

Single Family Office

Survey Report 2022

Executive summary

The fundamental purpose of every family office is to safeguard the long-term prosperity of the family in question. Our 2021 survey found that the focus of single family offices (SFOs) was on navigating the unprecedented market volatility and economic uncertainty triggered by the global pandemic.

Twelve months on, our latest survey has revealed that these market forces are not only still affecting family office investment decisions, but are also compounded by the ripple effects of the war in Ukraine, resurging inflation and rising interest rates.

What is also clear is that SFOs are not a homogenous group. Each SFO acts exclusively on behalf of the family, and every family is unique in terms of its history, composition, culture, location and how it has structured and staffed its office.

At the same time, whether big or small, or based in Asia or Europe, SFOs have much in common. In their aim to secure long-term prosperity, many are responding to today's challenges in similar ways – such as shifting their investment strategy to preserving rather than growing wealth in an economic environment where inflation threatens to erode value. Portfolio diversification is also higher up on the agenda, and SFOs continue to look to private markets for returns over the long term.

Our survey also indicated that SFOs have yet to find a solution to the age-old challenge of managing generational conflict. The number one concern of SFO managers is the smooth transfer of wealth to younger family members, who may well have different priorities and risk appetites.

There are also marked differences in how SFOs approach private market investing. The European market is more mature than the market in Asia, as reflected by the higher number of advisors and channels of support. Larger SFOs with more than USD 500 million of assets under management (AuM) invest quite heavily in property and healthcare while the smaller SFOs, with under USD 500 million AuM, tend to favor IT and education.

Where there are differences in approach between SFOs, these can often be attributed to the involvement of younger generations – especially when it comes to environmental, social and governance issues. ESG has yet to become a major driver in investment decisions, even though there is some evidence that this is changing as younger generations become more involved.

For more insight into the SFO of today, I encourage you to take a look.

Thank you to all who took part in our survey. I hope you find the read both insightful and useful.

Thomas Ang
Global Head of Family Office Services
Credit Suisse

Business-related challenges

Question: In your opinion, what are the three most important business-related challenges, if any, that your single family office currently faces?
% share of respondents



Source: SFO Survey 2022 | Base: n=114

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Methodology

In January 2022, we invited SFO clients to participate in our second annual online survey.

We received 116 responses from SFOs in 50 countries across Europe, Latin America, the Middle East and Asia.

These SFOs manage a total of USD 90-100 billion in assets and, on average, employ ten people to support seven family members across two generations.

Profile of respondents

Role within SFO

Questions: Please describe your role within the single family office. / What is the value of the total family assets managed by your single family office? / Please tell us where the main location of your single family office is.

% share of respondents

CEO / MD	43 %	Investment specialist	7 %
Owner	18 %	COO / Board member	6 %
CIO	14 %	Other	2 %
CFO	10 %		

Main location of SFO

% share of respondents

EMEA	68 %
Asia Pacific	28 %
Other	4 %

Assets under management

% share of respondents

44 %	≤ USD 500 mn
56 %	> USD 500 mn

Total estimated AuM

USD 90-100 bn

Source: SFO Survey 2022 | Base: Role within SFO n=80; Assets managed by SFO n=72; Main location of SFO n=82

Linking generations

SFOs tread a difficult line. Their mandate is to support the whole family from the youngest to the oldest, yet the challenge is to manage conflicting priorities and values. Younger members often struggle to get their views heard as the older generation typically dominates strategy.

Our survey revealed that over half of SFOs (53%) are finding it hard to include the next generation in decision-making and managing the wealth transfer. In addition, one-quarter (26%) indicated that relationships within the family are a significant business challenge.

While this is not a new story, there do appear to be new areas where the generations clash. Younger family members are often pivoting toward ideas and causes driven by purpose – notably sustainability, innovation and transparency. Yet in some cases, they have no say at all (31%).

As some SFOs recognize that failure to involve the younger generations today will make handing over responsibility for the wealth that much harder, they are planning to change. Of that 31%, 5% say they plan to address the issue within the next three years, with 73% likely to do so only after three years.

