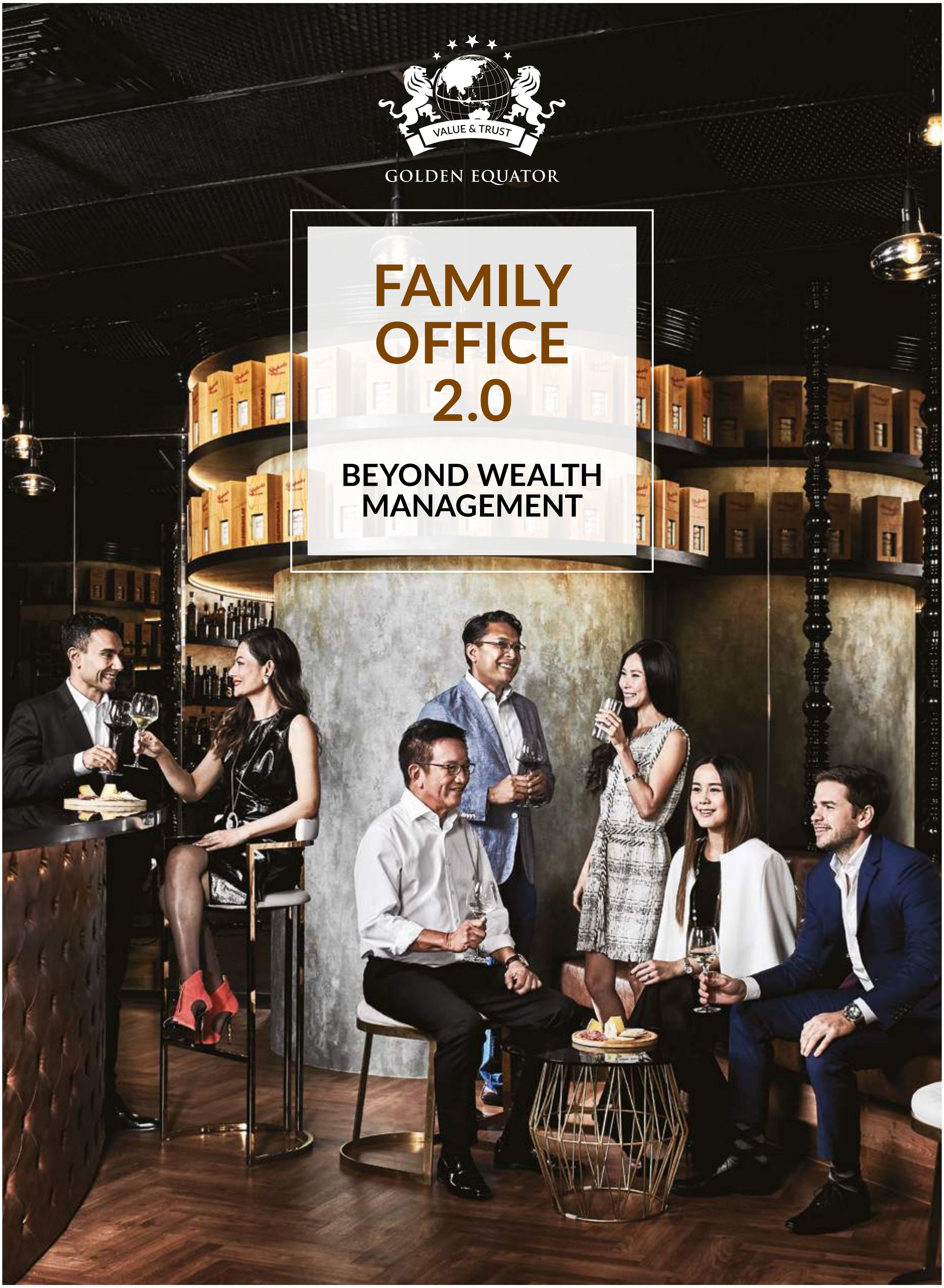

VALUE & TRUST

GOLDEN EQUATOR

FAMILY OFFICE 2.0

BEYOND WEALTH MANAGEMENT


VALUE & TRUST
GOLDEN EQUATOR

FOREWORD

Following the global financial crisis in 2009, we found that clients' expectations towards wealth management have changed.

Having attained a level of affluence, which requires careful and proper management, there is a desire to spend more time enjoying it and less time handling it.

These Ultra High Net Worth individuals and families were also looking to diversify out of the traditional banking products, consolidate their worldwide financial affairs, and establish an overall investment strategy to minimise risk while having an integrated management with clear reporting.

We started Golden Equator Wealth with a clear purpose to be on the client's side. We want to be able to always represent their interests in numerous situations while being the single entity they can go to for all their family legacy planning needs as well as business and financial requirements including tax planning across different jurisdictions, access to Golden Equator's exclusive network, and the like.

Today, as a leader in Asian private wealth and succession planning, we have also started our unique next-generation coaching programme that has helped enhance connection and communication between the different generations of the family members.

Managing a family's needs – from growing their wealth to creating a legacy, to preparing their next generation to take over the family businesses and assets – requires utmost sensibility and strong business acumen, enabled by an ecosystem of complementary businesses, established industry partners, and advisors.

Golden Equator Wealth is the only Multi-family Office with all the above synergistic elements that underpin our ability to serve up investments and business advice to families and businesses. Being in the position to partner with all financial institutions and industry partners also allows us to demonstrate true independence in our investment management and offerings.

You may have heard of the old proverb, "Shirtsleeves to shirtsleeves in three generations." In Japan, the expression goes, "Rice paddies to rice paddies in three generations." In China, "Wealth does not last beyond three generations." These depict the challenges wealthy families face in sustaining and passing on their wealth.

In Asia, as the number of millionaires and billionaires grow, we will also be witnessing the largest-ever intergenerational wealth transfer, and while technological advancements continue to enhance the wealth management industry, a new breed of the Ultra High Net Worth is also emerging.

That is why we thought of combining the years of expertise in our wealth managers and ecosystem to come up with an introduction to 'Multi-family Office' in Asia, in the form of this white paper "Family Office 2.0: Beyond Wealth Management". Family Offices – as we know it – are going through a transformation amidst changing investment landscape and digital innovation. This is especially so in this region where demands and preferences of business families differ from the Western counterparts, and the concept of Family Offices that originated hundreds of years ago, is now in need of an update. Hence, Family Office 2.0.

As you would gather from the white paper, the family office industry is only getting more exciting and we hope to see more players and industry partners entering the market so that it creates more service offerings, traction, and learning for the families.

We hope you have a pleasant read!

Shirley Crystal Chua
Founder and Group CEO,
Golden Equator

GOLDEN EQUATOR

FAMILY OFFICE 2.0

BEYOND WEALTH MANAGEMENT

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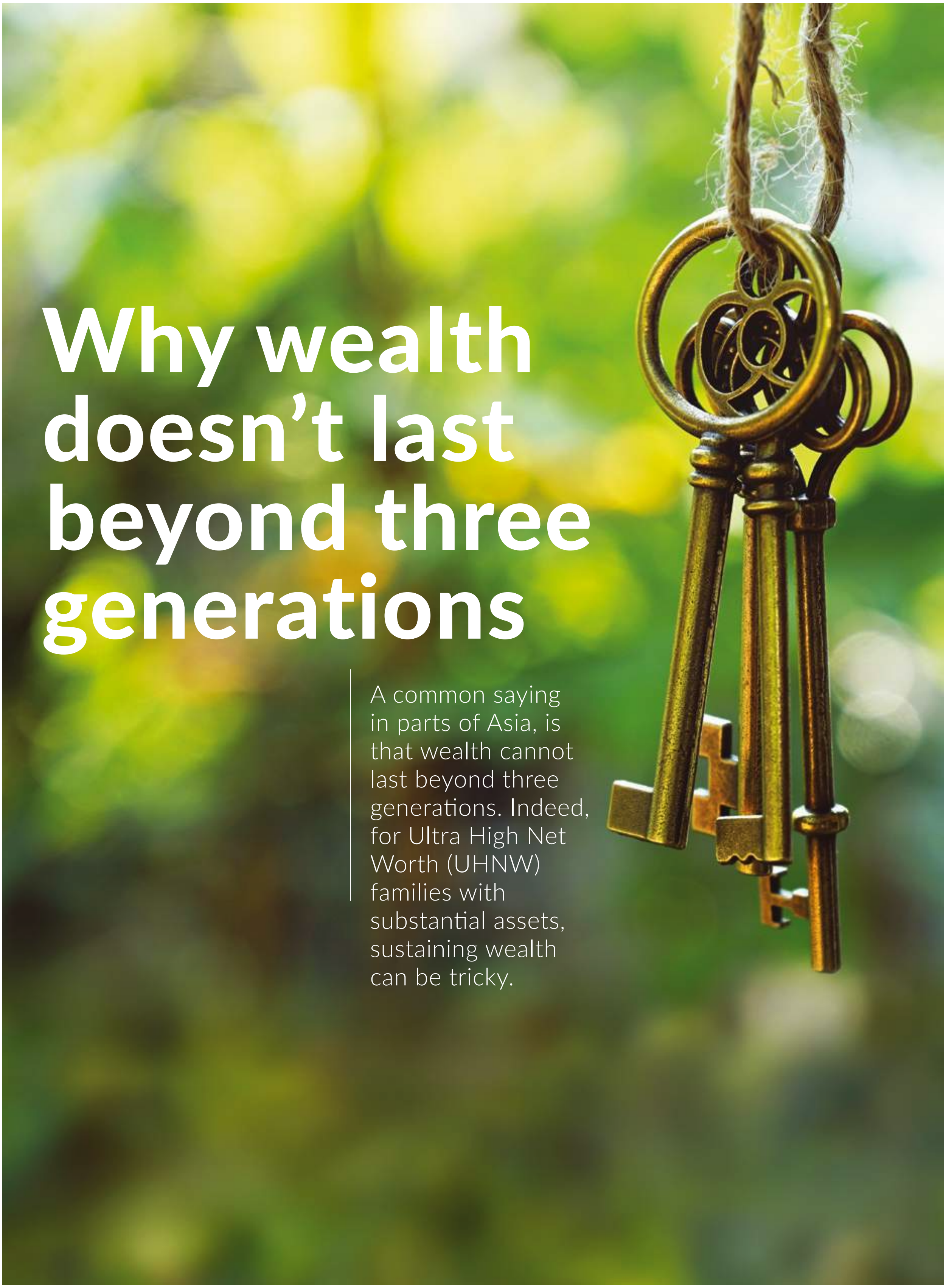


Why wealth doesn't last beyond three generations

A common saying in parts of Asia, is that wealth cannot last beyond three generations. Indeed, for Ultra High Net Worth (UHNW) families with substantial assets, sustaining wealth can be tricky.

EXECUTIVE SUMMARY

SOME OF THE KEY ISSUES FACED BY WEALTHY FAMILIES ARE:

Lack of an integrated infrastructure to manage the transfer of wealth

Many asset management services fail to go beyond the simplest investment methods and trusts

Failure to leverage on technology and digital platforms to optimise legacy planning

IS YOUR FAMILY PREPARED FOR THE FUTURE?

WITH THE RIGHT INFRASTRUCTURE TO MANAGE AND PRESERVE WEALTH, HOWEVER, FAMILY FORTUNES *CAN* LAST LONGER THAN THREE GENERATIONS. This is why the Family Office has been gaining prominence over the past decade. There is growing interest – from business families in particular – to form plans that last across generations.

Family Offices provide a single, integrated approach to legacy planning. This solves the problem of families having a fragmented network of wealth managers, tax advisors, third-party accountants and others, who may not be in good communication.

CREATING A TRUE LEGACY GOES BEYOND CHOOSING THE RIGHT INVESTMENT VEHICLES OR PICKING TRUST STRUCTURES TO HOUSE YOUR ASSETS. Successful wealth transfer also involves establishing governance structures, educating the younger generation, and getting them to embrace their responsibility as custodians of the family wealth.

The later generations must be taught how to make prudent investments, in a way that will continue to excite them.

In this way, Family Offices are tied to their client family's *long-term success*. This differs from conventional forms of wealth management: such services are typically concerned with an *individual's* success over a single lifetime, and not an entire family's success over multiple generations.

WE LIVE IN AN AGE OF INNOVATION WITH CHANGING INVESTMENT LANDSCAPES, AND THE NATURE OF LEGACY PLANNING CHANGES WITH IT – HENCE "FAMILY OFFICE 2.0". Family Office 2.0 strengthens the family legacy with the help of digital platforms, which we discuss in Section 9. As we navigate the evolving demands of the ultra-rich as shaped by Millennials, the role of technology is paramount in managing family wealth.

The primary goal of a Family Office is to invest wealth in a prudent fashion and extend it beyond generations. We understand this perfectly and show you how to in this report.

SECTION 1

How affluent families preserve wealth across generations

What is a Family Office?

In the distant past, great wealth was often connected to ruling families. These fortunes needed sound management to flourish.

In 1882, John D Rockefeller Senior established an office of professionals to manage his family's growing investment needs. This office would operate as if it was an investment portfolio, and Rockefeller's assets were consolidated under the Standard Oil Trust. Generational planning formed an essential part of Rockefeller's wealth management, as did his enormous engagement in philanthropic causes. Most of the family assets were organised under trusts over time and still exist today.

Today, such arrangements are known as 'family offices'.

A Family Office is an institutionalised set-up that manages a family's wealth and investments. The Family Office can appoint experts to manage the wealth or include trusted individuals in the management team to oversee the assets. Besides this, a Family Office handles administrative needs such as accounting, tax planning, property management, payroll activities, succession planning, and legal matters.

There are two types of Family Offices: the Single-family Office and Multi-family Office.

SINGLE-FAMILY OFFICE

A Single-family Office (SFO) consists of staff who serve a single family, through management of the family's assets. There is no universal standard as to how SFOs are structured. They are determined by the unique needs of the family.

For example, some SFOs are lean operations that focus on investment and wealth management only. The entire SFO may consist of just three to five professionals, and two family members. On the other hand, some SFOs are sizable organisations, with full-time employees overseeing various activities like investment management, tax advisory, philanthropic activities, and business operations.

While they are all different, the common thread is that all SFOs are set up to support the financial management of just one family.

MULTI-FAMILY OFFICE

A Multi-family Office (MFO) involves the management of *multiple* wealthy families, who may not be related to one another.

Besides managing the investment portfolios housed in various private banks, client families will also have professionals such as lawyers, tax advisors, trustees and accountants to support their needs. This could include the family business, real estate, private equity, private yachts, aircraft, and art/wine collections.

With an MFO, families no longer have to deal with disparate private banks and professional advisors. Economies of scale are easier to achieve, as costs are distributed among multiple families instead of being borne by a single family.

With an MFO, families no longer have to deal with disparate private banks and professional advisors. Economies of scale are easier to achieve, as costs are distributed among multiple families instead of being borne by a single family.

THE MULTI-FAMILY OFFICE MOVEMENT

There is a growing MFO market, with even existing SFOs making the transition into MFOs[1]. With the high operational costs involved in setting up an SFO, the MFO is often preferred; the resources and networks of professionals can be shared between the families, thus minimising costs.

For wealthy families who require sophisticated asset management, the MFO packs the requisite experience, as well as an existing network of trusted external specialists to leverage upon.

Examples of noteworthy MFOs include Rockefeller & Co., which started in 1882 as an SFO but converted into an MFO in 1980, as well as Abbot Downing, and Bessemer Trust.

Resources and scalability

The MFO provides breadth and depth of professional capability. In addition, MFOs can call upon a wide range of financial tools and subject matter experts, which SFOs could find too expensive to justify. With better integrated resources, at a cost-effective model, client families can find greater benefits to working with an MFO. The two main reasons are:

Access to community of resources and efficient assembly of expert teams

Affluent families have wide-ranging needs, which can include areas such as:

- Investment management
- Estate planning
- Tax efficiency
- Family governance
- Risk management
- Charity work
- Financial education of younger family members

As such, there is a need to hire professional advisors and specialists to provide for multi-faceted needs. An SFO must employ numerous third-party specialists for the set-up, whereas an MFO has ready access to a community of resources. For an SFO, working with so many intermediaries increases the administrative workload, which increases costs and makes administration inconvenient for client families. The MFO, on the other hand, acts as a single point of contact that streamlines the work.

The MFO can draw on the experience it has gained in serving other ultra-rich families to create a customised approach, in managing each family's wealth.

The MFO can draw on the experience it has gained in serving other ultra-rich families to create a customised approach, in managing each family's wealth. Depending on the family's needs, the MFO can assign relevant professionals to the family quickly, thus forming a team of experts with a holistic range of services.

Economies of scale and cost-savings

It is expensive to hire the diverse talents needed for each family. Rather than having a single family bear all the costs under an SFO, there is more economical sense in looking to the MFO model. MFOs cater to several families instead of a single family, thus distributing the cost between client families. It also provides the flexibility to offer different fee structures for each family.

Source:

1 "Why family offices are growing in popularity", World Finance, 7 March 2016.

2 EY Family Office Guide: Pathway to successful family and wealth management, Credit Suisse and University of St. Gallen.

3 "At 1-2% of active assets, don't discount the cost of running a family office: Citi PB", Asian Private Bank, 5 June 2018.

The choice of SFO or MFO is dependent on the amount of wealth held within the family.

For the cost of SFOs to be justified, the family's net worth should be at least US$500 million.

> MFOs offer an integrated wealth management solution, for families who lack the time to manage a bespoke team of professionals.

This is because the cost of regulatory and compliance reporting is high, and hired professionals are a fixed outlay; as such, the level of Assets under Management (AuM) under an SFO must be high enough to offset the fixed costs[2].

The annual operating costs of running an SFO average US$1 million, or about one per cent of the AuM. For example, Citi Private Bank estimates that a 'small' SFO, with two full-time professional staff and four full-time support staff, can expect annual costs in the range of US$1.6 million to US$2.2 million; while a 'very large' set-up, with 16 full-time professional staff and 32 full-time support staff, can incur annual expenses of US$14.4 million to US$19.2 million[3]. As such, a minimum of US$100 million is generally required as AuM. In comparison, a Family Office that has been set up under an MFO requires a smaller amount of US$15-25 million in AuM to run, and each client family just needs a net worth between US$100-500 million.

This is one of the main reasons driving the growth of MFOs, as affluent families increasingly opt for the latter.

MFOs offer an integrated wealth management solution, for families who lack the time to manage a bespoke team of professionals.

