

Global Family Office Report

2020



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Foreword

No two family offices are the same. They reflect the idiosyncrasies of their beneficial owners and investment professionals. But they also share a number of characteristics, particularly at the larger end of the spectrum. The COVID-19 pandemic has brought this into sharp focus.

In some senses, family offices with assets under management above USD 1 billion have institutional-like profiles. They apply meticulous asset allocation strategies and rigorous investment processes. They stick to their plans, even when market volatility makes it uncomfortable. They hold their position. They are disciplined.

On the other hand, family offices embrace and manage risk like no other investor. This should come as no surprise. First-generation beneficial owners are by definition risk takers. They instill this mindset into their successors, and they seek out professionals who share it. Losses are part of their business model. It is missing an opportunity that gives these clients the biggest headache, not making a short-term loss.

The approach has proved its worth. As we reveal in this report, a commitment to strategic asset allocation has meant that family offices have performed in line with, or above, targets during one of the most volatile moments in the history of financial markets. Yet they also see the uncertain environment as a chance to deploy cash, raising rather than reducing their risk profiles.

At UBS, we strive to provide cutting-edge insights to family office clients. This year, we decided to produce the UBS Global Family Office Report in partnership with our UBS Evidence Lab colleagues. The average assets under management of the clients we surveyed is significantly larger than that of any other comparable study in the market and our sample is purely comprised of single-family offices. We can therefore say with confidence that our findings offer a unique window into the actions of the world's biggest family offices.

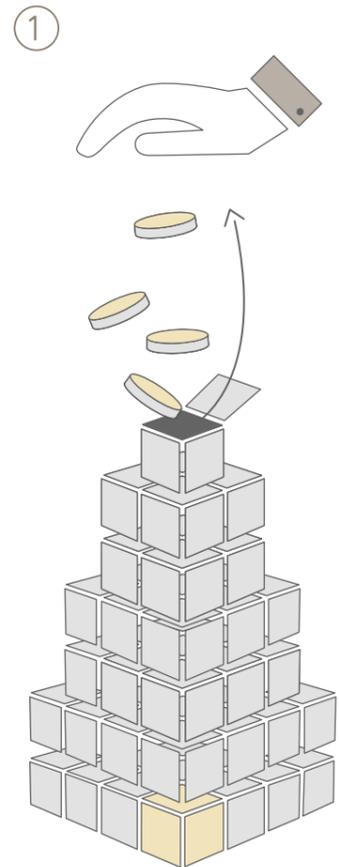
We thank everyone who contributed to the report, wish you an interesting and informative read and would welcome an opportunity to hear your own views and discuss the findings with you.



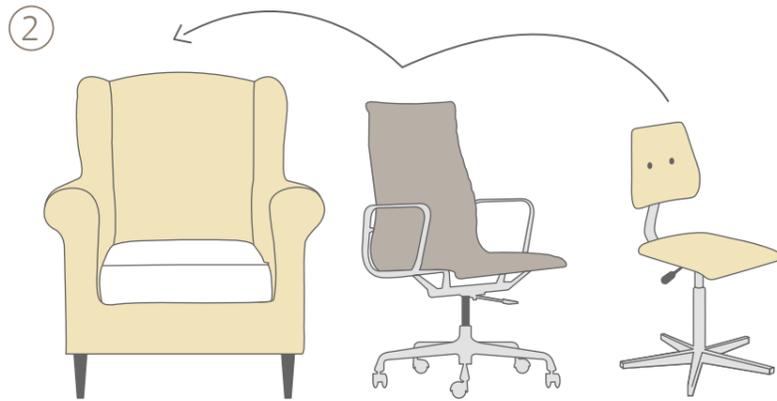
Josef Stadler
Group Managing Director
Head Global Family Office
UBS Global Wealth Management

Executive summary

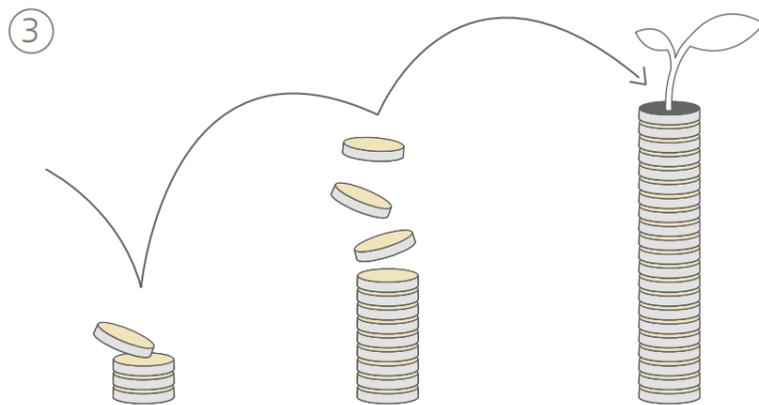
Family offices' institutional nature, expert insights and superior access are serving them well. Our survey of 121 of the world's largest family offices shows that these qualities allowed them to ride out 2020's storm in financial markets. In a historically turbulent time, portfolios performed in line with or above their objectives.



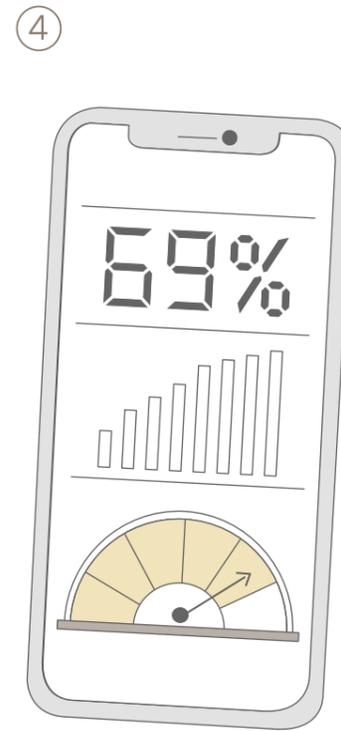
Asset allocation
More than half (56%) of families remain closely involved in strategic asset allocation, making it a priority for the family office and a cornerstone of wealth preservation.



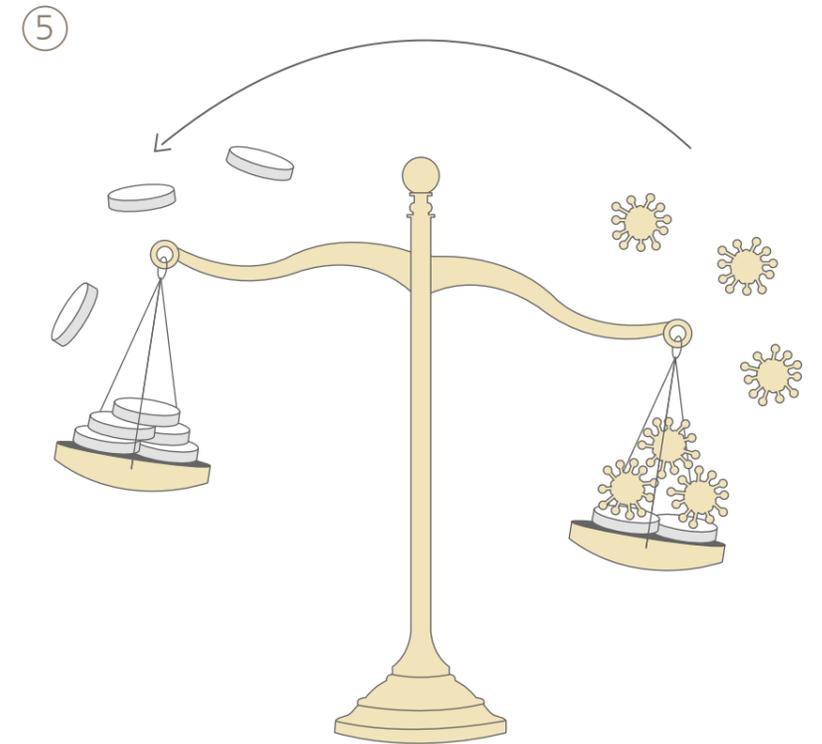
Succession planning
While the current generation of beneficial owners are mainly in their 60s and 70s, around a third of family offices have no plans for a change in control.



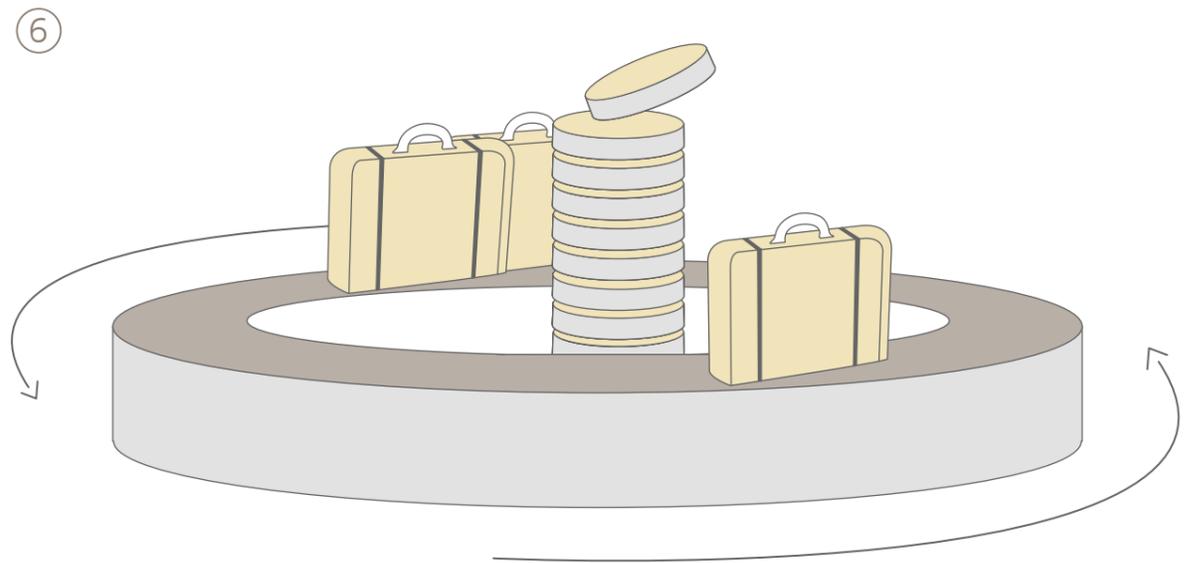
Sustainable investing
While 39% of family offices intend to allocate most of their portfolios sustainably in five year's time, they're mainly targeting the easier option of exclusion-based strategies.



