torino to...

[the lawyer pauses and looks up at Ashley, who smiles expectantly]

Lawyer: ...my friend... Thao Vang Lor. On the condition that you don't chop-top the roof like one of those beaners, don't paint any idiotic flames on it like some white trash hillbilly, and don't put a big spoiler on the rear end as you see on all the other zipperheads' cars. It just looks like hell. If you can refrain from doing any of that... it's yours.

Succession planning...

To avoid such unfortunate misunderstandings, the classic car owner shall take the time to properly plan the succession by asking himself/herself the following set of questions:

Does your family, your heirs want the cars?
What are the options to be considered?
- Sell the cars during the life.
- Gift the collection during life.
- Donate during life.
- Sell the cars at death.
- Bequeath at death
- Donate at death.

All listed options and potentially combinations thereof are viable solutions, in any case, the most appropriate planning and structuring of the collection may vary in accordance with the collection itself.

Structuring a collection...

Indeed, for a collector with a truly significant collection, the creation of their collector museum may be an appropriate solution, while this would hardly be appropriate for a collection of a much smaller scale. However, even if viable, a proper governance addressing the financing of the museum's running costs over the span of several years has to established so as to avoid a premature closing of the museum. Such closing occurred for instance in the context of the death of the Swiss car manufacturer Monteverdi: the Monteverdi Museum in

Binningen has to be closed this year, and the collection will partly be taken over by another Swiss museum.

In today's environment characterised by major disruptions, one of the key challenges for a classic car collector might take the form of changing/evolving family relations as well as the internationalisation of families and associated complexities in operating within different tax and legal systems.

Documenting the purpose of the car collector in writing and securing it in an appropriate ownership structure will help the next generation to be re-wired to connect to the power house of the first generation.

As such, the collector might require coaching as to how he can explain the wealth/collection he has accumulated, and it's implications to his spouse and family. Providing simple answers on how to keep the collection together respectively how to sell the cars after the collectors' death are points to be addressed. It is also possible to set-up a family council as part of a robust governance. In any case, it is any good consultant's responsibility to raise awareness of the pitfalls/issues that may occur not only during the life but also after the death of the car collector. Ownership structuring is first and foremost about setting up a smart and compliant legal structure within which to hold and develop the classic car collection not only during the life of the collector but also after that, by properly addressing its succession to the next generation.

Image ©Bahnfrend

FUCHS
FAMILY OFFICE

THE BENEFITS OF ESTABLISHING A SINGAPORE HOLDING COMPANY FOR FAMILY OFFICES

By: André Reboh

Family offices may use various jurisdictions when it comes to set up a holding company.

In this regard, Singapore certainly offers one of the best holding regimes in the world and promotes ease in the establishment of new business.

In particular, Singapore is well positioned for outbound investments, notably for entering the Asian emerging markets, but not only.

There is a variety of tax benefits that businesses can also make use of.

Start -ups as Singapore has adopted the territorial concept of taxation, income tax is imposed on Singapore-source income at 17 per cent and, with certain exceptions, on foreign-source income received in Singapore.

If a newly incorporated Singapore company has fewer than 20 shareholders, and at least one shareholder is an individual beneficially holding at least 10 percent of the company's issued ordinary shares, the company can claim for full tax exemption on the first sgd 100,000 of normal chargeable income in each of its first three consecutive financial years.

A further 50 per cent exemption is given to the next sgd 200,000 of normal chargeable income for these three years, which may reduce the corporate income tax rate to 5.67 percent for the first sgd300,000 of taxable income.

Foreign- source income
foreign-sourced dividends received in Singapore are exempt from tax with the following conditions:

- the foreign income concerned must be received from a jurisdiction with headline tax rate of at least 15%, and the income must have been subject to tax in the jurisdiction from which it is received

If any of these conditions are not fulfilled, it may be possible for the Singapore Company to obtain a foreign tax credit.

Dividend income
Under the one-tier corporate tax system, corporate tax paid is a final tax. Thus, dividends paid by the Singapore company are not subject to any withholding tax or any tax in the hands of the shareholders.

Other taxes and rules
There is no tax on capital gains in Singapore. in e_ etc., gains arising from the disposal of investments or assets of a Singapore company are not subject to any tax. Also, there are no controlled foreign company or thin capitalization rules in Singapore.

Singapore companies can apply for headquarters incentives. The purpose of these incentives is to encourage multinational companies to locate either their regional or international headquarters in Singapore. Other incentives, such as pioneer status and the development and expansion incentive, are also available.

Double taxation agreements
Singapore has more than 65 double taxation agreements. Treaty benefits include the availability of a reduced withholding tax rate or exemption from withholding tax on certain classes of income, such as dividends, interest and royalties. Also, a Singapore company can reduce or eliminate withholding tax on the repatriation of profits.

Mutual agreements procedures
Singapore has adopted the mutual agreement procedure (map) in its tax treaties, which offers a dispute resolution channel in the event of transfer pricing adjustments. Thus, it allows both the inland revenue Authority of Singapore (iras) and the respective foreign tax authorities to consult with each other with a view to resolving the conflicting situation of taxpayers.

International considerations
Singapore has concluded free-trade agreements (ftas) with the association of south-east Asian nations jurisdictions, among others. An ftas is a legally binding agreement between two or more countries to reduce or eliminate barriers to trade in or facilitate the cross-border movement of goods and services between, the territories of the parties.

With ftas, Singaporean exporters and investors stand to enjoy myriad benefits ts, such as tari_ concessions, preferential access to certain sectors, faster entry into markets and intellectual property protection.

Estate planning
Succession planning and asset protection are usually key objectives for family offices.

The establishment of an offshore trust or foundation on top of a Singapore company should be considered with a view to facilitating the transfer of business participation to the next generation, or simply to organise the succession in favour of specific family members or partners.

This may avoid the costly process of probate, provide protection from creditors, in-laws and divorces, and offer protection and tax savings for beneficiaries in the long term.

For more information, you can contact:
andré reboh, managing partner with
jadestonepartners group pte ltd
www.jadestonepartners.com

FROM BALANCING PEAS, MANEUVERING AIRPLANE TROLLEYS AND LEARNING HOW TO WORK WITH NEW MEMBERS OF STAFF

A DAY IN THE LIFE OF DOMESTIC STAFF, TRAINING IS NEVER BORING!

At a high-end hotel in Central London, a group of students nervously paces around, eagerly waiting for the results of their final exams to come in. Only several hours ago they completed an intense, three-day Silver Service training course which was concluded by a nerve wrecking assessment: providing the full table setting and service of a group of 8 high end business people for a formal lunch, whilst their Silver Service trainer meticulously followed their every move, making notes as they went along.

A plate wrongly set? The distance between the knife and the glass too far? Or perhaps food served from the wrong side? These is no escaping - all the skills, rules and regulations they have gone over and over in the last three days had to come out during this high pressured, real life service. A chef was in situ to prepare a high-end 5-course lunch, and the students did their best not to spill any of the welcome Champagne - or worse, red wine - on the guests. Of course, the trainer made sure the food served was a variety of complex structures. Try plating up bouncy peas, slippery buttered asparagus and a delicately constructed Mille Feuille dessert while maintaining composure and balance!

Meanwhile, in a large private estate in Berkshire two of the resident housekeepers are walking around with notebooks in their hand, following their Housekeeper Trainer for the next couple of days. The trainer arrived first thing this morning and immediately started going through the property with them, helping in establishing a list of tasks, and setting up a structure from there.