Figure 1: Differences between a Private Bank, Single-family Office, and Multi-family Office

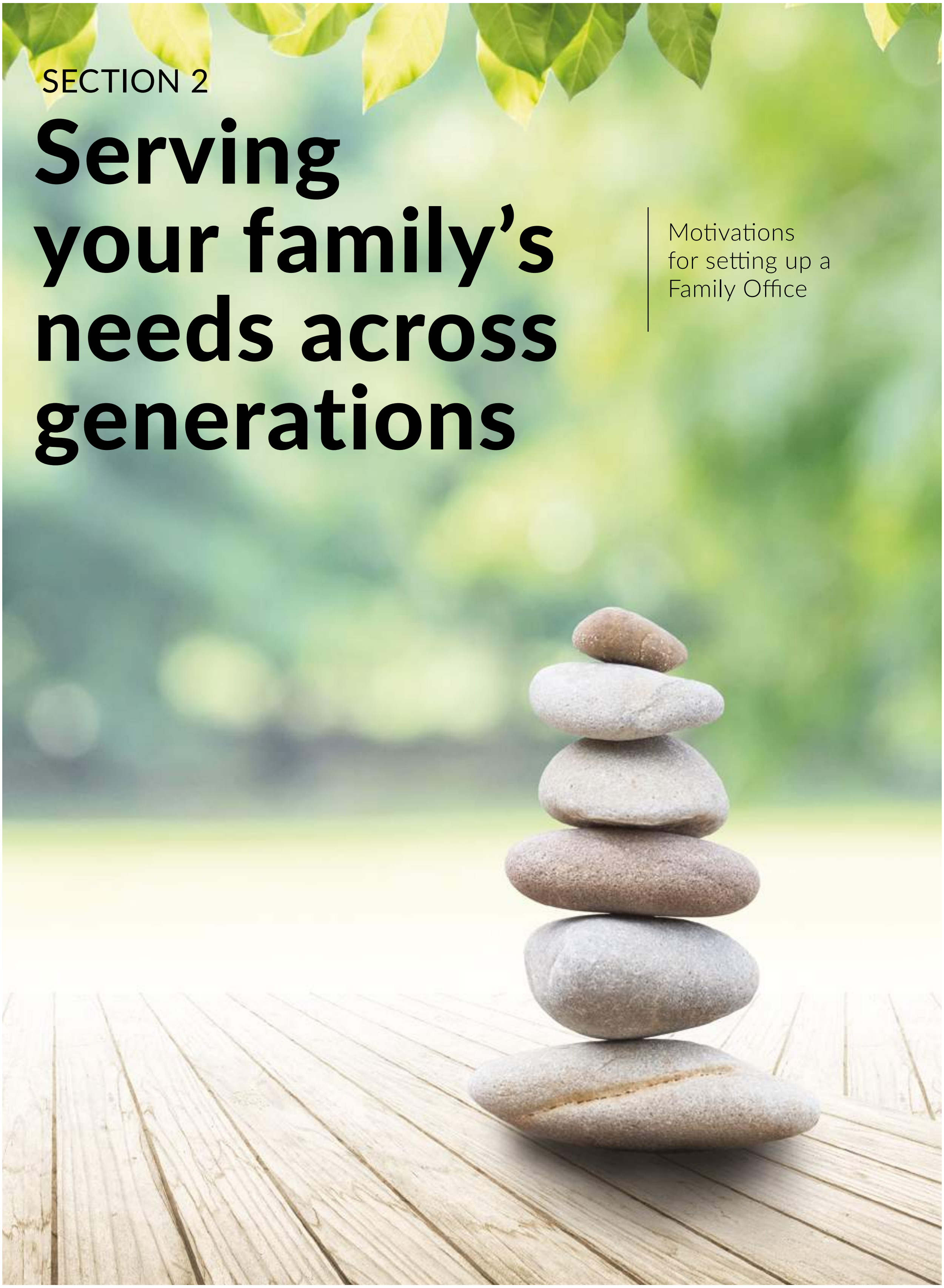
	Private Bank	Single-family Office	Multi-family Office
Net worth	Above US$10 million	Above US$500 million	US$100-500 million
Required assets under management (on average)	Above US$3 million	Above US$100 million	US$15-25 million
Annual operating costs	• Account maintenance/ custody fees (up to 0.20% of account value) • Minimum charges apply	1-2% on active assets Example: For a relatively small SFO, with 2 full-time professional staff and 4 full-time support staff, the expected annual costs range from US$1.6M to US$2.2M*	Costs of running an MFO are supported by multiple families
Client	Multiple individuals	A single family	Multiple families
Services	• Wealth Management in relation to liquid (investible) assets • Focus and expertise on public markets and private equity via funds	• Wealth Management in relation to liquid (investible) assets and direct venture capital/private equity • Wealth transfer and legacy planning • Professional legal and tax advice	
Independence	• Has financial interest in selling particular financial products or services • Potential conflicts of interest may arise	• Not affiliated with any bank, financial institution or asset manager	

*Source: "At 1-2% of active assets, don't discount the cost of running a family office: Citi PB", Asian Private Bank, 5 June 2018

SECTION 2

Serving your family's needs across generations

Motivations for setting up a Family Office



Concerns about wealth preservation and succession planning for family businesses continue to rise. Wealthy families are turning to MFOs for their expertise in inter-generational wealth preservation.

The main purpose for affluent families to engage an MFO is to safeguard the family's wealth and legacy.

The challenge is to ensure effective intergenerational transfer of wealth, and reduce family disputes through increased communication and planning.

Figure 2: Motivations for Setting Up a Family Office

CENTRALISATION OF THE FAMILY'S INVESTMENTS AND RELATED WEALTH SERVICES

A key advantage of an MFO is that all relevant data, such as the family's list of assets and the performance of its investments, are centralised under one institution. By consolidating everything under one roof, higher returns may be achieved with lower risk[1]. Consolidated financial accounting and reporting services are also essential for client families.

Safeguarding a legacy requires expertise in fields as diverse as business consultancy, legal structures, lifestyle management, and generational transfer. MFOs serve to integrate and coordinate all these services to maximise opportunities for wealth creation and preservation.

Source:
1 EY Family Office Guide: Pathway to successful family and wealth management, Credit Suisse and University of St. Gallen.

PROFESSIONALISATION OF THE FAMILIES' ASSET MANAGEMENT ACTIVITIES AND ALIGNMENT OF INTERESTS

With an institutionalised MFO structure, ultra-rich families introduce professionalism into the management of their wealth. MFOs enable better alignment of interest between each wealth manager and his/her respective client families. Appropriate advice is given for each family's unique investment strategy and objectives. With an MFO, wealth managers are responsible to each family, not to a financial institution or product, therefore wealth managers only offer unbiased advice and work in the best interests of the families.

By institutionalising the wealth management process, MFOs ensure that best practices and controls are incorporated into the management.

Cecilia Phua, Wealth Manager for Golden Equator Wealth, has observed that many clients are fixated on wealth accrual over preservation. However, she points out that successful wealth preservation is not only about how much money you make, but also how hard your money works for you and how many generations it lasts.

FAMILY GOVERNANCE AND LEGACY PLANNING

As the number of family members increase from one generation to the next, the transfer of wealth can become strained. It is important to determine the core values and objectives of the family, as the foundation of how family assets and businesses will grow and keep pace. This process can be formalised through family governance structures.

MFOs provide help to ensure a smooth wealth transfer from one generation to the next.

According to the UBS Global Family Office Report 2018, intergenerational wealth management is still a looming priority – 63 per cent of Family Offices surveyed highlighted the issue as 'very important' in relation to different governance matters[2].

Family governance and succession planning were among the most frequent reasons cited for establishing Family Offices, based on a report by VP Bank/University of St. Gallen[3].

TRUST AND RELATIONSHIP

Trustworthiness is important for families running large-scale businesses – as is confidentiality. Families will look to set up a Family Office, especially an MFO, as they can rely on trusted and discreet professionals. These range from legal advisors to tax consultants, who have already provided financial and strategic assistance to other families.

OPENNESS OF THE YOUNGER GENERATION

The younger generations tend to have experience working for financial institutions, law firms, consultancies, and large conglomerates. They tend to be aware of the advantages behind professional financial services. This makes them more willing to engage with an MFO and less hesitant about third-parties facilitating family affairs.

Source:
2 Global Family Office Report 2018, UBS/Campden Wealth.
3 Family Offices in Asia: The Evolution of the Asian Family Office Market, University of St Gallen/VP Bank.

WEALTH DOES NOT PASS THREE GENERATIONS

There is a disconnect between the optimistic belief of today's family business owners and the reality of the massive failure of family companies to survive through the generations. Research indicates that failures can essentially be traced to one factor:

An unfortunate lack of family business succession planning.

88%

of current family business owners believe the same family or families will control their business in five years, but succession statistics undermine this belief.

According to The Family Firm Institute:

About

30%

of family and businesses survive into the second generation.

Only

10%

are still viable into the 3rd generation.

Only

3%

of all family businesses operate into the 4th generation or beyond.

A CASE STUDY OF LI KA-SHING

Humble beginnings
Li Ka-shing is the richest man in Asia, despite growing up in poverty. The rags-to-riches story began when Li and his family left China for Hong Kong, during the Sino-Japanese War.

Shortly after, Li's father died from tuberculosis. At age 12, Li had to quit school to provide for the family. He worked as an apprentice in a watch strap factory. By the time he was 14, Li had become a full-time employee of a plastics trading company.

Over the years, Li learned enough and quit to start his own business, making plastic flowers and other everyday items. This business grew, and transformed into a real estate investment company in the 1950's.

Rags to riches – diversified businesses
Li's net worth is approximately US$34.4 billion (as estimated by Forbes in 2018).

Before formally stepping down as Chairman of his flagship CK Hutchison Holdings, a Fortune Global 500 company, in May 2018, Li oversaw businesses in areas such as real estate, hospitality, telecommunications, retail, energy, media and biotechnology. Besides running the conglomerate, he has co-founded private equity firm Horizon Ventures, which invests in global technology start-ups. Some of the companies Horizon Ventures has been involved with are Facebook, Skype, Spotify, Waze, and Siri.

Dozens of large family-controlled businesses like Li's, across Asia, face the prospect of disruptive successions as their founders reach old age, hence the need for succession planning.

Succession planning
To ensure multi-generational wealth, successors must be equipped to take over the family's business.

Business professionals like Li Ka-shing know this all too well, and Li has long recognised the need to prepare his children for this purpose.

In 2015, Li restructured his business, splitting it into two parts: one entity holding all his property assets (Cheung Kong Property) and another entity holding all his other businesses, including port services, telecommunications, retail and infrastructure operations, and others (Cheung Kong Hutchison Holdings).

Victor, the eldest son, was made Managing Director (MD) and Deputy Chairman of CK Property as well as Group Co-MD and Deputy Chairman of CK Hutchison Holdings, while Richard, the youngest son, controls separate and different businesses which include PCCW Ltd., Pacific Century Premium Developments and the HKT Trust.

New investment ventures initiated and expanded by Richard will be supported by direct capital injection from Li. These moves are part of a succession plan that will strengthen his eldest son's advancement to the helm of the family business.

From Li's example, we can see that proper succession planning helps to streamline the overall corporate structure. This eases any succession complications arising from overlapping roles and responsibilities, and minimises potential conflicts between the two sons.

Li has since retired as Chairman of CK Hutchison and handed the reins of his corporate empire to his son.

A Family Office serves an important role in succession planning. A Family Office can structure an effective, strategic succession planning process, that is appropriate for a family's businesses. It can serve as the nucleus for a family's legacy, governance and communication.

A Family Office can provide a proper channel for important family values to be conveyed and guide the family's businesses as the portfolio of companies expands. This can be done by developing a family constitution to safeguard guiding principles and statements, often embodying the patriarch's vision for the family and its businesses. These documents pass on what the family legacy is about, and what principles should steer future generations.

What matters most to you?

There is no doubt that wealth matters. It is a measure of business and financial success, resulting from insightful people exercising commercial acumen.

Yet commercial acumen is not enough to preserve wealth within a family for generations. We find that the most problematic challenge faced by families of significant wealth is not how to make more money, but how to ensure that it lasts. To do this requires focusing on something other than money.

In our experience, families whose wealth lasts for many generations follow 5 key practices, they:

1. Have a shared purpose

A family purpose is a clear articulation of why the family exists. It's a deep-seated reason for being, a cause, or belief that is the source of a family's collective passion, fulfilment and inspiration. It is underpinned by a set of well-practised values. The individual purpose of each family member must sit comfortably within the family's shared purpose.

Our process at **Mutual Trust** is to help families identify their purpose, vision and values. Once we understand what matters most to the family, we help them structure an approach and to guide them accordingly. By directing the family wealth and activities towards fulfilling the purpose, a greater focus is achieved and greater impact. Having a shared purpose also makes decision-making easier. Fulfilling the purpose allows the family to achieve its vision and for individuals to feel that they are making a meaningful contribution.

2. Build family capital, not just financial capital

We often find that many families we work with spend more time on their financial capital and less time on the family capital than they should. Family capital represents the extent to which each family member has meaningful work, establishes a positive sense of identity and can pursue their own happiness within a family that is supportive and trusting of each other.

Normally an individual development plan would be the solution to help each family member develop into roles external and within family. The development plan needs to address their passions as this is vital for success.

Without a focus on family capital, family wealth can erode through mistrust, poor understanding and antipathy.

The development of family capital requires a process of introspection and self-actualisation for individuals within the family context, and as contributors to the family purpose.

It also requires the systematic development of communication, empathy and conflict resolution skills that are deployed through both formal governance structures and less formal, but equally structured, family sessions. This is not trivial, however, it is often overlooked. Consider this, many of the families we look after have more assets employed than many public listed companies. Those listed companies will have a board in place, risk and remuneration committees, a management team, formal reporting, regular strategic and operational reviews. Many families try to do this themselves or neglect it completely. We help the families with this issue through:

- Family communication workshops
- Individual communication and emotional self-awareness programs
- Family governance meetings chaired by an independent counsel.

About Mutual Trust

Mutual Trust is a multi-family office providing integrated and strategic wealth management services to families of significant wealth, helping them to achieve what matters most. Established in the early 1900's in Australia we are now in our 5th generation as custodians. We pride ourselves on:

- Caring for our families, our people and communities, not just their finances
- Delivering what they require under one roof
- Providing pre-eminent independent advice
- Enabling our families to have a positive impact on society

Mutual Trust embodies the tradition of entrepreneurial spirit, philanthropic vision and commercial success with a family ethos that permeates everything we do.

3. Develop family expertise

Knowledge gained through the life experiences of each family member and their collaborations with independent experts develops family expertise. That expertise is a shared asset that families can draw on to successfully pursue what matters most. It's not only expertise that's important, it's also an ability to teach and learn from each other, a two-way exchange between the experts and families, in a way that nourishes the family's creative energies.

Access to pre-eminent, independent advice is crucial to augment what the family can learn by itself. For families of significant wealth, this means deep expertise in domains such as succession planning, trustee services, investment management, tax, accounting, superannuation philanthropy, property, family governance and business advice. In our experience, it's easier for families if this expertise is available from one provider who then understands the full extent of the family situation.

4. Nourish the next generations

Each family member has different needs, aspirations and talents. Taking time to help them identify their individual purpose is only the starting point. Deploying their talents to help direct and grow the family wealth, in service of what matters most to the family, requires a systematic program of development. It's not something that happens by itself, nor can it be left to the marginal time of senior family members busy with their own affairs.

For families to prosper over time in today's rapidly changing world requires the development of a growth mindset. This is a state of mind that constantly seeks out new knowledge, networks and opportunities, often facilitated through referrals to new people and new thinking. Finding organisations that can feed this growth mindset is important to nourish the next generation. At **Mutual Trust**, our Rising Generation Program develops the skills, networks and understanding of younger members of the family so that they are well equipped to contribute to the family's future success.

5. Enrich the family narrative

Families who have a strong sense of their history, and the contributions family members have made over time, along with the outcomes they've achieved, are more invested in their collective future. Articulating this history by writing it down or sharing it builds an emotional investment in continuing the narrative.

Enriching the family narrative is more than working towards family outcomes, it also means having a positive impact beyond the family, into the community and potentially, the nation. Our greatest source of purpose is when we're involved in something greater than ourselves, where we can have a positive impact on the lives of others. Families of significant wealth are uniquely placed to do this through philanthropy. By enriching the lives of others, they enrich their family narrative.

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MUTUAL TRUST

We help families achieve what matters most.

Why continue the business?

Common reasons founders wish for their children to be involved early

34% Pass on opportunities to children

21% Keep the family together

15% Build heritage and tradition

10% Preserve wealth

OTHER MOTIVATING FACTORS

Asset protection
To mitigate the risk posed by creditors and litigation, the wealthy turn to Family Office models. Asset protection goes beyond investment management and insurance. It is more effective to use formal legal entities, structures and strategies to ring-fence and consolidate wealth. MFOs can develop and execute such strategies, appropriate to the family's situation.

Geography
The UHNW families have become more receptive to formalised succession plans and family structures. This comes from increased global exposure via investment holdings abroad, and children living overseas. As families witness the complexities with cross-border taxation and succession laws, they are also more inclined towards engaging MFOs to assist with such issues.

Diversification of risks
Having an MFO brings the confidence that, if something happens to the head(s) of the family, there will be professionals in place who can maintain the family's holdings. This helps the family manage transition periods.

Privacy and confidentiality
Confidentiality is important to the wealthy. MFOs safeguard families' financial and personal information with the highest degrees of security.

Status and image
MFOs are gaining in popularity among the ultra-rich, as more information becomes available online. Due to increasing media coverage, and adoption of the Family Office by prominent individuals and families, it is a mark of prestige to be part of an MFO.

The ultra-rich regard the Family Office as a prestigious structure, since it indicates a certain level of family wealth.

Sale of family business activities
When parts of the family business are sold, the cash proceeds must be apportioned or invested, which can be accomplished through an MFO structure.

Family unity
Family unity is a top motivator for families, when considering the Family Office model.

Often, a mismatch of investment styles, ambitions and plans arising from generation gaps or personal issues can cause disruptions. Many families rely on the MFO to foster a sense of family cohesion, as MFOs facilitate intergenerational family communication.

High profile disputes such as the Ambani brothers' feud[4] have constituted important lessons for patriarchs. These demonstrate the repercussions of not having a concrete succession plan.

Education
Educating the next generation is key to multi-generational wealth sustainability.

One of the biggest concerns of patriarchs is how to pass on their guiding principles to the younger generation. Although they wish to preserve family unity and achieve long-term wealth preservation, they may not have the time and tools to educate the next generation on how to be custodians of the family wealth. Also, the younger generation may not be motivated to learn.

A primary role of the MFO is to educate family members to be better decision makers, and to provide younger family members with opportunities to take ownership in the family business.

4 We elaborate on this high-profile controversy in our case study as shown in Section 9: "The Asian Family Office Concept".

SECTION 3

7 ways MFOs protect and grow your family's wealth

Advantages of the Family Office as a wealth management model

The seven main benefits of engaging a Multi-family Office

FINANCIAL

ECONOMIES OF SCALE

MFOs have economies of scale, that result from combining the buying power of multiple families. This can apply to investment management fees, custody charges, research and professional fees, as well as access to investment managers and other experts.

UNBIASED ADVICE AND ACCESS TO EXTENSIVE RESEARCH

True MFOs are 100 per cent focused on the best interests of the client family, and are objective in their recommendations and advice. A true MFO uses the expertise or services of private banks they work with; but they are not incentivised to favour a specific bank.

STRONGER PERFORMANCE

MFOs provide an important degree of independence from financial institutions.

Since the Global Financial Crisis in 2008, many wealthy families have developed a belief that their needs can be better served by building a bespoke team comprising independent advisors. While continuing to use private banks, they no longer rely on a single service provider for solutions.

Furthermore, Family Offices have demonstrated an improving track record in terms of investment returns. In the Global Family Office Report 2018, jointly published by UBS and Campden Wealth, it was noted that Family Offices delivered markedly improved portfolio returns of 15.5 per cent[1] in 2017, which is more than double the seven per cent average in 2016, and a complete revival from the 0.3 per cent average in 2015.

Having an internal CIO and/or investment committee means the MFO can be agile in volatile periods. For example, when the wealthy in Asia were hit by the underperforming financial market in 2015, many recorded losses. However, Family Offices in Singapore performed better than their counterparts in the rest of Asia, managing a 1.2 per cent return[2].

ADMINISTRATIVE

ORGANISATION AND MANAGEMENT

MFO clients benefit from the confidence that comes from the following:

- Clear goals and strategic direction for the family
- Implementation of good governance
- Family-oriented decision-making process
- Professional administration of critical issues
- Regular consolidated reporting
- Well-prepared contingency plans
- Clear communication with family members and other stakeholders

ONE-STOP SHOP

An MFO provides coordination and clarity in complex financial affairs. It has a network of professional experts across multiple disciplines, to help the family execute all aspects of wealth management activities.

CONTINUITY AND INSTITUTIONAL MEMORY

An MFO provides a qualified advisory team, who can work with a family across generations. This advisory team is able to carry on its tasks for decades or centuries, thus safeguarding the family's interests long after the patriarch is gone.

An MFO also reduces the risk of and disruption from losing a key long-term member of the team, which is a common risk of an SFO.

EXCLUSIVITY

ACCESS TO 'CLUB DEALS'

MFOs have access to high-quality deals that are not available to individual investors.

MFOs have exclusive deals via their network of private equity dealmakers, fund managers and other investors. These communities often share investment opportunities even before they are made known to the market.

A recently released Bain & Company report shows that being part of a network of influencers gives the investor an edge, by being top of mind with intermediaries and starting due diligence early[3].

1 Family Offices in Asia-Pacific generated the strongest return in 2017 at 16.4 per cent, followed closely by North America with an average return of 15.9 per cent.
2 Source: Global Family Office Report 2016, UBS/Campden Wealth.
3 Source: Global Private Equity Report 2017, Bain & Company.

SECTION 4

Create more time for your business and loved ones

Services provided by Family Offices

MFOs cover a broad range of different services. Besides the usual financial and legal services, they also provide concierge services or support philanthropic efforts.