Private equity
More than two thirds (69%) of family offices view private equity as a key driver of returns.



Responding to the crisis
Over half (55%) of family offices rebalanced their portfolios in March, April and May to maintain their long-term strategic asset allocation. But they were also highly opportunistic, with two thirds trading up to 15% of portfolios tactically.



Impact investing
When evaluating impact investments, 43% of family offices still prioritize investment performance. They put return on investment among their top three performance indicators.

Section 1

Strategic asset allocation: a robust framework for all types of weather

Key survey findings:

- (A) More than half (56%) of families remain closely involved in strategic asset allocation, making it a priority for the family office and a cornerstone of wealth preservation.
- (B) More than three quarters (76%) of family offices report that their portfolios performed in line with (or above) their respective target benchmarks over the year to May.
- (C) Over half (55%) of family offices re-balanced their portfolios in March, April and May to maintain their long-term strategic asset allocation. But they were also highly opportunistic, with two thirds trading up to 15% of portfolios tactically.
- (D) Eyeing dislocations and market opportunities, family offices are looking to deploy cash. Almost half (45%) of family offices told us in May that they're planning to raise their allocations to real estate, with a similar percentage aiming to raise allocations in developed market equities, and a smaller share looking at developing market equities.

35%

Portfolios were broadly diversified, with 35% allocated to alternative investments.

At the beginning of 2020 and before the market volatility of March, family office portfolios were split between growth-sensitive assets and wealth-preservation assets.

Our survey data shows that the highest strategic asset allocation weighting ahead of the crisis was to equities, with developed market equities representing an average 23% of portfolios and developing market equities 6%. Portfolios were broadly diversified, with 35% allocated to alternative investments. Real estate and private equity were prominent at 14% and 16% respectively.

Fixed income exposure was relatively low at 11% for developed markets and 6% for developing – a reflection of zero or negative interest rates across many corners of the globe. However, cash allocations stood higher at 13%, signalling the caution of some family offices about high company valuations and low bond yields.

A number of the family office chief investment officers interviewed in May had started to question the stretched valuations of an aging equity bull market towards

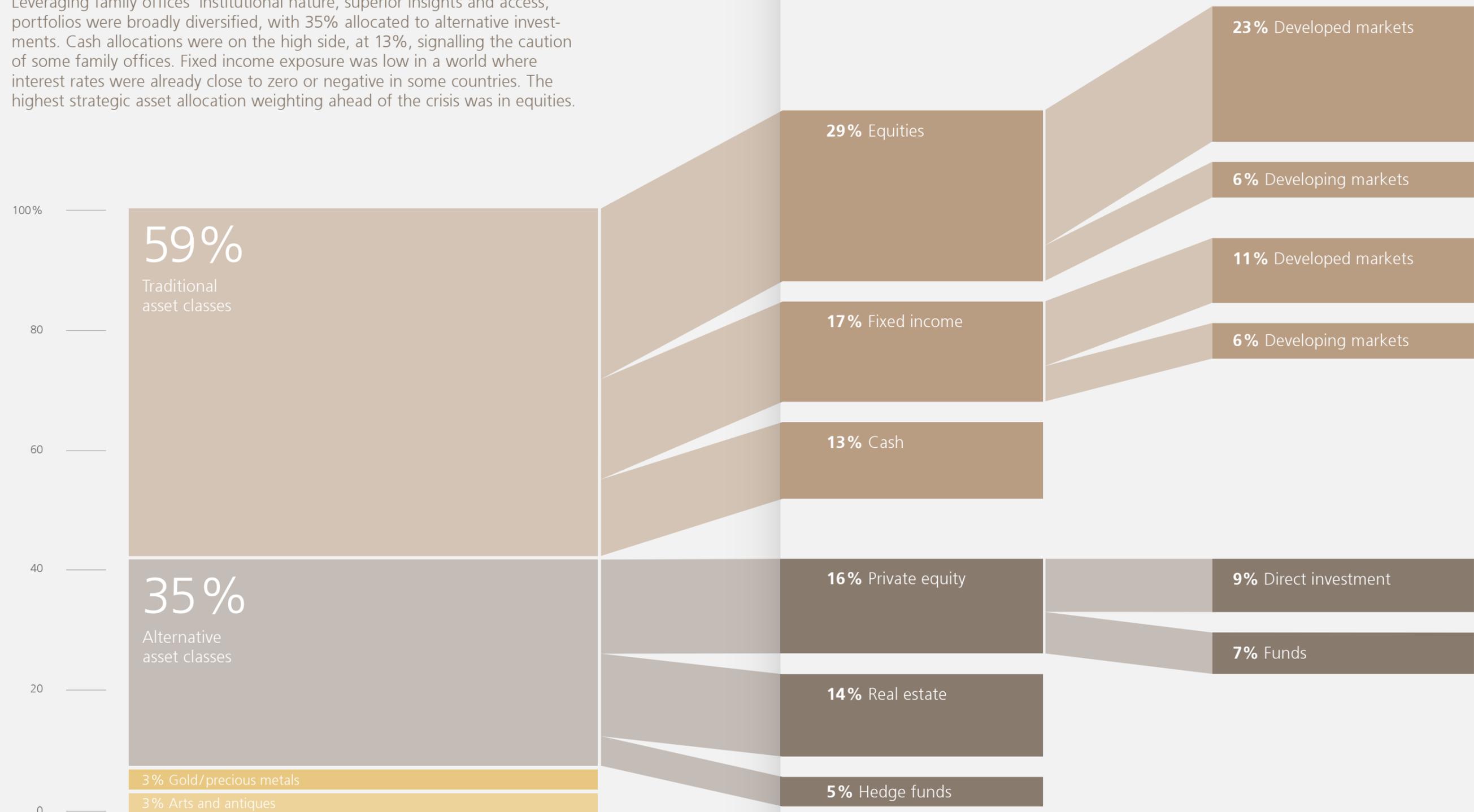
the end of 2019. "Instead of investing in private equity funds, be it leveraged buyout, venture or growth capital funds, we were finding opportunities in direct lending," explains a Hong Kong-based chief investment officer. "That was a conscious move to a senior part of the capital structure, so there was an added level of protection should you see some stress in the markets."

Similarly, a Zurich-based chief investment officer reports adding to a physical gold holding in 2019. "Physical gold is for us an alternative currency," he says. "It is certainly above the 2% average holding some families have. It is probably a low double-digit holding."

Broadly speaking, the beginning of 2020 was a time of cautious optimism. More than two thirds (69%) of family offices had no plans to change 2019's asset allocation. The remaining third proposed to put cash to work in developed and developing market equities. At the margin, they planned to trim real estate and private equity allocations.

Allocation by asset class in 2019

Leveraging family offices' institutional nature, superior insights and access, portfolios were broadly diversified, with 35% allocated to alternative investments. Cash allocations were on the high side, at 13%, signalling the caution of some family offices. Fixed income exposure was low in a world where interest rates were already close to zero or negative in some countries. The highest strategic asset allocation weighting ahead of the crisis was in equities.



Source: UBS Evidence Lab

Strategic asset allocation proves its worth

The institutional-style strategic asset allocation that family offices had in place at the end of 2019 has yielded significant long-term performance.

Over the last 15 years, a model US dollar portfolio with 2019's allocations would have generated an annualized return of 7.0%, with a volatility of 6.9%.

Looking back over the last 18 months, the model portfolio would have returned 13.8% in 2019, but 2020's first quarter would have been the worst in 10 years.

Making strategic asset allocation a high priority

Families view strategic asset allocation as the cornerstone of wealth preservation and accumulation. They don't change it lightly. Any alterations often involve not only the beneficial owners but also the family office's decision makers and even the next-in-line generation (see section 4). For more than a quarter (28%) of families, the owner presides over strategic asset allocation. But an equal percentage splits responsibility equally between owner and family office. In total, therefore, the beneficial owner is still very involved in more than half (56%) of families.

Some of the longer-established families, with institutional-type family offices, rely more on others to take decisions. Almost a quarter (24%) of them entrust decision-making to their family offices, while 7% look to their bank partners.

Explaining the importance of strategic asset allocation as a foundation at all times, a member from a family office based in the US, said: "When you're getting hammered, it's really important to be able to fall back on the knowledge that good asset allocation is critical. It's sort of like you jump out of an airplane or you're scuba diving, you know, you can easily have your body freak out a little bit, or your mind let anxiety trump reason, right? You've got to trust the process. Investing is the same. I think asset allocation is really important, not only over the long haul, but even in the moment."

During crisis, risk mitigation strategies protect

Despite the pro-growth allocations of family office portfolios at the beginning of 2020, a combination of risk mitigation strategies helped in protecting them during March's rapid and deep fall in equity markets. In the second stage of our survey, conducted in May, more than three quarters (76%) of family offices reported that their portfolios had performed in line with, or above, their respective target benchmarks for the year to date (see Demographics and methodology section).

During one of the most testing times in the history of financial markets, our survey participants' maximum drawdown was approximately 13% on average.