Given the apparent potential for clashes over values and priorities between the generations, it may also be surprising that 64% of SFOs do not think their investment strategy will not change with the next generation.

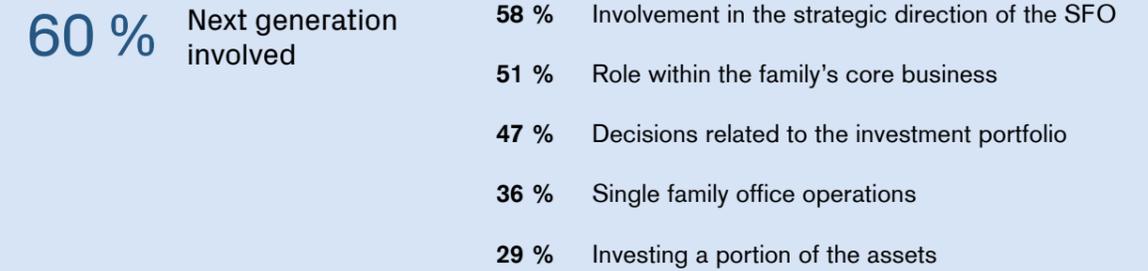


We try to integrate the younger generation but it's hard. The principal would often rather give them money to start their own business and be successful on their own than include them in SFO decision-making. However, it's changing slowly. I think the next generation will be more open to integrating subsequent generations, and the generation after that even more so.

Thomas Rohner
 Managing Director
 Premium Clients Switzerland
 Head Single Family Offices
 Credit Suisse

Involvement of the next generation

Question: How is the next generation of the family currently involved in the single family office or business?
 % share of respondents

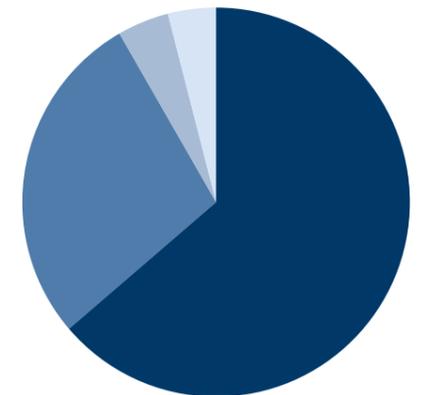
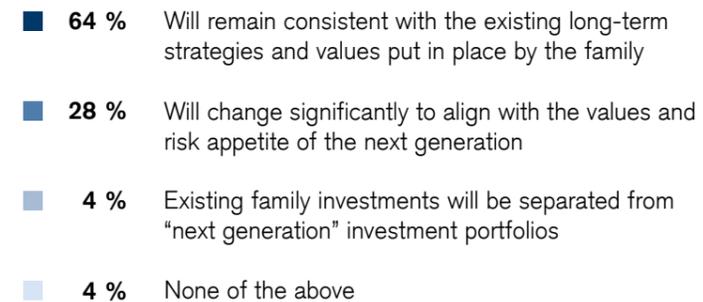


9 % There is no next generation

Source: SFO Survey 2022 | Base: Involvement of next generation n=75; Expectation to become more involved n=22
 Filter: Expectation to become more involved *Next generation is currently not involved

Strategy change with the next generation

Question: How do you expect the investment strategy of your single family office to change with the next generation?
 % share of respondents



Source: SFO Survey 2022 | Base: n=71
 Filter: Do have a next generation

The right investment strategy

Global economic conditions have turned. For SFOs, this has consequences for strategy, with anecdotal evidence suggesting that many are starting to favor capital preservation over growth. A total of 54% of respondents cited investment strategy and asset allocation as one of their top three challenges, while 47% cited achieving annual return targets.

Some interesting differences emerge when respondents are split by size and region. While both big and small SFOs consider strategy and investment strategy a challenge, those managing over USD 500 million in assets are more likely to be concerned than their smaller counterparts (59% vs 44%).