WEALTH MANAGEMENT

This includes determining investment goals, developing an investment policy, strategic and tactical asset allocation, and the selection of investment managers. In addition to active investment management, the MFO also provides consolidated reporting for all related entities such as bank accounts, trusts, holding companies, foundations, and others.

SUCCESSION PLANNING

MFOs ensure the smooth handover of wealth through succession planning. Key services provided include: estate planning, family business continuity, and financial coaching for the next generation.

TRUST & CORPORATE SERVICES

Trusts provide continuity in the administration of assets, especially if a licensed entity is chosen as the trustee. An MFO ensures that a trust is properly set up to protect a family's assets, bringing benefits to family members across generations.

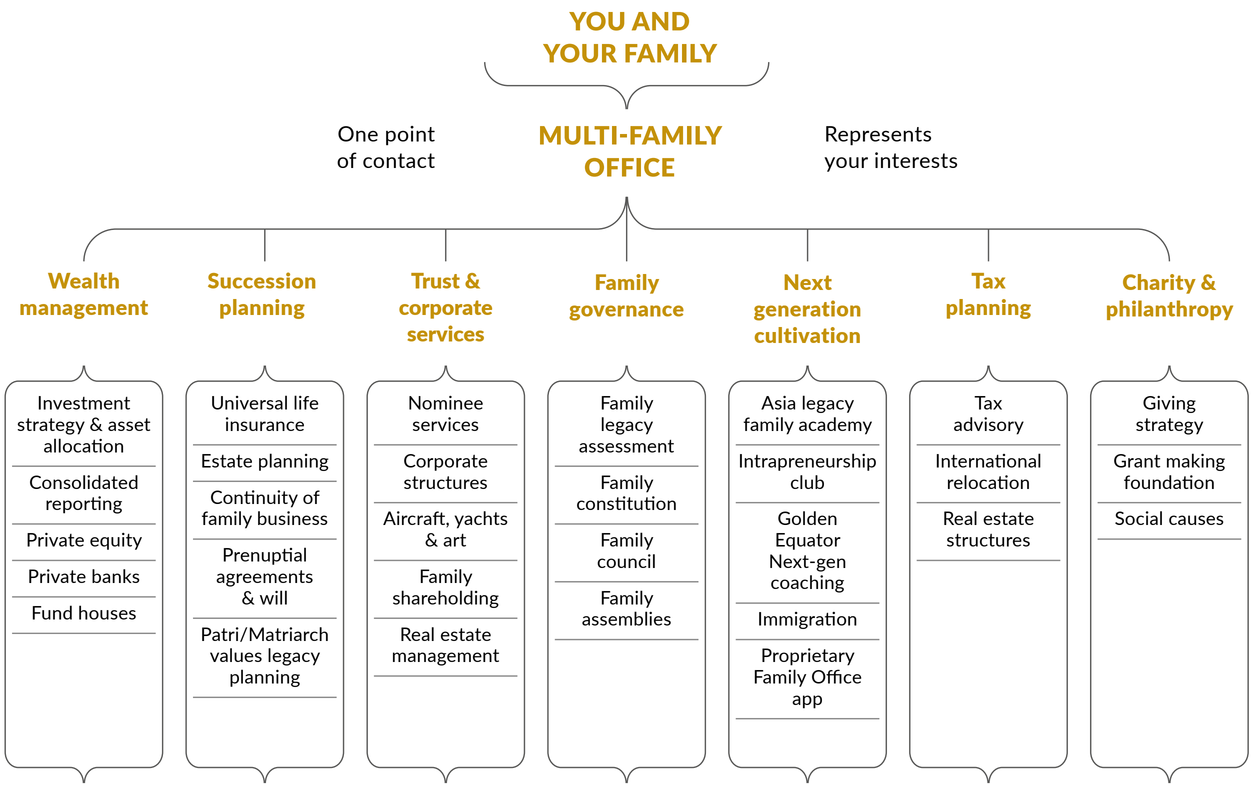
ESTABLISHING FAMILY GOVERNANCE

Family governance establishes a set of guiding principles for the family. This can be enshrined in a family constitution or family charter, to guide the values of future generations.

MFOs help to set up a family council to ensure clear family governance. Establishing a family council provides a forum to discuss family-wide decisions, succession, and other topics apart from the technical details of wealth management.

In addition, a family council provides an opportunity for the current generation of wealth creators to pass down knowledge to their successors. It can also identify family strengths, in which third parties can be minimised, and areas in which external support would be more beneficial.

Figure 3: Services provided by Multi-family Offices



Source: Golden Equator Wealth

NEXT GENERATION CULTIVATION

As the patriarchs/matriarchs retire, the substantial need for intergenerational wealth transfer will create an opportunity for MFOs to assess the needs of the next generation and devise programmes to train the next generation. This can come in the form of a thought leadership academy and business coaching.

TAX PLANNING

Taxation has become a pertinent issue for Family Offices in recent years. An MFO can provide the following services:

- Consolidate the advice from the relevant tax consultants, tax lawyers and fund administrators to construct a tax plan that best suits the family
- Designing investment and estate planning strategies that account for investment and non-investment income sources, along with the relevant tax implications
- Ensuring that all parts of the MFO are tax compliant

CHARITY & PHILANTHROPY

A growing number of ultra-rich families are concerned about their legacy to society.

A common way to do this is to use professional philanthropic services, which MFOs can provide.

The MFO first develops a plan of strategic charitable donations to carry the family's philanthropic legacy from generation to generation. Other than determining appropriate charitable planning vehicles to meet legacy goals, the MFO also assists with implementation of the philanthropic activities. This means supporting the trust and foundation vehicles that foster family involvement.

A CASE STUDY OF THE ROCKEFELLERS

Intergenerational wealth and legacy planning

The Rockefellers name is synonymous with wealth and largesse.

The Rockefellers were worried that their future generations may not be able to enjoy the lifestyle or influence the family had since the early 1900s. Hence, they began a vigorous effort to bolster their fortune, currently estimated to be at US$300 – 340 billion.

John Davison Rockefeller Sr. ("John Sr"), the founder of Standard Oil, is the family patriarch and American's first billionaire. He was an accounting clerk, but became one of the richest men in the world by turning a US$4,000 investment into a large stake in his flagship company, Standard Oil. This grew into a formidable monopoly, which refined almost 90 per cent of America's oil between 1870 and 1911.

The Rockefeller family is a prime example of successful wealth transfer through the generations, and it is because of the trusts each generation creates that results in a flourishing legacy.

By 1914, John Sr. was worth more than US$1 billion. In 1917, he gave his only son, John D. Rockefeller Jr., US$460 million[1].

In 1934, John Jr. established trusts for his daughter and five sons, which consisted of oil company stocks and real estate holdings. These trusts still hold the bulk of the Rockefeller family fortune.

Another set of trusts were set up in 1952 for John Jr.'s grandchildren, the fourth generation of the family. When the family members die, these trusts will divide into new trusts for their children.

For over 100 years, the largest private fortune in world history was passed on this way.

In 1985 and 1989, the family withdrew some of its core wealth. This money was tied to real estate, and the family mortgaged and sold its interests in the 12 original buildings in Rockefeller Centre, allowing the family to cash out US$2 billion. This money was then put into trusts, which hold most of the family wealth and grew the interest income that some family members collect each year.

In 'The Rockefellers: An American Dynasty'[2], it is stated that at the age of 21, each Rockefeller begins receiving US$10,000 per year from a trust created by John Sr. At the age of 24, the annual income doubles to US$20,000. It increases by US$10,000 per year until the age 30, at which time a Rockefeller heir can receive US$130,000 per year. At the age of 30, or upon getting married, a Rockefeller may begin receiving all income generated from the trust, generally between US$400,000 and US$600,000 depending on the market conditions.

Wealthy families like Rockefellers sustained their affluence, by having private assets managed in a professional way.

In 1882, John D. Rockefeller Sr. established an office of professionals to organise his complex business operations and manage his family's growing investment needs[3]. With his assets consolidated under the Standard Oil Trust, this office was mandated to manage his wealth as an investment portfolio instead of singular business entities. This was generally considered to be the 'Family Office'.

Through the establishment of trusts, the majority of which still exist today, the Rockefeller family's assets were organised and consolidated over a very long time, proving to be a useful design for intergenerational wealth and long-term security.

Source:
1 "Rockefeller Family Tries to Keep a Vast Fortune from Dissipating", The New York Times, 16 February 1992.
2 Horowitz, David and Collier, Peter. The Rockefellers: An American Dynasty. Holt, Rinehart and Winston, 1976. Print.
3 "SPECIAL FEATURES: Family Offices – A History and Definition", https://www.tharawat-magazine.com/rise-family-office/family-offices-history-definition/#gs.dsX9DdM, 9 May 2016.
4 "Most rich families will lose it all", New York Post, 24 April 2017.

Ensuring intergenerational wealth through establishment of trusts

It is often said that wealth tends not to last more than three generations. About seven in ten wealthy families lose their fortune by the second generation, according to a study of more than 3,200 HNW families by The Williams Group wealth consultancy[4]. This is attributed to the 'divisor' effect from the growing number of heirs, which makes it difficult for idle wealth to perpetuate. As each generation creates more people to lay claim to the family assets, any beneficial effects of compounded money are lost, if there is no strategic plan to manage the wealth.

The Rockefeller family is a prime example of successful wealth transfer through the generations, and it is because of the trusts each generation creates that results in a flourishing legacy.

SINGAPORE – THE IDEAL TRUST JURISDICTION

Singapore is an ideal wealth management hub
The trust regime in Singapore is highly regulated – professional trustees must be licensed and are subject to regulatory oversight.

For patriarchs who still wish to maintain control over their investments, Singapore allows for the *reservation of powers by settlors* – this means that the settlor (the patriarch) can still play an active role in managing the investments.

Singapore allows for the appointment of a *protector* – the protector can supervise the relevant activities of the trustees.

Anti-forced heirship provisions – Singapore trust legislation offers protection against forced heirship. Under the Trustees Act, a person who is neither a Singapore citizen nor Singapore-domiciled is excluded from forced inheritance and succession rules, provided that the trust is governed under Singapore law and that the trustees are residing in Singapore. For people who are affected by forced heirship regimes#, the law dictates how the assets must be passed on. As such, they generally choose to set up an offshore trust in Singapore.

To read more on trusts, go to Section 9 under 'Structures'.

Forced heirship regimes generally include jurisdictions where civil law and Sharia law prevail.


TRIDENTTRUST

Taking the Long View

Sean Coughlan (left) and Markus Grossmann (right) of Trident Trust, a leading global independent trust, corporate and fund services provider, discuss the outlook for the industry, Trident's 40 years in business, and their personal experiences working with high net worth clients.

Celebrating 40 years of growth, what sets Trident Trust apart from other industry players?
We have grown to become one of the leading independent global providers of trust, corporate and fund administration services since our founding in 1978. Today, we support a wide range of clients who value our combination of global resources, local expertise and a boutique service.

We have achieved this by retaining a strong and identifiable culture at the heart of our business, focused on our core values of reliability, responsiveness, uncompromising attention to detail and personal service. At a time when much of our industry is now owned by private equity investors, we remain a privately owned independent business, setting us apart from competitors of an equivalent scale.

Taking a long-term, client-focused view has enabled us to develop stable and reliable professional teams across all the jurisdictions in which we operate. This allows us to offer our clients the benefits of experience and continuity of relationship and service. In today's environment this is especially valued by our clients.

What are some of the most common issues faced by your clients?
Clients are usually looking to address one or more of the following issues: family succession, wealth preservation, estate planning, charitable giving and, in some cases, tax mitigation.

We work with a number of business families who are looking for ways to bring all family members together so they can better understand the family wealth and agree how they can be involved in preserving and growing it for current and future generations. In many cases a trust is the solution, as it enables the wealth to be held in a controlled environment outside of individual estates and offers the ability to participate in discussions about how the assets are managed.

With the assistance of professional trustees like Trident Trust, many sophisticated families are now choosing to establish Private Trust Companies so they can have more direct input into the type of assets that are held and the circumstances in which distributions can be made to beneficiaries.

As more families start to think about wealth transfer and preserving wealth over generations, what are the key factors to address?
Taking a long-term view and planning ahead is essential. Dealing reactively with issues usually produces inferior results. Families can be quite secretive about their personal situation and plans, their business and their assets. But the key is to talk about these issues amongst the family members and to seek relevant professional advice well ahead of time, so that a tailored solution that meets the goals of the family can be put in place. Family discussions can often take months or years to conclude, so the sooner discussions start, the quicker the agreement can be implemented.

Many families are considering family constitutions, which, whilst not binding, are very useful to some of the more traditional families who document the history and values of the patriarchs and matriarchs with a hope that successive generations will honour their memory.

What is the outlook for your industry?
Our industry has changed significantly in recent years. The regulatory environment has become significantly more complex, particularly with the arrival of automatic exchange of tax information around the world. In a globalized economy, the assets, business interests and members of wealthy families have become increasingly international.

We believe there will be continued and strong demand for trust structures from the high net worth community, but that these structures will be more sophisticated and will require a higher level of institutional support to meet increased regulatory demands.

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SECTION 5

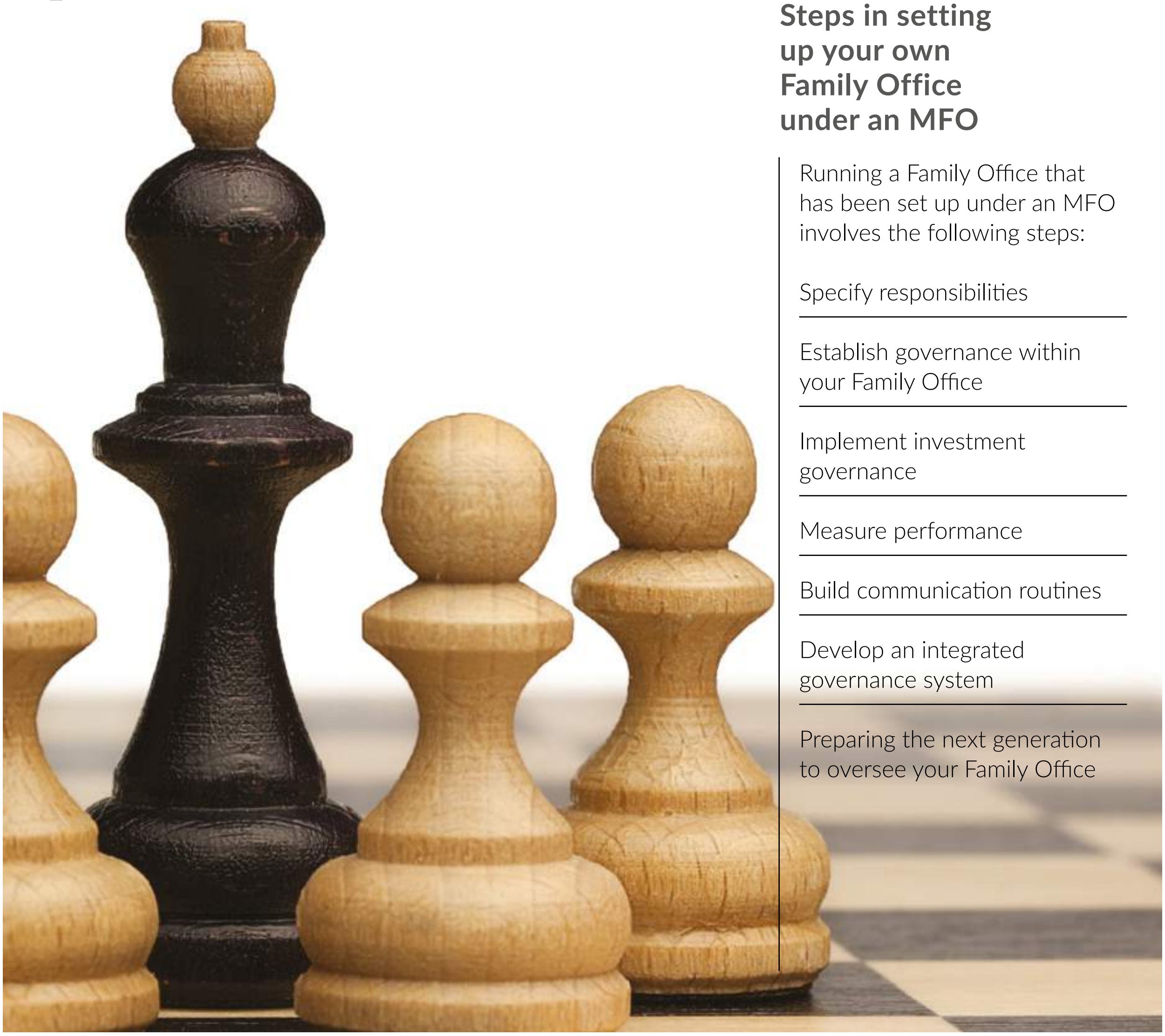
How to avoid disputes and leave a legacy you desire

Running a Family Office

Steps in setting up your own Family Office under an MFO

Running a Family Office that has been set up under an MFO involves the following steps:

- Specify responsibilities
- Establish governance within your Family Office
- Implement investment governance
- Measure performance
- Build communication routines
- Develop an integrated governance system
- Preparing the next generation to oversee your Family Office



SPECIFY RESPONSIBILITIES

Family Offices must define what they will manage by themselves, and what they will outsource to qualified professionals.

Once an MFO is engaged, the investment manager within the MFO should set the overall strategy for risk and allocation of financial assets. To manage real assets[1], the investment manager should define the guidelines that describe which deals to pursue. When necessary, the investment manager can seek expert advice from investment bankers, lawyers, and consultants.

For each asset type, the MFO should appoint managers with the appropriate skills. It should also ensure that managers' compensation and incentives are aligned with the investment objectives.

For example, MFOs can align managers' incentives to their performance, measured against an industry benchmark.

Looking beyond asset management activities, the family should decide whether it wants the MFO to have responsibilities for financial planning, philanthropy, mentoring the younger generation, or tax and legal support.

Some MFOs also provide management services relating to family homes and other personal assets, which are not investments. MFOs will keep profit-driven investments separate from these assets.

Finally, to foster effective mentoring of the next generation, Family Offices set up under an MFO can use their governance bodies, such as the board of directors, as forums for sharing the knowledge of experienced family members with younger counterparts.

For an MFO to run well, the responsibilities of two separate groups, the management group and the family members, must be clarified.

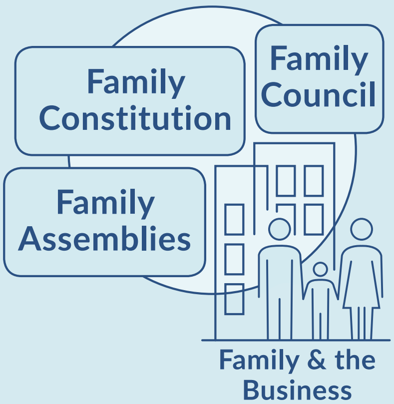
Members of the management group
These non-family professionals belong to the overarching MFO and run each individual Family Office on a day-to day basis. They share the same broad interests as other senior executives.

Family members (i.e., the clients for which the Family Office is set up)
They expect the MFO to provide services in a way that supports the family's shared purpose, as well as the family legacy and values. They look to the MFO to provide appropriate investment and financial reporting, as well as tax and administrative services. They are also concerned about return on investment, timeliness, accuracy, compliance, privacy, and risk management.

1 Real assets are defined as physical assets that have value due to their substance and properties. Real assets include precious metals, commodities, real estate, agricultural land, machinery and oil.

The main components of family governance

Although there are no set rules, family governance typically comprises three components:



1: Family Constitution
A statement of the guiding principles capturing the family's vision and important family values. Although the family constitution has no legal standing with regard to the issues covered, it does have a bearing on the legal documents e.g., articles of incorporation, buy-sell agreements etc. that support the family's intentions as set out in the constitution. It sets out the foundation for the family's important decisions, communication, and represents an important asset to family unity in planning for future generations.

2: Family Council
A governance body that is focused on family matters. The family council fosters a positive family/enterprise interaction by promoting communication, providing a safe harbour for conflict-resolution, and supporting the education of the next generation family members in financial and ownership issues.

3: Family Assemblies
The family assembly operates in conjunction with the family council, where family members meet regularly (either annually or twice a year) with the purpose of sharing information about the business, discussing strategies of the company, and fostering education of the younger generation.