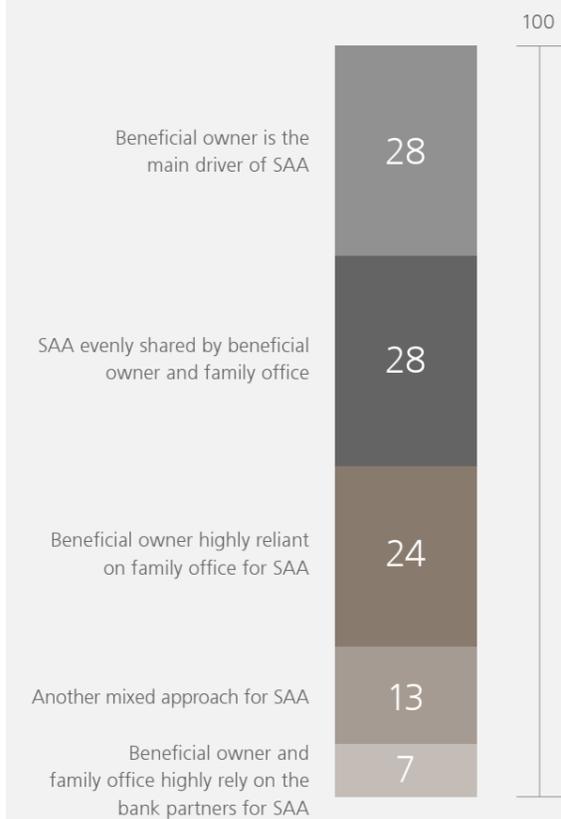
"Diversification has definitely helped," notes a Hong Kong-based family member and chief investment officer. "In March, liquid markets fell in lockstep – equities and fixed income fell together. But our real estate book has the benefit of illiquid holdings that don't always get valued on a frequent basis, so you don't see the losses so often. However, we are under no illusion that when we have a valuation the benefit will not seem so great."

Rebalancing to preserve, protect and grow wealth

It's no surprise that the deep dive in financial markets led portfolios to drift from their target strategic asset allocations. More than half (55%) of family offices rebalanced their portfolios in March, April and May to maintain their long-term allocation.

ASSET ALLOCATION – FIGURE 2

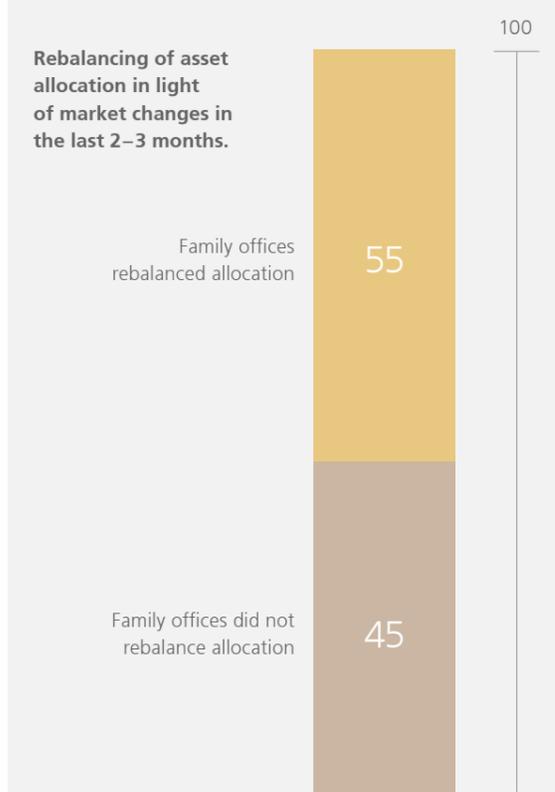
Roles in strategic asset allocation (SAA), in %



Source: UBS Evidence Lab

ASSET ALLOCATION – FIGURE 3

Rebalancing portfolios to maintain strategic asset allocation, in %



Source: UBS Evidence Lab

It's still too early for family offices to make fundamental adjustments to their allocation frameworks. They're likely to do so in the months to come, as they digest the implications of what appears to be a major economic turning point with many ramifications across financial markets.

Even so, two thirds (67%) of family offices say that their mid-term view hasn't changed. This comment implies that the fundamental assumptions behind their asset allocations may not alter significantly.

Two tactical trading patterns emerge

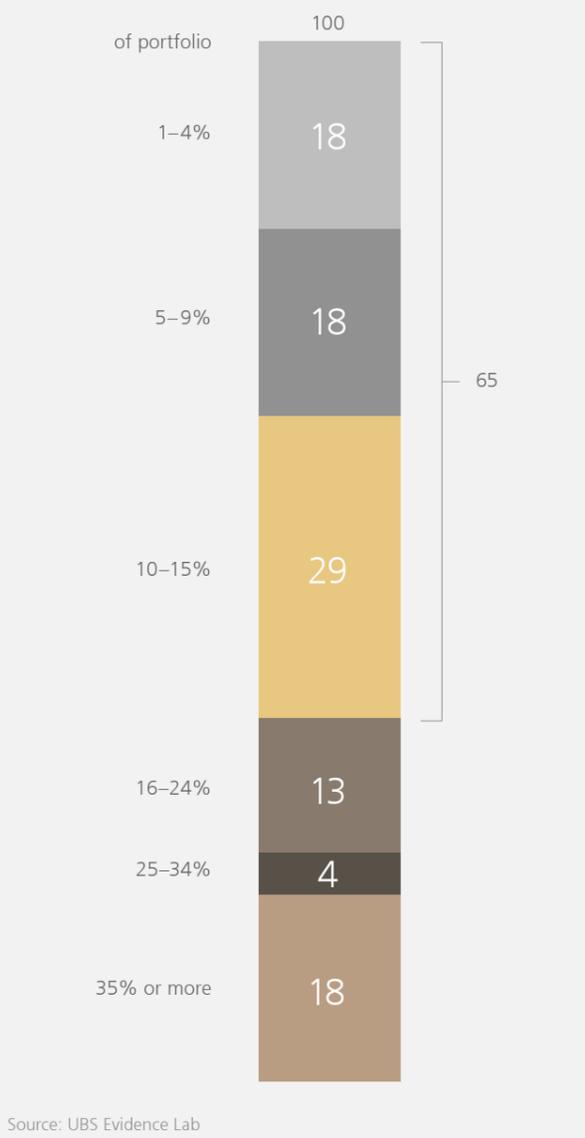
While strategic asset allocations remained the same, family offices traded decisively when economic activity stopped and market volatility surged. They tell us that they make tactical changes to their portfolios due primarily to macroeconomic uncertainties, the prospect of recession, changes in interest rates and to take profits – all of which came into play in early 2020.

Family offices executed major trades in the period; two thirds (65%) of them switched up to 15% of their portfolios.

They split into two camps – the opportunistic investors exploiting market dislocations to buy oversold assets, and the risk-averse investors reducing their pro-growth exposure by adding to cash and gold.

“We had a lot of opportunities in that indiscriminate selling that we saw in March,” says the chief investment officer of a Europe-based family office. “For example, in investment grade debt we saw bank debt trading down 10+% on some days. Having the conviction to say that, no matter what happens, I think this is a strong investment, considering the yield and duration, and go for it and really put your money where your convictions were. I think that was the only diversification, not even a diversification but an actionable thing, that really helped us out as a family office.”

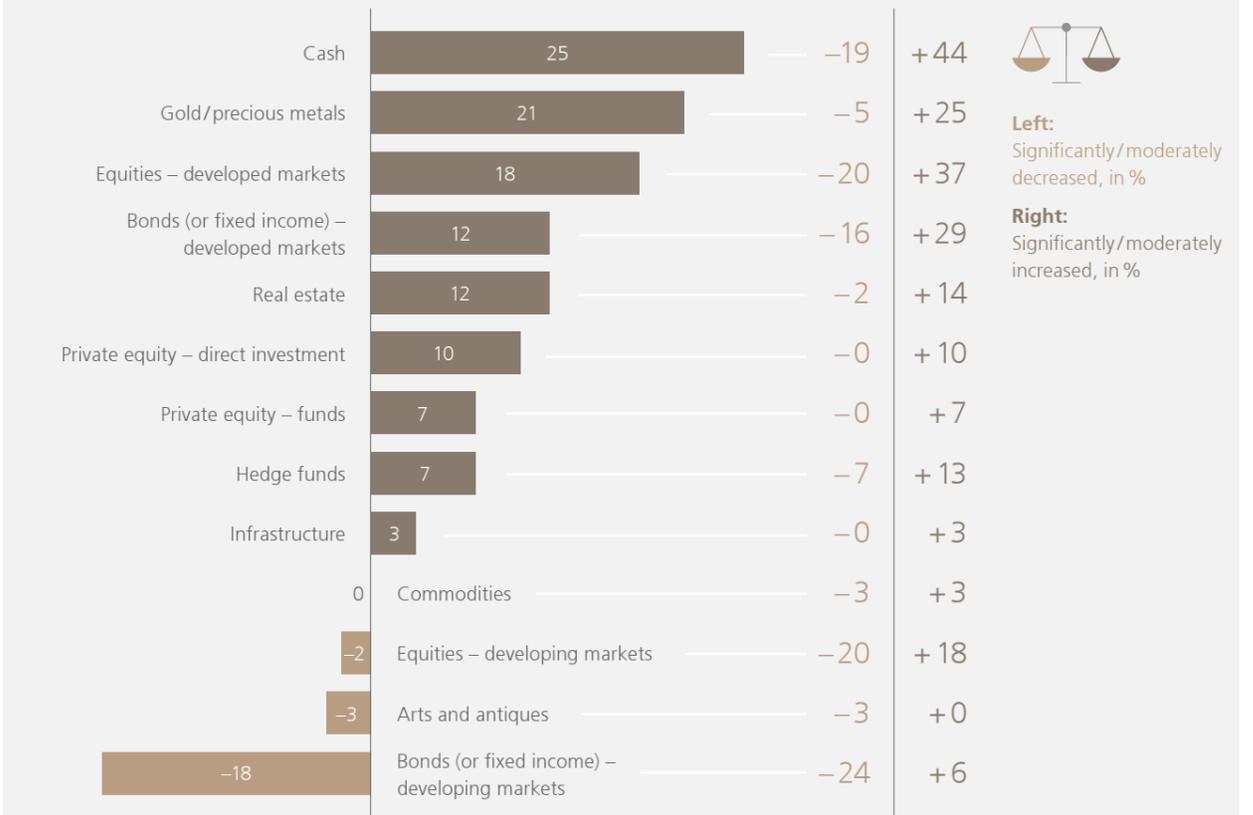
ASSET ALLOCATION – FIGURE 4
Tactical asset allocation changes in the crisis, in %



73%

of family offices who invest in hedge funds said that they performed in line with or above expectations.

