

FAMILY OFFICE WHITE PAPER



In Partnership with EY and University of St.Gallen

The Family Office Dynamic: Pathway to Successful Family and Wealth Management Part II: Process Considerations

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INTRODUCTION AND WELCOME



Francesco de Ferrari
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Dear Reader,

We are delighted to present this comprehensive guide to setting up a family office and best practices within the sector. Entitled *The Family Office Dynamic: Pathway to Successful Family and Wealth Management*, this report is published in two parts.

The First Part deals with issues concerning the structural aspects of a family office; the Second Part deals with issues that affect how well-run a family office can be. Collectively, they provide a framework for considering whether to establish, or restructure, a family office.

A large number of family offices have been set up over the last ten years all over the world. The common triggers for establishing a family office include: solving family conflicts; ensuring that wealth is transferred to future generations; preserving family wealth; consolidating assets; dealing with a sudden influx of liquidity; and increasing wealth management efficiency. Family offices have also gained prominence because of wealth-holding families' desires for greater control over their investments and fiduciary affairs, as well as lifestyle management.

Indeed, this desire for control has gained even more resonance since the financial crisis. More families are now taking control of their financial affairs in order to allay concerns about external providers of products and services. As wealth grows, particularly in the emerging markets, there is little doubt that family offices will play an even bigger role in the management of substantial wealth in the years ahead.

This paper is designed to provide guidance to families considering setting up a family office. Such families may include business families who wish to separate their family wealth and assets from the operating business. In Asia Pacific alone, the Credit Suisse Emerging Market Research Institute has found that business families have direct or indirect shareholdings of at least 20% of almost 1,500 listed companies with market capitalizations exceeding US\$500 million. We are mindful of the many more family businesses that are unlisted and private, and also the many successful entrepreneurs looking to structure liquidity gained from a profitable sale in order to further grow and preserve their wealth.

Family offices are complex organizations that require a deep knowledge – not just of investment variables, but a host of other factors.

Credit Suisse has had the privilege of serving many of the world's wealthiest families since 1856. Our considerable experience of advising and supporting our clients with their private banking needs is illustrated in this publication, together with the insights and expertise of the family office experts at Ernst & Young and the Center for Family Business HSG at the University of St. Gallen in Switzerland.

We hope that you will find this report helpful and illuminating as you plot your family's future path.

DETERMINING SERVICING PRIORITIES: THE MAKE-OR-BUY DILEMMA

Even the biggest family office in terms of assets under management will need to assess whether or not to outsource services. Outsourcing certain services can be beneficial from a cost-efficiency and know-how perspective, offering advantages to family offices that include:

- Reduced costs and overheads, and improved staff productivity.
- Economies of scale, particularly for high-value professional services, thus enabling lower prices for related services.
- The benefits of objective advice from experienced professionals who possess specialized skills.
- Help with defending the family office's regulatory independence when outsourcing investment management, by allowing investment decisions to be made by external providers.
- Due diligence and continuous monitoring can be carried out by the directors of the family office to ensure performance and security against risk.

On the other hand, a number of key services are usually kept in-house. The advantages of this are mostly related to confidentiality and the independence of the family office, and include:

- Higher levels of confidentiality and privacy.
- Assurance of independent and trusted advice.
- Consolidated management of family wealth.
- Development of skills specifically tailored to the family's needs.
- Greater and more direct family control over its wealth.
- Keeping investment knowledge within the family.
- Assurance of optimal goal agreement, along with the avoidance of conflicts of interest with external providers.

Given these considerations, it is crucial to obtain the right balance and to identify those services best suited for management in-house. Many factors involved in the make-or-buy decision are specific to

the setup chosen for the family office, in particular:

- The size of the family and how many family members want to use the family office.
- The net worth and complexity of the family wealth.
- The family's geographical spread.
- The variety of assets, both liquid and illiquid, under management.
- The existence of a family business and the link between this and private wealth management.
- The skills and qualifications of family members.
- The importance of confidentiality and privacy.
- The consideration of whether the family office should be a cost or a profit center.

This variety of factors highlights how vitally important it is for the family to clearly determine its expectations and address key questions prior to creating the business plan for the family office. These include priorities setting and scope definition for the services to be offered from the family office:

- Who should be the beneficiaries of the family office and what is the overall strategy of the family to secure and expand its wealth over generations?
- Is the family's priority traditional asset management of liquid funds, with or without a portfolio of direct entrepreneurial investments? And where does philanthropy fit into the mix, if at all?
- Should the family office act as the asset manager for all family members, or should it just be an adviser for some specific services to selected family members?
- Is the family office's core task that of a financial adviser, or more that of an educational facilitator for the next generation of family members?

Although the make-or-buy decision must be based on the specific setup of the family office, some general considerations can help to determine the optimal solution. Best practices are based on the goal of obtaining the most effective services in an efficient way and avoiding potential operational risks:

Figure 1. Key determinants of the make-or-buy decision

Source: EY Family Office Services, 2013

Cost and budget	Escalating costs can pose a serious challenge to family offices. Clearly it is unreasonable to in-source the whole range of potential services without considering the economic benefits. Appointing an outside provider can ensure quality and possibly cost savings, as the family office may benefit from economies of scale.
Expertise	The priority services as defined by the family will most likely be covered in-house in order to ensure independent expert advice to the family. However, the family office may gain from outsourcing certain selected services that require specific expertise.
Regulatory restrictions	A family office should consider all regulations, depending on its distinct legal structure. In the absence of professional management, a family office runs the risk of serious fallout from negative publicity. Legal action could also be costly and harmful to reputations.
Technology and infrastructure	The technology employed by an external provider can serve the family office effectively. Buying in these services has become even more of a priority as financial operations become more complex.
Complexity	If the family's assets are substantial and complex, the family office will have to hire more staff or outsource services. At the same time, in-house decisions on all matters have to be final – so internal staff must maintain the ultimate overview and decision-making process.
Data confidentiality	If confidentiality is a prerequisite, then services where this is a priority should be brought in-house. Non-critical systems and infrastructure can be outsourced.

The traditional model

Typically, financial planning services, asset allocation, risk management, manager selection, and financial accounting and reporting services tend to be provided in-house. Global custody, alternative investments and private equity, and tax and legal services are often outsourced.

However, families should be aware that the greater the level of outsourcing, the less direct influence the family will have over the decision-making process within the family office, and the less exclusive the products and services will be. Figure 2 provides an overview of selected family office services, which can be categorized as in-house or outsourced based on market analysis.

Figure 2. Family office services: in-house or outsourced

Source: EY Family Office Services, 2013

Family office services			
Type of services	Service category	In-house	Outsourced
Investment management and asset allocation	Financial planning	Basic financial planning and asset allocation decisions should be provided in-house	The more complex, specialized and diverse assets make outsourcing a practical option
Tax and legal advisory	Advisory	Selectively done in-house	Often outsourced to a trusted adviser to ensure state-of-the-art quality services
Reporting and record keeping	Governance	Record keeping and documentation demand confidentiality and so this should ideally be done in-house	Basic reporting tools and software may be provided externally
Philanthropic management	Financial planning	In-house expertise should serve to assist with philanthropic activities	Setting up a foundation and related activities is often outsourced to a consultancy
Compliance and regulatory assistance	Advisory	A large family office might require full-time legal and accountancy expertise	In general, full-time legal staff will be an unnecessary and costly addition to family offices that are not large enough to require them. Such staff can be outsourced when needed
Risk management and insurance services	Advisory	Some risk management skills should be provided in-house, in order to ensure ultimate peace of mind	Can be outsourced as external risk and insurance professionals can offer trusted expert advice

Family office services			
Type of services	Service category	In-house	Outsourced
Life management and budgeting	Financial planning	Should be done in-house if information confidentiality is a primary criterion	Only specialized services would tend to be brought in-house; less specialized services can be outsourced
Training and education	Strategic aspects	Can be done in-house, as identifying suitable options for education is by its nature an internal process	Can be outsourced if expert opinion on higher education is required for training and development
Business advisory	Strategic aspects	Often the general counsel or the finance director of the family business is involved in the setup of the family office	The services of an external expert can offer a competitive edge
Estate and wealth transfer	Strategic aspects	In-house expertise is required as data confidentiality is vital	The family can consult external legal advisers on procedural and legal issues
Administrative services	Governance	Administrative services require daily monitoring and so can be done in-house. Here, outsourcing could lead to greater costs	

Benefits of in-house

- Highest level of confidentiality and privacy.
- Independent and trusted advice to family is ensured.
- Total and consolidated management of family wealth.
- Family office can develop distinct skills, specifically tailored to the family's needs.
- Greater and more direct family control over its wealth.
- Keeps investment knowledge within the family.
- Ensures optimal goal agreement and avoids any conflicts of interest with external providers.