ESTABLISH GOVERNANCE WITHIN YOUR FAMILY OFFICE

Often, intra-family disputes arise over the distribution of wealth, investment choices, or whether spouses may be included in the family business.

Effective governance mechanisms can foster family cohesion by ensuring transparency and facilitating dispute-resolution.

Setting up a board of directors

A board of directors can oversee the functions and executives of the MFO.

Board members should have expertise in the relevant financial and real asset investment classes; therefore, besides just family members, the board should include third-party professionals with expertise in private equity, hedge funds, or real estate management.

Charters for the board and committees should delineate responsibilities, and the frequency of meetings and reports. While third parties may provide advice in these decisions, strong family oversight is recommended.

Effective governance mechanisms can foster family cohesion by ensuring transparency, and facilitating dispute-resolution.

IMPLEMENT INVESTMENT GOVERNANCE

Running a Family Office under an MFO means having a formal investment governance structure in place. This is to control investment decision-making and monitor investment performance.

Even if the structure is simple and consists only of family members, instituting an investment process and system will aid the consistency of decision-making improve performance and risk tracking, and align Family Office activity with family goals.

The investment governance structure tracks investment decisions and their outcomes, to gain insights on decision-making biases; they can then work on reducing them. Tapping the expertise of an investment advisor, or in-house investment professionals, can help bring best practices to the investment governance structure.

MEASURE PERFORMANCE

Investment managers who have been appointed by the MFO to oversee the client family's investments should compare their performance against relevant benchmarks. This is not always easy, because it may be difficult to find a benchmark that is comparable to the Family Office's overall portfolio.

In such cases, portfolio segmentation can identify comparable benchmarks for the performance of each asset type. The very process of deciding on benchmarks helps family members and asset managers clarify their return objectives, for different types of investments. This process fosters valuable discussions on the creation and measurement of value.

A CASE STUDY OF LAWRENCE FOONG AND FAMILY*

Complexity of family affairs

The background

Lawrence Foong belongs to the third generation of a wealthy family. Although he has a net worth of over S$400 million, he prefers to stay private about his status. His large family, consisting of five adult children living and working abroad (mainly in the U.S. and U.K.), owns different real estate and manufacturing businesses. They also have holdings in various private equity investments. As he is nearing his mid-sixties, succession planning is Mr Foong's primary concern. Overwhelmed by the different business activities and investment holdings, which were largely established by his grandparents, Mr Foong worries that his children do not understand the complexities of the businesses enough to control them, and that the Foong family legacy will fall apart without family governance and planning.

As a business owner, Mr Foong worked hard to maintain the legacy of the generations before him, but he is aware that simply creating a great business is not enough. He needs to consider what will happen when he is no longer at the helm.

* Name has been changed to protect the identity of our client

How Golden Equator approached it

Mr Foong has shared that out of his five children, three are involved in the family business as directors or CEOs of the regional units. One runs his own start-up, and the youngest is in her last year of university. As part of business continuity, he would like to groom his youngest child to take over part of the real estate arm. However, he does not know how to get her interested. At the same time, his two older children have not been on good terms for years.

Due to the complexity of Mr Foong's family affairs, his MFO set-up is the most elaborate. Golden Equator administered a broad strategic review of all the businesses, to formulate a clear set of goals in relation to the various units.

We streamlined the complex family businesses to be tax-efficient and management-efficient, and established a board of directors for the Foong Family Office. The board includes an investment committee, and follows clearly defined governance mechanisms.

This includes injecting third-party professional members into the investment committee, where their expertise is required. Often, it is difficult for patriarchs to trust the capabilities of non-family professionals, but hiring external professionals are instrumental in improving the businesses, given that they have the necessary expertise.

> Often, it is difficult for patriarchs to trust the capabilities of non-family professionals, but hiring external professionals are instrumental in improving the businesses, given that they have the necessary expertise.

As such, strong family oversight is paramount. Mr Foong's children expect more involvement around their liquid investible wealth, thus the board of directors are composed of all the family members, independent directors, and Mr Foong himself. The purpose of having independent representation is to provide expertise, objectivity, and accountability.

> When a Family Office is set up, the primary goal is to protect and grow family wealth through high-quality services, in a secure and confidential environment.

Bearing in mind potential family disputes over investment choices and the distribution of wealth, we facilitated the creation of a Family Constitution. This is the guiding statement that captures the family's vision and values. It also sets out the foundation of the family's important decisions and communications, and represents an important asset to family unity for future generations.

We also helped to inaugurate family assemblies, where it is mandated that Mr Foong and his children meet twice a year at a designated location, to discuss the strategies and developments of their businesses. These effective governance mechanisms foster family cohesion, by ensuring transparency and facilitating dispute-resolution.

We also noted that the decision-making structure of the Foong Family Office had to be changed once Mr Foong is no longer involved, hence the Board of Directors was created to ensure that there is proper governance when he steps down.

Due to the various residency statuses, locations, and nature of family assets, it was important to place the assets in trusts. If the immediate descendent of a patriarch is financially well-off and is a resident of a jurisdiction with high estate duty, then passing the assets to them directly would increase their taxes. Placing the assets in trusts is a prudent move, ensuring that the wealth transfer to future generations does not come with a heavy tax burden. Furthermore, trusts offer confidentiality. This is in line with Mr Foong's wishes to avoid conflicts within the family, when he makes discreet provisions for certain beneficiaries. Therefore, establishing trusts is the most cost-effective and secure arrangement for him.

As it is Mr Foong's wish to educate and pass on leadership to his youngest child, we also provided her with opportunities to learn how to steward the family business, in a more hands-on and relatable manner.

How setting up the Family Office helped them

Mr Foong feels reassured that his family matters are being managed effectively, in terms of business structures, investments, and complex family interrelationships. He is most comfortable with the fact that Golden Equator has the requisite experience and existing network of external specialists to leverage upon. He is now able to receive advice on customised solutions that are tailored to his family's needs and preferences.

With the MFO set up, Mr Foong's family can better pursue new business ventures and opportunities.

"Now I have a much clearer overview of how governance can improve my businesses. As I am getting on with age, it is apt to start on succession planning now; I have seen friends who did not plan ahead and it became their downfall. I know that Golden Equator understands all the complexities my family faces and I am heartened that my legacy will continue to thrive."

Through the MFO set-up, the family members come together to work out critical issues such as business exit planning and value acceleration considerations. This is conducted with the advice of external specialists. Mr Foong will want to see that his children are able to sell any part of the businesses and always negotiate from a position of strength.

The overarching priority for the family has been to ensure confidentiality on all levels, should disputes arise. This is why placing the business shares in a trust and apportioning profits to family members as beneficiaries are important.

When a Family Office is set up, the primary goal is to protect and grow family wealth through high-quality services, in a secure and confidential environment.

Figure 4: Integrated governance levels in the family office

	Level	Instruments	Characteristics
1	**THE FAMILY LEVEL** **Family**	• Family council • Family constitution • Mission statement of the FO	• Definition of mission & values and key family mechanisms • Organising family decision-making • Setting the direction for the family office
2	**THE FAMILY OFFICE LEVEL/CORPORATE CORE** **CEO & management** – Financial controlling – Administration/middle/back office – Professional services	• Supervisory and/or management board • Clear assignments of roles/ responsibilities • Policies, procedures • Reporting, liquidity • Performance framework • Risk management	• Proper professional organisation • Strategic direction broken down into professional duties, measurement and control • Measurable goals for internal and external stakeholders
3	**THE INVESTMENT ACTIVITY/ SERVICES LEVEL** **Investment management**	• Advisory boards (e.g., investment advisory, philanthropy board) • Investment process, investment guidelines	• Specialist boards to access unique experience and provide forum for decisions among key stakeholders • Frequent communication, transparent reporting

Succession planning is integral to the longevity of the Family Office.

BUILD COMMUNICATION ROUTINES

For the MFO team working on the Family Office, it is important to create channels to communicate, and seek guidance from, the wealth owners or their representatives on the board.

Communication routines also get the MFO professionals into the habit of seeking input before making decisions on issues, which builds mutual understanding and prevents later disputes.

The aim is to create transparency and a level of trust between the MFO and the wealth owners.

DEVELOP AN INTEGRATED GOVERNANCE SYSTEM

Each family has its own governance structure and decision-making processes. Clients should separate governance between the Family Office and their various businesses.

However, they can maintain overall alignment by ensuring governance for both entities – family and business – are complementary in nature.

The goal is to maintain independence between each entity, while keeping good overall coordination between them. In this way, the family enterprise system can progress as a whole.

PREPARING THE NEXT GENERATION TO OVERSEE THE FAMILY OFFICE

Succession planning is integral to the longevity of the Family Office.

As the next generation matures and shows interest in overseeing their family wealth, they must be prepared to participate in the Family Office governance. There are many roles they can fill, such as Family Office board member or investment committee member.

Each role requires an in-depth understanding of the Family Office intent, structure, and investments. Even clients who currently lack a governance role should have an understanding and appreciation of the Family Office.

For the successful stewardship of wealth, MFOs help the family's children to understand they will be accountable to the rest of the family. MFOs implement an education process for the coming generation, so that they grasp the general management and investment decisions, estate and trust structures, and investment terminology.

Those who will serve on the Family Office board should understand how to manage internal personnel and advisors, review financial statements, and evaluate the family's service providers.

Investment Process

By establishing an investment process, the family can set investment goals to optimise their portfolio.

On a macro level, the investment process should begin with an investment roadmap. This is a list of goals and a risk tolerance assessment. From here, the family can take a more in-depth look into resolving any issues related to operational business shareholdings, and family member stakes.

Questionnaires and a comprehensive study of prior investment styles can ascertain the family's risk tolerance. At the same time, the family may discuss any aspirations that it might have if engaging in philanthropy.

After forming the investment goals and risk profile of the family, the next step is to determine the portfolio make-up to produce the right balance of risk and return, as well as determining performance requirements. This would mean asset allocation that divides investment monies into various asset classes, such as equities, fixed income securities, alternatives, real estate, and others.

Finally, the family can consider enacting the investment plan in an investment policy statement. This is to ensure that wealth managers, investment advisors, and trustees are aligned with the same objectives and performance requirements.

As part of the investment process, tax implications should also be considered. There are some asset classes that could be more tax-efficient than others. Therefore, when determining the optimal asset allocation structure, the decision is based on a post-tax basis.

By establishing an investment process, the family can set investment goals to optimise their portfolio.

Andreas Schwarz, Wealth Manager for Golden Equator Wealth, shares his golden rule: "Be patient and you will be rewarded, but make sure you are on the right track."

PORTFOLIO REBALANCING MATTERS

Portfolio rebalancing is a risk-minimising strategy for portfolio management. Rebalancing is the act of restoring asset classes in a portfolio to their target allocations, such as by selling assets that have appreciated, and adding to those that have declined[2].

An American Association of Individual Investors article from 2014 discusses the advantages of rebalancing: editor Charles Rotblut tracked how three different investor behaviors would impact a moderate allocation portfolio[3] since 1988.

Using Vanguard funds[4] in his study, these are the three investor behaviors:

Portfolio A	is rebalanced each time its allocation is off by five per cent or more from its targets
Portfolio B	is a non-rebalanced portfolio
Portfolio C	is a portfolio where the investor panicked and got out of stocks each time the Standard & Poor's 500 index fell at least 20 per cent (in what most investors define as a bear market)

The result

Portfolio A outperformed the other two. Furthermore, Portfolio A experienced less volatility than Portfolio B and about the same volatility as Portfolio C.

We can observe that rebalancing is a powerful strategy. By keeping investor panic at bay, rebalancing allows a portfolio to ride out a selloff.

When should you rebalance?

One may rebalance on a calendar basis, such as quarterly, semi-annually or annually. One may also use formulaic rebalancing, such as by selling or buying when any asset class misses its allocation target by a certain percentage; typically five to 10 per cent.

Avoid emotional investing

Portfolio rebalancing runs counter to investor psychology – many investors find it counterintuitive to sell assets that are appreciating, while buying assets that seem to be depreciating. Therefore, it is crucial to avoid 'emotional investing'[5] by adhering strictly to the asset allocation strategy.

2 Source: "Portfolio balancing sounds boring, but it's a powerful investment strategy", CNBC, 21 Oct 2015.
3 A moderate allocation portfolio is defined as one with 70 per cent in stocks and 30 per cent in bonds.
4 Vanguard funds are mutual funds provided by The Vanguard Group, an American investment management company based in Pennsylvania with over US$ 4.4 trillion in assets under management. The Vanguard Group is the world's largest provider of mutual funds.
5 'Emotional investing' is known as an investment behavior that can undercut effective investment decision-making. Investors who engage in emotional investing exhibit biases that emotionally influence their investment decisions. These emotional biases include: loss aversion, confirmation bias, mental accounting, illusion of control bias, recency bias, hindsight bias and herd mentality. Source: "7 Behavioral Biases that May Hurt Your Investments", USNews, 26 May 2015.

A CASE STUDY OF GERALDINE SEE*

Time-challenged professionals

The background

Geraldine See is a senior partner with a major corporate law firm and has a net worth of approximately S$18 million. Her husband, Kevin*, is a surgeon with a thriving practice at an aesthetic clinic. She is devoted to her career and family – what little spare time she has, she spends with her husband and teenage children, such as pursuing their passion for golf, and going on family vacations. She is concerned about her financial affairs, stock options and taxation issues, but with her lack of time, she approached Golden Equator for advice.

How Golden Equator approached it

We conducted a complete review of all compensation programmes, including stocks and options, as well as timing of the exercising of options to achieve family goals.

We understood from the See family's risk profile that their primary goal is to retire comfortably, with income that will allow the family to pursue their personal passions. Based on the family's tight schedules, discretionary portfolio management was the most appropriate. Our in-house investment advisory team constructed an investment portfolio for the family. The portfolio was based on a well-thought out investment strategy, using an asset allocation that prioritised income generation.

We also established a trust to provide payment to their children, when they go through specific milestones such as graduation from university, earning a certain amount of income on their own, marriage, etc.

The trust also provides creditor protection for their children's inheritance.

At the same time, we advised Ms. See to void her existing Will, replacing it with the Letter of Wishes of the trust.

How setting up the Family Office helped her

By formalising the investment process and setting target returns to the portfolio, Geraldine and Kevin can be assured that professionals are attending to their investments. They know that clear goals and strategic direction have been set for the family, including regular consolidated reporting on portfolio performance. They can now concentrate on their careers and family, secure in the knowledge that they have a long-term retirement plan, which also provides for their children.

"I have confidence that Golden Equator is devoting the time that we don't have to manage our affairs expertly and to ensure that our net worth will be able to fund all our hobbies as well as our children's passions."

"I have confidence that Golden Equator is devoting the time that we don't have to manage our affairs expertly and to ensure that our net worth will be able to fund all our hobbies as well as our children's passions."

* Names have been changed to protect the identities of our clients

Investment Team

A full-service Single-family Office will cost a minimum of US$1 million annually to run[6]. For an SFO to be viable, the net worth of the family should exceed US$500 million. The annual expenses of running an SFO ranges between US$2.2 million (for a set-up with two full-time professional staff and four full-time support staff), to US$19.2 million (for larger set-ups involving at least 16 full-time professional staff and 32 full-time support staff)[7]. Most families who wish to set up the Family Office for the management of their wealth will turn to the MFO structure, where cost-savings are possible through the sharing of services with other families, while maintaining confidentiality.

A fully-integrated MFO provides most, if not all, of the services listed in Figure 5. This is a typical structure for the MFO, as seen in Figure 6.

MFOs do not hold any assets directly; they manage the family's assets in structured entities and trusts, via Limited Powers of Attorney.

Most families who wish to set up the Family Office for the management of their wealth will turn to the MFO structure, where cost-savings are possible through the sharing of services with other families, while maintaining confidentiality.

Figure 5: Services provided by the investment team of a fully-integrated Multi-family Office

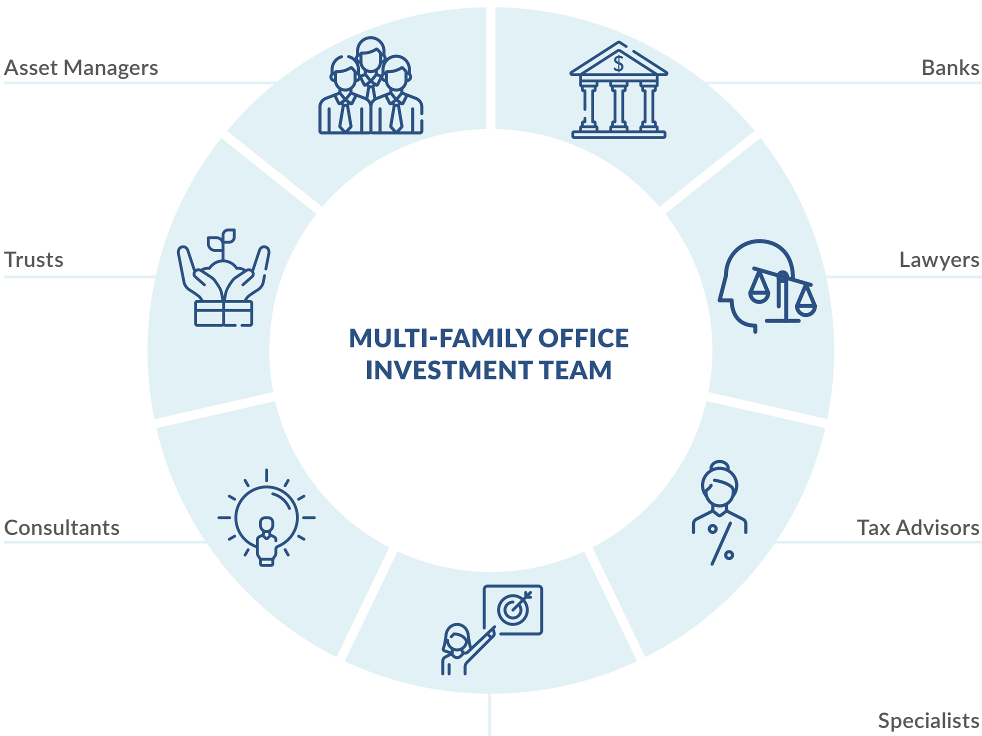


Figure 6: Staff structure in a typical Multi-family Office

MULTI-FAMILY OFFICE

Wealth/Investment Management

Investment Wealth Managers

- Evaluation of the overall financial situation
- Determine the investment objectives and philosophy of the family
- Determine the family's risk profile and investment horizon
- Decide on an optimal asset allocation
- Act as the power of attorney to execute trades with banks in an objective manner
- Manage liquidity for the family

Chief Investment Officer + Investment Analysts

- Provide due diligence on financing and business opportunities in Private Equity, M&A, management buyouts, properties, etc.
- Provide in-depth research on asset classes like stocks, bonds, derivatives, funds, indexes, commodities, currencies – across all financial markets globally

Operations

Chief Operating Officer

- Strategic Planning
- Managing business transformation
- Operations
- HR
- Financial Accounting and Reporting

Information Technology

Chief Technology Officer

- Technology support and competence
- Consolidate all family assets and performance reporting
- Integrated Family Office app that facilitates communications between the family and the Multi-family Office team in a speedy and efficient manner

Access to Professional Expertise and Knowledge

Extensive network to professionals in the following areas:

- Legal and Compliance
- Tax Advisory
- Philanthropy
- Trust and Estate Planning
- Innovation and Technology
- Marketing and Creative Services
- Digital Consulting
- Channel Development