Meanwhile, those managing less than USD 500 million in assets are more likely to see diversification across geographies as a challenge (47% vs 28%). In the less mature Asia Pacific region, where wealth is more often first generation and more likely to be concentrated across fewer asset classes, a higher proportion of SFOs see diversification as a challenge (43% vs 29%).

Investment-related challenges

Question: In your opinion, what are the three most important investment-related challenges, if any, that your single family office currently faces?
% share of respondents

Investment strategy and asset allocation	54 %	Global regulatory and tax changes	33 %
Achieving annual return targets in this market environment	47 %	Private deals and entrepreneurial investments	27 %
Diversification of the portfolio across geographies and sectors	33 %	Adapting to macro-economic events	25 %

Regions (%)

Asia Pacific		EMEA	
43 %	Diversification across geographies	29 %	
39 %	Global tax regulations	27 %	
0 %	Sustainable investing	18 %	

Assets under management (%)

≤ USD 500 mn		> USD 500 mn	
47 %	Diversification across geographies	28 %	
34 %	Private deals	23 %	
44 %	Investment strategy	59 %	
19 %	Adapting to macro-economic events	28 %	

Regional differences are also apparent when it comes to who makes the decisions. In Asia, 61% said that investment decisions are made by selected family members while in Europe, this falls to 39%. By contrast, 50% of SFOs in Europe use formal investment committees as opposed to only 17% in Asia.

There are further differences when it comes to size. Of note, 60% of SFOs with more than USD 500 million AuM use investment committees, compared with just 22% of smaller SFOs. This may be because in the bigger offices, the chief investment officer has a greater role or even makes the decisions, as 30% reported.

Yet in SFOs managing less than USD 500 million in assets, the family more often decides how to invest compared with larger SFOs (66% vs 30%). In effect, the smaller the SFO, the more prominent the role the family plays.

Key financial investment decision maker(s)

Question: Who typically makes the key financial investment decisions in your single family office?
% share of respondents

Selected family members	48 %	Formal investment committee	35 %
Beneficial owner(s)	40 %	CIO	27 %

Regions (%)

Asia Pacific		EMEA	
61 %	Selected family members	39 %	
17 %	Formal investment committee	50 %	

Assets under management (%)

≤ USD 500 mn		> USD 500 mn	
66 %	Selected family members	30 %	
22 %	Formal investment committee	60 %	
19 %	CIO	30 %	

Unlocking private markets

SFOs are a substantial source of capital for entrepreneurs. On average, each SFO surveyed was involved with seven private deals in the past two years. Such keen interest may stem from the fact that family wealth often comes from a privately owned family business. The families are familiar with private markets and their higher potential returns at a time of volatile public markets. Their longer time frame and the opportunity to exert more control make these deals attractive. In fact, only 13% of the SFOs surveyed do not invest in private markets at all.

When it comes to finding deals, two-thirds use personal connections as a primary source and 42% work with private equity or venture capital funds. Their favored timing is early stage, with 68% participating in A and B series funding, and the top three sectors are technology (notably FinTech and BioTech), IT and property. Yet here, too, there are differences depending on the region and the size of the SFO.

Sources of private deals

To find private market deals, personal connections are a more important source in Asia Pacific than in Europe (78% vs 66%). SFOs in Asia Pacific are also more likely to use private banks and private equity funds (48% and 61%, respectively) than other sources.

Again, the maturity of the European market – where there are simply more channels for private investing – probably plays a role.

Most-used deal source

Question: Which of the following are the three most-used deal sources when investing in private companies and club deals?