Benefits of outsourcing

- Helps a family office reduce costs and overheads, helps with staff productivity.
- Helps deliver economies of scale, particularly when it comes to high-value professional services, thus enabling lower prices for related services.
- Offers the benefit of objective advice from experienced professionals who possess specialized skills.
- Outsourcing investment management may help a family office defend its regulatory independence by allowing investment decisions to be made by external providers.
- Suggests less direct control, which implies due diligence and continuous monitoring can be carried out by the directors of the family office to ensure performance and security against risk.

To outsource or not to outsource, that is the question

By Daniel Goldstein, Independent Family Office Advisor, October 2013

There are several approaches to answering the question of whether to outsource or not. Unfortunately and unhelpfully, the answer is often: “it depends.”

There is the important consideration of comparing existing in-house capacity to available outsourced resources, and measuring cost, quality and timeliness of service. There are also other factors to evaluate, such as confidentiality, where data will reside, availability of consultation (24/7 or during regular business hours), time zones, geographical differences, and cultural sensitivities. This case study focuses on the specific issue of whether to build new internal capacity to meet an unmet need, or look to outsourced resources to fulfill that role.

Any consideration of this issue must begin with the initial objectives. There are many questions that need to be asked, including: should in-house staff perform the asset allocation and stock selection for a family’s investment portfolio? If the objective of the family office is to build an investment business, particularly if that objective extends to offering services for a fee to third-party clients – either as an MFO or as an investment boutique – then the decision on whether to build in-house capacity or to outsource should be determined by the overall business plan of the investment business. If, instead, the family office is looking to construct a simple, lean, strategic investment portfolio that will not become a core operating business, then the decision will be very different.

There are several key points to consider in making these decisions, including:

Time-cost-quality

There is little to add to the obvious consideration of time-cost-quality, except to emphasize that family offices are intended to manage significant wealth over multi-generational time horizons. Too many times, short-term cost considerations are far too influential in determining long-term goals. The cheapest up-front costs do not necessarily translate into a longer-term loss, but this certainly should be considered. Cost is a function not only of the up-front fee, but also of the total cost that will be seen in future years and in the future possible outcomes of immediate decisions. An up-front investment to either build in-house capacity or obtain higher quality (and more expensive) outsourced resources may well translate into a lower long-term total cost.

Value of the function

There can be the temptation within family offices to give low value tasks to highly paid staff. Family offices tend to be dynamic, but relationships often get in the way of the professional process, particularly when there is a very strong family principal – or a group of very strong principals. Because there is a relationship of great trust and social closeness between family principals and senior staff, family principals may call on those senior staff to take care of personal favors. This may not be the best use, and certainly not the

most economically efficient use, of that person's time. Applying cost-benefit analysis to a family office does not always work.

In this case, the benefit to the principal might be the assurance that the task will be completed as wished because it is entrusted to a senior staff member. The senior member of staff might see this as another way to prove reliability and thereby further cementing his or her relationship with the family principal. There can be great value to both parties in not outsourcing these requests, but there can also be a great danger if the senior member of staff becomes effectively an overpaid personal valet.

Repetition of the function

A function that is performed on an irregular basis and requires detailed or technical know-how is most appropriately performed by contracting outsourced resources, rather than hiring in-house staff. For example, the onetime registration of a corporate entity in a foreign jurisdiction, with subsequent annual renewals and administrative submissions, would be better performed by contracting with a specialist rather than doing it in-house. Depending on the complexity of the process, and the importance of the consequences, existing staff might learn from the outsourced resource how to take over this annual function.

At the other extreme is the example of daily ongoing journal entries to an accounting system. The time-cost-quality evaluation of this function may show that it is better served by in-house staff, particularly as they will be trained to the standards and culture of the family office, and be available in the manner and at the times desired by the family principals.

Likelihood of change

Family offices are family businesses. All but a few family offices tend to be small, typically with close relationships between employees and family members. When functions change, it is often necessary to change resources. When these resources are in-house members of staff, this means either having to rewrite job descriptions or cut jobs. Contracting the most appropriate outsourced resource permits change without having to either re-assign staff or sack them. Simply put, excellent partnerships can be built with outsourced resources and terminated or not renewed as and when required, without the moral or ethical consideration necessarily involved in close employer-employee relationships within a small family business.

Other external factors

As mentioned, not all family office in-house or outsource decisions can be made by cost-benefit analysis – other factors come into consideration. For example, privacy and personal security are factors to take into consideration when determining whether to outsource travel arrangements or have an in-house personal assistant take care of them. On-call availability may be a consideration in determining whether to outsource IT and domestic staff functions. The best solution will depend on the objective of the person who will measure the outcome. Ultimately, this may be what determines whether or not outsourcing is the best solution.

Selecting the banking partner

In parallel to the make-or-buy decision, a fundamental choice to be made when setting up a family office is the selection of the banking partner. Banking institutions offer IT platform solutions and advice of critical importance, even to larger family offices that conduct most activities in-house.

The range of services offered by a banking institution to family offices usually depends on its size, business model and international presence. Smaller banks often focus on advisory and asset management, while large universal banking institutions can offer a wider range of services given their international platform and experience with institutional clients.

Most family offices chose one lead banking partner. In addition to the lead bank, two to three additional institutions may be selected for risk diversification purposes or to meet specific needs. Services and solutions offered are listed in figure 3 and 4, which also provide an assessment of the service criticality for family offices.

Figure 3. Services and solutions

Source: Credit Suisse, 2013

		Services and solutions					
		Wealth planning	Wealth management	Trading and execution	Lending	Capital transaction	Custody and platforms
Extended offering by universal banks		<ul style="list-style-type: none"> Private label funds Trust solutions Family solutions 	<ul style="list-style-type: none"> Research Social responsible investment and philanthropy Customized mandates 	<ul style="list-style-type: none"> Prime services/ brokerage 24h execution 	<ul style="list-style-type: none"> Special lending and structured lending solutions 	<ul style="list-style-type: none"> Corporate finance Exclusive investment opportunities 	<ul style="list-style-type: none"> International booking platforms Global custody Advanced execution tools
	Basic services offered by financial institutions	<ul style="list-style-type: none"> Comprehensive financial advice 	<ul style="list-style-type: none"> Basic banking services Investment and trading advisory Discretionary mandates 	<ul style="list-style-type: none"> Brokerage/trade execution 	<ul style="list-style-type: none"> Real estate financing Lombard lending 		<ul style="list-style-type: none"> Online tools

Figure 4. Basic services offered by the majority of financial institutions

Source: Credit Suisse, 2013

Basic services			
Service cluster	Service	Description	Criticality
Wealth planning	Comprehensive financial advice	Comprehensive financial planning and advice on asset management and on current and future liabilities	Depends on the setup and needs of the family office
Wealth management	Basic banking services	Core banking products necessary for day-to-day banking, e.g. current and safekeeping accounts, credit cards, payments	Depends on the setup and needs of the family office
	Investment and trading advisory	Proactive advisory to support implementation of investment philosophy, usually covering all asset classes and both strategic as well as opportunistic investment opportunities	Advisory services are usually leveraged by the family office to generate investment ideas and obtain second opinions
	Discretionary mandates	Asset allocation and portfolio management solutions, from multi-asset class to single class discretionary mandates	A critical service provided by banking institutions
Trading and execution	Brokerage/ trade execution	Access to financial markets and execution of trading orders	A critical service provided by banking institutions
Lending	Real estate financing	Financing of residential or commercial real estate	A critical service provided by banking institutions
	Securities based lending	Lending against a diversified portfolio to re-invest or meet external cash needs without selling existing assets	A securities based lending critical service provided by banking institutions
Custody and platforms	Online tools	Online functionalities and platforms that provide access to banking services, e.g. transaction platforms, access to research, and reporting tools	A critical service provided by banking institutions

In addition to the private banking services mentioned above, universal banks also offer additional capabilities. These include reporting, advisory or platform services typically provided to hedge funds, pension funds or corporate clients.