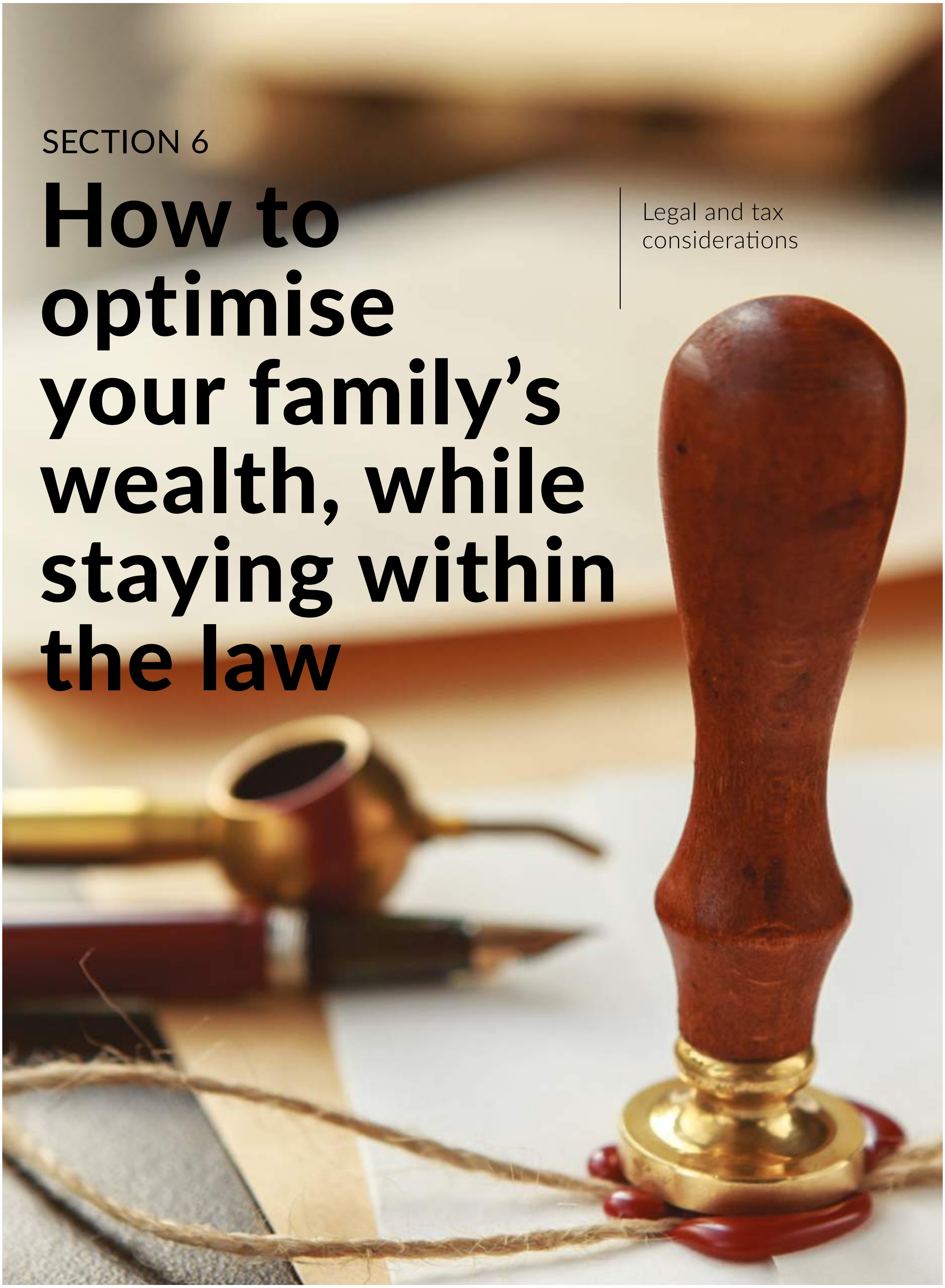
In Singapore, an MFO must be granted the approval by the Monetary Authority of Singapore to be either a Registered Fund Management Company or Capital Markets Services (CMS) Licensed Fund Management Company, which depends on the fulfilment of strict criteria including a good track record, management expertise, and strong internal compliance.

Source:
6 EY Family Office Guide: Pathway to successful family and wealth management, Credit Suisse and University of St. Gallen.
7 "At 1-2% of active assets, don't discount the cost of running a family office: Citi PB", Asian Private Bank, 5 June 2018.

SECTION 6

How to optimise your family's wealth, while staying within the law

Legal and tax considerations



MFOs adopt a proactive approach to corporate governance and risk management. Putting the right legal structures in place is vital for reducing a family's unnecessary tax burden, while still respecting the law.

LOCATION AND JURISDICTION

When choosing the location for the client's Family Office, the MFO team should seek legal and tax advice for the choice of location. Tax, legal, and regulatory consequences must be considered before selecting a jurisdiction.

Concerns should include the availability of legal and tax structures, the ease of maintaining employees, tax filing requirements, economic and political stability, and flexibility for future restructuring. For some assets, such as art collections, proximity to the family to enjoy is also important.

The legal and tax frameworks in different jurisdictions vary; it is important that one seeks comprehensive legal and tax advice before deciding to adopt a particular legal structure.

SETTING UP A LEGAL ENTITY

A legal structure must be set up for the hiring and contracting of professional services.

Families must choose legal structures in at least three areas: the Family Office itself, the investment vehicles, and the ultimate holding vehicles.

Family Office entities are often established in such a way where there is access to independent specialists and expertise on regulatory issues.

Investment vehicles are optimised for tax, asset protection, and compliance with regulations.

Ultimate holding vehicles are structured for wealth succession, the protection and separation of assets, and for tax optimisation.

SEPARATION OF ASSETS AND THE USE OF INVESTMENT COMPANIES

It is best to isolate family businesses from the family's private wealth.

Such practices strengthen corporate governance, and help future plans to sell equity in the business. This also protects the family's affairs from the prying eyes of any business employees.

It also prevents the liabilities of the business from becoming the liabilities of the family.

GOVERNANCE WITHIN A FAMILY

There should be a family charter or constitution to delineate the roles and responsibilities of family and non-family members. The charter defines the frequency of meetings and reports, and sets out procedures in line with the family's values. The charter also defines conflict-resolution methods for disputes.

The legal and tax frameworks in different jurisdictions vary; it is important that one seeks comprehensive legal and tax advice before deciding to adopt a particular legal structure.

Why is tax relevant for a family office?

Governments across Asia are faced with several conflicting objectives as they strive to achieve political stability: protection and support for the domestic economy; attracting foreign investments; and reduction of budget deficits. As a result, tax practices and policies across Asia continue to be volatile, giving rise to uncertainties for businesses. Family offices are not insulated from tax uncertainties. While it may not be possible to prepare for every eventuality, addressing the tax risks upfront pays rich dividends in the long run.

What are the key tax aspects a family must consider?

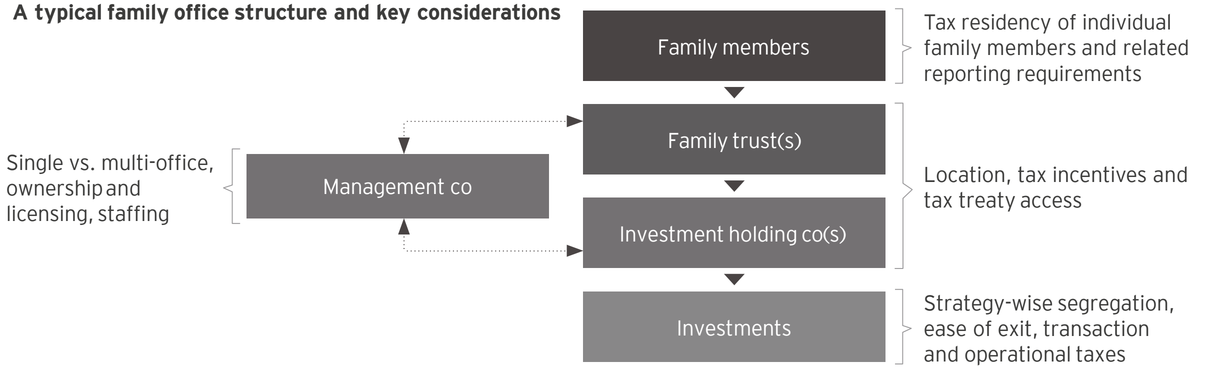
A typical family office structure comprises:

- A family holding vehicle – in the form of one or more trusts or companies
- One or more investment vehicles – possibly streamlined by strategy
- A management vehicle

As a family prepares to set up a family office, it must consider several tax aspects:

- Tax impact on restructuring the existing family business and investment structure
- Location for the management and investment vehicles
- The nature of the legal entities in the structure
- Impact of tax residency of individual family members on the structure
- Tax incentives and tax treaty reliefs and
- Ongoing compliance and reporting

A typical family office structure and key considerations



What makes Singapore a viable location for setting up a family office?

Singapore is a renowned asset management hub that offers a host of commercial, legal and tax benefits to managers and investors. The upcoming Variable Capital Company framework, coupled with the existing tax incentive schemes, allows the creation of an evergreen, professionally-managed, multi-family office structure. These substance-based benefits are further accentuated by Singapore's wide tax treaty network.

About EY

At EY member firms in Singapore, the teams offer bespoke services to families based on their long-term objectives with a view to build a legacy.

EY Family Office Services

EY services for families and family offices are a reflection of the broad range of experience and a symbol of the EY commitment toward family businesses around the world. The broad and integrated EY approach helps families to structure their wealth and preserve it for future generations. The EY 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 the EY family office services, please visit **ey.com/familyoffice**

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A CASE STUDY OF DEREK AND KERRY ONG*

Sudden wealth

The background
Derek and Kerry Ong have recently sold their business for S$35 million. Unaccustomed to such wealth, they are uncertain of how to go ahead with the proceeds.

Despite having decades of experience managing a business, they have limited investment knowledge. Both in their 50s, Derek and Kerry are aware that they must plan ahead for their family, which consists of three children who are in their early 20s and are studying abroad. To protect their new-found wealth, they seek to invest the money wisely and in a tax-efficient manner.

The Golden Equator approach
We assessed the couple's financial situation based on their net assets and reviewed their investment objectives based on factors such as their risk appetite, liquidity needs, and investment horizon.

The investment horizon refers to how long they will stay invested; this plays a significant role in developing an appropriate investment strategy. As the Ong children are studying abroad and may have plans to seek employment in the respective countries of residence, Derek and Kerry also have a need for tax planning and income splitting opportunities. This can be done with the use of a family trust, for which we assigned the relevant professionals to them. These professionals were able to provide holistic tax and legal advice, tailored to their goals.

"We now feel secure that our money is being managed by an expert team and that we're getting the right advice to help us to educate our children on the wealth they will be custodians of one day. We are grateful to have started on the purposeful ways in leaving behind a legacy."

The family needed an investment management approach that they were comfortable and confident of, including diversified assets to meet their long-term goals. We helped to select an appropriate investment advisor, who developed a low-risk approach based on capital preservation and income generation.

Any philanthropy goals were also discussed, since Derek and Kerry were keen to better the world in which they and their children live.

Acknowledging that the next generation is key to multi-generational wealth sustainability, the couple set up the Ong Family Office with the intention of educating their children to be better-informed decision makers and to embrace their responsibility as stewards of the family legacy through investment education.

How setting up the Family Office helped them
The Ong family is secure in the knowledge that their affairs are being managed by a team of professionals dedicated to their needs. Besides helping them manage their finances, Golden Equator also advised Derek and Kerry as they looked for a new house and facilitated family governance in initiating family meetings.

"We now feel secure that our money is being managed by an expert team and that we're getting the right advice to help us to educate our children on the wealth they will be custodians of one day. We are grateful to have started on the purposeful ways in leaving behind a legacy."

* Names have been changed to protect the identities of our clients

The best time to
plant a tree was
20 years ago.
The second-best
time is now.

SECTION 7

How MFOs protect your family from hidden financial danger

Understanding and managing risks

Large, affluent families face risks in numerous areas. Without preparation, these can deprive a family of their long-term legacy.

Below are some risks which an MFO can help a family to organise and manage:

Figure 7: Risks that large affluent families face

FINANCIAL
- Asset diversification
- Single stock concentration
- Liquidity
- Poor performance & loss

BUSINESS
- Key person
- Liability & litigation
- Tax exposure
- Reputational & operational risk

OWNERSHIP
- Legal exposure & liability flow
- Fiduciary risk
- Asset protection & succession

FAMILY
- Reputational risk
- Family conflict & litigation
- Peripheral businesses & new ventures
- Property

PHYSICAL
- Assets & collectibles, e.g., art, antiques, jewellery
- Family lifestyle: e.g., aviation, hobby business, new ventures
- Medical & travel emergencies
- Kidnap & ransom

Source: Built for Generations: Family Office Compass, UBS

In general, families rank (1) investment risk, (2) family reputation, (3) family data, and (4) privacy – among the primary risks that they face.

According to a Campden Wealth survey on global family offices in 2014, seven risk categories can be evaluated as part of a comprehensive risk management plan.

Many of these risks are better handled in a consolidated fashion, through a Family Office set up by an MFO. The MFO can pool the various risk management requirements together, to put the family in a better negotiating position with service providers.

Example:

HOW MULTI-FAMILY OFFICES MITIGATE RISKS IN OPERATIONS AND TECHNOLOGY

MFOs use systems that are robust and secure, but flexible enough to customise for each user.

MFOs manage the risk of client information leakage by adopting a system that allows restrictions when accessing client accounts. For example, the system can allow only access to data that is relevant to the individual's job, and nothing else. This prevents employees from accessing multiple clients' accounts.

Figure 8: Risk categories

RISK CATEGORY	SUMMARY DESCRIPTION
Vision/Legacy	Establish family vision or purpose, services provided within the office, family governance, communication, education, and planning
Operations	Transaction processing and controls
Estate/Regulatory	Types of entities, management and oversight of those entities, compliance, reporting, and office management
Business	Impact (if any) on the family from the various businesses they own and manage; this encompasses financial, succession, and reputation impacts
Technology	Evaluate platforms used in the office and review the infrastructure of technology and security, particularly cybersecurity
Investment	Examine the policies and processes around investment oversight, from investment policy statements to selecting managers, exclusive of evaluating the risk of specific holdings or portfolios
Disaster	Review plans and preparation for facing serious setbacks, which includes evaluation of existing insurance coverage

Source: Campden Wealth Survey, 2014

RISK MANAGEMENT PROCESS

Families identify which of the aforementioned risks they would like to manage centrally. Next, the MFO helps develop risk mitigation strategies.

1 Identify

2 Assess

3 Mitigate

4 Report

This is how the following would work for financial risks:

Risk Identification

- Identify and detail quantitative and qualitative risks
- Determine the main drivers of volatility, of key asset classes and investments

Risk Assessment

- Measure impact of risks on investment decisions
- Prioritise risks based on impact level, and the likelihood of occurrence

Risk Mitigation

- Establish ways to mitigate at least the top priority risks
- Establish regular monitoring of the family risk landscape

Risk Reporting

- Include the necessary information in regular reporting
- Establish family governance to handle risk management

SECTION 8

How to put an end to cheque books, queues, and time-consuming paperwork

The future of Multi-family Offices: Going digital

The digital age has seen the emergence of tech-savvy users, and digitally-connected investors. The rise of Financial Technology (FinTech), has even spread to large banks, who are broadening the spectrum of their wealth management propositions with digital offerings.

Rather than compete with this, MFOs now seek opportunities from FinTech to add value and convenience for clients.

Figure 9: High uptake of technology among HNWIs

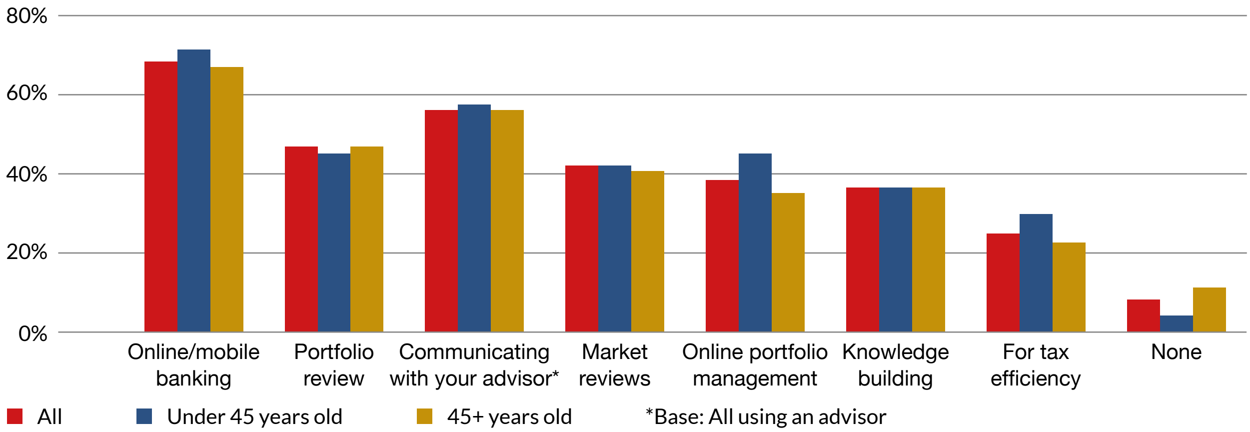
85% use 3+ digital devices

98% access internet/ apps daily

Source: Strategy&

MFOs now adopt innovative software to keep pace with the markets. From algorithmic trading to one-stop wealth management platforms, MFOs are courting younger, tech-familiar High Net Worth Individuals (HNWIs).

Figure 10: HNWIs using digital for financial management



Source: PwC Strategy & Global Wealth Management Survey 2016

COURTING A NEW COHORT OF HNWIS

As Millennials grow in economic power, MFOs are ready to serve a new breed of tech-immersed investors. These younger investors hail from a world of economic uncertainty and are discerning in their selection of service providers. Also, the internet has given them access to a wealth of information.

With the increasing sources of information at their fingertips, HNWIs today demand curated product recommendations, which conventional websites cannot provide. These tech-savvy HNWIs also demand 24/7, secure access to their financial information, accessible on mobile devices.

The motivations and life goals of the younger HNWIs differ from the older generation. They are more driven in the pursuit of personal passions. When it comes to financial advice, they are more likely to stay with an investment manager based on a combination of investment results and a personal relationship.

Digital is Key: With the high uptake of technology among HNWIs, going digital is the pathway to further service the needs of Millennials who have such a high level of digital literacy.

AN APPETITE FOR EXPERTISE

The advent of cloud-based platforms has transformed the typical investment horizon, from 10-year investments to three or five-year stints. Fund managers have less time to prove they can do a better job at achieving exceptional performance, compared to automated advisory platforms and algorithmic trading systems.

A NEW APPROACH IN A TIGHTENED REGULATORY ENVIRONMENT

Regulatory demands, increasing calls for transparency, and evolving technologies demand that MFOs pioneer new methods to cope with rising compliance needs.

Investor reporting

MFOs have grown to become complex financial firms. Many have the same needs as other private fund managers, including the digitalisation of investment performance and transparency of data in accordance with regulations. Many have thus adopted consolidated reporting solutions.

Customer Relationship Management (CRM) is a reporting tool deemed the "holy grail" of wealth management technology. Wealth managers now look towards CRM systems which use automation. Being technology-enabled means that wealth managers have more time to service clients in meaningful ways.

Such tools provide more sophisticated data aggregation, accommodating different portfolio requirements and catering to clients' expectation of real time reports.

As can be seen from Figure 10, digital technology is already employed by HNWIs across a range of wealth management needs.

Digital is Key: With the high uptake of technology among HNWIs, going digital is the pathway to further service the needs of Millennials who have such a high level of digital literacy[1].

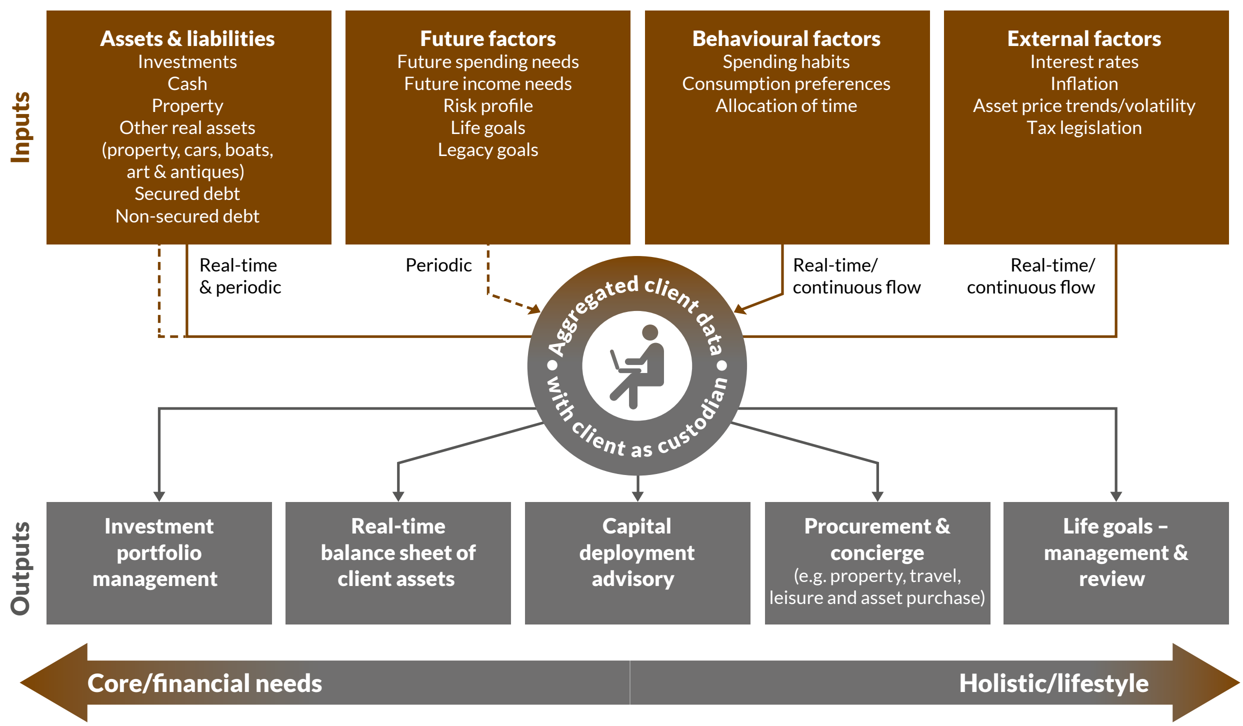
1 Source: Millennials – the global guardians of capital, UBS Chief Investment Office, June 2017.

