

Family Offices & Private Markets

Setting the scene for our panel:

“Family Office approach to private markets”

**IPEM
2020**

**# DAY 3
JANUARY 30**

Sizing it up... Wealth worldwide

Family wealth among the richest 1% in the world grew from **\$12tn in 1970 to \$92tn in 2015 (not adjusted for inflation)**

20,000 families in the world are worth **more than \$700m**

Source: FT

Attempted definition of a “SFO”

SFOs typically exist to protect the wealth and interests of a family that usually built by the same family’s business, with a view to separate the two

JPMorgan and Rockefeller were the first formalized Family Offices, the latter still exists, and both were considered the precursors of Private Equity as part of their approach was to back private businesses

The common rule-of-thumb in terms of minimum size of assets to form a SFO is \$200m but this greatly varies from case to case

Key reasons for setting up a SFO

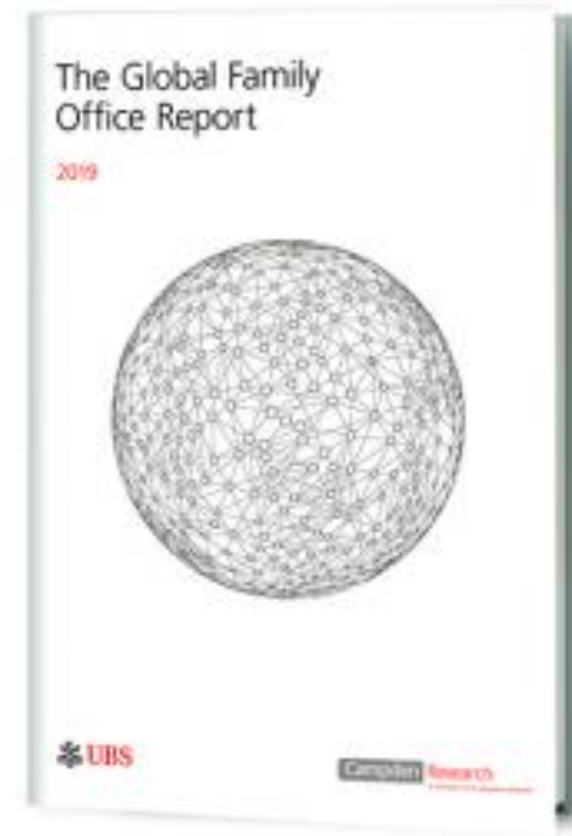


Top 3 factors for setting up a Family Office are all related to **WEALTH PRESERVATION or CREATION**

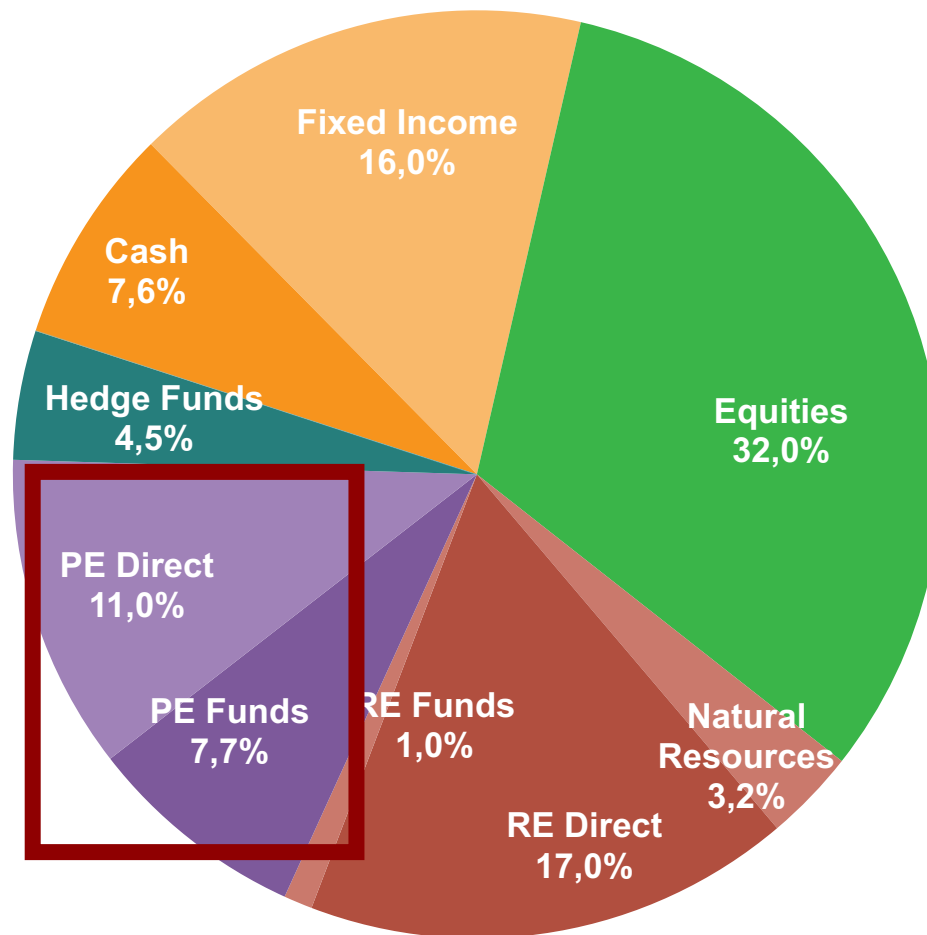
Source: FOX Family Exchange

Global Family Office Stats

- 7,300 SFOs worldwide:
 - 42% in North America
 - 32% in Europe
 - 18% in Asia-Pacific
 - 8% in the Emerging Markets
- The total estimated wealth of the families stands at \$9.4 tn
- The biggest growth came in emerging markets, where the number of family offices rose by half over the period, followed by Asia-Pacific (+44%), North America (+41%) and Europe (+8%).