Figure 5. Extended offerings by universal banks

Source: Credit Suisse, 2013

Extended offerings			
Service cluster	Service	Description	Criticality
Wealth planning	Private label funds	Establishment of customized and regulated investment vehicles, designed to manage one or more sizeable and complex portfolios of bankable and certain non-bankable assets	Depends on the structure chosen for the management of the investment portfolio
	Trust solutions	Succession and wealth planning solutions to protect the family fortune and ensure transfer to the next generation	Depends on the family's needs
	Family solutions	Establishment of family governance as an instrument to strengthen the family's value system and successfully manage the family fortune	Especially relevant during the setup phase of a family office
Wealth management	Research	Publications and/or reports with different time horizons (from strategic views to tactical advice) and asset class focus	Research papers and reports are an important source of information for family offices
	Socially responsible investment and philanthropy services	Advisory and sourcing of solutions to support social, ecological, cultural, and other philanthropic projects or to structure the investment portfolio according to sustainability principles	Opportunities for responsible investments and philanthropic activities are usually appreciated, especially if know-how is not available in-house
	Customized mandates	Customized discretionary solutions to address the investment needs of the family office	Depends on the investment needs of the family office

Extended offerings by universal banks			
Service cluster	Service	Description	Criticality
Trading and execution	Prime services/ brokerage	A bundled package of value-added services tailored to the needs of funds, including financing and asset-based lending on a broad range of asset classes, as well as reporting and risk management services	A critical service for large family offices
	24-hour execution	24-hour global access to the trading floor	A critical service provided by banking institutions
Lending	Special lending and structured lending solutions	Tailor-made financing solutions to purchase specific assets or finance illiquid or highly concentrated portfolios, e.g. ship and aviation finance, single stock lending	A critical service provided by banking institutions
Capital transactions	Corporate finance	Advisory services on corporate transactions and financing	Depends on the investment portfolio and need for transaction services
	Exclusive investment opportunities	Sourcing and matching of exclusive investment opportunities, from equity/debt private placements to less conventional investment solutions	Banking institutions' networks are critical for identifying appropriate investment opportunities
Custody and platforms	International booking platforms	Opportunity to ensure regional diversification by booking bankable assets at different booking centers worldwide	A critical service provided by banking institutions
	Global custody	Consolidation of all bankable assets managed by different providers in one view, including comprehensive investment reporting and risk management	A critical service provided by banking institutions
	Advanced execution tools	Algorithmic trading solutions and tools	Depends on the trading needs of the family office



Given the crucial role played by the banking partner, the selection process must be conducted very carefully on the basis of pre-defined criteria, and with the involvement of the family. The family office typically seeks contact with various providers and sends a Request For Proposal (RFP) to assess the bank's services and expertise. Key criteria include:

- **Services and solutions**
 The lead banking partner should be able to provide all the key services needed by the family office as a single source.
- **Know-how**
 The lead banking institution often serves as a sparring partner and adviser to the family office. Choosing an experienced banking partner, ideally with dedicated SFO experts, is therefore essential, and can have a considerable impact on the family office's performance and service to the family.
- **IT platform**
 Most critical services provided by banking institutions to family offices are IT-related. The ability to provide global banking platforms, highly sophisticated execution solutions, and real-time reporting in a cost-efficient way are critical selection criteria when identifying the lead banking partner. It is particularly important to select a firm offering broad and deep reporting capabilities across all assets, including those held by different custodians.
- **Capitalization and reputation**
 In the aftermath of the subprime financial crisis, clients have become increasingly sensitive to the capitalization and risk profile of banks. Providers with a strong capital base and consistent financial performance are to be preferred when selecting a custodian for the family's assets. An additional key concern for wealthy families is confidentiality, as any information leakage could lead to undesired press coverage and reputational damage.

THE INTERNAL-EXTERNAL CONFLICT

One of the biggest conflicts that can arise within a family office is that between the family or families that own the wealth (the principals), and the fund managers and external providers (the agents). The Credit Suisse *Family Business Survey*¹ indicates that family businesses are not new to such conflict between principals and agents, with families typically encountering such problems as their business develops. But concerns about tension between principals and agents in family offices bring with them issues that are unique to delegated asset management.

A feature of this potential conflict is that principals and agents face different utility curves with respect to investment results. Most wealth owners face a diminishing marginal utility curve, which means that they value the next dollar slightly less than the one they already have. This is why investors typically derive more pain from losing money on an investment than joy from making a profit. But fund managers will tend to take more risks in their portfolios in order to beat benchmarks. This is because managers have more to gain from outperforming a rising market (through asset gathering) than they have to lose from underperformance in a declining market, since there are far fewer inflows. This mismatch of expectations means that wealth owners setting up family offices may face agency costs, and should set up appropriate monitoring and compensation mechanisms to mitigate agency problems.

Adviser compensation

An increasingly common area of concern for family offices is how their third party investment advisers are compensated for their advice and services. Setting up a family office, or hiring an internal Chief Investment Officer, is often motivated by the family's need to ensure objective advice on specific investment strategies that is independent of any compensation the adviser might receive. This concern has led to the growth of registered investment advisory (RIA) and investment consulting (IC) firms, which charge an advisory fee for asset allocation; third-party manager search, selection and ongoing due diligence; reporting and rebalancing, with no remuneration from the

managers recommended and selected. This need has also contributed to a trend among larger wealth management and brokerage firms towards offering advisory only fee structures to their family office clients, as well as to their institutional and high and ultra-high net worth clients.

Investment horizon conflicts

The length of investment horizon also imposes concerns about tension between principals and agents in family offices. While family offices tend to have a longer-term investment horizon, bonuses and other forms of compensation are typically determined more frequently, often once a year. This gives family office managers an incentive to ensure that the portfolios they manage perform well over that time frame, and can often discourage managers from making long-term investments that may perform differently from performance benchmarks.

Even if the incentives are pegged to the outperformance of benchmarks, the selection of appropriate benchmarks itself is a challenging exercise for many family offices.

How fund managers think they will be evaluated also imposes decision-making constraints. In a highly outsourced family office setup, there is usually a long chain of investment decision-makers between the principal and the agent, with each layer bringing additional agency costs (and additional fees) for the principal. As one moves further away from the principal in terms of asset management, the principal carries less weight. As a result, the external managers may prefer short-term safer investments

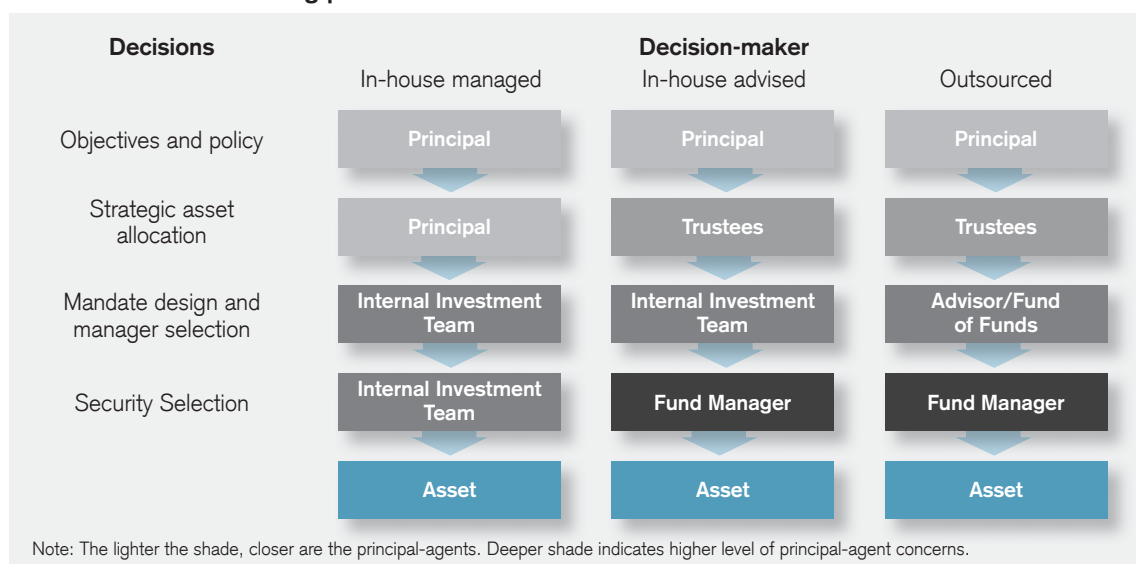
¹ Credit Suisse, Family Business Survey, September 2012

to longer-term investments that could be volatile in the short run. The principal/agent conflict is not helped by the fact that it is often suggested that assets and funds managed externally tend to underperform those managed internally.