USE OF DATA TO UNDERSTAND THE CLIENT BETTER

MFOs personalise the digital approach.

This means embedding digitally-driven insight into every stage of activity, from prospecting to servicing existing clients. With MFOs, the wealth management proposition combines robo-advice (automated advice based on captured client data) and qualitative human judgement.

Figure 11: The data-driven holistic advice proposition

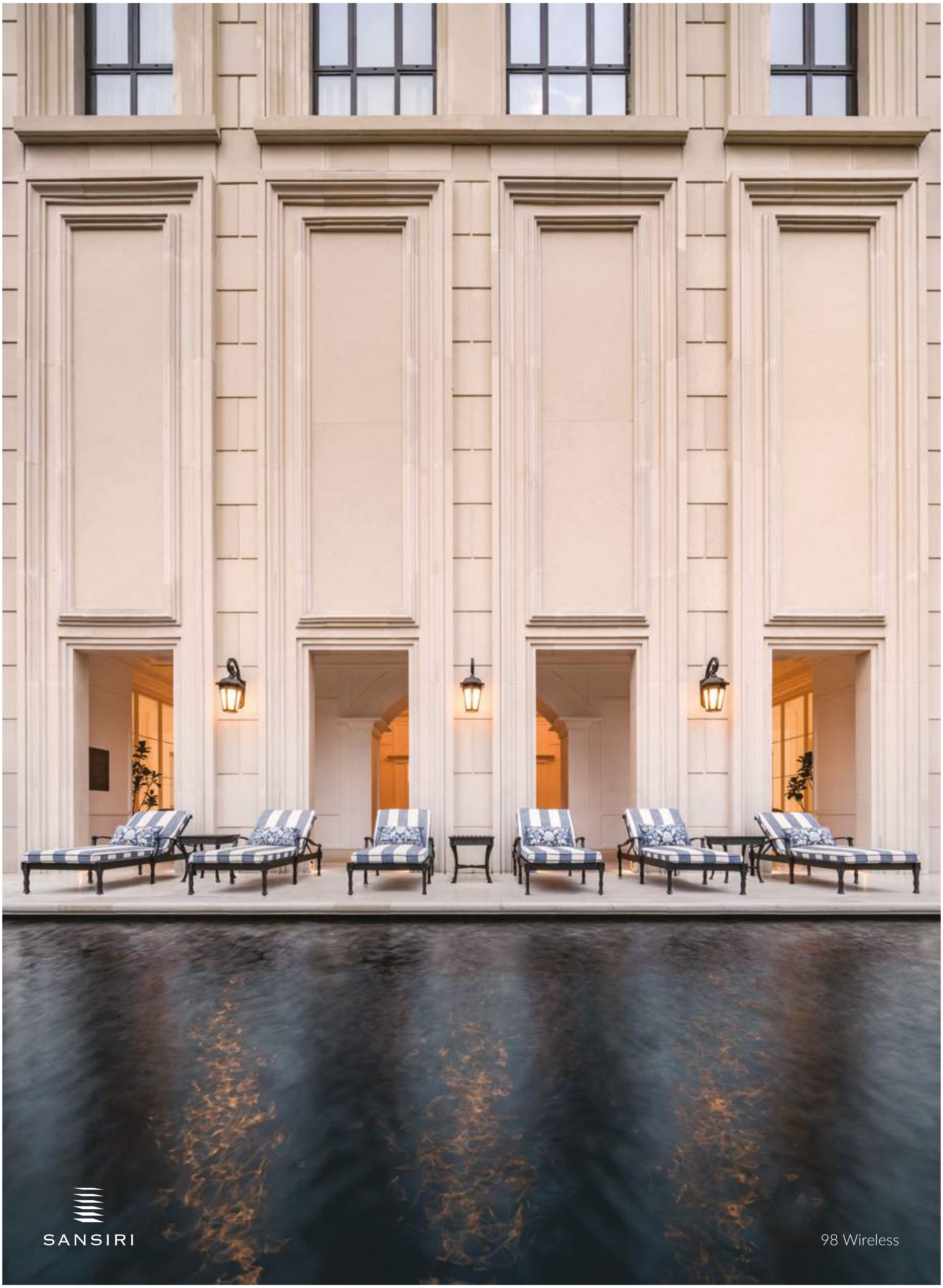


Source: PwC Strategy & Global Wealth Management Survey 2016

Chinese wall – Safeguarding client data

With an integrated governance system, clients may be concerned with the contamination or leakage of their information. The solution is to implement data isolation within the Family Office structure – otherwise known as a "Chinese wall".

By exposing limited amounts of data to only the necessary parties, organisations can prevent conflict of interest issues, insider trading, inter-departmental abuse of power, and violation of client privacy.


SANSIRI
98 Wireless

Living at Sansiri

At Sansiri, we believe that living a good life isn't just about where you live – it's about how you live.

The people who reside in the hundreds of houses, townhouses and condominiums we've built are part of our community – and when we say that our investors are our partners, we mean it. At Sansiri, we know that we can achieve more when we work together.

We understand that strong, sustainable communities rely on residents feeling safe, secure and comfortable at home. That's why we're the only property developer in Thailand that continues to look after residents long after they've received their keys.

Founded in 1984, we've been in this business for generations – and we intend to stay as Thailand's most trusted provider of quality homes for generations to come. We'd love to invite you to be a part of our story.

At Sansiri, there's a community ready to welcome you.

We are Thailand's leading property developer

Over the past three decades, Sansiri has established itself as a widely respected real-estate developer through the provision of quality homes and considered services.

In 2017, we diversified our portfolio by investing in six new partnerships to build an even brighter future.
The move represents a US$80 million investment into new and asset-light business with rapid growth potential.

Our new partners are:
- Standard International: a highly creative and innovative boutique hotel brand
- One Night: a hotel booking app transforming same-day stays in handpicked hotels
- Hostmaker: London's premier Airbnb management company
- JustCo: Southeast Asia's largest provider of creative co-working spaces
- Farmshelf: indoor smart farming units that redefine sustainable living
- Monocle: a global media, print, online, radio, retail and hospitality brand

Designing a modern classic

Our flagship condominium, 98 Wireless, exceeds expectations of what is possible in luxury residential. Situated in the heart of Bangkok on the city's prestigious tree-lined boulevard, 98 Wireless is within walking distance of Lumpini Park and the shopping district of Ploenchit. To outfit the residence, Sansiri collaborated with renowned New York-based designer Anne Carson, who specialises in flagship interior design for Ralph Lauren. Architecturally, the building's timeless style meets the highest-quality contemporary craftsmanship and design.

98 Wireless is fully furnished with the finest materials and brands. Statuario marble – carefully extracted from an Italian quarry – is used throughout, while the custom wall finishes are by Hyde Park Mouldings, suppliers to Buckingham Palace and the White House. Having recently been presented with the Residential Property Thailand Award at the Asia Pacific Property Awards, the development has also been recognised for the environmental efficiency and sustainability with the prestigious LEED certification from the United States Green Building Council. Offering a warm welcome – and a counterpoint to the ubiquity of glass-and-steel modernism – 98 Wireless is a considered, refined environment where people can experience all that life has to offer. From foundation to fixtures and finishes, the best comes as standard at 98 Wireless.

A word from our President, Mr. Srettha Thavisin

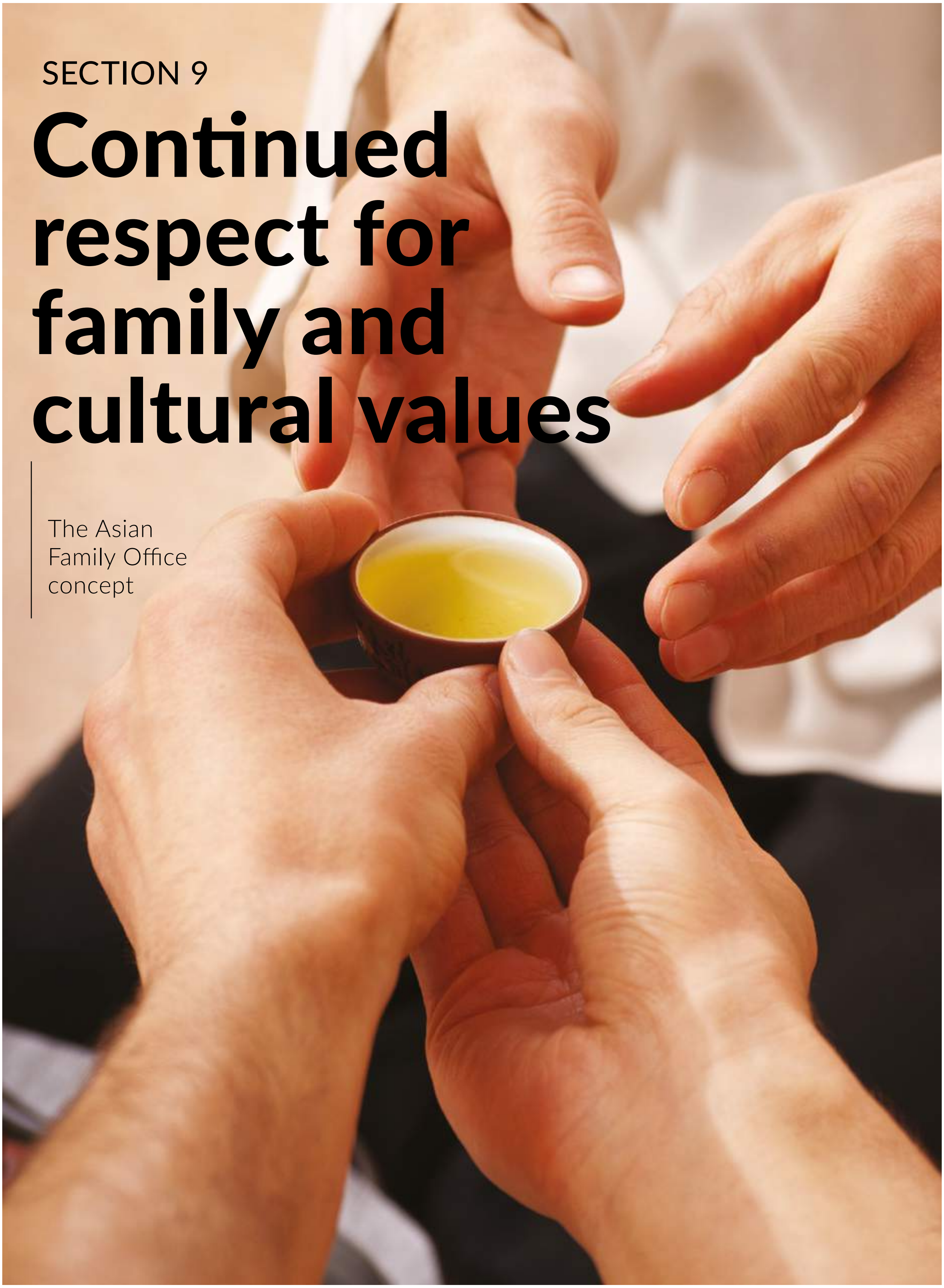
"Our next chapter is about anticipating and meeting the evolving needs of consumers by creating a world-class modern living platform.

By investing in global lifestyle brands, developing property technologies in partnership with industry disruptors, and influencing our audience through premium lifestyle media, we will create a fertile environment for our business to grow and transform ourselves for the future."

SECTION 9

Continued respect for family and cultural values

The Asian Family Office concept



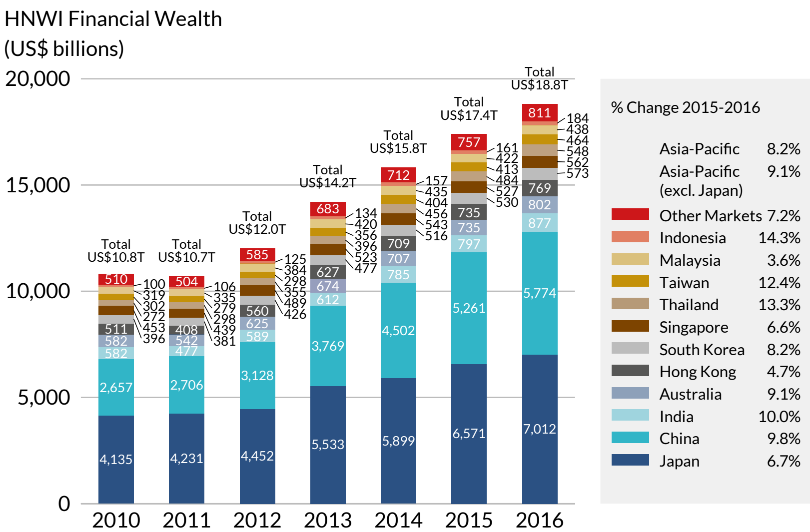
“Relationships with our clients are established on a foundation of trust, honesty, and responsiveness. Being in a Multi-family Office set-up enables us to focus on the family’s needs and values, without any distractions and conflict of interest.” – Grace Lim, Wealth Manager, Golden Equator Wealth.

In the last two decades, vast fortunes have been amassed by families and individuals in Asia.

The region has been identified by banks, asset managers, and financial intermediaries as a growth spot. The rise of two leading financial centres – Singapore and Hong Kong – reflects the boom of the finance industry in Asia.

Singapore and Hong Kong have long been safe, well-governed havens for Asian HNWIs and their family wealth. Besides the rise of services offered by private banks and asset managers, Asia has seen the emergence of another vehicle for family wealth management: the Multi-family Office.

Figure 12: Asia Rising: Wealth of HNWIs in Asia-Pacific, 2010-2016



CAGR 2010-2015: 10.0% **Annual Growth 2015-2016: 8.2%**

Note: Chart numbers and quoted percentages may not add up due to rounding; Other Markets include Kazakhstan, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka, and Vietnam

Source: Capgemini Financial Services Analysis, 2017

The MFO is fast emerging as a viable means for the wealthy in Asia to preserve wealth for their future generations.

Grace Lim, Wealth Manager at Golden Equator Wealth, points out that: “Relationships with our clients are established on a foundation of trust, honesty, and responsiveness. Being in a Multi-family Office set-up enables us to focus on the family’s needs and values, without any distractions and conflict of interest. In turn, those under our care can trust that we’re working to the best of our abilities, towards the preservation of their assets and family legacy.”

In the section that follows, we summarise the drivers of wealth in Asia, which in turn fuels a rise in the number of MFOs in the region.

For the purpose of this paper, the relevant countries within APAC included in the data consist of: China, Japan, Hong Kong, Korea, Taiwan, Philippines, Vietnam, Indonesia, Thailand, Singapore, Malaysia, Burma, Laos, Brunei, Cambodia, Fiji, Australia and New Zealand.

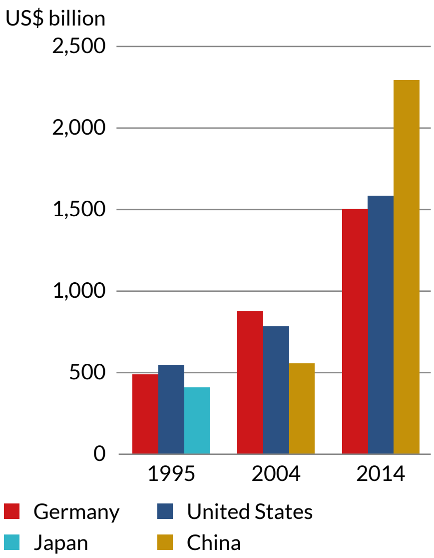
WITH RISING WEALTH, DEMAND FOR FAMILY OFFICES GROWS IN ASIA

GDP and trade
Gross Domestic Product (GDP), constant 2010 US$, is used here as it is adjusted for the effects of price inflation and is a measure of true GDP growth.

1 Source: The World Bank, World Databank, World Development Indicators.
2 Trade is defined as the sum of merchandise trade and trade in commercial services (excluding government services) imports and exports. Source: WTO Statistics Database.

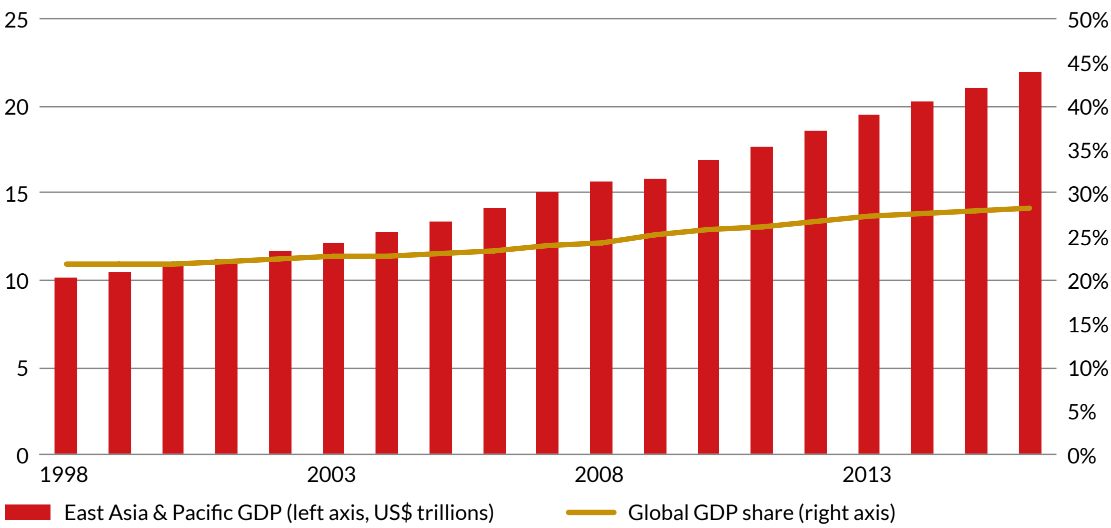
Aggregate GDP in the region almost tripled between 1998 and 2016, from US$10.1 trillion to US$21.9 trillion, accounting for 28.4 per cent of global GDP in 2016[1]. Trade between the region and its global trading partners more than doubled (2.3 times) from US$145 billion in 1998 to US$338 billion in 2016[2].