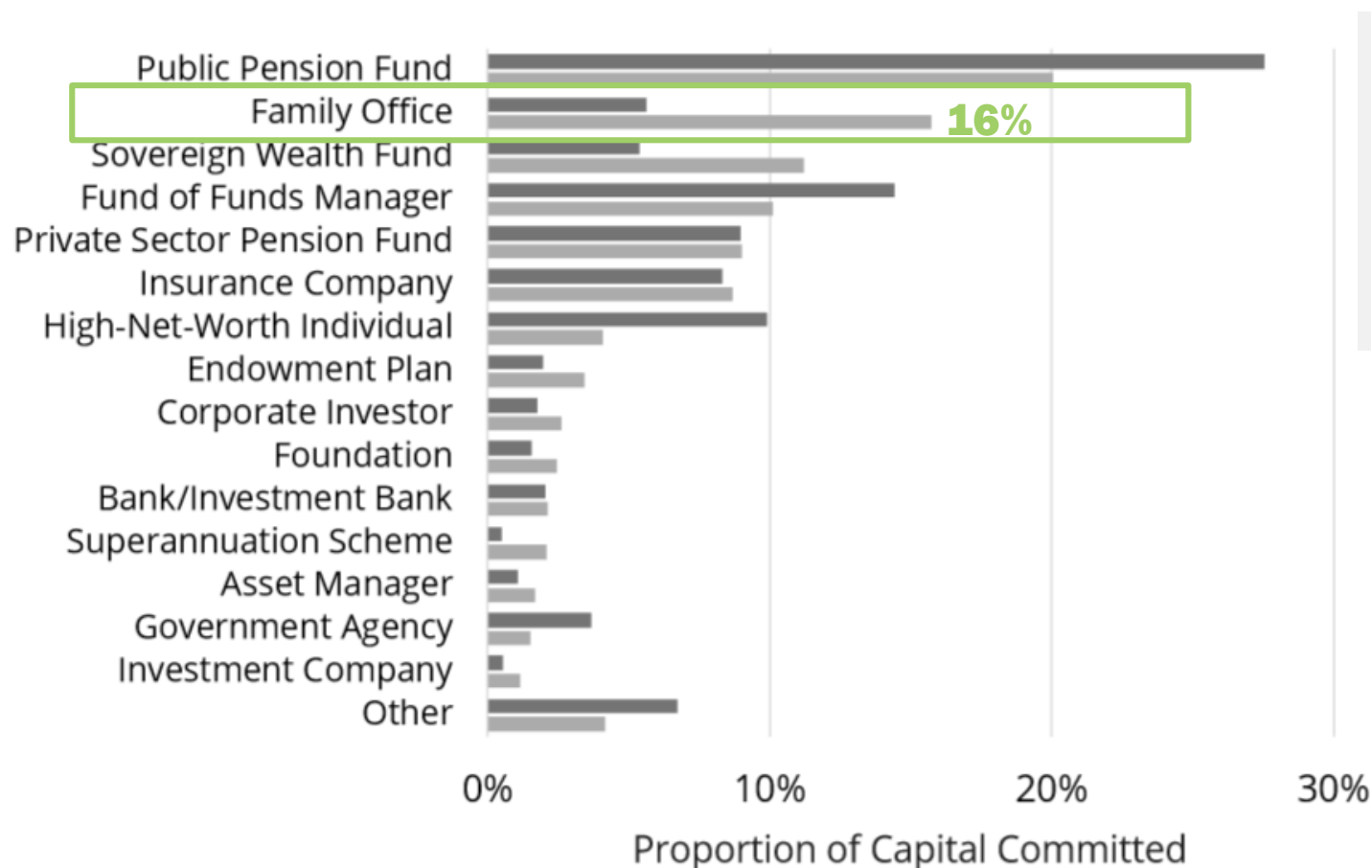
Single Family Office asset allocation



PE represents almost 20% of total AuM in portfolios, split between Directs and Fund investments