In terms of compensation, multi-family offices are focused more on asset gathering, so the compensation of asset managers is typically more sales-driven rather than based on investment performance. However, since the financial crisis, bonuses at family offices have generally been much more locked-up and, dependent on longer-term performance criteria, rather than short-term, and subject to claw-back options – in line with the broader trends in the financial services sector.

Figure 6. Illustrative family office decision-making process

Source: World Economic Forum, *Future of Long-term Investing*, 2011



Another challenge that families face is balancing the trust-versus-expertise trade-off while selecting between in-house and external heads for family offices. The majority of family offices typically choose professionals from existing family businesses to head family offices, as they are familiar with the family business and the family in question. On the other hand, some families specifically avoid hiring professionals from the family business, in order to create an explicit distinction between the family wealth and the family business.

In summary, successfully navigating concerns between principals and agents is not an easy task for families. But they can mitigate these tensions by implementing appropriate governance structures and incentive contracts. Selecting appropriate benchmarks is also important, as poorly designed benchmarks may cause fund managers and external partners to work against what families wish to achieve. Families should also consider establishing formal processes to make investment decisions, as this can help family offices to set clearly defined boundaries and goals, and avoid ad hoc decisions that are not in line with the broader mandate or long-term strategy.

The importance of family governance

Good governance is as vital to family offices as it is to companies. As discussed in the Credit Suisse and Thunderbird School of Global Management Family Governance White Paper, *How Leading Families Manage the Challenges of Wealth*,² family governance is a system of joint decision-making, structures and policies, most often led by a board of directors and a family council, which helps a family to govern its relationship with its wealth and businesses.

The aim of family governance is to ensure rational economic and family welfare decisions that support the long-term well-being of the family business and the family's wealth. A well-selected family office board of directors will oversee the family office while liaising with family members and safeguarding their interests. By controlling the relationships between family members, shareholders, and professional managers, the board can help to avoid conflicts, support the achievement of financial goals, and promote and protect the unity of the family and its financial, human and social capital.



² Credit Suisse and Thunderbird School of Global Management, *How Leading Families Manage the Challenges of Wealth*, 2012

SELECTION OF FAMILY OFFICE PROFESSIONALS

Staffing is crucial for the success of a family office and it is a major challenge to identify, attract and retain the best talent. In larger institutions this process is usually overseen by the human resources department, but family offices cannot rely on such backup. Consequently, recruitment often becomes the responsibility of the wealth owners and their trusted advisers – many of whom are less well-trained to make these decisions.

When it comes to staffing a family office, it is important to distinguish between members of the owning family who work for the family office, and non-family professionals. While a recent study in Switzerland and Germany found that many of the investigated family offices are led by a family member, this section focuses on the process of recruiting non-family professionals.³

Guidance on structuring the recruitment process, formulating incentive packages and maintaining strong relationships with the new employees, is often necessary.

Despite the lack of formal recruitment structures, families can have advantages in attracting talent – often because they are able to offer more flexibility in compensation and incentive packages for senior recruits. They can also offer a working environment and culture that can appeal to the right candidate looking for a change from big-company culture.

Best practice: recruitment process ⁴

- **Job description.** This can be flexible, but must capture the key elements and essence of the role. Family office executives are often involved in multiple projects.
- **Interview committee.** The responsibility of hiring for roles such as CEO and CIO should not be undertaken by one person. Sharing the process and risk of the hire is advisable.
- **Checking references.** A recommendation by a trusted adviser or family member is valuable, but more extensive checks should be made. The process should be rigorous in order to ensure objectivity.

³ Credit Suisse and University of St.Gallen, From Family Enterprise to an Entrepreneurial Family, 2012

⁴ Family Office Exchange, 2013

Retaining talent

Retaining people once they have been recruited depends heavily on compensation and the feedback process.

■ Compensation

- Conversations. The feedback process should be performance-based, consistent, and incorporate an element of long-term compensation.
- Incentives can include items such as phantom stock (future cash payment based on market value of shares), co-investment opportunities, transaction bonuses and, in some cases, partnerships. Incentive plans often reflect the standards in the industry that created the family's wealth, so packages vary by industry.

■ Career advancement

A common challenge faced by family offices when hiring staff is properly communicating to employees the opportunity, or lack thereof, for substantial career advancement in terms of expanded responsibilities and challenges. Most family offices are not created with the express purpose of growing in size and complexity - aside from meeting the needs of an expanding family member base. While this is less the case for new family offices, where the immediate goal is to establish an infrastructure for the proper management and governance of the family's affairs, it is true for more established and mature family offices. In these cases, hiring decisions need to consider the longer-term roles and responsibilities of executives and staff at all levels. This challenge is particularly pronounced when hiring younger professionals who aspire to learn and take on greater responsibility, but less of a challenge for administrative staff and for professionals looking for a career with a family office to provide them with a better work-life balance. It is also less of an issue

when hiring senior people for the family office leadership, since candidates are usually seasoned professionals who have already accomplished many of their career goals and view working with a family office as an opportunity to provide the family with these experiences as a final chapter in their career. It is critical to focus on and understand the longer-term career interests and motivations of each new family office hire when interviewing candidates.

■ Feedback

■ Delivery

Many family office executives were previously employed somewhere with a highly structured corporate environment and can feel uncertain about their performance and the family's satisfaction with their role due to a lack of meaningful feedback. Family members may be unaccustomed to having to satisfy this need for feedback, but attempts should be made to provide a fair and thorough assessment of performance where possible. CEOs at family offices often feel unimportant, largely because of a lack of feedback, rather than concern over compensation.

■ Receptiveness

A challenge when staffing a family office is how family office executives and family members can maintain a sense of partnership without the impartiality of the executive being affected by the family. Family office executives must be open to giving and receiving feedback so that an environment of honesty and openness can flourish. This process of feedback is in itself dependent on long-term commitment to the family, cultivated by appropriate incentive planning and personal chemistry – an unquantifiable element in the process.

Keeping it in the family

WHATEVER THE COSTS, A WELL-RUN FAMILY OFFICE PROVIDES HUGE BENEFITS – BOTH QUANTITATIVE AND QUALITATIVE

By BERNARD FUNG

A FAMILY office is an organisation that manages the wealth and personal affairs of a wealthy family or several branches of that family. It also plans for that family's future in a multi-generational sense, deals with tax, legal and estate planning, preparation of the next generation, philanthropic activities, book-keeping and may even go as far as providing supporting services such as the management of art collections, planes, boats, properties and other assets.

Wealthy families invariably already have arrangements of one form or another to look after their wealth and personal affairs, usually made up of an informal grouping of some family members and staff that operate within the family business management office. However, such informal organisations create several challenges over time.

First, business staff also involved in the private matters may be distracted or not always be able to prioritise between family and business duties. Second, dividing or segregating information to make sure no one person "knows everything" still requires at least one person to be able to manage the complexity. This may potentially create disparate information silos that are less than desirable ("keeping track of who knows what"), and the risk of something unforeseen happening to the person with the "full picture". Lastly, families usually find that such organisations react to changes rather than pro-actively anticipate them, and may not readily keep pace with the increasing complexity as the family and its wealth grows, or as the business or family circumstances change with the family's lifecycle.