ASSET ALLOCATION – FIGURE 5
Percentage of family offices who made changes to specific asset classes between March and May 2020



Managing risk

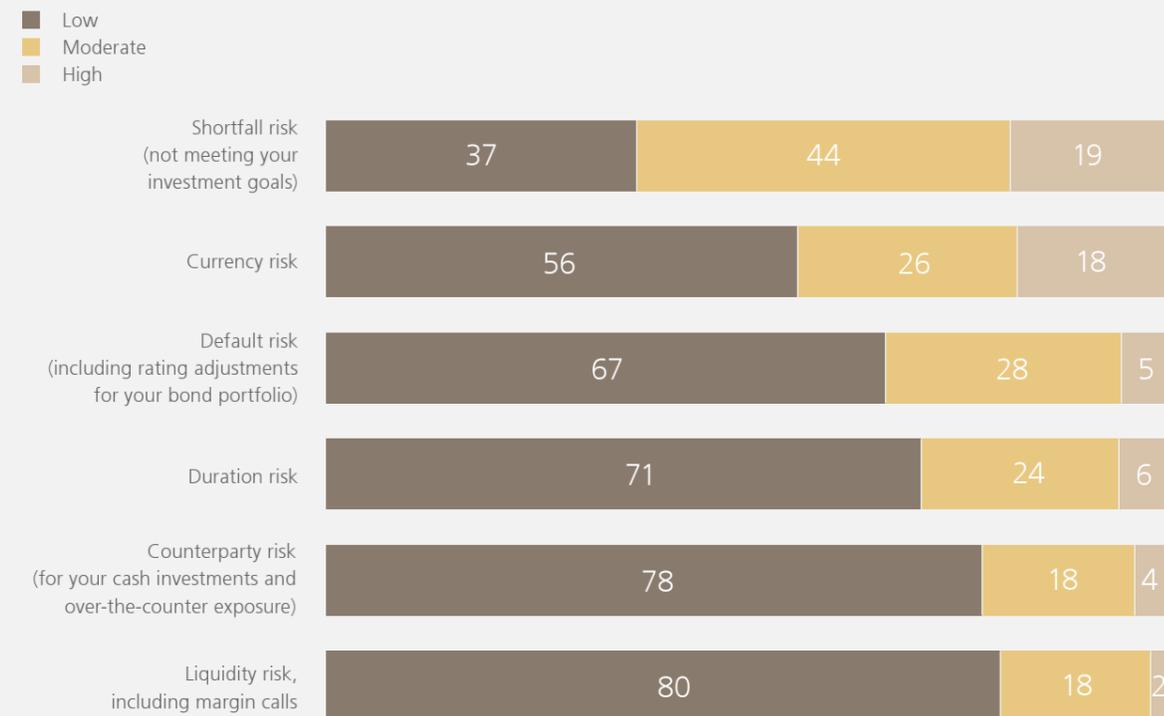
Risk management is a high priority. While 58% of our respondents had a risk management strategy in place during the first few months of 2020, they implemented it in a variety of ways: hedging, use of derivatives, and changes in equity portfolio composition.

Showing that they are managing their portfolios with very specific targets, almost two thirds (63%) view shortfall risk – meeting investment goals – as their greatest risk. Liquidity risk, including margin calls, was only regarded as a risk by 20% of respondents.

The velocity and forcefulness of the crisis triggered by the pandemic made almost half (45%) review their procedures for managing risk.

ASSET ALLOCATION – FIGURE 6

Portfolio risks, in %



Source: UBS Evidence Lab

Looking to reduce cash

While it's still early to change strategic asset allocations, family offices are planning to reinvest their high cash allocations over the next two to three years. Conversely, they intend to invest less in developed markets fixed income, where tying up money at close to or below zero yields presents significant lost opportunities.

Eyeing dislocations and market opportunities, almost half (45%) of our respondents told us in May that they're planning to raise their allocations to real estate. A similar percentage is aiming to raise allocations in developed market equities, followed by developing market equities.

At the height of the crisis when liquidity was everything, family offices' immediate reaction was to view private equity with greater caution. More than a quarter (28%) of family offices told us in May that they expected to increase direct private equity, well below the 49% share ahead of the crisis. But that could well reflect the fear of illiquidity that dominated financial markets at the time. It remains to be seen if they take advantage of any distressed opportunities emerging from a recession.

Notably, family offices generally think they will be far more aggressive than others in putting cash to work and buying real estate.

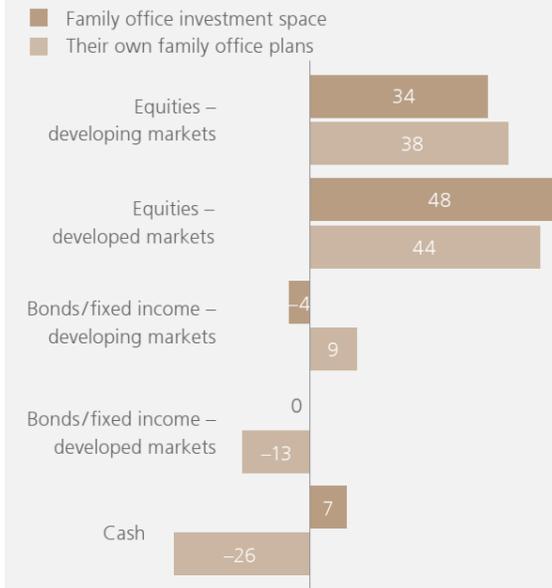
A Singapore-based family member and chief investment officer noted: "Maybe in the next few months as you see companies and businesses start to need more liquidity or more financial support, there will be more financial opportunities coming. And so definitely real estate businesses will be interesting, and we can actively participate in companies to turn them around."

After several years of struggling to fulfil their mandate, hedge funds met more family offices' expectations when navigating more volatile financial markets. Almost three quarters (73%) of family offices stated that they performed above or in line with expectations. In early March, none of the family offices had plans to raise allocations; but by May, 13% intended to do so. This apparent revitalization coincides with the launch of new funds seeking to take advantage of market dislocations.

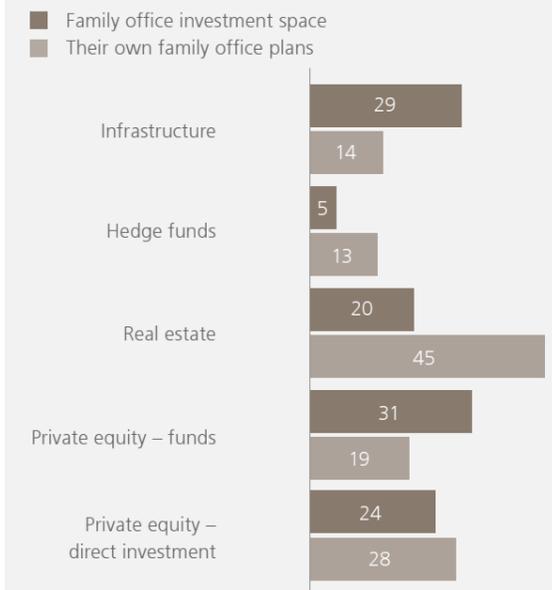
ASSET ALLOCATION – FIGURE 7

Intentions to increase or decrease specific asset classes in the next 2–3 years in their own family office and the overall family office investment space, in %

Traditional asset classes



Alternative asset classes



Precious metals



Source: UBS Evidence Lab

Section 2

Private equity: a key driver of returns

Key survey findings:

- (A) More than two thirds (69%) of family offices view private equity as a key driver of returns.
- (B) For many business families, private equity is in the blood. A third (34%) of family offices describe private equity as a passion for the owner.
- (C) In the turbulent environment after the onset of COVID-19, 35% of family offices regarded the greater control offered by private equity as a plus, against just over a quarter (27%) beforehand.

48%

invest in private equity to access a broader range of opportunities.

Private equity is an important asset class for family offices. The vast majority view it as a key driver of returns, and it's in the DNA of many entrepreneurial families who have a zeal for building businesses.

Three quarters (73%) of those investing expect private investments to deliver higher returns than public investments. Correspondingly, just under half (48%) invest in private equity to access a broader range of opportunities at a time when fast-growing companies are increasingly remaining private or raising growth capital outside the public markets.

According to the CIO of a European family office: "I think it's just a game you have to play now because companies are coming to public markets so much later than they have in the past. In fact, you could easily live your life as a private company and never touch public markets. So it's a game we have to play because there is so much value there."

But families also value private equity's diversification qualities. More than half (52%) of those investing in private equity do so to diversify, as the asset class is not buffeted by daily listed market volatility. They're in no doubt, however, that private equity's fortunes depend on the state of the economy.