Figure 14: World's top exporters, 1995-2014



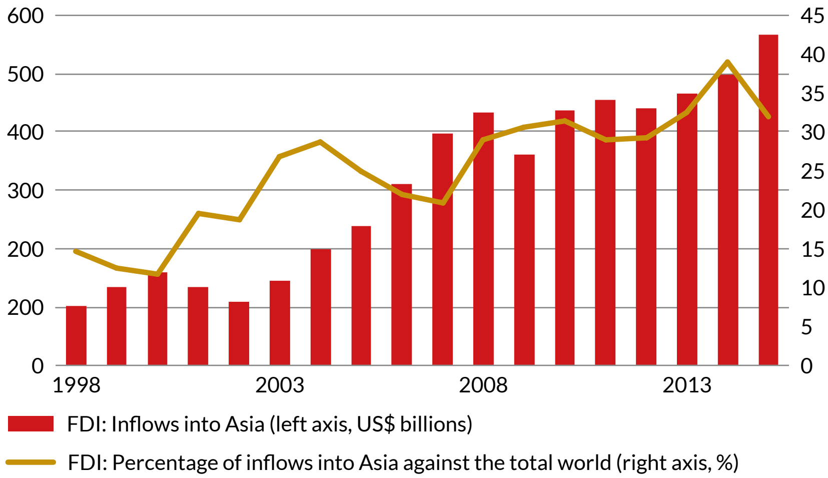
Source: International Trade Statistics 2015, WTO

Figure 13: Aggregate GDP in East Asia & Pacific from 1998-2017



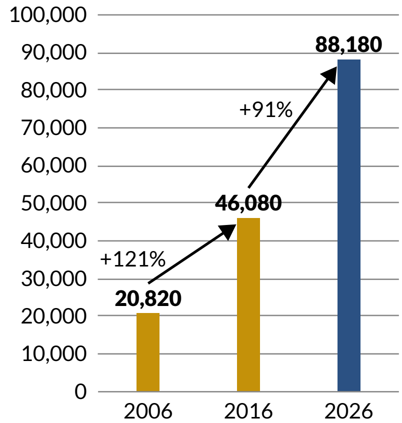
Source: IMF, World Economic Outlook Database

Figure 15: FDI inflows into East Asia & Pacific from 1998-2015



Source: UNCTADstat

Figure 16: Historical and predicted UHNWI population growth trend in Asia



Source: The Wealth Report 2017, Knight Frank

Capital inflows

The positive macroeconomic environment has attracted massive capital inflows into Asia.

Over the past 18 years, there has been a strong inflow of Foreign Direct Investment (FDI) into Asia, totaling US$565.6 billion for the 18-year period ending 2015 from US$101.7 billion in 1998; portfolio equity investment provided another strong source of inflows, totaling US$1.7 trillion for the 19-year period ending 2016[3]. This reflects booming investment and capital market activity in Asia.

UHNWI population

The uptick in economic and capital market activity in the region has driven a sharp rise in the number of UHNWIs in Asia. By 2026, the Asian UHNWI population will quadruple compared to 2006, as represented by the chart above (right)[4].

Asia's UHNW wealth in 2016 rose by 3.5 per cent from the year before, on the back of solid gains in Japan and India, and a more moderate gain in China; the Asian market share of the global ultra-wealthy population has been increasing and accounted for over 26 per cent in 2016, up from just above 18 per cent a decade earlier[5].

3 Net inflows represent the new investment inflows minus disinvestment from foreign investors. Portfolio equity includes net inflows from equity securities other than those recorded as direct investment and includes shares, depository receipts (American or global) and direct purchases of shares in local stock markets by foreign investors. Source: FDI – United Nations Conference on Trade and Development statistical database (UNCTADstat); and Portfolio equity – The World Bank, World Databank, World Development Indicators.

4 UHNWI wealth is defined as net assets excluding the value of a principal residence. Source: The Wealth Report 2017, Knight Frank.

5 Source: World Ultra Wealth Report 2017, Wealth-X.

TRAITS OF THE WEALTHY IN ASIA

The first generation of family businesses in Asia grew rich from core businesses, such as manufacturing and textiles. However, due to factors such as obsolescence or disinterested heirs, they are not likely to persist with the next generation. Families must look beyond their original business to preserve their wealth.

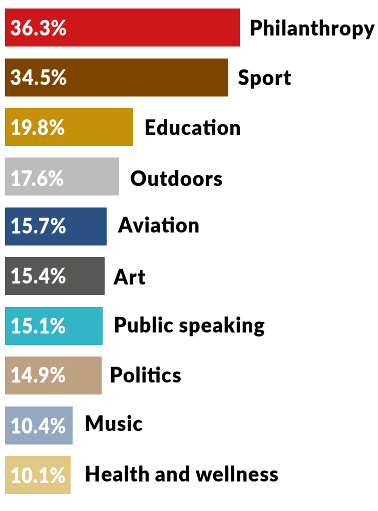
As the search for yield and consistent returns intensifies, Family Offices have begun focusing on non-traditional asset classes such as private equity and real estate[6]: Asia's wealthy families are more bullish towards investment prospects – they are focused on direct investment opportunities, as they see better prospects in other businesses and real estate.

A recent report from UBS and Campden Wealth points to data highlighting this: Asia-Pacific Family Offices in 2018 have allocated 37.9 per cent of their investment portfolios to direct venture-capital and private-equity deals, co-investing, and real estate direct investment. North American Family Offices, by contrast, have allocated 36.9 per cent to similar investments[7].

More interest in family business continuity, succession planning, philanthropy, corporate services, and wealth management:
Kathryn Shih, former president of UBS Asia Pacific and a veteran in the financial industry in APAC, noted that there is increasing client interest in topics such as family business continuity, family decision-making, wealth structuring, philanthropy, and the setting up of Family Office structures[8].

APAC Family Offices have seen growing demand in philanthropy, hence MFOs increasingly cater for the organisation and management of such activities.

Figure 17: Philanthropy as a top interest among the UHNWIs



Source: The Wealth Report 2017, Knight Frank

Many HWNIs are clients of multiple private banks. An MFO creates a holistic overlay and gives an overview of a client's consolidated portfolio:
By working with an MFO, the family offices of HNWIs are given the power of attorney to represent the family to the private banks, removing duplication in portfolio allocation strategies yet fully leveraging on the capabilities and resources of these financial institutions.

Most Asian family businesses are keen to maintain a high degree of control over their investment decisions:
Most Asian family businesses are in the nascent stages and display a high degree of family control. These family businesses are keen to directly oversee investment decisions. The owners of the family's wealth are still meticulous in the management of their assets and remain the executive decision makers.

6 Source: The Future of Family Offices 2017, Bloomberg.
7 Source: Global Family Office Report 2018, UBS/Campden Wealth.
8 Source: "Asia-Pacific's Wealthiest Pile Into Direct Investments", Campden Wealth, 22 October 2013.

TRENDS OF MFOs IN ASIA

"Asia is now home to a third of ultra-wealthy people — defined as those with net assets of more than $30m — but accounts for less than 5 per cent of family offices."[9] (Bloomberg, 20 December 2016)

The wealth management perception in Asia is evolving from one of wealth accumulation to wealth preservation, hence succession planning and intergenerational wealth transfer through structures such as foundations and trusts are higher on the agenda.

Figure 18: Top 30 UHNW countries

Rank	Country	UHNW population 2016	UHNW wealth ($bn) 2016	Year-on-year change in population (%)	Year-on-year change in wealth (%)
1	United States	73,110	8,719	6.7	6.0
2	Japan	16,740	1,546	14.7	13.8
3	China	16,040	1,950	3.6	2.2
4	Germany	13,420	1,570	4.5	-0.1
5	United Kingdom	8,860	994	-14.2	-14.2
6	France	8,630	924	2.7	-0.4
7	Canada	8,590	914	-1.5	-2.4
8	Hong Kong*	7,650	986	4.1	-2.4
9	Switzerland	5,940	788	-0.5	-1.4
10	Italy	5,530	624	1.8	1.7
11	India	4,510	604	8.9	4.7
12	South Korea	4,230	409	1.7	-0.7
13	Russia	3,780	666	-6.2	-7.2
14	Brazil	3,570	451	-1.1	-9.6
15	Spain	3,190	395	3.2	2.5
16	Taiwan	3,000	322	2.0	1.7
17	Netherlands	2,860	345	4.4	2.5
18	Sweden	2,660	315	4.3	3.2
19	Saudi Arabia	2,640	427	-0.4	-1.2
20	Australia	2,470	240	2.5	-0.8
21	Singapore	2,170	273	-0.5	-0.9
22	Indonesia	1,950	230	9.6	4.0
23	Denmark	1,440	149	7.5	5.6
24	Ireland	1,330	133	6.4	5.9
25	Belgium	1,320	122	7.3	7.2
26	Thailand	1,250	174	4.2	0.3
27	Turkey	1,190	150	-0.8	-2.2
28	United Arab Emirates	1,120	272	2.8	4.4
29	Mexico	1,050	205	-10.3	-19.7
30	Iran	950	190	0.0	-3.0

Note: Population numbers are rounded to the nearest 10.
* Hong Kong is a semi-autonomous, special administrative region of China.
(Source: World Ultra Wealth Report 2017, Wealth-X)

An underserved region

As can be seen from Figure 18, out of the top 30 UHNW countries in the world, nine are from Asia. This region holds one-third of the global ultra-rich population. Nonetheless, wealthy families in Asia are underserved, and still new to MFO services. The number of MFOs in the region do not reflect the boom in regional wealth.

Hong Kong and Singapore are home to more than 75 per cent of the Family Offices established in the region over the past decade[10]. Wealthy Asian families have different needs and cultures compared to those in Europe and the US. The concept of the Family Office in Asia is still a new one, yet as the region booms, the demand for MFOs will grow.

Increasing levels of financial literacy, coupled with wealth preservation and succession planning, will drive the future demand for MFO solutions in the Asian market. Given that Asia represents the most thriving region in terms of GDP growth, the number of MFOs needed to manage the rising wealth is set to increase.

According to the UBS/PwC Billionaires Insights 2017, Asia's economic expansion saw, on average, a new billionaire every other day, with the number of Asian billionaires rising by almost a quarter to 637 in 2016. It is further predicted that, if current growth trends continue, the total wealth of Asia's billionaires will overtake the US in four years[11].

9 Source: "Eastern promise: The rise of family offices in the Middle East and Southeast Asia", Bloomberg Professional, 20 December 2016.
10 The number of family offices in the calculation excludes those located in Japan and Australia. Source: Coming of age – Asia-Pacific's Family Offices Find Their Footing, The UBS/Campden Research Asia Pacific Family Office Survey 2013.
11 Source: UBS/PwC Billionaires Insights 2017.

Success of Japanese centennial companies

Japan is home to some of the oldest continuously operating businesses in the world, among them a 1,300-year-old inn and a 900-year-old sake brewer.

ENTERPRISES' SUSTAINABILITY IN JAPAN

Exceeding 100 years

20,304

Exceeding 200 years

1,241

Exceeding 500 years

34

WHAT IS THE KEY TO THEIR LONGEVITY?

Cultural values:

The *Shinise* value continuity – they maintain the practice of passing on the business to their offspring.

The Japanese word for long-lived companies: *Shinise*

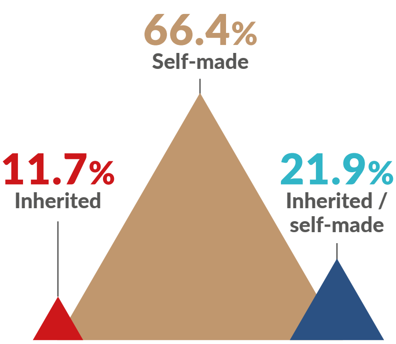
Source: Japan Teikoku Databank

Young blood – Millennial[12] profiles

The ultra-rich face challenges in ensuring business continuity, and their Family Offices must groom the next generation through meaningful opportunities of engagement. In many cases, the young generation are educated abroad, and return to Asia with influence of the Western management practices. They are more open to hiring non-family professionals to run the business and possess a thirst to create their own footprint.

Individuals who have inherited their wealth account for 11.7 per cent of the global ultra-wealthy population, whose primary interests may lie outside the family business[13]. This handover of fortunes has "spurred greater entrepreneurialism among the younger generation, who are keen to pursue their own business interests in areas such as retail, FinTech, and real estate"[14].

Figure 19: Wealth source



Source: World Ultra Wealth Report 2017, Wealth-X

At the same time, the younger generation is keen on new forms of philanthropic engagements[15]– impact investing is gaining ground.

A chain is only as strong as its weakest link: Another key trend is the heightened enthusiasm for digital currency in 2017, with 29.0% of HNWIs globally saying that they had a high degree of interest in purchasing or holding cryptocurrencies[16] and 26.9% saying that they were somewhat interested[17]. According to the World Wealth Report 2018 by Capgemini, wealth management firms have been ambivalent about offering guidance, with only 34.6% of HNWIs globally saying they had received cryptocurrency information from their wealth managers.

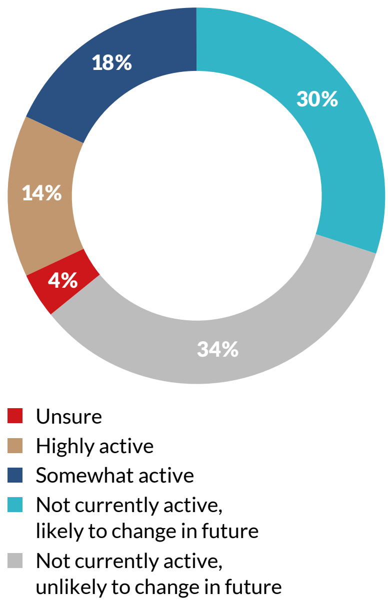
For now, regulatory uncertainty and firm caution have thus far prevented cryptocurrencies from penetrating the wealth management industry, but the strong demand for information on cryptocurrencies from younger HNWIs is likely to force wealth management firms to at least develop and offer a point-of-view in the times ahead[18].

Blockchain, the technology that enables the existence of cryptocurrency, is believed to be as transformative and revolutionary as the internet[19]. It is a decentralised public digital ledger used to record transactions across many computers using a peer-to-peer network.

Once authenticated by all sides, the record cannot be altered, hence ensuring that the document is tamper-proof.

Experts expect the use of blockchain to grow over the next several years, but many wealth professionals maintain that it remains an emerging technology. This view is underlined by the results of Knight Frank's Attitudes Survey, where 41% of respondents – the most common response – said that their clients had heard of blockchain but had not yet considered its impact[20].

Figure 20: Key trends in philanthropy – Impact investing



Source: The Future of Family Offices 2017, Bloomberg

12 Millennials are defined as those born between 1980-1995.
13 Source: UBS/PwC Billionaires Report 2016.
14 Source: World Ultra Wealth Report 2017, Wealth-X.
15 Investing in environmental, social and governance (ESG) projects has become popular, and is often seen as a more efficient use of funds than pure philanthropy, to achieve social justice and societal change. Source: The Future of Family Offices 2017, Bloomberg.
16 Cryptocurrencies (such as Bitcoin, Ethereum, Litecoin, and Ripple) are digital currencies in which encryption technologies are used to regulate the generation of units of currency and verify the transfer of funds.
17 Source: World Wealth Report 2018, Capgemini.
18 Source: ibid.
19 Source: "In the world of cryptocurrency buzz, blockchain is the real winner", CNBC, 11 Jan 2018.
20 Source: The Wealth Report 2018, Knight Frank.

ASTRONAUT | CAPITAL

NAVIGATING THE WORLD OF BLOCKCHAIN FOR WEALTH MANAGERS

MAKING SENSE OF BLOCKCHAIN AND CRYPTOCURRENCIES

Since 2016, the blockchain ecosystem has been a powerhouse for capital raising and innovation. This new method of financing is now outpacing venture capital with literally billions of dollars raised for a variety of projects in the last 12 months. Given the technology is still in its infancy, one must wonder if it's all sizzle and no sausage?

WHAT IS IT AND WHY THE HYPE?

Most investors immediately think of Bitcoin (BTC) when the word blockchain is mentioned, however, the rabbit hole goes much deeper than that.

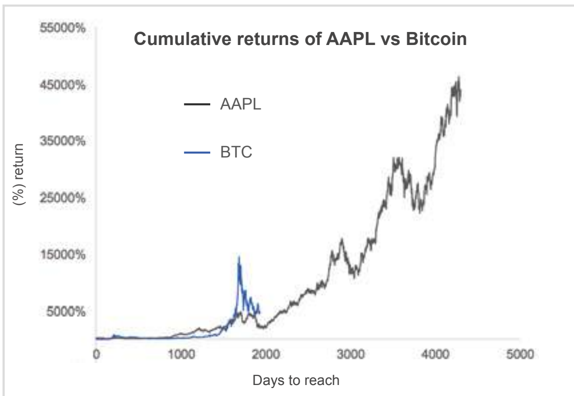
Distributed Ledger Technology (DLT) is the basis of blockchain and every major cryptocurrency you have heard of. Think of it as **a ledger that is written and recorded on thousands of computers all over the world**. It is immutable, unhackable and it cannot be taken down.

This very notion has now allowed people to dream up new technologies and methods of innovation that aren't controlled by anyone. Bitcoin gets its cult following because it is a *currency* that cannot be retracted, modified or taken by a *centralized* authority. While that may not mean a lot to the developed world, it is a significant *store of value* for citizens in emerging countries such as Cyprus and Venezuela who have had to deal with constant currency devaluation and government interference.

IS IT THE NEXT DOT-COM BUBBLE?

All markets, by their very nature, are driven by emotion and greed rather than rationale. Many analysts will admit that there is a great portion of cryptocurrencies in the market that are extremely overvalued.

In saying this, investors need to keep a level head and understand the fundamental significance that this new technology may lead to.



Consider for a moment the lifecycle of the dotcom boom and the highs/lows in which Apple (AAPL) experienced before becoming the most valuable public company in the world.

While Bitcoin and related crypto-assets are still in their early days, history does tend to rhyme when it comes to ground-breaking technological innovation.

IS IT WORTH INVESTING IN?

To think of investment in the blockchain ecosystem as a singular 'blanket' of exposure is the same as saying "I want to invest in the internet." Where we currently have major derivatives in the age of the internet, ranging from search engines to e-commerce and social media; blockchain is also made up of similar 'pockets' of innovation.

> **FACT:** "DESPITE MAJOR VOLATILITY IN CRYPTO-ASSETS, BITCOIN HAS STILL RETURNED OVER 640% SINCE JANUARY 2017. "

As traditional asset managers, we continuously look at 'opportunity cost' as the deciding metric for portfolio allocation.

While cryptocurrency and digital assets have not yet become a mainstream investment product, they are growing at a rate that is far exceeding traditional private equity and venture financing.

With the benefit of global accessibility, immense liquidity and ever-growing institutional offerings, we believe that a diversified and managed approach to digital assets is the key to long-term portfolio appreciation.

> **FACT:** "CRYPTOCURRENCY IS CURRENTLY AT GLOBAL USER ADOPTION RATES EQUIVALENT TO THE INTERNET IN 1995."

WE ARE ASTRONAUT CAPITAL

Astronaut Capital is a licensed fund manager providing managed services for digital asset exposure.

Backed by one of the leading blockchain research teams, Picolo Research, our goal is to provide consistent portfolio performance surpassing all other crypto related benchmarks.

The team takes a holistic approach to digital asset investment by operating a long/short discretionary strategy, capitalizing on medium-term market volatility and longer-term fundamental growth.

Our newly launched fund is aimed at venture capital firms, family offices and boutique investment banks seeking a balanced and diversified approach to entering the cryptocurrency and blockchain market.

For more information, please feel free to contact the CIO of Astronaut, Matthew Dibb.

e: matt@astronaut.capital

ASTRONAUT CAPITAL LIQUID **CRYPTO FUND II**

- catered for institutions and family offices
- managed by a leading digital asset manager
- 18 month track-record of outperformance
- fully licensed and audited with custody

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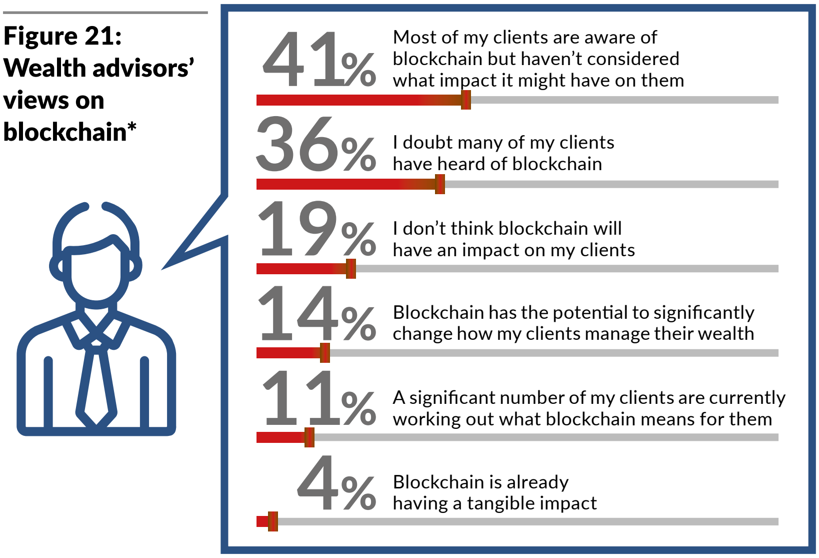
Figure 21: Wealth advisors' views on blockchain*



*Respondents could choose multiple options
Source: The Wealth Report Attitudes Survey 2018, Knight Frank

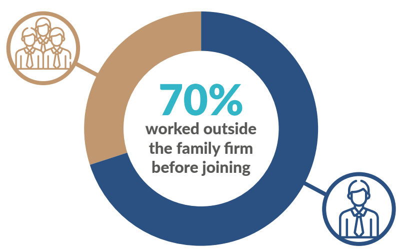
Cryptocurrency is just one use for blockchain technology: the technology can now be applied to real estate and even art. In the world of art, where authentication and provenance are key to establishing the value of artworks, blockchain offers the opportunity to address issues of copyright and ownership[21]. Auction houses, art galleries and other art exchange platforms have already started to employ the technology – accepting cryptocurrencies as payment or as a store of value. For example, Dadiani Fine Art, located in the heart of the art district in Mayfair, London, is the first gallery in the U.K. to start accepting cryptocurrencies for works of art. Art Porters in Singapore also accepted cryptocurrencies at the Art Stage Singapore 2018.