Ensuring better management

Families that begin to experience some of these challenges consider a more dedicated and distinct arrangement. As the family extends into the next generation and beyond, the family may grow disproportionately relative to its wealth increase. By default or design, if the family has to stay together, for instance, because the family assets have not or cannot be distributed, a family office is often one of the options explored to ensure better management of this shared pool of assets, to meet the individual financial requirements and other needs of the family. This is where it may make sense to consider a more formal family office.

Particularly in Asia, where many family businesses continue to grow vibrantly, business owners may find it hard to manage family financial assets and run the business at the same time. The family's wealth may also become the business – for example, when the family no longer fully controls management or ownership because of new private or public investors; the family office can enable the family to interact with the business in a manner that strengthens the perception of good governance.

The family office may also provide a focal point for the family to continue to work together on other new business or non-business enterprises. A family office may relieve the administrative burden for the family, providing the wealth owner with a systematic way of organising the family's increasingly complicated lifestyle and freeing up time to pursue personal interests and passions. The current generation may wish to prepare the next one – a family office serves as a "safe pair of hands" to manage things and help prepare the next generation for the responsibility of stewardship.

The family should carefully consider the degree to which it wishes to "do everything" itself with its own family



KEY INDIVIDUAL

Besides the necessary professional prerequisites, the person leading the family office should also have an attention to good processes and the eye for details necessary to deal with legal and financial issues and service providers

office. There are family offices that have, in the interest of maintaining utmost secrecy, set up full infrastructure and staff to manage every function in-house. Unless managed very well, such family offices do not pass the test of time – the next generation usually ends up dismantling them as the costs compound over the years. Conversely, hiring relatively low-cost administrative staff to merely act on directions and instructions from the family may not always be an appropriate solution – the office does not generally rise beyond the level of its staff, and the family never realises its full potential.

Finding the right person

One of the most crucial tasks the family has to fulfil is finding the right person (family or non-family) to lead its family office. Several qualities are important. That person needs to know how to strike the right balance between growth and preservation of long-term wealth. Besides the necessary professional prerequisites, he or she should also have an attention to good processes and the eye for details necessary to deal with legal and financial issues and service providers. The person must be able to build on trust and be trustworthy, for instance being able to represent a wealthy and powerful family without abusing that status. He or she should be able to gain the confidence and trust of both the current and the next generation and be capable of "speaking truth to power", for example to present the family an opposite view in a way that builds a positive outcome rather than destroys cohesion and unity. The exceptional person will be able to draw the family into a wholesome level of involvement with the professional family office, and help nurture the right sort of independence in the next generation.

Family offices with stewardship over wealth pools of

similar magnitude and complexity can have staff sizes ranging from a few persons to over a hundred. Published statistics suggest that family offices manage median investable assets of around US\$100 to US\$125 million, with an average of around US\$250 million. Annual operating costs average from about 40 up to 100 basis points of investable assets. However, Asian families considering family offices should view these published statistics as rules of thumb, rather than industry norms or operational standards, as they sample mostly from family offices based in America and Europe.

Whatever the costs, a family office's benefits are both quantitative and qualitative, and the family should assess these in light of the original motivations for setting up the office. Quantifiable benefits include higher sustainable real investment growth due to more rigorous investment process and due diligence, risk management, or access to "institutional" deal flow. Savings from aggregating resources to negotiate with service providers also contribute to the bottom line.

Benefits not be easily quantifiable but arguably of equal, if not greater value, include strengthening the family unity, a fuss-free generational transfer of stewardship over business and wealth, as well as preservation of the family's legacy and enhancement of its reputation.

There are as many organisational variations of family offices as there are families, their respective needs, wants and preferences. Whatever form the organisation assumes, it should be always able to draw its inspiration, identity and vitality from the family it serves. It is, after all, the family's office. ■

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RISK MANAGEMENT

Maintaining family wealth across generations is extremely complex. The recent global economic difficulties were unprecedented, and families with significant business assets or private wealth are now looking to stabilize their wealth against this background. For wealthy families in Europe, the uncertainty and volatility resulting from legal, fiscal and political difficulties, coupled with the weakness of the Euro, have added to their problems. Many have been concerned with risks such as permanent loss of capital, counterparty and credit risk, and lack of liquidity. Consequently, with the aim of securing their family legacy over generations they have changed their perception of risk and the definition of risk itself.

The financial crisis of 2008-09, and the fallout from it, has led families to reconsider their approach and behavior towards risk. In broad terms, there has been a shift from too much risk-taking before the crisis to too little afterwards. Such subjective perceptions of risk can only be avoided through a stringent and structured risk management process focusing on long-term goals. Furthermore, there is a greater requirement today for additional due diligence procedures for large investments, as well as a desire for more transparency during the investment process.

Against this background, family offices need to complement their existing standard risk measures with additional techniques, such as using additional portfolio analysis tools combined with scenario analyses for different asset classes. The risk management function within the family office is increasingly moving away from a mere controlling role to a time-critical, strategic advisory role. This trend also has a significant impact on make-or-buy decisions in the family offices.

This new demand for risk transparency has led to the desire to invest more in direct investment opportunities and in real assets, rather than in complex financial capital market products. The ease of understanding investment products, proximity to the investments, and the possibility of having a real influence on the investment are more important now than ever. Long-term investments with lower volatility and a moderate expected return are more

often combined with short- to mid-term investments with a significantly higher risk profile to achieve outperformance. As part of this process, the further professionalization of family office services is taking place in processes such as manager selection and due diligence of direct investments, and more stringent controlling of portfolio managers.

Risk management and investment reporting and controlling have thus gained in importance following the financial crisis. Market participants typically say that an optimal diversification or asset allocation strategy, combined with active and highly flexible portfolio-management, are the cornerstones of a solid risk management process.

Key risk areas

Systemic and global risks clearly impact family wealth in a significant way. The following parameters may guide a portfolio risk analysis framework:⁵

- Identify which factors could destabilize your portfolio and affect your diversification.
- Capture blind spots and hidden diversification risks.
- Watch for seemingly uncorrelated assets moving in the same direction during corrections.
- Focus on imperfect knowledge.
- Initiate critical analysis and reflections of potential impact on asset allocation decisions.

⁵ Family Office Exchange, Building a Family Enterprise Plan to Deal with Future Uncertainty, 2012

Risk management systems

Risk, return and liquidity are among the foremost issues to be considered in any investment decision and asset allocation process (see figure 7).

These prerequisites will be the basis for the risk management system, which in itself will cover risk mitigation and cost reduction and may lead to value creation. Factors include:

Risk mitigation

- Identify and address key risk areas that matter.
- Effectively assess risks across the family office, driving accountability and ownership.
- Manage and mitigate mission-critical risks.
- Establish comprehensive risk frameworks.

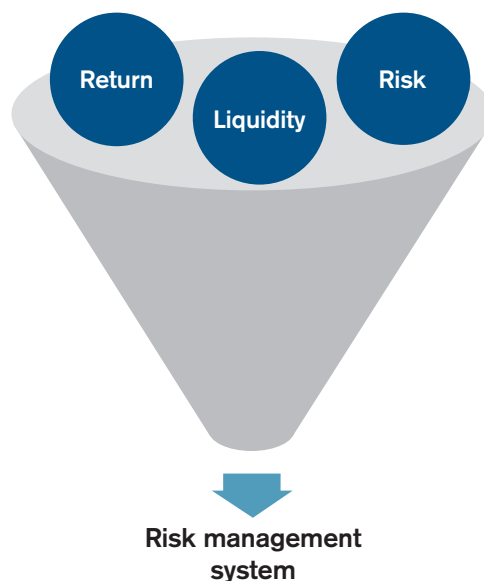
Cost reduction

- Cost efficiencies are a critical part of setting up a family office.
- Implement an automated risk management process to materially improve the cost structure.
- Reduce cost of control spend through the improved use of automated controls.
- Streamline or eliminate duplicative risk activities.
- Improve process efficiency through continuous monitoring.

Value creation

- Achieve superior returns from risk investments.
- Improve control of key processes.
- Combine risk and control management to improve performance.
- Use analytics to optimize the risk portfolio and improve decision-making.