Beyond this, for many business families private equity is in the blood. A third (34%) of family offices describe private equity as a passion for the owner.

PRIVATE EQUITY – FIGURE 1
Views on private equity, in %



Expansion/growth equity and tech favored

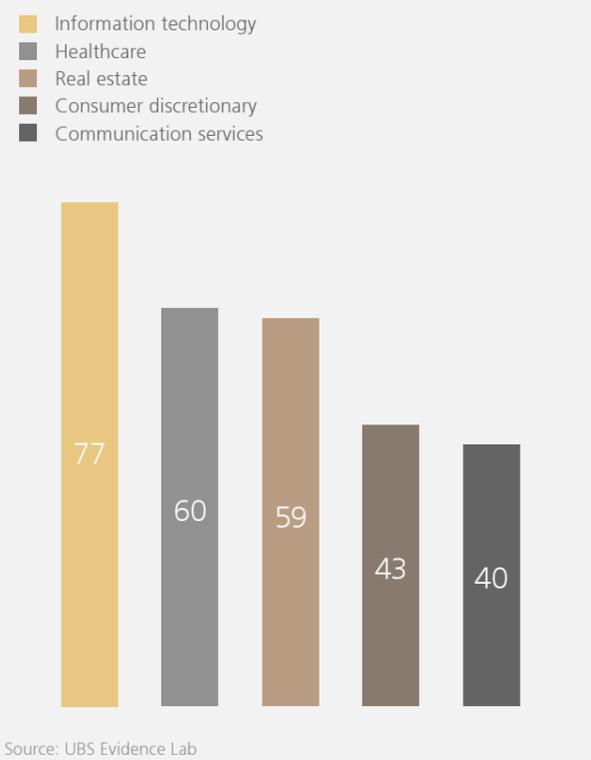
Reflecting the business backgrounds of many families, almost three quarters (71%) of family offices investing in private equity focus on expansion or growth equity. As many have spent their lives building businesses, this is an extension of their careers. Venture capital is also a common investment, with more than half (53%) normally investing in this area.

Leveraged buyouts are also a favored investment, as four in ten (40%) family offices invest in them. Just over a quarter (26%) routinely invest in distressed buyouts, although some of the family offices interviewed in May were beginning to evaluate distressed opportunities.

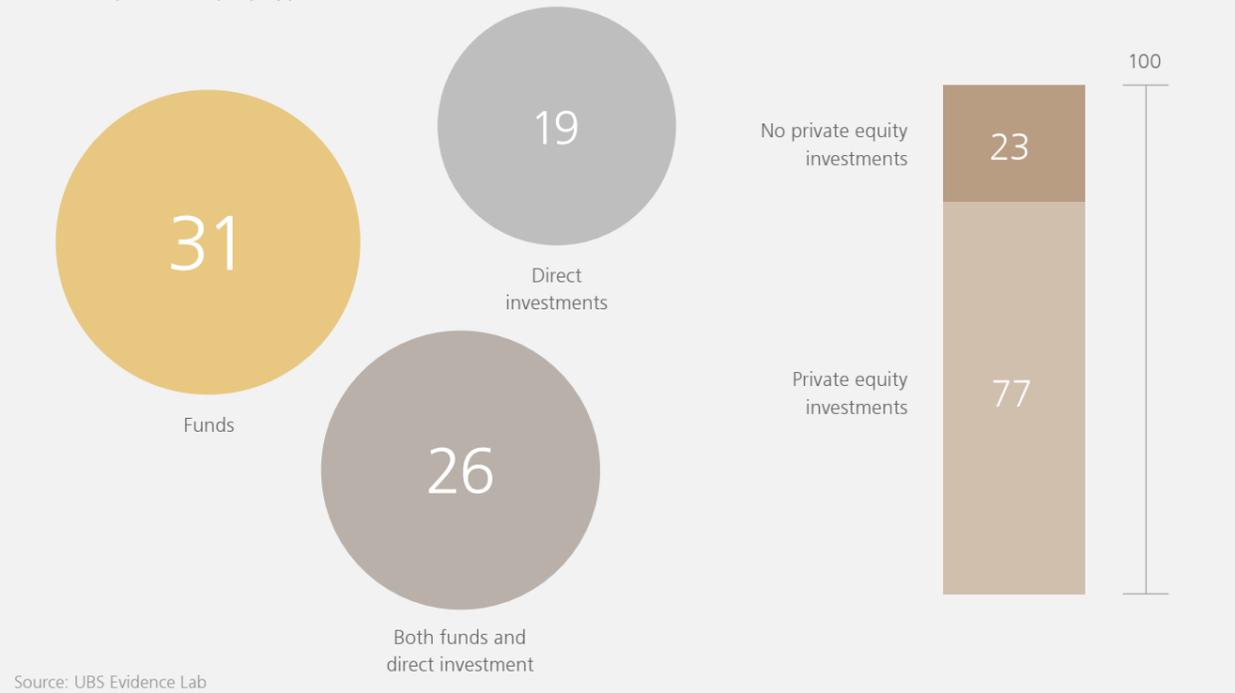
In line with many families' growth bias, information technology (77%) and healthcare (60%) are the preferred sectors for investing. But family offices usually diversify their investments across four to five sectors.

Overall, private equity is a favored asset class. More than three quarters (77%) of family offices invest in it. The way they do so is mixed. A third (31%) invest just in funds, while a fifth (19%) only make direct investments. Around a quarter (26%) invest both through funds and directly.

PRIVATE EQUITY – FIGURE 2
Preferred private equity sectors, in %



PRIVATE EQUITY – FIGURE 3
Favored private equity types, in %



Investing in what you know

Given the high priority placed on private equity, it's no surprise that 70% of family offices have their own research teams to assess opportunities. They're active deal makers. On average, those family offices that invest in private equity had five deals under review in the months ahead of the crisis.

Demonstrating the extent to which private equity is an extension of entrepreneurs' careers, more than two thirds (68%) of family offices report that the business owners behind them favor investing in sectors that they're familiar with. In more than a third (38%) of cases, the family itself is the main source of new deals.

But family offices and partner banks are actively involved. About two thirds (64%) of family offices proactively present the owner with deals. Banks also play an important role – in a third (32%) of cases they're the main source of new deals, while for 42% the content, or due diligence, provided by banks is crucial for assessing risk and return.

Greater caution follows the crisis

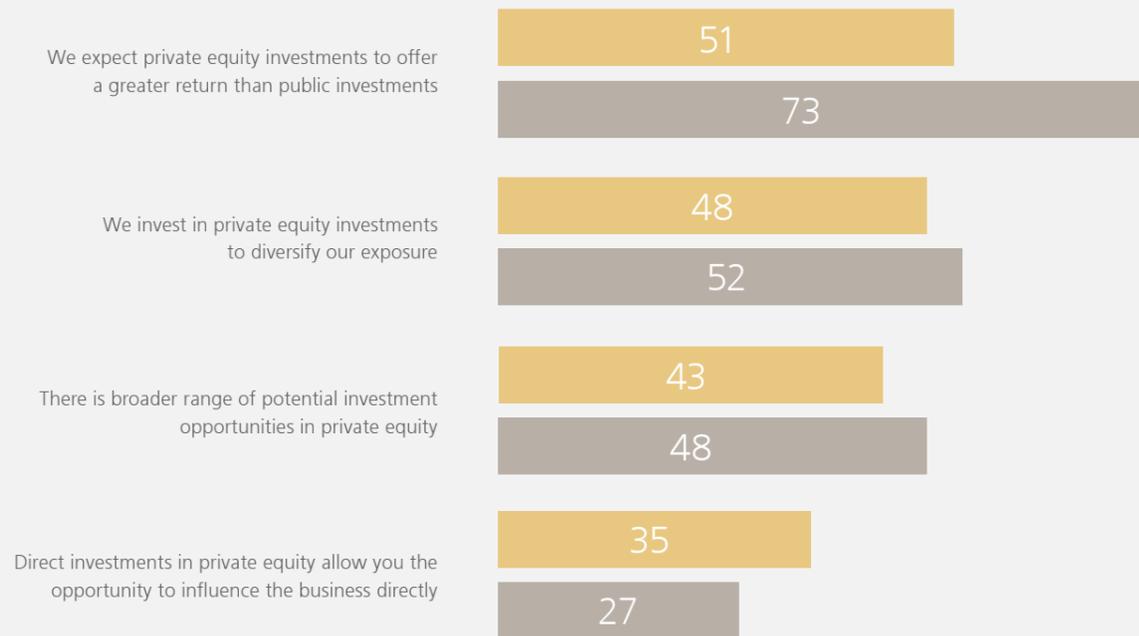
The advent of the COVID-19 global pandemic, a liquidity crunch, and a looming global recession resulted in heightened caution about private equity returns.

After economies locked down, family offices' expectations for returns declined. Just over half (51%) said they expected private equity to outperform public investments, down from 73% in early March. However, this could be explained by the opportunities offered by low valuations of some public equities and bonds after the March crash. Further, our survey does not differentiate between funds already invested and those that will be invested in the months to come.

PRIVATE EQUITY- FIGURE 4

Views on private equity in the future, in %

■ May 2020
■ March 2020



Source: UBS Evidence Lab

35%

regarded private equity's greater control as a plus after lockdown.

In the turbulent post-COVID-19 environment, family offices took comfort in the greater control they could exercise over direct investments. More than a third (35%) regarded this as a plus, against 27% beforehand. Investors in private equity companies have been receiving regular updates and can ensure, for example, that companies have enough financial liquidity to ride out the economic downturn.