The second part of the training will be spent focusing on teamwork, helping each other instead of being in each other's way, and complementing each other's skills, strengths, and balancing out weaknesses. One of the two ladies has been working for this family for more than ten years and has recently been joined by a second housekeeper, as the family moved into a larger property in the countryside. Even with all her experience, hard work and dedicated, the main housekeeper is firstly not experienced working in a team sharing the role, and secondly not used to having to stay on top of all the housekeeping in a significantly larger property. Having a trainer access the situation is a win-win for both the housekeepers and the principals: the housekeepers' daily role will become significantly easier now there will be a structure in place, as well as an understanding of how to, efficiently, work together. While the principals will not have to go through the stressful situation of looking for new staff as they love and trust their current housekeepers who will be up to scratch, able to fully manage and keep up their precious new home.

Then there is the corporate training room that has been cleared out for the next two days, and lines of coloured tape on the floor mark the measurements of the inside of a private jet. Three members of a Saudi private airline have come over to fine tune and upgrade their service style for the jet owners and guests of the planes. Trolleys are in place, and the students are doing their best to manoeuvre drinks and food in the confined space of the isle. The whole room breaks out into laughter when one student trips over her untied shoelaces, and in her stumble manages to push the trolley through the room, knocking down the seat that would have been the captains.

Back to the London hotel lobby where students one by one are being called in to receive feedback on their writing, as well as their practical assignment to conclude their hard work and study. Thirty minutes later a clearly proud trainer welcomes all the students back in the room - which is quickly filled with people beaming with pride and big smiles on their faces. Smiles of pride, for their newly acclaimed certificate, but also of excitement and hope of what doors these new found experiences and the newly passed qualification, can open. Not to forget the exciting roles that will be available for them.

As a final task, all students are asked to set up trays with glasses of champagne to cheer to their accomplishments. The trainer, forever in his role, can't resist and quickly steps in to adjust the spacing between the champagne flutes on one of the serving trays a student is displaying. The other students quickly pick up on the correction by checking and adjusting their trays accordingly. A great final lesson for them to finish the day, that although they might have passed their tests, and they have their certification in hand, the learning truly will never stop.

Training and continuing education for candidates of all backgrounds is a valued aspect of career development. Would you like to know more about the training opportunities, both group classes and private training opportunities? Polo & Tweed welcome students from around the world, and they run classes in the United Kingdom and send their trainers around the world. Polo & Tweed, raising the bar in training. www.poloandtweed.com

ALTERNATIVES TO SUBSTITUTE BANK DEPOSITS FOR RUSSIAN HNWIS

The interest rates have constantly been decreasing by the Central Bank of Russia from January 2015, which has inevitably caused low level of bank deposit rates. In particular, now one may have around 6-8% in RUB and around 0,5-1% in USD and EUR. Given the fact that the FED has been targeting at 2% inflation, expected investment return should be not less than 3% to cover inflation and show some grown. What instruments should be using HNWIs in Russia to preserve their capital in USD and EUR and have a regular income like bank deposits provide?

Bonds. If one's investment term exceeds 3-5 years, one could find investment grade bonds with a yield to maturity of 3% and a bit above to invest in. For conservative investors, it may be prudent to select senior (not subordinated), nor hybrid or convertible or perpetual bonds that have lower volatility and lower credit risk of their portfolio.

Loan notes. These are typical for developers as a bridge loan option. Typically, they won't be trading on a stock exchange, but nevertheless, they might substitute bank deposits as they provide regular coupons and pay back 100% of investment amount when mature provided there is no default. They are not as liquid as bonds, but their coupon rate sometimes exceeds 6-7% p.a.

Structured notes with regular coupons. Such notes would hardly be providing 100% capital protection if one is aiming at an expected return of more than 4-5% p.a., so one should be cautious while selecting such

products. To diminish the level of risk, it may be wise to choose notes with memory effect for coupons: they will be paid in full even if the basic assets' prices have breached the barrier level on some dates but recovered afterwards at some coupon payment date. Also, the coupons should be paid as all assets are above the barrier (but not above their initial price since this condition gives less probability to receive coupons).

On top of that, it's better to select notes with airbag: even if some assets breach the barrier, the note won't auto call with losses, but will remain active until the end, and only if some assets breach the barrier at the end of the note, investor will end up with losses. Alternatively, one may be using a first to default type of note, but in this case, it's better to choose the note that will be paying coupons even in case or 1 or more defaults of the underlying bonds of the note, but the coupon rate will be just a bit lower than if no default occurs.

Funds with regular dividends. Those might be ETFs or mutual funds, though ETFs would be more liquid and cheaper from commissions point of view. In the meantime, mutual funds might be providing some investment strategies not available via ETFs. Conservative investors should stick to bond funds whereas investors with greater risk appetite might be using equity and commodity funds as well. Those dividends might be paid monthly, quarterly, half-annually and annually, and they would typically vary in between 2% and 5-6%, but might be higher for some funds.

Microfinance companies, p2p-loans. This option is obviously riskier than bank deposits, but might be suitable for investors that are looking for regular payments and lack of market volatility. However, this instrument has high default risk, so by adding it to one's portfolio, one should study the financial situation of lenders carefully. Also, this instrument is not that liquid, so it's better not to place more than 10-15% of one's portfolio there.

Rental property. This is a favoured asset by Russian HNWIs. However, my personal choice would be buying rental property in Germany, France, the Netherlands, etc., but not in Russia because of high-interest rates for mortgage and low rental income, which has diminished further due to stagnation in the Russian economy.

Because the property is illiquid compared to bonds, it may not be wise to place more than 50-60% of the portfolio into this asset class. In the meantime, I'd consider this type of investment as conservative, or moderate-conservative is property is bought in a developed country with stable demand for rent and lack of recession in the economy.

To sum up, there is a wide variety of instruments, both conservative and aggressive, to substitute bank deposits and ensure your capital will not only be protected from inflation but may also increase growth..

Natalia Smirnova
CEO, Personal Advisor ltd.
Moscow, Russia

50 SHADES

OF FAMILY OFFICES

I am often asked by both colleagues and clients what I mean by the term family office. There are numerous different definitions floating around in glossy marketing brochures and on the intranet, and often these give rise to more confusion than clarity. It can be instructive to see who it is putting forth a particular definition when evaluating it.

For example, many in the finance industry think of a family office as focused on financial investments and trading. The image they conjure up is of banks of computer screens and Bloomberg terminals in a modern office somewhere in the heart of Mayfair. In reality, many family offices still form part of a wider family business and just as often I'm dealing with people working out of an industrial estate in Slough or a back room in the family's country estate who are coordinating a significant M&A transaction one minute and then dealing with the family dog walker the next.

So what do I have in mind when I use the term? In the most simplistic sense, I am referring to the professional management of a family's assets and personal affairs. Some would argue that every family has its own form of family office, but it really takes on greater significance when the family's assets reach such a size and complexity that their management becomes a full-time job. As such, the family office is a concept, not a structure, and it can take many forms. These may or may not be underpinned by the need for legal structures to hold the family's assets (such as a trust, company, foundation or partnership), but these in and of themselves are not what makes a family office.

The most recognisable form of a family office is the all-singing, all dancing, entity that may even have family office in its name. A team of professionals will have been hired, often over a period of time, and there will be in-house experts to manage the many different

Catherine Grum
Head of Family Office Services KPMG

assets from commercial real estate and private equity through to yachts, planes and artwork. These will be accompanied by a CFO, a team of administrators and, in some of the largest, their own HR or IT functions.

At the other end of the spectrum, I work a lot with one or two family members, often in the rising generation, who have been asked by their family to take on the responsibility of managing the family's assets.

Between these two extremes you have 50 different shades of family offices, from the family's former lawyer, accountant or banker who has attained the status of trusted adviser and is now directly employed by the family, the family's trustees or the former FD of the family business who has been asked by founder to help with an ever increasing amount of the family's personal affairs. This last example is increasingly common, and many family businesses are developing embedded family offices within them, whether they realise it or not.