Figure 7. Risk management system



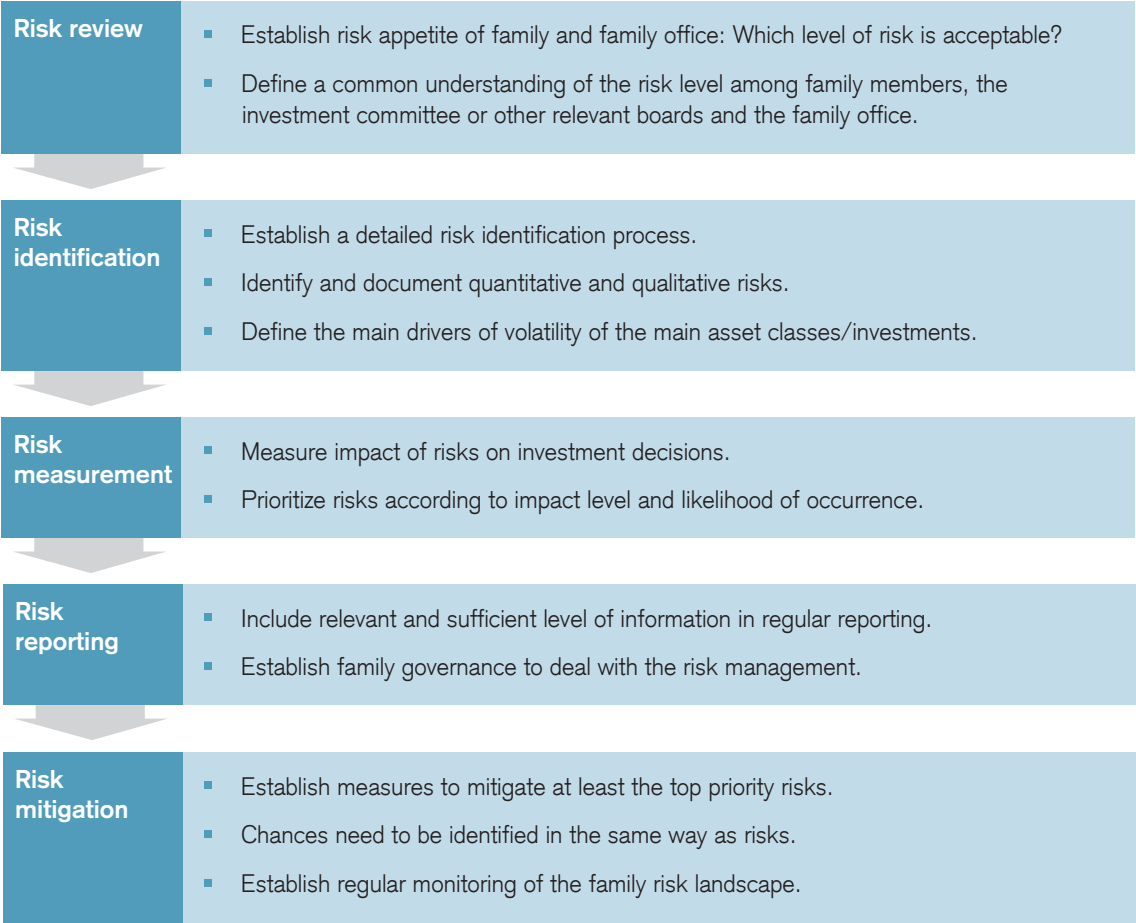
Family office CEOs, CFOs or CIOs increasingly perceive enterprise risk management as adding value to the family office operation. According to the *European Family Office Survey*, family offices worry most about investment risks, family reputation, banking/custody risks and political/country risks.⁶ After the financial crisis, risk management has developed further toward a risk-return based optimization model (see figure 8).

⁶ UBS/Campden Wealth, *Back to Business, Family Offices Adapt to the New Normal*, 2012

Figure 8. Risk management process

Source: EY, Family Office Services, 2013.

A risk management process is vital to the family office structure in order to formalize the approach to risk relating to the family wealth.



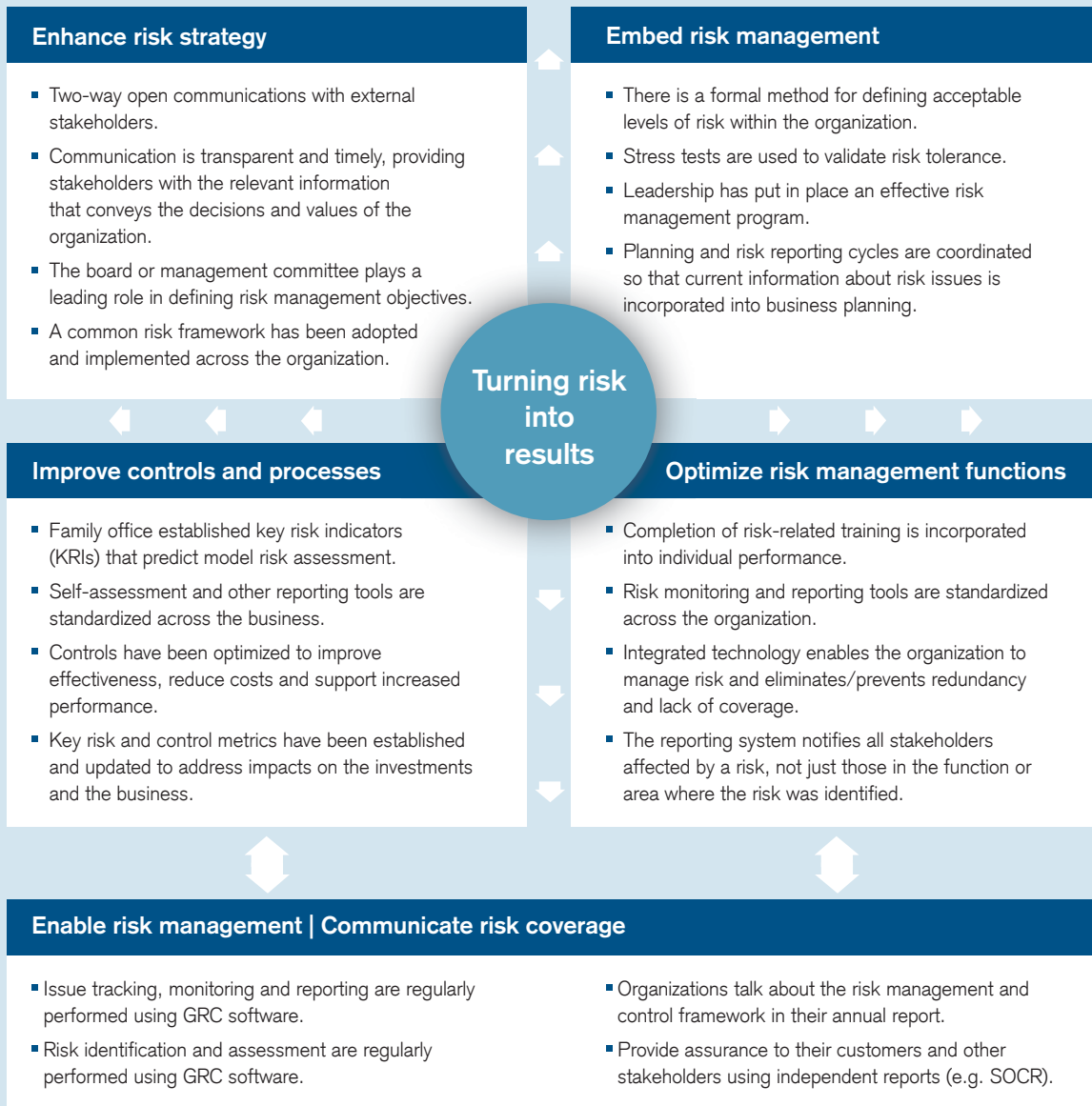
Turing risks into results

What differentiates the top performers?