% share of respondents

Personal connections	66 %	Formal single family office networks	24 %
Private equity or venture capital funds	42 %	Independent advisors or trusted family advisors	24 %
Private banks and wealth managers	38 %	We do not invest in private companies or club deals	13 %
Corporate finance firms or investment banks	25 %		

Regions (%)

Asia Pacific		EMEA
78 %	Personal connections	66 %
48 %	Private banks	25 %
22 %	Independent advisors	30 %

Assets under management (%)

≤ USD 500 mn		> USD 500 mn
29 %	Independent advisors	20 %
45 %	Private banks	23 %
16 %	Formal single family office networks	25 %

Source: SFO Survey 2022 | Base: n=104

Private deals by type

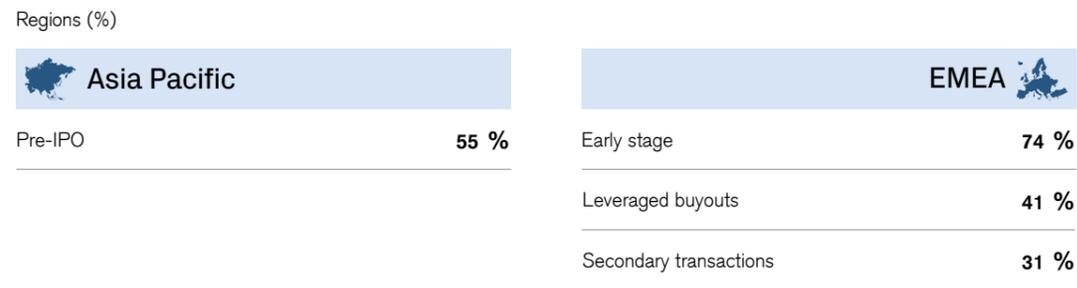
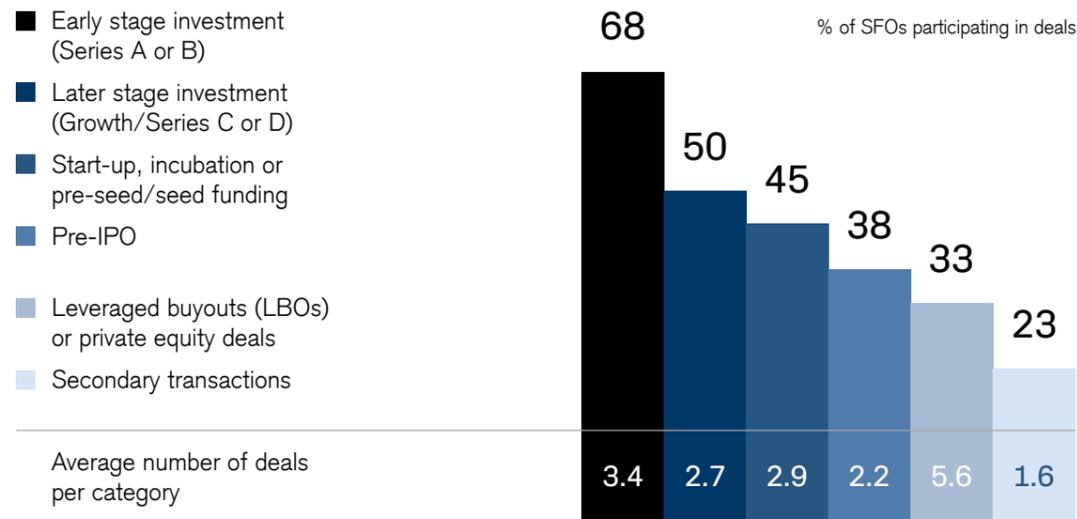
In Europe, where private equity is more mature, participation in A and B funding rises to 74% whereas in Asia Pacific, SFOs tend to invest later, with 55% getting involved at the pre-IPO stage.

Larger SFOs with more than USD 500 million AuM are more likely to be involved in secondary or later stage transactions.