Often those involved have never even heard of the term family office and wouldn't necessarily associate their role with this even if they had. They are typically needs-driven enterprises, run on a limited budget as a cost centre for the family and their size, style and make-up will be dictated by the purposes they serve for their founding family.

In a separate box, I place multi-family offices and private investment offices. These both have their roles to play in helping wealthy families to manage ever-increasing complexity, and there are some very good ones in the market. They may even be used by established single-family offices to outsource certain functions such as investment management to. However, where they are established or have evolved to support more than a handful of unconnected families, they differ in ethos from the single family offices described above. They are typically run as commercial enterprises to generate a profit for their shareholders (who may or may not include a selected number of the families they serve), and the services they provide in-house will be relatively well defined and finite in variety.

One final question that is almost inevitable in these type of discussions is the level of wealth required by a family before they should contemplate establishing their own family office. Unfortunately, my answer is somewhat unsatisfactory as the truth is, it depends.

It mainly depends on the purpose the family has for creating the family office, the assets it is looking after and the staff it will need to hire to fulfil this (as staffing costs are usually the main expense). If they are looking for a wealth creation vehicle that will be actively investing in new business opportunities or undertaking complex financial trading activities, then they need to have sufficient critical mass to justify employing the relevant professionals in-house, and you may be looking at somewhere around £500m as a minimum. You can expect the costs to be somewhere between 0.5% and 1.5% of the assets being managed with the costs at the lower end within the larger scale operations.

However if the aim is to create an entity that gives the family a central focus following the sale of the family business but their focus is more along the lines of wealth preservation and philanthropy, many of the more expensive services can be outsourced and the family office will play more of a coordinating and administrative function at a lower cost. In this instance, the assets could be closer to the £50m mark. The key in each case is to spend enough time understanding what you are looking to achieve with your family office at the outset to enable you to select just the right shade.

www.kpmg.co.uk

SOURCING UNIQUE PROPERTIES FOR SALE AROUND THE WORLD

From Medieval Towers to Missile Bases

Unique Property World

As one approaches The Tower in the small village of Sway, Hampshire, it is impossible not to be impressed by the audacious architecture of this 218ft, private tower. Rising far above the surrounding buildings, this unique and spectacular £3m family home offers fantastic views of the Hampshire countryside, The Solent and even the Isle of Wight.

Although it's certainly unique, this 130-year-old tower may not be the most unusual property listed on UniquePropertyWorld.com. That accolade might go to a decommissioned missile base in North Dakota, a traditional 'Fale' in Samoa or even a turnkey, thatched surf resort in Indonesia.

'Clearly, the common denominator with these properties is they are all unique' commented Art Jenkins of UniquePropertyWorld.com (part of Ultra Primus). 'We're not a property agent and are objective when accepting properties on to our website to ensure our audience can find the unique properties for which they are searching.

We do seek out those properties which are one or more of the following; non-traditional, were [often] not originally built as a residence, have employed unconventional building methods or stand out as being considerably different from the norms of the property world'.

Unique Property World covers all parts of the market, from decommissioned military bases to disused churches and from rustic jungle tree houses to luxury 'over the water' residences, hence the price range of properties runs from the low tens of thousands up to multi-millions and now also features some striking commercial property opportunities including a thatched, beachfront boutique hotel in Mexico and numerous other unique offerings in the hospitality sector.

Global interest in eco-friendly homes also continues to grow, and thus we can feature homes such as straw-bale properties (an environmentally friendly and energy-efficient building product), 'earthship' homes, and luxurious eco-friendly properties in the U.S.

With self-builders increasingly considering new and/or non-mainstream building methods, buyers being inspired through a multitude of television and social media channels focused on unique and unusual building projects, small scale developers seeking to differentiate their projects (particularly for holiday homes), entrepreneurs (particularly hoteliers) searching for an eye-catching home for their new or existing business and second home owners being empowered by the success of Airbnb and Homeaway to find guests from around the world, there is certainly a boom in interest for all types of unique properties.

As many of these buildings don't easily fit into the mainstream property world and can often become 'lost' amongst the millions of other residences available for sale, Unique Property World boosts the online visibility of these unique properties. Art commented; 'Our website appeals both to those buyers who are looking for a specific type of unique property (e.g., a geodesic dome) and to those individuals and companies who are searching for something 'different' but who aren't committed to the specific type of property. On the seller's side, we are not an agent, and thus we can accept listings from both sellers (direct) and via property agents'.

The service is also being used for a new generation of so-called 'tiny homes' and other factory-built, portable homes which are a world away from post-war, prefabricated properties. Often designed with the aim of alleviating housing shortages and/or reducing the exorbitant cost of buying a 'normal' home in some locations, these prefabricated properties are now very design-led, with credible tech and eco credentials. Although some of these properties might use an existing frame (e.g., a shipping container) as a base structure, others such as the impressive KODA are designed from the ground up. Aesthetically pleasing with clean lines, the concrete, box-like home has high ceilings, a glass wall and is fully self-contained. Requiring no foundations, the KODA is portable and has many potential uses including as a studio home, home office/guest accommodation or standalone hotel rooms. The manufacturers have also had enquiries from a prospective buyer considering the KODA as a self-contained space to display a private art collection.

From trophy properties such as historic towers and missile bases to more practical solutions for solving housing shortages, the fringes of the property market are a fascinating arena and with Unique Property World also making preparations for the inaugural Unique Property Show in London, it seems that this niche can only continue to grow.

www.UniquePropertyWorld.com

SOLVING AND RESOLVING ISSUES WITHIN THE FAMILY OFFICE

The clue is in the name: Family Office. Have you ever come across a family that doesn't have some disagreements or issues? These could be based on age, position within the family, knowledge, expertise or just personality.

However, whatever the reason it is preferable not to let family issues come into the Family Office but, if they do, resolve them very quickly.

The nature or cause of the issue will vary. It may involve the senior executives who are not family members, senior executives who are family members and family members who are directly involved with the Office or, indeed, have no involvement at all.

A Mission Statement and Business Plan is of great help as a benchmark and guide. Preferably written with a consensus from the family most actively involved, it should set out the core principles, the route to be taken in achieving them and recognition of the issues that will be found along the way. The Mission Statement could be written with the help of the CEO and/or CIO or, depending on circumstances, presented to the executives to implement (on, of course, the understanding that they buy into it). Agreeing and sharing prime objectives should lead to a stable and harmonious existence. Within a Family Office that has been established for some time, it is important that the Business Plan and Mission Statement is reviewed and when needed, revised on a regular basis.

Mindful of the age-old adage that a camel is a horse designed by a committee, the Family Head has to be prepared to stamp his or her influence very firmly on the Statement. However, the views and opinions of family members should be heard and considered. If this is done in the earliest days and then reviewed at regular intervals, it should negate some, or indeed most, of the issues. The varieties of issues that may arise are many

Dudley Edmunds
Culliford Edmunds Associates

and varied, but as the outcome may impact on all involved, it is necessary to sort them out quickly. Probably the most difficult to cope with is a strong strategy disagreement between the hired CEO and the head of the family. The CEO (providing the Family has hired wisely) will be a total professional who, while understanding the fundamental issues and complications within the Family, will have his or her eyes firmly fixed on delivering results according to the agreed Business Plan. Accordingly, it makes absolute sense for the Family principal to listen and carefully consider the points and issues that the CEO/CIO raises and respect that this is the person that you have hired to deliver your objectives and look after your wealth. It is likely (and certainly hoped) that any such issues will be resolved quickly and effectively.

However, what happens when the issue is between the CEO/CIO and a younger or more junior family member who may also come from a financial background? This is trickier for the hired executive as they will be very aware of the need to balance professional perspectives against family loyalty. However, if the family head and the FO head have developed the right sort of relationship, then they can and should work together to mitigate the issues raised while, hopefully, keeping the family members on-side.