The EY study, *Turning risks into results*,⁷ found that while most organizations perform the basic elements of risk management, the top performers do more. Specific risk practices were identified that were consistently present in the top performers (i.e. the top 20% based on risk maturity) and not present in the bottom 20%. These risk practices can be organized into the challenge areas depicted in the chart here below. The organizations that successfully turn risk into results concentrate on all five challenge areas of the risk agenda.

Figure 9. The risk agenda

Source: EY, *Turning risk to results*, June 2013



⁷ EY, *Turning risk to results*, June 2013

Risk management

By Benedikt von Michel, Chief Investment Officer, JMH Capital Management, October 2013

JMH Capital is a single family office established to safeguard and grow the assets of its principals. The family made its wealth by acquiring, turning around and growing a construction solutions company that was previously owned by BP plc. The strong cash flows generated by this asset have enabled the JMH Group to buy a handful of niche luxury goods companies, as well as a large stable of racehorses and various properties. With the majority of the family's wealth tied up in these illiquid assets, it is essential that the capital in the remaining portfolio is preserved and remains reasonably liquid, but not at the expense of returns.

This sets the scene for a conundrum that is no doubt troubling most CIOs at present: where can a family office find respectable returns within the structure of a wealth preservation investment framework, and yet still provide the family with adequate liquidity on an ongoing basis?

The inevitable distortion in various asset classes that is an undesired side effect of the numerous rounds of quantitative easing have made the investor's role more fraught with risk than ever before. The risks of capital loss in traditional safe-haven assets, such as Group of Seven sovereign bonds have, in JMH Capital's eyes, consigned the traditional 60/40 equity/debt portfolio structure to the history books for the foreseeable future.

In this respect, JMH has allocated the majority of its portfolio into uncorrelated, and in many cases somewhat niche, asset classes. Given the small size of the team and the high level of specialist knowledge required to succeed in these niches, JMH invests almost entirely through specialist funds. These include direct lending (including trade finance), equity-linked debt, merger arbitrage, reinsurance, litigation finance and late-stage bankruptcy claims. What these funds have in common is that they provide a relatively steady return, while being largely uncorrelated to each other and also to global equity and bond markets. It is only by assembling this diverse range of assets that JMH is able to achieve an 8% annual return but, importantly, with a considerably lower level of volatility or risk. The consequently high Sharpe Ratio indicates that the rate of return exceeds the risks assumed in seeking that reward.

As noted, JMH is not averse to venturing into less traditional funds in search of returns and an asymmetric risk profile, so long as it can control the overall risk within the portfolio. Indeed, as part of this investment

philosophy, JMH has made direct investments in Sub-Saharan Africa, but only after doing a considerable amount of research and finding the right partners.

Given that the majority of companies in Africa are either private or government-owned, it quickly became apparent that the best way to get proper exposure was through the private market. However, private equity was, in JMH's view, in danger of becoming a crowded market, with exits an ever-prevalent risk. JMH therefore went about sourcing a team with a more innovative and appropriate way of investing in Africa. They joint-ventured with a team of UK-educated, experienced local financiers.

As JMH saw it at the time, they were only going to invest in Africa if they could mitigate the risk. The team needed to be of local origin and based locally, so JMH set up offices for them in Lagos and Nairobi. To protect the downside risk, investments needed to be debt-based rather than equity based – and always heavily asset backed. Finally, JMH needed to get paid for taking the Africa risk by way of the equity kicker. 46 Parallels, a joint venture between JMH and TIA Capital Management, was the only team that could effectively manage these risks. As a result, JMH brought the team on board, financed the full set-up costs, and started investing its own money and some co-investment funds into the region. After all, what better due diligence is there than actually having the team on board and working with them to create what is, in JMH's view, the best risk/reward balance for investing in emerging markets?

The JMH family office believes that it has created a unique portfolio of niche fund assets, able to generate very steady, low-volatility returns regardless of the overall market environment. The key to this has been following a strategy of investing into a diversified basket of genuinely uncorrelated asset classes. By splitting the portfolio between 30% liquid assets (with greater than weekly liquidity) and 70% illiquid assets (a broad range, but still averaging under a year), JMH Capital can provide its principal with liquidity at very short notice, yet still deliver a solid return at minimal risk.

In what is projected to be a new normal of low returns for the foreseeable future, JMH believes that the family office has gone some way to providing a robust solution to the risk/return/liquidity conundrum – something that all family offices should aspire to.

THE INVESTMENT PROCESS

How do family offices invest their principals' money? Family offices tend to follow their own individual investment policies, because unlike banks and other financial service providers, they are generally subject to the more relaxed regulations applicable to companies, trusts and foundations. However, the degree of freedom enjoyed by family offices is reduced in proportion to the level of services provided by third parties and the number of families served by the family office.

Family offices can often diversify their assets very broadly, much more than institutional investors can, thanks to the amount of assets under management. Family offices are also generally better able to invest on a more long-term basis, and primarily pursue wealth preservation in order to pass on assets to the next generations.⁸ According to recent research, many prefer direct investments, and where organizations have an entrepreneurial principal, are more likely to become directly involved in the investment process. More than a third of those surveyed would be glad to contribute to the planning stage of their investments.⁹

Many family offices take an open approach to their investment policy and try to avoid conventional investment paths. Thus many invest in alternative investments, such as yachts, horses, art, forests and farmland, or car, wine or watch collections. This enables them to spread risks while reflecting the personal preferences and passions of family members.

The growth of family offices is a relatively new trend, and because of the diverse origins of many family fortunes and the different backgrounds of CIOs, it is difficult to pinpoint a uniform family office investment process. Very broadly, the process should first set out an investment road ahead, listing goals and risk tolerance, and resolving issues relating to business shareholdings and family member stakes. The next phase is to establish the portfolio structure (for example, how much to place in equities, real estate, etc.) to deliver the risk/return trade-off the family

requires. Implementation and governance then follow – finding the appropriate investments to make up the portfolio, and overseeing their performance.

Role of the family

The crafting of an investment process is heavily dependent on legacy issues, reflecting the economic sector where the family made its money, the extent to which the family is still actively involved in the business, and the background of the CIO of the family office. Each of these factors tends to bias how a family's wealth is invested and impacts the subsequent need to produce a diversified portfolio for the long term.

Another important issue is the composition of the family. For example, a family office set up by a first-generation entrepreneur would probably be very different in its aims to one established by a large fourth-generation family. As a result, the behavioral, financial and legal issues involved make structuring the investment process of a family office both complex and fascinating.

Credit Suisse's *Family Business Survey* suggests that most family businesses, even those with a third generation and older, do not yet have a family office. Cost and complexity are two contributing factors here, although it is also clear that the rate of growth of family offices is accelerating, and the need for a transparent, independent and structured investment process is a key reason for this.¹⁰

⁸ Credit Suisse, Family Business Survey, September 2012

⁹ Ibid

¹⁰ Ibid



Setting investment goals

For most investment funds, whether sovereign wealth funds, endowments or family offices, the first task is to establish clear investment objectives and risk profiles. Different investment structures can have varying goals and objectives, and there is also variety in how these objectives are constructed. For example, some institutional investors work with inflation-related return objectives, others might not.

An important distinction can also be made at this stage between liquid assets, such as tradable securities; and illiquid assets, such as direct investments, private equity and real estate – the latter being difficult to value and often requiring support in terms of funding. Many CIOs tend to view illiquid assets differently, when it comes to returns and investment horizons, to liquid asset portfolios.

Examining prior investment styles and questionnaires can help to identify the family's tolerance to risk. In addition, scenario testing that illustrates and draws out important sensitivities to risk and portfolio drawdowns can be useful. In some cases, the discussion of the investment process is led by

the CIO. In others, it can entail a more collective discussion involving family members, and cover any desires they have to establish charities or philanthropic initiatives alongside the family office.

Once an asset allocation recommendation has been reviewed, understood and accepted, the family should formalize the investment plan in an investment policy statement. Such a statement is a roadmap and focus for all parties involved, including investment advisers, investment managers and trustees. It also provides a course of action to be followed in times of market dislocation when emotional reactions may result in imprudent courses of action.