When questioned in interviews, family offices said that while private equity generally would face headwinds, there could be opportunities. "I think one of the headwinds that is prevalent, whether we are pre- or post-pandemic, is the amount of dry powder that private

equity is sitting on, as well as the deal multiples that are getting more expensive," explained a family member and chief investment officer based in the US. "However, I think there are opportunities for specific managers to take advantage of some issues. So, I believe that secondary private equity managers are in a unique position. For example, if an investor is having some issues in their portfolio more broadly and therefore maybe wants to sell private equity holdings inexpensively, the secondary manager can come in and buy them at an attractive price..." "So, I see pockets of opportunity. As a broad brushstroke, I'd say I'm not necessarily bullish, but from a granular level I think there are interesting pockets."

Section 3

Sustainable investing: rhetoric or reality?

Key survey findings:

- (A) While 39% of family offices intend to allocate most of their portfolios sustainably over the next five years, they're mainly targeting the easier option of exclusion-based strategies.
- (B) When evaluating impact investments, 43% of family offices still prioritize investment performance. They put return on investment among their top three performance indicators.
- (C) Almost two thirds (62%) of families regard sustainable investing as important for their legacies, yet it's unclear whether good intentions will turn into reality.

66%

of family offices view measuring impact as a big challenge.

Until now family offices have trailed institutional investors on the journey towards adopting sustainable investing. Unlike EU pension funds, for example, they are not subject to regulation requiring them to disclose environmental and social risks. What's more, it may take time for family offices spanning generations to agree to such a fundamental change.

They now appear to be nearing a tipping point – with more than a third (39%) of family offices intending to allocate most of their portfolios sustainably in five year's time and three quarters (73%) already investing at least some assets sustainably.

SUSTAINABLE INVESTING – FIGURE 1

Taking the pulse, in %



- 1 Performance evaluation is a big challenge in impact investment projects
- 2 The family believes impact investments are important for their legacy
- 3 Sustainable investing is a top priority for the business owner's family
- 4 Climate change has already made us change some of our instrument selection
- 5 Sustainable investments will be the majority of our portfolio in five years' time
- 6 We have prepared our office's team to make sustainable investments
- 7 We have an active pipeline for direct impact investment opportunities

Source: UBS Evidence Lab

“We don’t have a mandate for ESG, but it’s not rocket science to look at the change in consumer demand and the political and social environment,” notes the chief investment officer of a European family office. “These issues have come to the forefront now and impact business performance. So, I as an investor in business need to be aware of it and need to know every portfolio company is doing their part because it’s important now in the public eye and in the consumer’s eye. It’s something that we can’t just brush over because people are only going to pay more and more attention to it, and governments are only going to pay more and more attention to it.”

Investment returns come first

When it comes to impact investing, family offices put competitive rates of investment return first, placing environmental or social impact objectives second. It’s fair to call impact investing the R&D lab of sustainable investing. As the most ambitious strategy of all, it aims to make direct, positive change; for instance curing diseases across entire regions or raising literacy rates.

But measuring impact remains a work in progress. While progress has been made on common standards (such as the International Finance Corporation’s Operating Principles for Impact Management) the widespread adoption of such benchmarks has yet to materialize.

Family offices still prioritize financial return on investment (ROI) (or internal rate of return, IRR) when evaluating impact investments, with 43% placing it among their top three performance indicators. Notably, families in the US and Asia make it an even higher priority.

Two thirds (66%) of family offices view defining and measuring impact as a big challenge, which helps to explain why it remains a less important yardstick. A little more than a fifth of them (22%) place social return on investment in their top three performance indicators, while 12% flag the importance they attach to environmental impact.

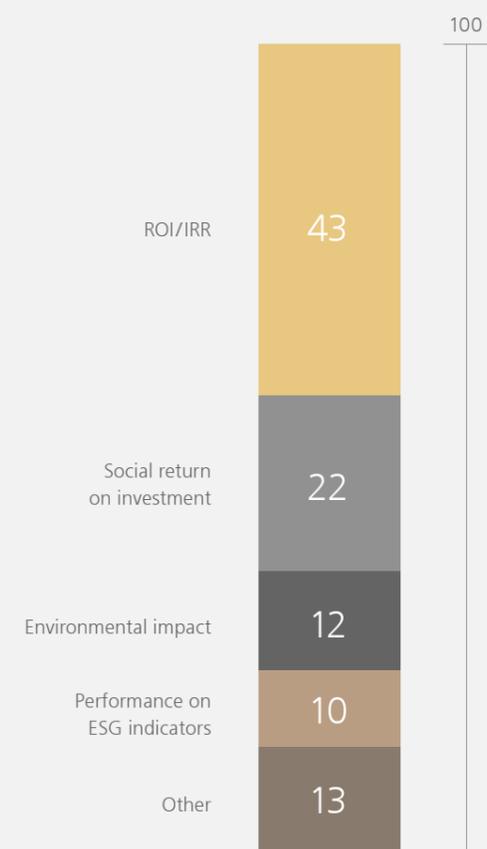
A purely financial investment lens

While family offices’ worthy ambitions are clear, they largely appear still to have a pure focus on “financial” investment metrics. Only a third (32%) employ specialists who can analyze ESG risks – which a growing body of evidence suggests has a material impact on financial performance – or carry out due diligence on direct impact investments. Further, just 28% have an active pipeline of deals.

Momentum appears to be strong, backed by a sense of “purpose,” with almost two thirds (62%) of families regarding sustainable investing as important for their legacy. Some 43% view sustainable investing as a top priority for the family, and 42% state that climate change has already influenced what they invest in. Whether these good intentions translate into reality will need to be monitored.

The next-in-line generations are most likely to increase the level of sustainable investment, although by no means all will do so. When it comes to impact investing, the next-in-line generation have a greater affinity for it than the older generation. Sixty-one percent of the next-in-line generation are regarded as engaged, compared with 47% of their parents.

SUSTAINABLE INVESTING – FIGURE 5
Top performance indicators, in %

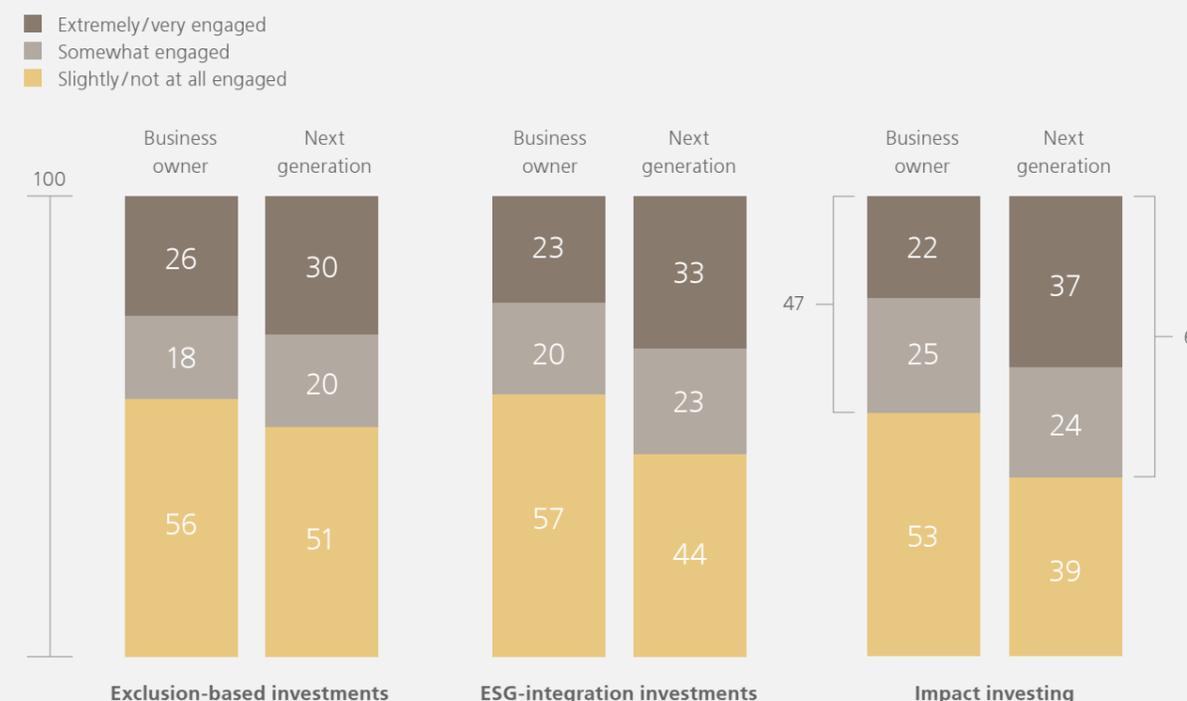


Source: UBS Evidence Lab

30%

Exclusion-based strategies form the highest proportion of family office portfolios, at 30%.

SUSTAINABLE INVESTING – FIGURE 6
Engagement across generations, in %



Source: UBS Evidence Lab

* Percentages may not total 100 due to rounding

Section 4

The next-in-line generations: a challenge to come

Key survey findings

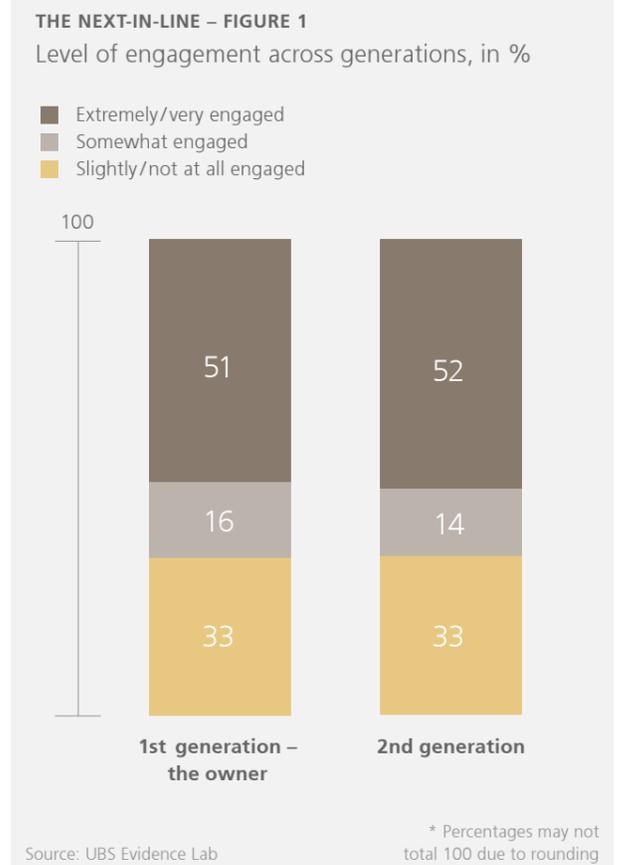
- (A) While the current generation are mainly in their 60s and 70s, a third of family offices have no plans for a change in control.
- (B) The next-in-line don't conform to stereotypes. Many are just as involved in managing family wealth as their parents, although they do tend to be more interested in philanthropy and sustainable investing.
- (C) When it comes to preparing the next-in-line generations to take over, Asian and US families are doing more than the Europeans.