Depending on some factors it is likely that all family members who are genuinely interested in the workings of the FO will have valid points and ideas that are worth hearing and considering.

Fortunately, for the hired professional, issues within the Family can and should be left to the family head to sort out. However, when the issues impact on the running of the FO the hired hand may be brought in whether they like it or not! This is when tact and diplomacy must come to the fore, and the hired executive should work openly with the various factions to resolve any dispute or difficulty, always remembering who the ultimate boss is!

Where it can be tricky is when two or more family members have opposing views, and both seek the support of the hired executive. If this happens then, my advice is to listen to both sides, refer to the family head and be guided by them as to the most appropriate course to take. Hopefully, this advice will be to be an impartial listener who points out the positives and negatives of the opposing views. Yes, there is a possibility that one member may take umbrage but, the hired executive can revert to the agreed Business Plan and if needed, the final say of the family head, his or her employer!

Clearly, the family head and other family members must respect the professional view and guidance of the hired executive. This, of course, assumes that the Family chose wisely and appointed the consummate professional and not the consummate "yes man" (or women)!

Dudley Edmunds is a veteran in global financial markets recruitment. His speciality is wealth management, private banking and Family Office. He now works as an independent Consultant but has associates in France, Singapore and Switzerland. His works very closely with his clients whether it be on a start-up or the hire of a senior executive.

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GUNSONPEGS

HOSTS THE 5TH ANNUAL WORLD GUNMAKERS EVENING

by: Ramona da Gama

On the 18th May, shooting enthusiasts all gathered in Central London for a night dedicated to the best the worldwide gun trade has to offer. Located at the Jumeirah Carlton Tower in Knightsbridge, the finest examples of gun making from all over the world joined forces to retail their latest wares, engage with clients old and new, and celebrate the shooting community.
"People from all over the world attended the event to see what innovations were available in the market and in some instances to buy them. This is an exclusive event run by GunsOnPegs for its members.

There were many famous brands on show. From James Purdey and Sons, William Evans, boasting a fine range of accomplishments of Spanish and Italian craft Grulla and Perazzi, Holland & Holland, Beretta, Browning, Boxall & Edmiston and many others. It was incredible seeing so many iconic brands under one roof.

A very interesting part of the evening was at the Boodles Lounge where one had the opportunity to see some of the finest watches, jewellery, clothing, fine wines, and accessories on display.

Also in attendance was Bettws Hall, who runs over 500 shoots on their exclusive estates in Mid Wales and the West Country for enthusiasts from all over the world. Their days are seamlessly run for maximum enjoyment. The excellent shooting is combined with fabulous accommodation, and fine dining is all part of what's on offer.

There were some Shooting schools delivering lessons on the evening. My first lesson was an eye-opener. Talking to 'The Shooting Chauffeur', James Kissock, he really is 'The Fixer' and can organise anything from visitors permits, storing guns, supply them and getting you to your shoot on time!

The highlight of the evening was a talk given by Simon Weston CBE. His stories of the Falklands revealed the bravery and positivity throughout the difficult time during the war and after. Simon, a Falklands Veterans is a great role model who despite all the pain he has suffered delivers such harrowing stories with a great sense of humour.

Head of Brand Advertising Frank Stephenson comments on the source of strength for this event. "What makes the World Gunmakers Evening such a success year on year is the calibre of the brands involved. We are extremely proud to host an event that features the world's leading gunmakers under one roof in Central London. We are thrilled to showcase what these incredible brands have to offer, and deliver something truly exceptional to our members and guests."

To attend next year's event get in touch with GunsOnPegs via their website.

www.gunsonpegs.com

TECH SECONDARY MARKET

A DIFFERENTIATED OPPORTUNITY

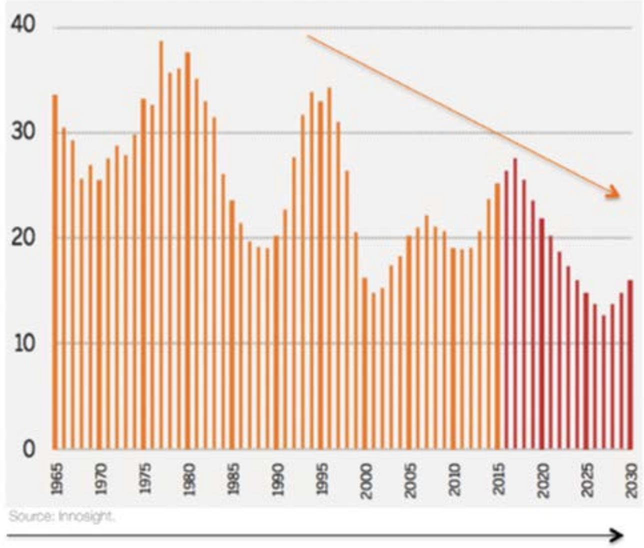
In a yield-starved world, the private tech asset class is becoming increasingly indispensable. Anaemic public market returns, a lukewarm M&A environment, and a prolonged period of low-interest rates fuelling easy capital availability from institutions that have traditionally eschewed private tech assets have shaped the evolution of a number of the current private technology leaders or 'unicorns'. Remaining private has allowed these companies to focus on innovation and market share without the scrutiny that a public listing entails.

Much has been written about the private technology secondary market, which was fuelled as a market phenomenon by the unique factors that supported Facebook's (FB) journey to a public listing. FB's exponential monetisation drove its ability to keep raising private capital at ever-higher valuations and delay its IPO, leading to the formation of a vibrant market for its shares. The secondary market thus created has since expanded to encompass virtually all major VC-funded private companies globally.

Both global demand and supply of private tech secondary interests have grown rapidly in recent years. Our internal estimate is that annual global secondary volume, including LP transfers, is ~$35Bn to $40Bn. On the demand side, the unprecedented level of family wealth creation over the last decade has not been matched by corresponding levels of access to private tech. The historical under-allocation of global private wealth, particularly family offices, to private technology will reverse over the next decade, and we believe there are powerful reasons why a meaningful portion of that capital will enter via secondary markets.

1) Dominance of technology companies will accelerate

Software is re-imagining entire legacy industries such as automobiles or financial services that were regarded as well-insulated against new entrants. Even large MNC's are impacted by this new paradigm of technology-induced competition. The graph below highlights how the average lifespan (in years) of a S&P 500 company has been declining over time (on a rolling 7-year basis).



Private Tech Secondary Markets - Overview Figure 1. Average lifespan of a S&P 500 company

The trend towards technology eating non-technology is further borne out by the composition of the Top 10 names in the S&P 500 over time. In 1990, there was only 1 technology company in the Top 10 (IBM – market cap US$64Bn). In 2015, 5 of the top 10 were tech companies (MS, AMZN, GOOG, Apple, FB), representing nearly US$2.3 trillion of cumulative market cap. It is not inconceivable that by 2030, the Top 10 will exclusively comprise tech companies.

2) Within Tech, private tech returns will dominate public tech returns

We are in the middle of a profound shift in value capture from public markets to private markets. Prior to the Google IPO, the best technology companies were going public earlier in their lifecycle. This allowed public investors to capture disproportionate value relative to private investors. Starting with the Google IPO this trend reversed dramatically (Table 1), as the lion's share of value has been captured in private rather than public markets, the recent Snap IPO being a case in point where a public school turned a $15k seed cheque into a ~$25mn windfall.