Private deal participation

Question: How many direct private deals has your single family office participated in over the last 24 months?
% share of respondents

On average SFO's participated in 7 private deals over the past 24 months



Source: SFO Survey 2022 | Base: n=64
Filter: Do invest in private companies or club deals

Private deals by sector

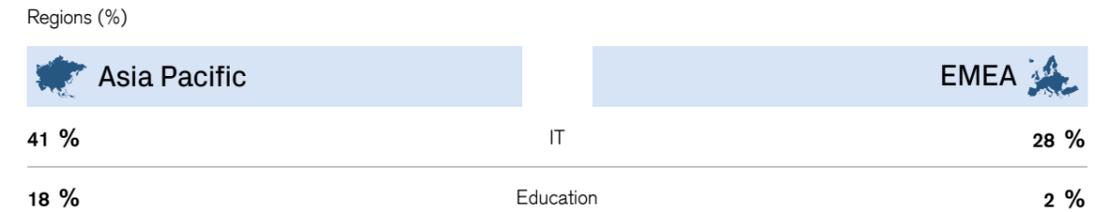
Regional differences are also apparent in terms of sector. SFOs in Asia are more likely than their European counterparts to invest in IT (41% vs 28%) and education (18% vs 2%).

At the same time, differences are not just a question of geography. Compared with smaller SFOs, SFOs with more than USD 500 million AuM are more likely to invest in private property deals (30% vs 19%) and healthcare (27% vs 19%).

Top sectors for private deals

Question: Based on your private deals, what are the top three sectors you have participated in over the past 24 months?
% share of respondents

Tech (e.g. FinTech, BioTech)	56 %	Engineering	9 %
IT	32 %	Agriculture	8 %
Property	27 %	Financial services	8 %
Healthcare	20 %	Transportation	8 %
Retail and consumer goods	13 %	Manufacturing	7 %
Construction	9 %	Education	5 %



Source: SFO Survey 2022 | Base: n=75
Filter: Do invest in private companies or club deals

Analyzing private deals

A total of 58% of the SFOs surveyed are equipped to analyze opportunities in-house, with these capabilities rising to 66% in larger SFOs. However, 35% of respondents reported that they rely on due diligence by the lead investor or transaction sponsors, whereas 34% appoint third-party advisors to help them.

In Asia, SFOs appear to lean more on outsiders: 39% rely on the lead investor's due diligence, compared with 27% in Europe, while 28% invest via funds, compared with 18% in Europe.

Analysis of private deals

Question: How does your single family office analyze private deals?
% share of respondents

We have the right capabilities in-house	58 %
We rely on the lead investor's or transaction sponsor's diligence	35 %
We appoint third-party advisors to support the investment process	34 %
We only invest via funds and/or curated club deal programs	24 %

Regions (%)

Asia Pacific		EMEA	
39 %	Rely on lead investor	27 %	
28 %	Invest via funds	18 %	
44 %	Capabilities in-house	67 %	
28 %	Appoint third-party advisors	39 %	

Assets under management (%)

≤ USD 500 mn		> USD 500 mn	
36 %	Invest via funds	20 %	
50 %	Capabilities in-house	66 %	

Source: SFO Survey 2022 | Base: n=79
Filter: Do invest in private companies or club deals

Private deal selection criteria

In general, the quality of the founder team drives the decision, as indicated by the fact that 72% ranked this in their top three criteria when investing privately.

This is followed by the company's financial profile and how well the interests of the SFO align with the prospective investment.

Top investing criteria

Question: What are your top three criteria when investing directly in private companies or club deals?
% share of respondents

Quality of founder/management team	72 %	Ability to do detailed due diligence	27 %
Company's financial profile	38 %	Company stage in lifecycle	23 %
Alignment of interests	29 %	Co-investment by deal provider	23 %
Industry	28 %	Credibility of deal provider	20 %

Source: SFO Survey 2022 | Base: n=79
Filter: Do invest in private companies or club deals



In Europe, you have a more mature advisory market, Therefore, a more significant proportion of deal sourcing comes from banks and financial sponsors.

Alex Tomas

Managing Director
Head of Advisory & Sales WM Europe
Credit Suisse

Sustainability and the family

ESG issues are not yet a major influence on SFO investment strategy, with just under half of the respondents (45%) reporting that they do not allocate any funds to sustainable investments.