54%

of next-in-line are just as interested in traditional investments as their parents.

For many family offices, the topic of succession is the elephant in the room – even though our survey's family offices already support two generations. In their 60s and 70s, the current owners are keeping options open when it comes to handing over responsibility. Indeed, every third family office does not know when there will be a change of control.

Some potential successors are more involved with family offices than others, as only just over half of families are very engaged, regardless of generation. This lack of involvement shows the difficulty of sustaining a family office across generations.



Not stereotypical social investing youngsters

Family offices see a shift of emphasis as inevitable when the next-in-line members take control. Currently in their 20s and 30s, many successors will be in their 30s and 40s when they do so. More than two thirds (69%) of family offices report that the different generations have different passions.

But the future controlling generations do not necessarily conform to the stereotype. Over half (54%) of family offices say that the incoming owners are just as interested in traditional investments (focused exclusively on financial returns) as their parents – and in Asia and the US that proportion climbs to almost three quarters (71%). A little under half of those surveyed view the next-in-line inheritors as pushing for an increase in sustainable investing.

The desire to preserve wealth spans generations. Family offices rank strategic asset allocation and real estate buying/management as the most important activities for both first and second generations. That said, the first generation is more likely to sit on the board of the family office than subsequent generations, who are more likely to take management roles, reflecting how the family office often grows in importance over time compared with the operating business. Similarly, younger generations that have only known mature operating businesses devote more time to activities outside the main business, such as philanthropy and impact investing.

THE NEXT-IN-LINE – FIGURE 2

Activities in the family office over time and generations, in %



First generation – the owner



Second generation



Third generation

51	Strategic asset allocation	50	Strategic asset allocation	39	Philanthropy initiatives
49	Real estate buying/management	45	Real estate buying/management	35	Strategic asset allocation
43	Sit on the board of the family office	45	Philanthropy initiatives	35	Tactical asset allocation
41	Tactical asset allocation	43	Tactical asset allocation	31	Management/Executive role in the family office
41	Philanthropy initiatives	41	Management/Executive role in the family office	27	Private equity – direct investment deals
40	Private equity – direct investment deals	41	Sit on the board of the family office	27	Impact investment deals/projects
30	Management/Executive role in the family office	38	Private equity – direct investment deals	27	Real estate buying/management
28	Sustainable investment (bonds, equities)	31	Impact investment deals/projects	27	Sit on the board of the family office
26	Art and antiques buying	26	Sustainable investment (bonds, equities)	15	Sustainable investment (bonds, equities)
22	Impact investment deals/projects	17	Art and antiques buying	8	Art and antiques buying

Source: UBS Evidence Lab

n = 79 1st generation, n = 45 2nd generation, n = 23 3rd generation

Driving digital transformation

Family offices supporting younger generations appear more likely to invest in digital technology such as automation and fintech. For example, almost all (95%) of the relatively small number of family offices where the third generation is involved are likely to introduce automation, compared with just under three quarters (71%) of those just supporting the first generation.

“My father is savvy enough to know that tech is the future and so we are fully inching our way into that area,” explains a Singaporean family member. “I wouldn’t claim credit to say that I initiated this movement; we all agree that it has to happen. But we have decided that we won’t just go out into something totally not related to our business, so we are moving into fintech and launched a real estate product last week.”

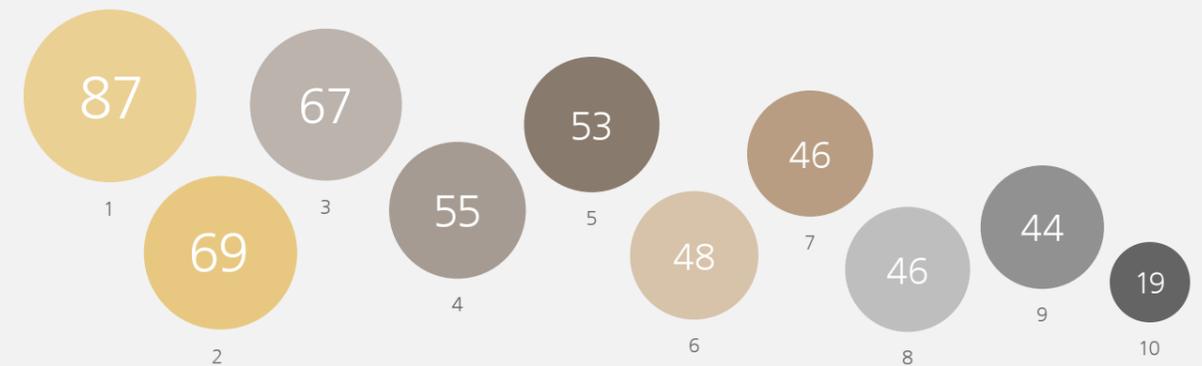
Such a role in guiding family office transformation at a time of rapid economic change differentiates today’s young from those of previous generations, when business practices were evolving more slowly. Today’s successors will likely help to determine whether their families are the beneficiaries or victims of technological disruption.

Preparing for the future

When it comes to preparing future generations to take over, Asian and US families are doing more today than European peers. More than two thirds (70%) of the former are actively preparing, compared with half (50%) of the latter. This may be a reflection of the fact that some Asian and US families are more entrepreneurial and hands on.

THE NEXT-IN-LINE – FIGURE 3

Focus on the next-in-line, in %



- 1 The family office team is prepared to work with the next generation of the family
- 2 There’s a clear difference in the type of project each generation is passionate about
- 3 Developing the family talent from the next generation is a high priority for our office
- 4 The business owner is actively preparing his successor to control the family office
- 5 The next generation shows a lot of interest in the family office operations

- 6 The newer generations have actively promoted sustainable investing in the family office
- 7 The next generation is influencing investment decisions with the intention to have a positive impact on society
- 8 The younger generations are less interested in traditional investments
- 9 Impact investment is being highly driven by the younger generations
- 10 In the future, a large portion of the wealth will be allocated to philanthropy and will not be managed by the next generation

Source: UBS Evidence Lab

Developing the talents of the next generation is a high priority for two thirds (67%) of all family offices, although it’s noteworthy that the success of programs such as internships is mixed. Communication, trust, and awareness are rare but essential commodities for the smoothest of intergenerational transfers.

“We are starting to think about people serving on the board, or observing on the board of the investment committee, and identifying those fourth-generation family members that look like they have either the technical or the leadership skills that will be helpful to continue to keep the family together,” says a family office executive from the US.