Name	Year of IPO	Revenue @IPO*	Valuation @IPO*	Current Valuation	Prvt Return/Public Return****	
AirBnB (2008)	2018**	$1.5bn***		$30bn	3000x/	Pre-IPO Companies largest winners
Uber (2009)	2018**	$6.5bn***		$69bn	6900x/	
Snap (2011)	2017**	$300mn***	$24Bn	$37Bn	2300x/1.6x	
FB (2004)	2012	$3.7bn	$104bn	$344bn	11,400x/3.3x	
Goog (1998)	2004	$1.9bn	$28.1bn	$526bn	2,300x/25x	
AMZN (1994)	1997	$23mn	$430mn	$344bn	30x/1150x	Post-IPO investors largest winners
MS (1975)	1986	$293mn	$1.1bn	$455bn	50x/875x	
Apple (1976)	1980	$329mn	$1.5bn	$576bn	150x/385x	

* Inflation adjusted - in constant 2012 USD, ** Expected IPO year, *** 2016 Estimate, **** no inflation adjustment, no dilution

Private Tech Secondary Markets – Overview Table 1. Trend of value created in Public vs. Private Tech Companies

3. The Secondary Tech markets provide certain key structural advantages

The private tech markets represent a vast continuum of risk-reward requiring differentiated portfolio construction approaches. We are not concerned with seed stage tech investing, which is best regarded as a distinct asset class. Rather, we are postulating that any allocation to mid or late-stage private tech should also incorporate the secondary markets.

Historically, access to these mid/late-stage opportunities has been via a LP interest in a top-tier Silicon Valley VC fund such as Sequoia Capital or Andreessen Horowitz. Given that a few VC funds capture nearly all the venture return, non-US family offices are at a strategic disadvantage vis-à-vis established LP's in VC funds such as large US endowments or pension funds.

Even the allocations available to new LP's will tend to be directed to strategic, deep-pocketed players that can provide additional pools of co-investment capital. This locks out many family offices which have large but finite balance sheets. We believe this segment would particularly benefit from the unique value secondary markets provide vis-à-vis primary markets.

- Primary markets are centralised and controlled by founders/management teams and established investors (VC's/ strategic investors/hedge funds/sovereign wealth etc.) – difficult for smaller/newer investors without track record to access
- The Secondary Tech market is different in that

Driven primarily by liquidity needs; solvent buyers have more leverage than in primary markets

Most efficient way to build exposure to diversified basket of names due to ability to transact in smaller bite-sizes than in primary markets

Allows risk-reward optimisation by selecting proven business models on cusp of accelerated value creation

Often offer value not available in primary markets, for example via discounts to last round pricing

More time for diligence and comfort on name

Currently, global secondary tech volume is only ~0.65x – 0.75x of annual primary issuance. In our view, this asset class is poised to grow significantly over the next decade, analogously to global corporate bond markets, where secondary trade volume has grown to ~5x to 7x of primary volume, as technology created transparency and accessibility for entirely new types of investors.

One of the core tenets of platforms such ZPX(www.zenprivex.com) is to leverage technology to provide both deep, private market analytics insight as well as curated access to the best opportunities across the private tech continuum.

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SO, YOU'VE MADE A FORTUNE; WHAT NEXT?

Rupert Bell
www.perecruit.com

Making a family fortune is very different from managing it. The traits which build entrepreneurial wealth first time round, including personal drive, self-confidence and very narrow focus (not to mention luck) may not be so useful in guiding a more strategic wealth management programme.

So, what should a newly established family office do about deciding who will manage their assets? For a long time, the default choice was to turn to someone you know and trust already, and for many, this tended to be a senior operational manager who had shown success in running the operational business that generated the wealth in the first place. Trust is naturally very important, but it is not a substitute for expertise and, over time, this sort of personal connection has given way to a more rigorous selection process. Performance increases have generally followed.

Private banking and wealth management has become a massive business and a vital income stream for large financial institutions all over the world, but in recent decades, where scale has allowed, the trend has been towards organisations more specifically dedicated to family investors, often established by families themselves: the family office was born, and in time, spawned the multi-family office, enabling assets to be pooled, giving investors access to management talent, and to asset pools they could not reach alone.

Owners appreciated the more bespoke degree of strategic planning and asset allocation this approach allowed. It creates a flexible and diverse portfolio. And the structure provides a way to pick best in class managers, rather than take in-house product pumped by captive sales managers. This independence of decision making, allied to very active performance monitoring and low switching costs, has again enhanced returns to investors.

Curiously, in recent years, some families have begun to reverse this trend in parts of their portfolio, specifically as regards direct equity investments. A number of families or family offices have pulled back from private equity fund investments, citing either the impact of fees on performance, or the lack of influence over which assets are acquired via blind pool structures. Additionally, many have felt a more positive reason – the desire to bring their own knowledge and network to bear, to get involved directly. Sometimes, this has a very positive effect. In markets where there is a material surplus of me-too capital and not enough deal flow to go round, a new player who can speak from first-hand experience about the challenges of owning and running a successful operating business can bring an affinity and empathy with sellers that gives the firm a real edge in deal sourcing, especially when discussing the challenges of generational transition. And let's not forget the simple attraction of success – sellers may be drawn to work closely with proven winners; that experience has a value and may enhance the chance of repeat success.

And yet, securing the deal at an emotional level is only one piece of the puzzle; it has to make sense at a commercial level as well. This is where we have seen the emergence of a hybrid model that combines the heritage and backstory of first-hand entrepreneurial ownership with the technical expertise of proven investment professionals. Specifically, as financial sector headhunters, we have run multiple search mandates in recent years for investing families looking to bring on board senior private equity investors.

There are complications on both sides. For the owners, this is usually an expensive fixed cost option, especially if they are to offer compensation to align with long term capital gains, in the nature of a typical private equity carried interest schemes; aligning this to existing employee structures is complicated and often controversial. Scale also plays a part here – below a certain level of investable assets, this sort of fixed cost is simply unviable, and a fund route makes more sense. One must remember, this is a risky asset class and while it may be exciting, proper stewardship of family wealth demands this should only represent a relatively small part of the overall asset allocation.

For the individual looking to be hired in such a role, the two big factors, beyond compensation, are transparent decision making and a long-term commitment to the asset class. For the position to be fulfilling, the owners need to let the talent do its job and follow a proper process. Putting such a structure in place means ceding some decision making authority. There is a place for instinct and even personal bias but when prices are so high, this has to be balanced by considering all the options, using due diligence, structuring and scenario analysis to weigh up downside risk as well as upside. In stark terms, it may be your money, but that doesn't mean you get to decide what to do with it.

Owners also need to take a very long-term view of these investments. They are by nature illiquid and usually can't be excited easily. To avoid excess risk concentration you also need to invest across vintage years, so you need to anticipate several years of net negative cash flows before seeing any return on investment. Can you stomach that at an emotional level, let alone regarding liquidity? A serious external hire is going to need the comfort that you can stay the course.

But, done correctly, in this model the family office deploys its own 'brand' and reputation, allied to first world analytical skills. The advantages of both DNA strains can be seen: industrial insights, winning relationships and long-term capital, plus process rigour, and best practice in risk management and diversification.

INVESTMENT SUCCESS THROUGH DIVERSIFICATION

It's one of the most common mistakes an investor can make – placing too much capital into a specific asset class, only to watch it wilt away when that sector takes a hit. Even those that think they are protecting themselves by investing in similar asset classes, but within a different economic or geographical location, are at risk as global occurrences are now affecting multiple markets at once. The world's economies are more connected now than ever before and one event, whether in your region or elsewhere, can impact your investment.

Therefore, as investors, it's crucial to diversify our portfolios over several different investment sectors. If investing in real estate, holding property of all the same type in one area will leave you open to having your entire portfolio affected by one event. For example, if you were holding inner city apartments in the United Kingdom during the 2008 global economic crisis, you would have lost half your equity and in most cases, been left with empty properties. Instead, consider holding investments in property in multiple countries, as well as in currency trading platforms, and share offerings through overseas investment companies. Even my companies diversify their interests over several securities and sectors.