Once the specific investment goals – whether they involve growing or preserving wealth – and the risk profile of the family office have been established, the next step is to create an overall portfolio structure and engage the necessary investment tools to drive the investment process. In some cases, historical asset return data is used to give a sense of what future returns might look like. However, as recent stock market history has shown, the past is not a reliable guide to the future.

Tax considerations

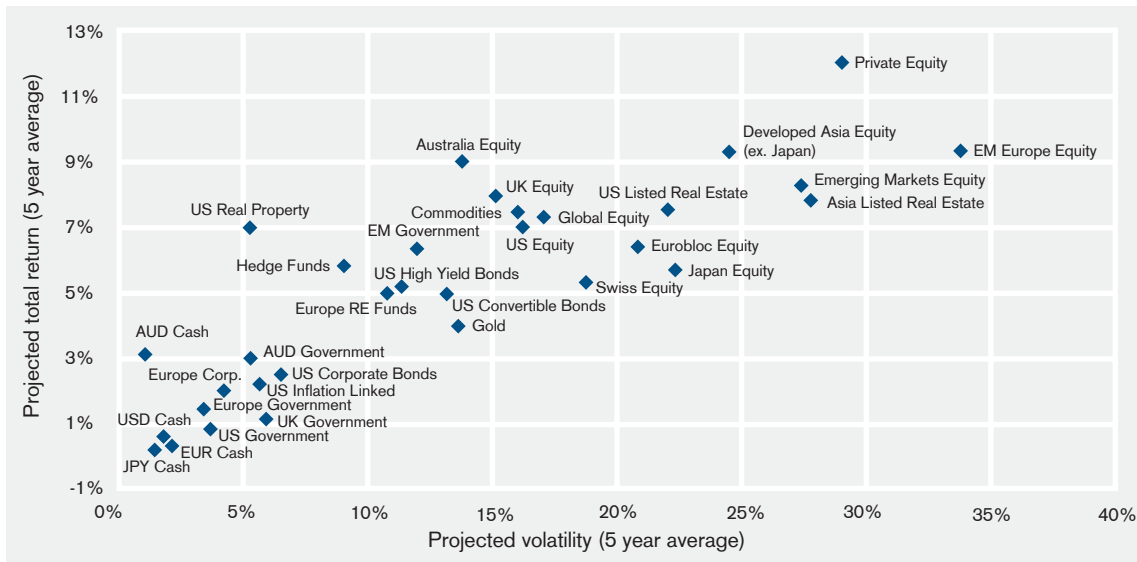
It is no secret that some asset classes are more tax-efficient than others. Selecting the most efficient combination of assets for the family requires taking into consideration the ultimate after-tax return that they would expect to receive. For each asset class, the expected return should be deconstructed to reflect the income yield from interest and dividends versus the return from capital appreciation. Based on the level of turnover typical for each asset class, it is possible to estimate the percentage of asset appreciation that comes from realized versus unrealized capital gains, and also the extent to which realized capital gains would be treated as short-term as against long-term tax liabilities. Providing asset allocation analysis on an after-tax basis may present a realistic view of the return the family can expect from its portfolio investments, as well as a favorable mix of investments tailored to a family's specific tax situation.

Using capital market assumptions

It is important for the asset allocation process to involve capital market assumptions (CMAs) covering as large a number of assets and asset classes as possible. Total return forecasts should balance quantitative forecasts with qualitative judgments to produce long-term average forecasts of how assets and asset classes will perform. This permits the building of tailored portfolios guided by how long-run asset returns may look in the future, as opposed to simply using longer-term historical trends. Nevertheless, cross-checking with the past (for example, by using resources such as the Credit Suisse *Investment Returns Yearbook*, which analyzes 112 years of stock and bond returns across 20 countries) can also help to put forecasts into context versus the long run.¹¹

Figure 10. Projected total return and volatility of various asset classes

Source: Credit Suisse, Datastream, 2013



The Capital Market Assumptions framework at Credit Suisse produces five year average return and volatility forecasts for 78 assets (in effectively seven asset classes), some of which are shown in the chart.

¹¹ Credit Suisse, Investment Returns Yearbook, February 2013

Stress testing and modeling

Once an initial portfolio shape is in place, several further exercises can be useful, such as stress testing the return profile of the portfolio to demonstrate to family members how the portfolio might behave during periods of volatility. In performing this type of analysis, it is sensible to examine all the family's wealth, not just their investment portfolio. Modeling the core business holding of a family as a form of private equity or direct equity holding, and then analyzing and optimizing other components of a family's wealth with respect to this, is a difficult but necessary task.

In the context of family businesses, one common outcome of this part of the process is to show that the initial investment portfolio of the family office could be better diversified, since it often has a large holding in the underlying family business or, in some cases, legacy investments that tend to be over-concentrated in certain asset classes (e.g. private equity). There are several ways to achieve a more diversified portfolio for the family office, helped by looking at projected total return and volatility data (see figure 10).

The importance of cash flow

Family offices are different from other organizations in that there is often a greater and more irregular call on the investment portfolio. Family members request funds for business-related or private equity stakes, philanthropic and impact investments, or ongoing expenses. In this respect, being able to model the impact of cash flows on an overall investment portfolio is important, and experience suggests that the focus on yield and cash flow tends to be higher for family offices than for other organizations. Accordingly, families should consider their overall liquidity needs carefully during the portfolio construction process.

Implementation and governance

Implementation and governance quality is crucial. From an investment point of view, how a portfolio is implemented must be consistent with its objectives and structure. Having a formal investment policy statement in place is important for maintaining an appropriate governance structure. In addition to reviewing the family's goals and objectives, it is vital to review asset allocation. This can be done by running asset allocation diagnostics on portfolios at least once a year, in order to ensure that they perform as initially prescribed. Transparency is also very important, and regular meetings and contacts between principals, the family office staff and external advisers will help to clarify broad macro views, turning points in strategy, and issues relating to implementation.

In summary, while the family office space is growing and evolving quickly, several building blocks can be identified as forming the key components of a family office investment process. These are:

- Consideration of how legacy issues determine the starting point of the fund.
- Objective setting and creation of an investment policy statement.
- Mapping risk tolerances.
- Building a portfolio structure across all liquid and illiquid assets.
- Implementation using strategic and tactical investment tools to ensure that investment solutions fit the goals and objectives and meet cash flow needs.
- Governance.
- Rebalancing.

RESOURCES

The following resources may provide additional information to expand upon the topics discussed throughout the paper.

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EY is a market leader in advising, guiding and recognizing family businesses. With almost a century of experience supporting the world's most entrepreneurial and innovative family firms, they understand the unique challenges they face and how to address them. Through their EY Global Family Business Center of Excellence, they offer a personalized range of services aimed at the specific needs of each individual family business helping them to grow and succeed for generations.

The Center, the first of its kind, is also a powerful resource that provides access to their knowledge, insights and experience through an unparalleled global network of partners dedicated to help family businesses succeed wherever they are. For further information, please visit ey.com/familybusiness.

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EY's services for families and family offices are a reflection of their broad range of expertise and a symbol of their commitment toward family businesses around the world. Their comprehensive and integrated approach helps families to structure their wealth and preserve it for future generations. Their goal is to unlock the development potential of the family through a multidisciplinary approach that scrutinizes operational, regulatory, tax, legal, strategic and family-related aspects. For more information about the full range of family office services, please visit ey.com/familyoffice.

The Center for Family Business — University of St.Gallen

The Center for Family Business of the University of St.Gallen (CFB-HSG) focuses on research, teaching, and executive education in the context of family firms and at international level. The CFB-HSG's work involves initiating, managing, promoting and running training and transfer programs, research projects and courses.

At the St.Gallen Family Office Forum, representatives of German-speaking single family offices meet twice a year in a discrete and trustful setting. The aim is an intensive exchange of experiences, best practices, and ideas. Further information can be found at www.cfb.unisg.ch.

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Credit Suisse, EY, and the University of St.Gallen would like to thank the following individuals for generously sharing their time, expertise and insights:

- Christian Sulger-Buel, Managing Director, Family Office Exchange International
- Daniel Goldstein, Independent Family Office Advisor
- Alexander Hayward, Relationship Manager, Family Office Exchange International
- Benedikt von Michel, Chief Investment Officer, JMH Capital Management

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