Bearing in mind the traits of the wealthy in Asia and the Millennial profiles, MFOs can cater for the evolving needs via a multi-faceted approach: First, by establishing elements such as bespoke family governance frameworks and advising the family to hire external professional advisors in the family business. Second, by setting up investment vehicles for different ventures and trust/foundation structures for philanthropy.

As mentioned in the latest UBS/PwC Billionaires Insights 2017, the next generation is becoming increasingly involved in managing their parents' legacy. One Southeast Asian billionaire has started a foundation aiming to foster 1 million entrepreneurs in his country and coach them in business management and his children are helping to manage the foundation[22].

According to the UBS/Campden Wealth Global Family Office Report 2016, one of the critical elements of achieving wealth succession is a willing and able next generation, who are well-equipped with the knowledge and attitude to propagate success[23]. The report also notes that a Family Office has been one of the more conducive structures in ensuring successful wealth transition. Two years later, 40 per cent of Family Offices surveyed noted that once the current generation steps down, the next generation will take over the running of the Family Office, while 36 per cent reported that the Family Office will be run by external professionals with the support of the next generation[24].

Figure 22: Next generations go elsewhere before joining the family business



Source: Next Generation Survey of Family Business Leaders / April 2016, PwC

Source:
21 "Art's movement", Sonia Kolesnikov-Jessop for Prestige Singapore, April 2018.
22 Billionaires insights 2017: New value creators gain momentum, UBS/PwC.
23 Global Family Office Report 2016, UBS/Campden Wealth.
24 Global Family Office Report 2018, UBS/Campden Wealth.

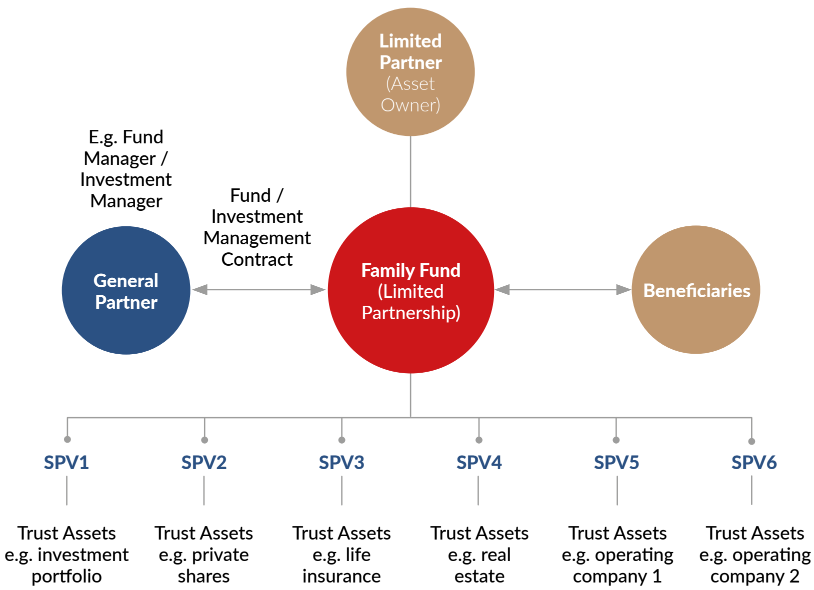
STRUCTURES

Popular structures in organizing the family's investments are:

- Limited Partnership
- Segregated Portfolio Companies
- Trusts
  - Family trusts
  - Private Trust Companies (PTCs) typically created using offshore laws (such as those of Jersey, Guernsey, BVI or Cayman) and Singapore law

FAMILY LIMITED PARTNERSHIP STRUCTURE

Limited Partnerships are used to manage wealth from one generation to the another. They can be formed with a minimum of two partners, with at least one being the General Partner (GP) and the other being the Limited Partner (LP).



The GP bears unlimited liability for the Partnership's debts and obligations. The Limited Partnership allows for any number of other LPs, who have an economic interest in the Limited Partnership, but whose liability is limited to the total amount of their investment in the company.

MFOs help Family Offices to incorporate Limited Partnerships as holding companies. These entities hold the assets contributed by the members, such as business interests, real estate investments, and securities.

Advantages of a Limited Partnership

- Personal asset protection: The Limited Partnership structure offers liability protection, up to the amount of the investment for the company's LPs.
- Allows family members with aligned interests to pool resources, thus lowering legal, accounting, and investing costs.
- "Pass-through" taxation: As a partnership is not an entity in the eyes of the law, the partnership does not pay income tax on any income earned by the partnership. Instead, each partner will be taxed on his or its share of the income from the partnership.
- Full oversight: The GP has complete control of the Limited Partnership.

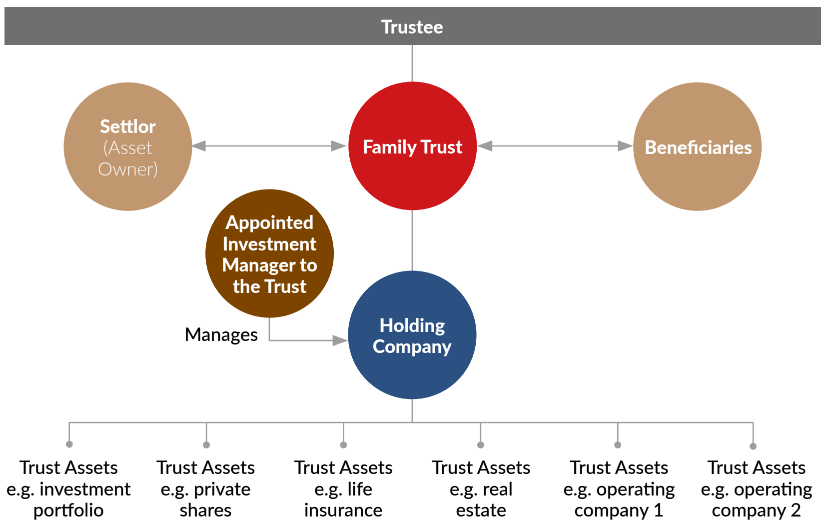
The Trustee has a fiduciary and statutory obligation to act in the best interests of the Beneficiaries, and is often a licensed trust company.

TRUST

The Trust structure is essential to the Family Office concept. A trust is a legal arrangement between an individual ("Settlor") and another individual or institution ("Trustee"). Settlors transfer the legal title of their assets (the "Trust Assets" or "Funds") to the Trustee, to manage on behalf of others ("Beneficiaries").

The Trustee has a fiduciary and statutory obligation to act in the best interests of the Beneficiaries, and is often a licensed trust company.

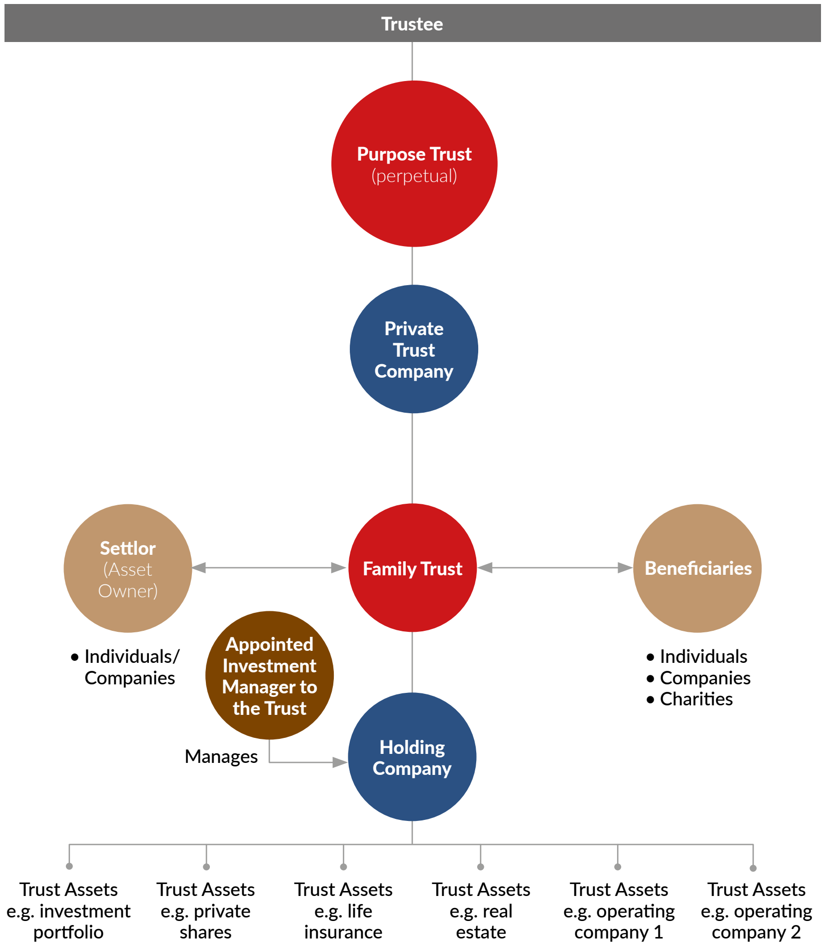
The Trust Deed, or Deed of Settlement, is the legal document that outlines the Settlor's wishes and terms of the trust. This includes the appointment of Trustee, its powers and duties, who the Beneficiaries are, and the various rules for the administration and management of the trust. For the Trust Deed to be clear and unambiguous, it must be a professionally drafted document. The Settlor may also appoint a Protector, who may be an individual or entity serving as a "watchdog" over the Trustee. A simple illustration of a Family Office structure (set up by an MFO) incorporating Trust is as follows:



Private Trust Company (PTC)
A Private Trust Company (PTC) is preferred for Asian families because:

- The Settlor of the trust, and other family members, can sit on the board. Where there is a Family Office set up by an MFO, professionals or trusted advisors can act as directors too. Asset management is left to the Settlor, or a duly appointed Investment Manager. Therefore, the family and select individuals can retain control in managing the assets.
- Asset protection: a PTC may protect trust assets from creditors' claims, matrimonial property claims, and forced heirship claims.
- Tax planning: a PTC can sometimes reduce tax liabilities, especially if it holds a mix of asset classes in different jurisdictions.
- Confidentiality: Assets held under trust ensure that the identities and interests of trust-related parties are confidential.
- Succession benefits: Trust assets can be smoothly distributed to Beneficiaries, guided by the Settlor's wishes.

A simple schematic of a Family Office structure (set up by an MFO) incorporating a PTC is as follows:



A CASE STUDY OF THE AMBANI FAMILY

Learning from past lessons – Succession planning matters

Dhirubhai Ambani died intestate, and his two billionaire sons, Mukesh and Anil Ambani, were mired in a public spat for more than a decade.

Mukesh Ambani helms Reliance Industries, which has Reliance Petroleum and Reliance Industrial Infrastructure in the group of companies. The younger Ambani is the chairman of Anil Dhirubhai Ambani Group, with Reliance Energy, Reliance Communications and Reliance Natural Resources under his belt. Because their billionaire father failed to consider succession and family planning, the simmering rivalry between the two brothers had threatened to rock the family dynasty to its foundations.

Succession planning matters – even the largest family businesses acknowledge the need for it but face psychological barriers in accepting it.

Family succession poses several challenges to the family – a mismatch between positions and family members, retaining and motivating non-family executives, timeframes for readiness, and individual inclinations that run contrary to family values[25]. In India, where family-owned businesses were concerned, it was assumed that the baton would pass to a member of the family and hence, the concept of succession planning was seldom needed. However, with the changing business landscape and diverging interests of a better educated generation, such assumptions are no longer valid.

As such, businesses in India have become conscious of the need for succession planning in their business continuity frameworks. The Ambani brothers have learned from the oversight of their late father and have set their offspring on the path to managing their enterprises.

Grooming the next generation

As India's richest men start to reach their 60's, succession questions about the next generation are emerging in family-run enterprises.

In the Ambani family's case, both Mukesh and Anil Ambani have been preparing their prospective heirs to their respective businesses. In September 2016, Jai Anmol Ambani, the older son of Anil Ambani, was appointed as an executive director at Reliance Capital Ltd[26]. Anmol's cousins, Isha and Akash, the 27-year-old twin brother-and-sister scions of Mukesh Ambani, are already members of the boards of India's newest mobile carrier, Reliance Jio Infocomm Ltd., as well as Reliance Retail Ventures Ltd[27].

A willing and able next generation

Patriarchs prepare for the smooth transfer of accumulated wealth across generations.

Anmol's appointment to the board of Reliance shows a trend among the younger generation: they are open-minded about returning to the family business after a stint elsewhere but have gained the insight to ensure they have the right experience in previous, related roles. Most have developed the skills the family business needs. Anmol holds an undergraduate degree in management from Warwick Business School in the U.K. and has two years of experience in financial services.

25 Source: "Planning for success", Business India, 9 August 2009.

26 Reliance Capital Ltd., incorporated in 1986, is a part of the Reliance Group and is one of India's leading financial services companies in the private sector. Reliance Capital also runs India's third-biggest mutual fund, with interests in life, general and health insurance, commercial and home finance, equities and commodities broking, wealth management services, distribution of financial products, asset reconstruction, proprietary investments and other activities in financial services.

27 Source: "Billionaire Ambani's Son Appointed as Director in Step Toward Succession", Bloomberg, 28 September 2016.

Are you prepared?

We are witnessing an unprecedented transfer of wealth from one generation to the next, over the course of the next two decades.

The world's most affluent individuals approach retirement, prompting them to contemplate issues like succession planning and legacy planning for their businesses.

To manage their investments and wealth, wealthy families around the world are turning to the Family Office. These include Google co-founder Sergey Brin, billionaire brothers Charles and David Koch, as well as media celebrity and philanthropist Oprah Winfrey.

MFOs centralise the management and preservation of the family fortune, allowing tax-efficient transfers of the family's wealth; they do so in an environment unencumbered by fees and product-pushing.

Furthermore, the bespoke approach of MFOs – specific to the client family's needs – is seldom within the remit of a bank or wealth advisor. Families have shown that they prefer the neutral and unbiased advice offered by an MFO, and the confidentiality maintained in such a structure.

Taking Asia as an example, Asian patriarchs value trustworthiness and privacy, especially in a climate where Asia's affluent families are rising in the ranks of the world's richest people. Favourable macroeconomic trends, booming capital market activity, and an increased number of UHNWIs in the region support the rise of the MFO space in Asia.

Multi-family Offices can give you the best chance to build a succession that endures. You can begin doing this on the next page.

The potential for MFOs in Singapore is especially great. According to Bloomberg's The Future of Family Offices report 2017, Singapore offers a prime example of a location which has become a magnet for wealthy Asian Family Offices, where English is spoken and U.K. law is followed[1].

In addition, even when the wealthy in Asia were hit by underperforming financial markets in 2015, Family Offices in Singapore reported an average return of 1.2 per cent – excellent given the zero or negative returns experienced by many other investors. Family Offices in Singapore also recorded average returns of 6.9 per cent in 2014, outperforming the global average of 6.1 per cent[2]. The Monetary Authority of Singapore's support for the ecosystem, coupled with access to markets and a robust legal climate, make Singapore one of the best places to manage family wealth.

Multi-family Offices can give you the best chance to build a succession that endures. You can begin doing this on the next page.

Source:
1 The Future of Family Offices 2017, Bloomberg.
2 Global Family Office Report 2016, UBS/Campden Wealth.

Plan for your legacy today

First, consider the following questions.

1. **What are your asset levels?**
2. **Where is your family in the life cycle of wealth? (i.e., first-generation entrepreneurial wealth vs. family fortune, established over multiple generations.)**
3. **Who will succeed you and run the business? How will you exit the business if there are no successors?**
4. **Can you fetch fair value for the business you have painstakingly built up? How will the legacy of your business be preserved?**
5. **If your family members are involved in the business, how can you avoid family disputes and fairly distribute the proceeds of the business? Are there provisions in place to ensure that your business remains operational while your family's needs continue to be cared for?**
6. **How will you be taken care of in retirement?**
7. **Are you in need of a financial advisor – one who is free of conflicts that arise from commission and hidden fees?**
8. **Are there legal structures in place, that can protect you from debtors, litigation, and creditors?**
9. **What is your family's collective vision and game plan for the next 5, 10, 15 years and what is your family prepared to sacrifice in order to achieve this success?**

From answering these questions, you can easily spot gaps in your succession planning and risks to your family wealth. You will also form a general picture of how your family's generational plans will work.

We value your confidentiality. If you would like to find out more, you can contact us at contact@goldenequator.com

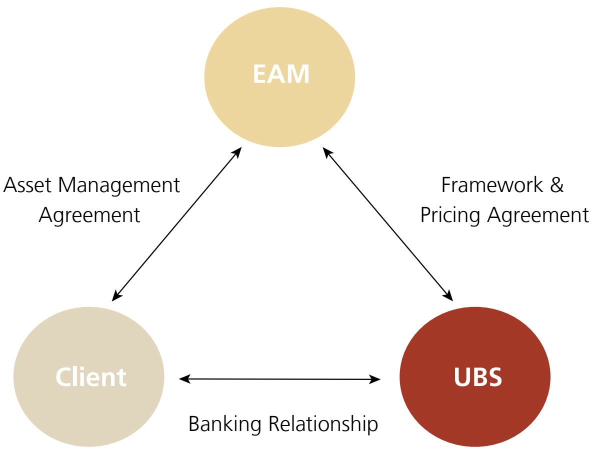
UBS Wealth Management's Financial Intermediary (FIM) services

Markus Haeny, Head of UBS Wealth Management FIM Singapore introduces the FIM model and how they work together with External Asset Managers (EAM).

Markus Haeny, Head of UBS Wealth Management FIM Singapore

Family Office 2.0: How does the FIM model work?

An independent wealth manager needs clarity. That's why the relationship between an EAM and us is simple, solid and transparent. The EAM's focus is on the independent design and implementation of the clients' investment strategies - delivered through high quality personal service and advice. Our focus is to support EAMs with the best products, tools and services to execute these strategies. Our commitment also extends to EAMs' clients. We provide custody and execution services through a technology platform where both can easily view the performance of the client's assets.



How established is the FIM concept?

The FIM business is deeply rooted into the UBS offering. Dedicated FIM desks have been around for more than 30 years. As of today, FIM desks are present in two Asian booking centers – Singapore and Hong Kong and nine other countries around the globe, which gives us the span and scope to cater to EAMs' needs, whether basic or complex. EAMs can choose from a wide range of products and services within UBS to offer a unique client experience to their clients.

What makes the UBS FIM model unique?

In an ever-changing and volatile world, opportunities abound. We share our views and equip EAMs and their clients with the right tools to take advantage of them.

- **Research and investment insights:** We have a global network of more than 900 researchers, strategists and economists that cover all key markets and asset classes. Our global specialists will help EAMs to navigate the financial markets.
- **Investment products:** We offer a wide range of strictly selected investment products, both from UBS and third party providers.
- **Platform:** We have developed a comprehensive technology platform to support sophisticated needs.
- **Asset structuring:** We support in analyzing, structuring and pooling clients' assets for greater security and efficiency.

Interested in getting to know more about UBS and its FIM capabilities?

We look forward to hearing from you.

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