With global markets so intricately connected, investors must create true diversification within their portfolios to protect themselves from a dramatic downturn. It's important to understand that uncertainty in the United States may also create uncertainty in Asia. The Middle East is affected by economic issues in Russia, and the world is impacted by a downturn in Europe. The list goes on. Without true diversification, you put yourself at greater risk to lose a substantial portion of your capital. The best way to diversify your portfolio is to seek out an investment that utilises multiple asset classes. Doing so allows you to allocate your capital into different classes that are unlikely to be negatively impacted at the same time, and hedges your investments against each other in a way that protects you from catastrophic loss. As one asset class sees a decline due to a global economic event, your portfolio is protected because a separate asset class may be on the rise elsewhere.

For example, a fund with Delta asset classes such as commercial real estate, residential real estate, sports/entertainment, environmental interests, emerging markets, and technology would provide an optimal balance of asset classes that allows your money to grow in one class even if a separate class has a downward spike. This allows you to choose investments that are unlikely to be negatively impacted at the same time – barring a full global economic collapse of course – and to ensure that your portfolio's risk remains truly balanced across asset class and global economy. When choosing the products and properties, you invest in, be sure they are powered by more than one factor, meaning every investment has something specific to that opportunity that generates a value for that investment. It could be a hotel which has both tourism and transient workers as its main customers or a residential property in an area which has to house for an influx of people due to an increase in labour, but is also close to an up and coming, trendy place to live. Whatever the product is, and no matter the sector it is in, there should be more than one reason for why it will flourish.

There are also Alpha opportunities that can be quite fruitful within a diversified portfolio. Forex trading, for example, can earn a 20-30% return on a monthly basis. There is also significant value in certain geographic regions, like Pakistan, where the $54B Chinese-Pakistan Economic Corridor is under construction and poised to bring significant economic value to the region, including $11B in infrastructure projects and $33B in energy projects. We have been taught throughout life to stay within our boundaries and only do things that society describes as comfortable. However, the truly great investors are the ones that can step outside of that box and diversify their investments, protecting themselves while also taking advantage of opportunities that others shy away from.

Simon Calton is the co-founder and chief executive officer of Carlton James Group.

www.carltonjamesgroup.com

JEWELS BY QUEENIE

GLAMOROUSLY CRAFTED SINCE 2003

A former Miss India, a Mathematics graduate, an international style icon and a critically acclaimed jewellery designer.

Queenie's work has adorned the likes of Hillary Clinton, Princess Lalla Salma of Morocco, Paris Hilton, Naomi Campbell, Lindsay Lohan, Lojain Omran. Bollywood stars Katrina Kaif, Kangana Ranaut, Shilpa Shetty, Malaika Arora Khan, Miss Universe Lara Dutta, Miss Universe Sushmita Sen to name a few among others.

Geneva, Dubai, London, New York, Los Angeles and St-Tropez, home to her long-term clients, are regular stops in Queenie's travel agenda. "I go where people enjoy wearing my jewellery", says the celebrated designer.

On display in New York, September 18th and in Monaco, September 27th, will be Jewels By Queenie's eye-catching cocktail rings studded with precious/semi-precious stones, diamonds, spectacular coloured diamond earrings and diamond encrusted serpent bracelet that seductively wraps the wrist. "Every piece I make is a style statement. When I see a sapphire, an emerald or a coloured diamond, I can instantly picture a design. My jewellery can be worn season after season. They are made using hallmarked 18-carat gold and set with certified stones of the highest quality.

The designs are bold, art deco-inspired and timeless" "Wearing my statement jewellery really says it all." Queenie Singh, Celebrity Designer Queenie's designs are available at her flagship store.

'Jewels by Queenie'
Water field Road, Bandra (W), Mumbai – 400050.
www.jewelsbyqueenie.com

THE EXPO FOR ALL THINGS WOW IN LIFESTYLE

The Dubai International WOW Expo, encompasses the world's most incredible and unique products/ services, featuring the best in lifestyle from fashion to automotive from the best yachts and aeroplanes, to incredible interiors and one of a kind adventures, WOW is your one stop shop for everything in lifestyle.

The 'WOW' Show delivers an exceptional platform, enabling exhibitors to meet with a clientele with real buying power. Exhibitors for the 2017 event include customised cars, the latest virtual reality products and some of the most exclusive fashion brands in the world. This year's line-up includes Agchess, a French crafts company specialised in creating unique pieces such as chessboard chess-boxes in wood and in other materials. Guy Ageneau, the craftsman and creator of these games, works in the "rule of art", one of his 'WOW' Chessboards is called PALLAS and represents "Athena's Temple" in a veneer of birch and bramble. The four divinities: Zeus, Poseidon, Athena and Hephaistos are in marquetry of diverse precious wood. To open and to find the paws the players must know the Greek mythology and the relation between theses Gods.

Another 'WOW' company is NEODERME based in Monaco, is a centre with state-of-the-art equipment for Morphological and Anti-Aging Medicine, giving you the best of technology mastered by a team of doctors specialising in anti-aging morphological medicine. They permanently and visibly erase the marks of time on your body without hospitalisation and in a few sessions.

For those looking for the 'WOW' in tech, Ultimate Hobby has an excellent reputation in the international and local markets and have been the leaders in radio control aeroplanes, cars, quads, radios and more. They design, build and back the best brands in RC.
Get ready for the ultimate flying experience with over 25,000 products to explore.

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PRIVATE LABEL FUND SOLUTIONS FOR FAMILY OFFICES

By: Geralda Buckley and Alvaro Becerra, Amicorp Group

Private Label Fund solutions have been utilised by institutional investors and asset managers for some time, but are now increasingly being used by wealthy families and family offices. Private Label Funds are similar to retail funds in offering the same protection, but they are designed around a family's requirements regarding type of fund and legal structures. They are seen by many as ideal for private wealth structuring, not least because their existence may not be a matter of public record.

The fund can hold a family's assets including companies, real estate, yachts, aircraft, as well as liquid financial assets. Family offices can create a customised solution for their specific needs, as well as create a consolidated view of their assets. For example, the sub-funds of a private fund can have different rights attributable to them.

Shares in a liquid financial portfolio can be cashed in, but shares in another sub-fund holding the family business may not be disposed of for a set period. With this solution a family can always maintain a consolidated view of their assets, different asset classes can be managed and maintained with different mandates and beneficiaries can have varying levels of participation depending on their shares and classes in the fund. An added advantage is that many family offices find this structure easier to understand and manage than the more unfamiliar trusts and foundations available to them which some families regard as too restrictive.

Key features of Private Label Funds:

- Provide the same protection as commercially offered funds (retail funds), but they are tailored to the client's needs (type of fund, legal structures)
- Funds are safe investment vehicles due to extensive regulation and supervision
- Asset Protection: offer segregated assets (off-balance sheet)
- Allow flexible asset allocation (as well as pooling, subscription, redemption)
- Complete flexibility in relation to tactical asset allocation, asset classes, investment strategies, regions, currencies, multimanager solutions, etc.
- Privacy (beneficial owner is not visible)
- Client determines the name of the fund

At Amicorp Group, we provide specialist Private Label Fund solutions, including the set-up of Private Label Fund structures with the accompanying fund administration, accounting and corporate management services, and regularly establish Private Label funds in a number of jurisdictions, though the most popular being the BVI, the Bahamas, Cayman Islands, Chile, Curacao, Luxembourg, Malta, Mauritius and Singapore.