Notes: Number of participants: 360; Avg AUM of participants \$917m

Share of Family Offices in PE funds raised



Notes: INSEAD research

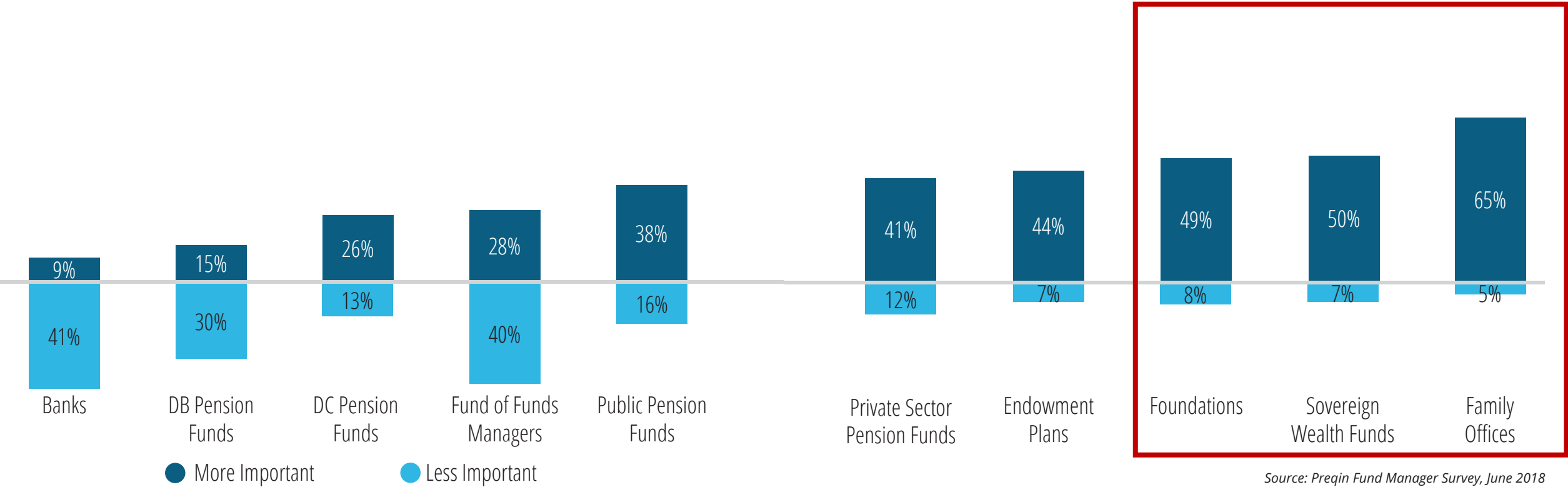
Although family offices represented only 2% of total capital currently invested in PE, **they represent 16% of capital raised by funds closed in 2015-2017**, most significant investor after public pension funds

Family office appetite for co-investments

	Increase	Decrease	Remain the same
Bonds			
Fixed income – developed markets	▲ 19%	▼ 21%	60%
Fixed income – developing markets	▲ 19%	▼ 12%	69%
Equities			
Developed markets	▲ 23%	▼ 27%	50%
Developing markets	▲ 37%	▼ 8.3%	55%
Alternative investments			
Private equity – direct investments	▲ 50%	▼ 6.0%	44%
Private equity funds	▲ 37%	▼ 15%	48%
Real estate – direct investments	▲ 33%	▼ 13%	54%
REITS	▲ 16%	▼ 7.8%	77%
Hedge funds	▲ 21%	▼ 15%	64%

67% of respondents believe that family offices’ **demand for co-investing opportunities will increase**. Zero argued that the demand would decline

Family Offices to gain ground as LPs



Source: Preqin Fund Manager Survey, June 2018

Family Offices: The New Banks?

These people move fast: Wealthy families are speedy dealmakers, and they're beating private equity at its own game

Bloomberg Markets Special Report | Family Offices.
January 11, 2018

Wealth

Billionaire Families Reshape Silicon Valley's Venture Terrain

By [Tom Metcalf](#)

31 October 2019, 15:22 CET

- ▶ SVB's Jacqueline vonReichbauer runs the family office pr
- ▶ Older industries 'facing disruption' from VC-backed com



6,680 views | Nov 5, 2019, 06:25pm

Wealthy Families Using 600-Year-Old Plan To Disrupt PE



Eli Boufis Contributor @
Hedge Funds & Private Equity
I write about private equity.



November 15, 2018

Family Offices: The New Deal Masters?

[PDF: Family Offices: The New Deal Masters?](#)

[RSS Feed](#)



PORTFOLIO

The Hot Asset Class for Family Offices

Institutional Investor

As the number of family offices grows, so does their clout in venture capital.

July 10, 2018

Do-it-yourself deals are all the rage among rich investors

Ultrawealthy look beyond hedge funds and private equity to making direct investments in businesses

Sep 14, 2018 @ 1:38 pm

By **Bloomberg News**

Markets Magazine

Wealthy Families Are Winning Deals Away From Private Equity

October 20, 2017, 4:00 AM EDT

Trends affecting Family Offices



- **Market volatility**... Hedge Funds converted into SFOs
- **Regulation**.. Tax havens declining, AML, FATCA, CRS, RBO
- **Tech-preneurs**... New kind of wealth
- **NextGen**.... The rise of Impact standards
- **Digitalisation**... Driving efficiency without jeopardizing confidentiality; instant access and transparency
- The role of Family Offices are **social stewards**..?

Thank You!

@lpea_lux

www.lpea.lu

lpea-office@lpea.lu