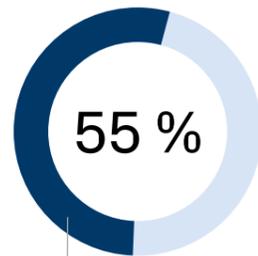
The reasons for not pursuing sustainable investing range from it not being part of the family's strategy (23%) to hard-to-measure performance (20%) and lower returns (11%). Risk as well as a lack of both sustainable investing products and opportunities are also cited.

Given the increased focus of governments and corporations on ESG, these responses might be surprising. It is worth noting, however, that larger SFOs and those in EMEA invest more of their portfolio sustainably.

Have invested a proportion of total portfolio sustainably

Question: What estimated proportion of your total portfolio has your single family office invested using the following sustainable and impact investing approaches?

% share of respondents



Sustainable and impact investing approaches

% share of respondents

Sustainable themes	78 %
Exclusion	46 %
ESG integration	37 %
Impact investments	37 %



Larger SFOs (> USD 500 mn) as well as those located in EMEA have invested a larger proportion of their portfolio sustainably.

Source: SFO Survey 2022 | Base: n=74

We also found that when it comes to shareholder voting, SFOs are unlikely to engage with ESG resolutions. The majority (70%) report that they do not use their shareholder votes for these issues, and 22% say they have no plans to do so in the future.

We know that younger generations are more likely to support purpose-driven causes, but they have limited influence on SFO strategy and investment decisions. We also know that the SFOs that involve the next generation in decision-making are more likely to have invested in ESG. In addition, as larger family offices – with more than USD 500 million to invest – have more in-house capabilities for making investment decisions, they are better positioned to evaluate ESG opportunities. They are also more likely to have a governance structure that takes sustainability and ESG into account, helping to focus attention on this matter.

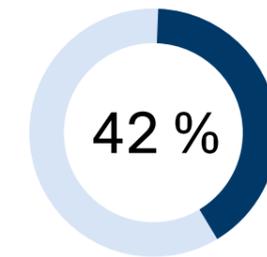
In terms of impact investing, while there appears to be a willingness to get involved, SFOs are finding it difficult to identify the right opportunities. According to our survey, 42% cited a shortage of direct impact investment or co-investment opportunities; 37% said the same about tailored impact fund mandates or portfolios; and 28% mentioned a lack of private market impact funds.

Of note, 29% see no barriers to sustainable investing but still do not pursue it.

Shortage of sustainable investment opportunities

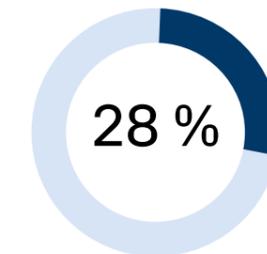
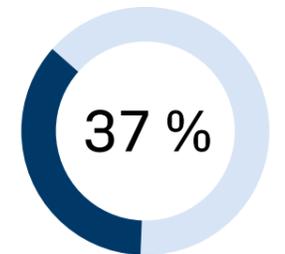
Question: Thinking about sustainable investing, which of the following do you feel is lacking in the market, and if offered, your single family office would invest more in?

% share of respondents



Direct impact investment/co-investment opportunities

Tailored impact fund mandates/portfolios



Private market impact funds

Source: SFO Survey 2022 | Base: n=57



It's a generational thing. Sustainability has to be linked to returns, but the younger generations have a stronger focus on purpose. The ESG seeds have been sown. We're excited to see them grow.

Alex Tomas
Managing Director
Head of Advisory & Sales WM Europe
Credit Suisse

Conclusion

Change is afoot in the SFO world, driven by an uncertain global economic climate and interest among the new generation in purpose-driven investing. It is likely that portfolio diversification and increased private market activity will allow SFOs to become more flexible in how they manage wealth.

Single family offices also have access to the skills, networks, experience and support of financial institutions to find, assess and execute investments. And because SFOs are by nature small, independent and relatively less regulated, they may be better able to adapt and manage change more smoothly. But with the older generations still dominating, progress is proving slow when it comes to ESG investing.

What is clear is that the opportunities outweigh the challenges, and the outlook for SFOs and the wealth they manage is positive. All things considered, they are well placed to take tomorrow.

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