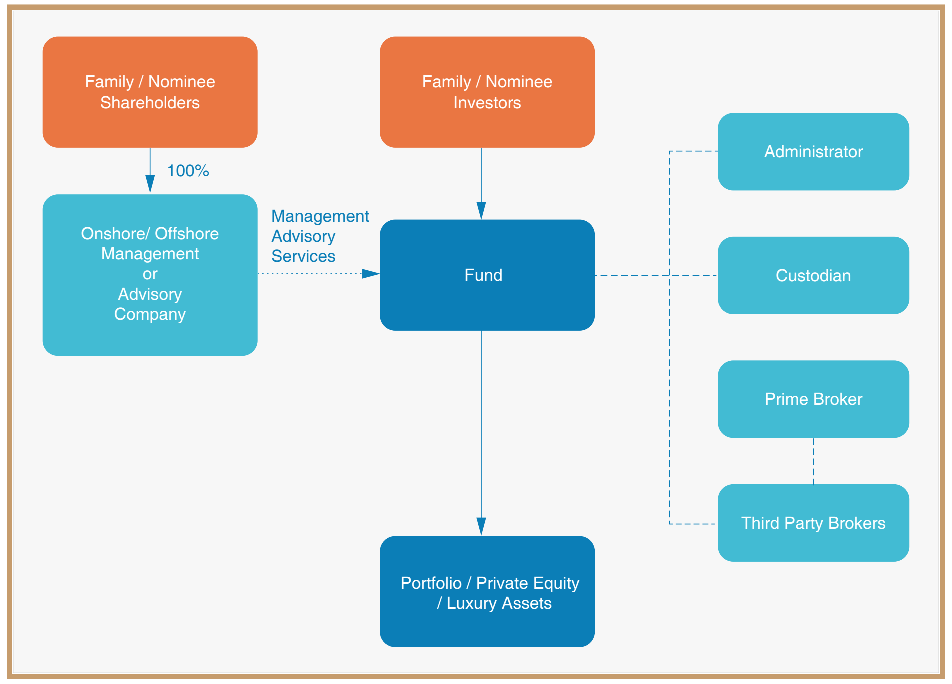
This is what to look for when selecting a jurisdiction for a Family Office's Private Label Fund:

- A jurisdiction should have good tax treaties with the countries in which the family are interested in acquiring private equity. However, in the absence of double taxation treaties, an appropriate holding structure might be assessed underneath the fund structure whereby management and control are effectively centralised addressing operational efficiencies in each business or operational unit.
- Recommended EU fund jurisdictions are Luxembourg and Malta.
- Recommended non-EU jurisdictions include the Cayman Islands, Mauritius and Singapore.

We are engaged to assist in determining the structure and other details of the fund, given the fund's specific investment ideas and goals. Advantages and disadvantages of fund jurisdictions are evaluated to ensure that the operation of the fund is as simple as possible and to avoid regulatory, tax and operational problems.

Securities regulations and tax ramifications applicable to the fund's investors are assessed and addressed in the fund structure. Family Office Private Label Funds often also require additional features such as multiple closes, non-traditional waterfalls, closed end and limited partnership structures, as well as partner defaults, unseen partner allocations, illiquid securities / non-traditional allocations within general partner entities and tax allocations and partnership closing – and that the fund also complies with AIFMD, FATCA and other legislation, and furthermore family offices also want a private label fund in a jurisdiction which offers the required substance.

This is how the structure will look for a Family Office wishing to consolidate the family's assets in one vehicle. Reporting, administration and custody services can be provided either by the family office or the outsourced corporate service provider. Here the family-owned entity has voting control and may invest 100%.



A recent real example occurred when a family office which included four different family branches needed to create one fund. The family wished to invest in several real estate projects in numerous countries for diversification reasons. The Family Office wished to consolidate the money from the different family branches into one fund, and then have the fund invest in different real estate projects. This offered a number of advantages, ranging from privacy when acquiring real estate since compliance will be done on the fund itself and not on the family and their trusts. Fund administration was provided independently so that family members could be confident with the fund's valuation.

They family office also wanted the fund to offer a more professional impression which would allow for the fund to attract additional funding from banks or other families in the future if required. The family members of the family office were themselves interested in utilising funds which had accumulated in various members BVI IBCs; their goal was to receive regular dividend distributions. In this case, we also had to coordinate the hiring of professionals to maintain the real estate investments, as well as arrange for insurance, payments of bills, etc. The total investments made were EUR 200 million.

Having highlighted that the various jurisdictions to the family office which would be suitable for this type of private label fund, we also discussed the various legal entities for the investment – whether a partnership, a corporate entity, a fund structure or a non-regulated fund structure. In the case mentioned above, our Family Office client opted for a Luxembourg Non-Regulated Fund structure, which also offered the required substance they were looking for.

www.amicorp.com

HOW TO LEVERAGE YOUR CASH ASSETS AND PROTECT YOUR PRINCIPAL

For Assets in Excess of 150 Million Euro/USD

All investors in the ultra-high-net-worth realm seek to protect their assets such as cash or gold bullion from risk. That's a given. Typically, liquid assets in a bank might be protected by the financial strength of the bank holding them. In this day and age, though, with the uncertainty surrounding the banking industry and various regulatory authorities, one need only reflect on Greece's seizure of assets in the Greek banks, to realize that this is a real possibility anywhere. Even with the protections of government, the fact remains that there is inherent risk regardless of how safe you believe your money is.

A typical deposit has two-level protection: the protection of the bank itself, and the protection of the government and central bank behind it. As you can see, both of those layers can be easily penetrated when there is a crisis. Banks + Trust do not necessarily mean equal protection because of this.

In certain systems, a third and fourth level of protection add to the decreased risk to an asset owner. Think of it as adding strength through additional layers of protection by removing your asset from potential loss. Like adding an additional deck to a bridge, it strengthens everything underneath it as a unit. Three or four layers increases the strength and distances your assets from being taken.

With your assets as the deep underlying "plank", adding the banks protection gives you the first layer. However that layer alone can still be penetrated in an extraordinary event.

A third level of protection is added to the strength of the first two layers (your assets and the bank's protection). This puts your assets one step further down the line from exposure. Adding this layer is where one particular system comes in, by placing on top of the bank's protection with another non-recourse credit line which is not the financial responsibility for you- it is borne by another's jumbo sized capacity. This is how one system works when it comes to minimizing risk to nearly zero for the investor.
Unbeknownst to many in the typical banking system, this system has been around for decades and is regulated by the international organizations. Because the system of Leveraging Assets without risk is reserved for the ultra-high-net-worth corporations, it is not publicized nor widely known, even by those in the banking sector. In fact, unless one has a relationship with the CEO or Head of Trading at a bank, no one else in the bank is privy to this information.

The system is accessible to only a small group of people who are authorized to run the system worldwide from the top 5 Western European Banks. Literally a handful at the essence of the system.

Of course, in today's Internet world, too many unattached individuals, having learned a little bit of knowledge without fully taking the time to understand this system, will approach you. These "brokers" are notorious for claiming untruths and misrepresentation that invariably become a dead-end for the investor who was misled away from reality.

If you have the necessary cash assets to enter a leveraged asset program with the added level of protective layers discussed above, learning more about how this might fit into your investment portfolio is worth your personal investigation. Take the time to be educated, and the results are a system of profit yields with minimal to no-risk of loss to your principal.

By Michael J. Weiner
President/CEO
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GOOD FORTUNE OFTEN HAPPENS WHEN OPPORTUNITY MEETS WITH PREPARATION

By: Dr Josiane Fahed-Sreih

Dr Josiane Fahed-Sreih, Associate Professor of Management, Lebanese American University, Director, Institute of Family and Entrepreneurial Business LAU.

From politics to finance, commodity prices and evolving modern, emerging and frontier markets, the fluctuation in the global economy will have a profound impact on Family Businesses relative to their structures and strategies for gaining strength in a changing and volatile market.

With over US $1trillion worth of assets due to succession across the GCC in the next decade, Middle Eastern families are exploring best governance frameworks to facilitate the looming generational transitions. Investors are closely exploring the next safe-haven markets and growth opportunities amidst a dip in portfolio performance. The commodity community is carefully watching oil prices and seeing what the new norm will be and everyone is monitoring the impact of a new financial and regulatory system. With all those challenges, Family Firms have to find the best investment opportunities and have to manage the family portfolio of wealth in a very delicate way by following market changes and balancing market dynamism with Family Business conservatism.
As a large family business, it is time to start planning the investments for the next generation. Family office executives and investors begin planning for the next five years and beyond, profitable and sustainable solutions to prepare for today's challenges and capitalise on growth ahead.

The separation of business issues from family issues is the main reason behind the emergence of family offices. Family offices existed since the day August Caesar ruled the Roman Empire (27 BC- 14 AD). He was considered as one of the wealthiest people that ever lived, ruling an empire that controlled 25% of the global GDP. During that period, the richest people used to share their wealth with a group of high-ranked officials representing today's family office personnel. This group used to manage wealth, industries, businesses, and estate through a well-organized team. This group is known in modern terms as a 'single family office' (SFO), being and investment management company for the wealth of a single family, where this wealth is the company's only financial capital. The basic definition of a family office is a structure that manages the investments of an affluent family. Nowadays, the world's largest family office regarding assets under management is the HSBC Private Wealth Solutions, which is a multi-family office overseeing $143.5 billion, while the world's largest multi-family office relating to the number of multigenerational families is Bessmer Trust in New York, managing the wealth of more than 2200 families.

A multi-family office deals with a number of affluent families. Nowadays, new family offices open up daily around the world. There exist at least 3000 single family offices worldwide, with more than 50% of them established during the last 15 years. Many multi-family offices start up without having enough previous experience and qualifications. Because of increasing, influence families exert over their wealth, and because of the increasing number of affluent families, the number of both single- and multi-family offices will indefinitely continue to grow. It is usually difficult for a single family office to support its hiring family with all its needs. This lead to the rise of family offices that support the family only with their non- financial needs.

Family offices separate ownership and management. They aid in improving the governance and structure of the business. The primary motivation for opening a family office is the need for good family governance and succession planning and the need for professionalising the business, while the lack of trust and the feeling of losing control prevent families from considering the services of family offices. Usually, family offices start with a narrow focus and a narrow range of services, but with time and experience, they expand their duty to cover a wider range of services. They should work closely with investment banks, consultants, lawyers, and auditors during the buying process, after an acquisition, and when selling again.

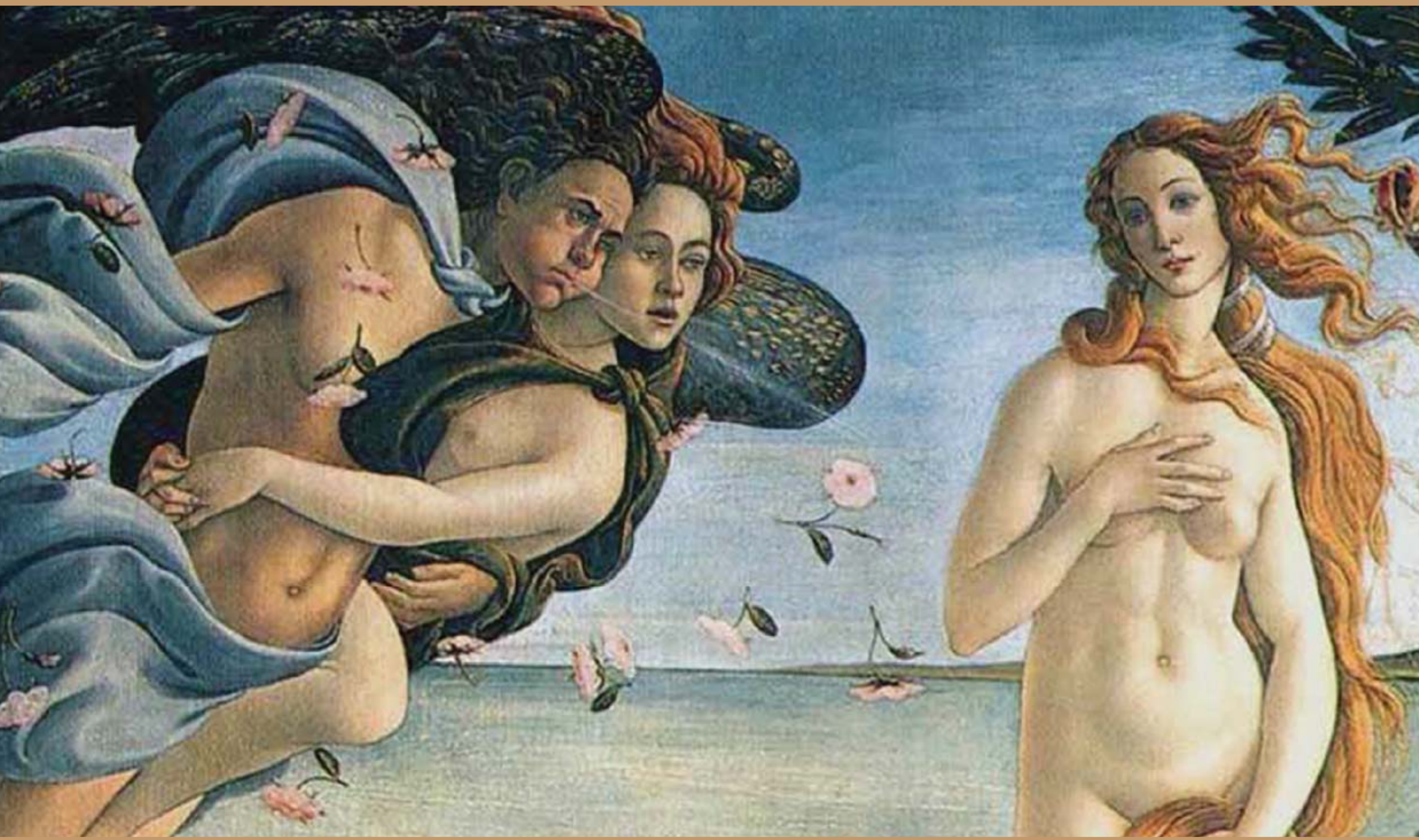
For a successful family office, it should have an investment vision specifying the asset classes, the amount of capital, the expectation of returns, and the investment principals. It should also establish dedicated teams and incentivize them appropriately. Finally, the family and the family office should have the right performance criteria and communication platform.

In the MENA (The Middle East and North

Africa) region's private sector, 90% of the companies are family businesses employing over 60% of the workforce. The average number of employees in a single family office of the MENA region is around 11.8 employees per office, compared to 8.7 in the United States and 13.2 in Europe. Middle Eastern family businesses have a lack of structure and governance which endangers their survival. Thus the importance of family offices in helping these businesses deal with conflict and succession issues will ensure their continuity. However, because many of the businesses do not value the importance of the governance a family office brings, they still consider these offices as an extra cost rather than a worthwhile investment. On average, a single family office usually costs around 0.6% of the assets it manages. Throughout the experience, families are beginning to realise the importance of setting an independent governing body.

Not all families need family offices. Every family business, based on its size, has its own goals and vision for the future. Thus, sometimes the existence of a family office as part of the functioning of the family business is considered to be counterproductive and makes the business more complex. As family businesses grow, the urge to use the services of family offices increases, and grouping investments for the family together, is an advantage for every family shareholder. In the same way, as family offices are in charge of the family investments, some of them develop financial strategies for the family business philanthropic engagement. They devise the appropriate strategies in light of the Family's desires and social mission and at the same time manage their financial, civic engagements.

DOMOS



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