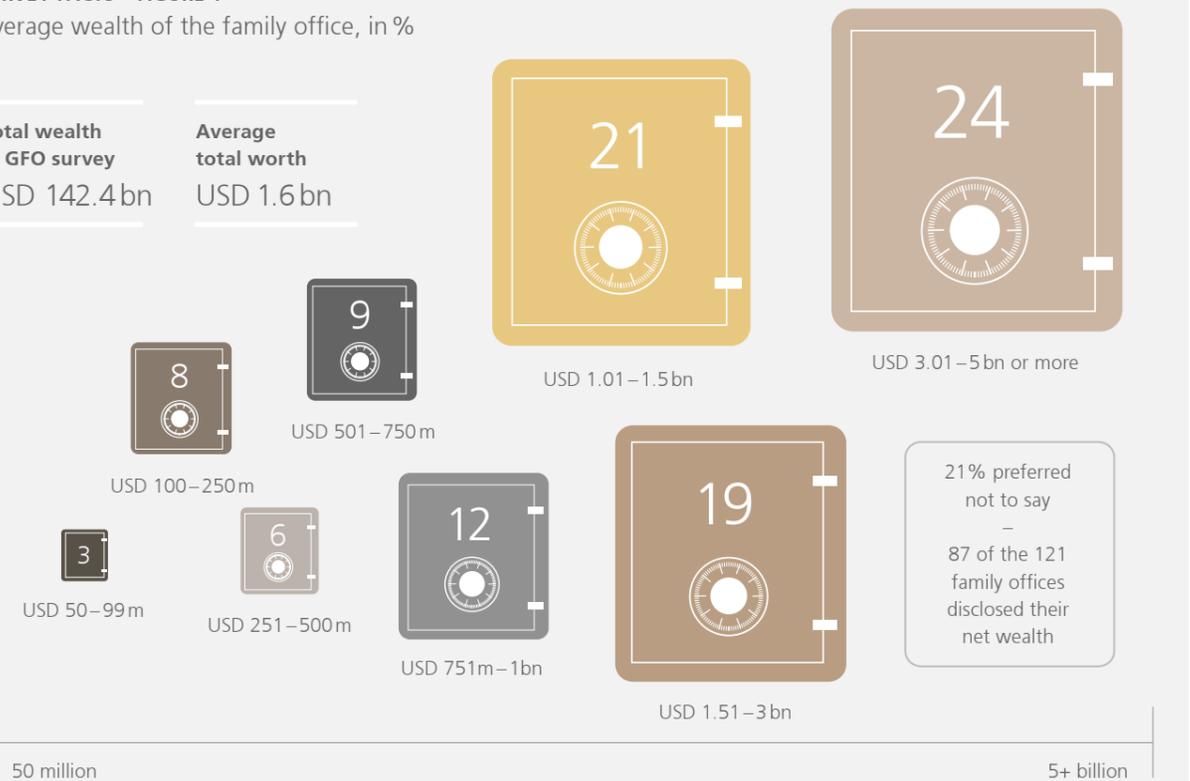
Some facts about our survey

SURVEY FACTS – FIGURE 1

Average wealth of the family office, in %

Total wealth in GFO survey
USD 142.4 bn

Average total worth
USD 1.6 bn



Source: UBS Evidence Lab

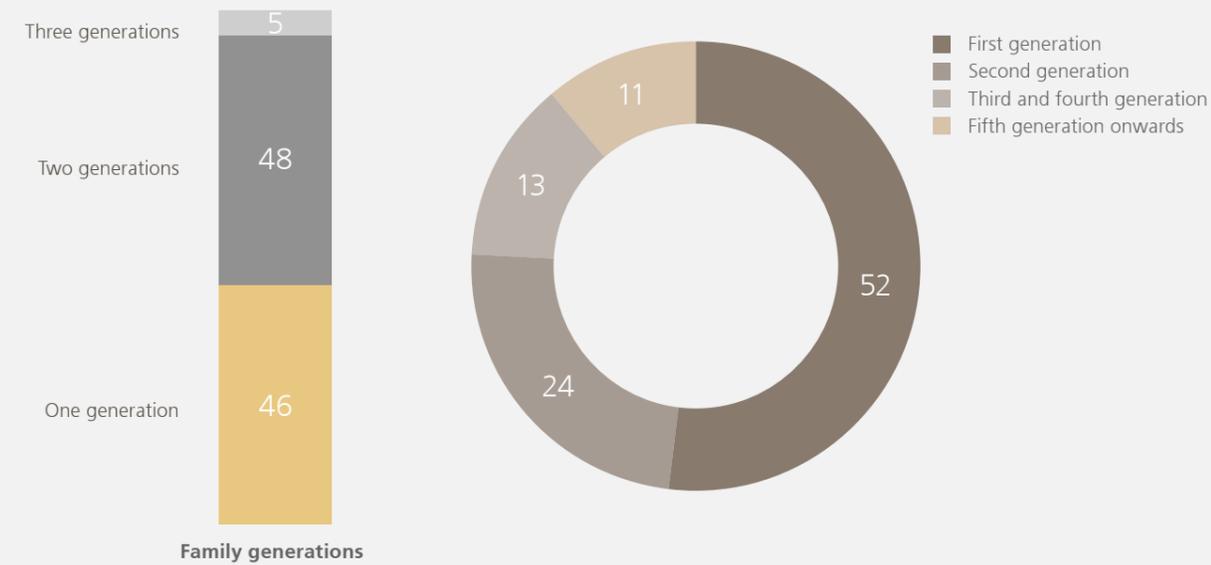
Net worth averaging USD 1.6 bn

This is the first of our annual in-house UBS reports on the activity of family offices. Our report focuses on 121 of

the world's largest single-family offices, covering a total net worth of USD 142.4 bn, with the individual families' net worth averaging USD 1.6 bn (not all families disclosed their wealth).

SURVEY FACTS – FIGURE 2

Generations supported by the family office, in %



Source: UBS Evidence Lab

Supporting one or two generations

Almost all (95%) of the family offices support just one or two generations. However, almost half (48%) of those family offices supporting one generation no longer include the founder or business owner. Almost a quarter (24%) of the single-generation offices support the second generation, with the balance supporting the third, fourth and fifth.

Mainly founded since 2000

More than two thirds (69%) of the family offices were founded in the past 20 years. A little over a quarter (26%) were founded from 1950 to 2000, and the remaining 5% before then.

From 35 countries

Spread across 35 markets, more than two thirds of the family offices were from EMEA (including Switzerland), but we also had almost one third of the participants coming from Hong Kong, Singapore, the US and Latin America.

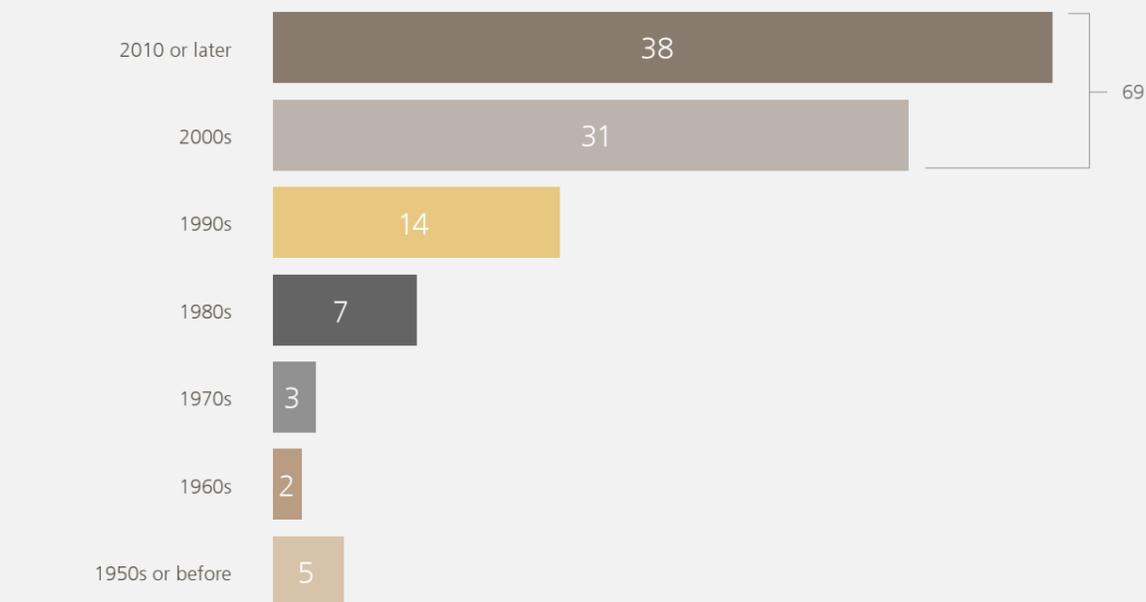
Methodology

UBS Evidence Lab surveyed 121* of UBS's clients globally. Participants were invited using an online methodology and the sample was distributed across 35 markets worldwide.

A first survey was sent to clients between 19 February and 13 March, where 99 family offices took part. A second survey was sent out between 5 and 26 May, and 60 family offices participated. (* 121 refers to unique family offices, some family offices took part in both surveys.)

SURVEY FACTS – FIGURE 3

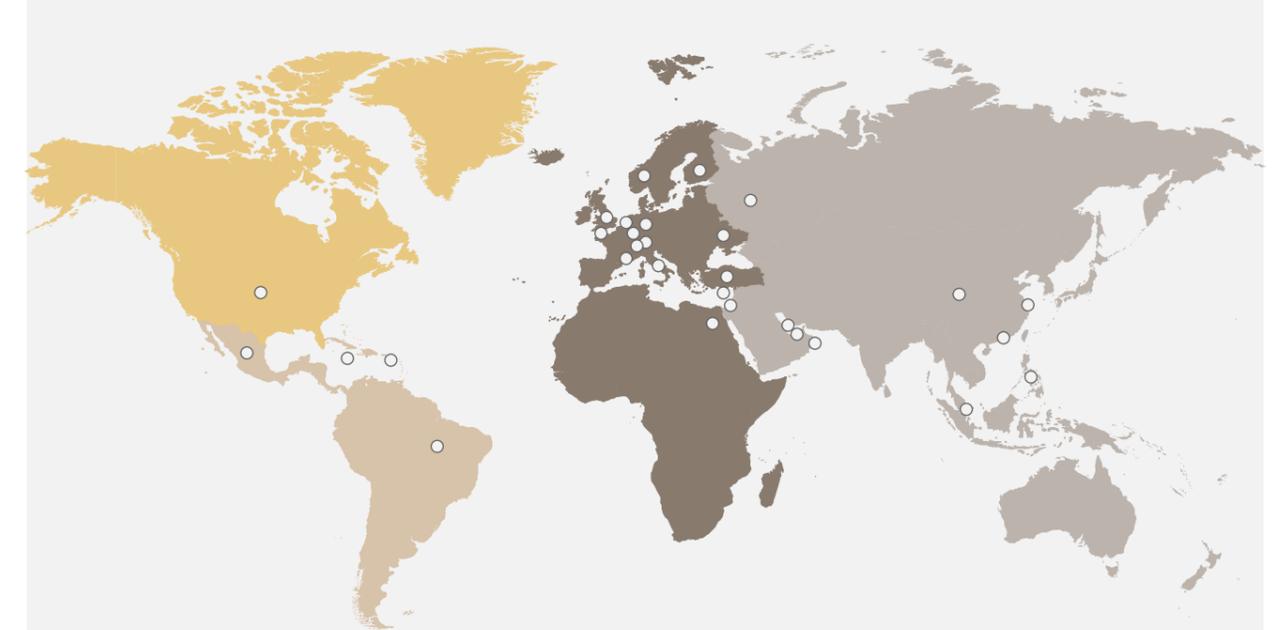
Founding year of family office, in %



Source: UBS Evidence Lab

SURVEY FACTS – FIGURE 4

Domicile of the family office



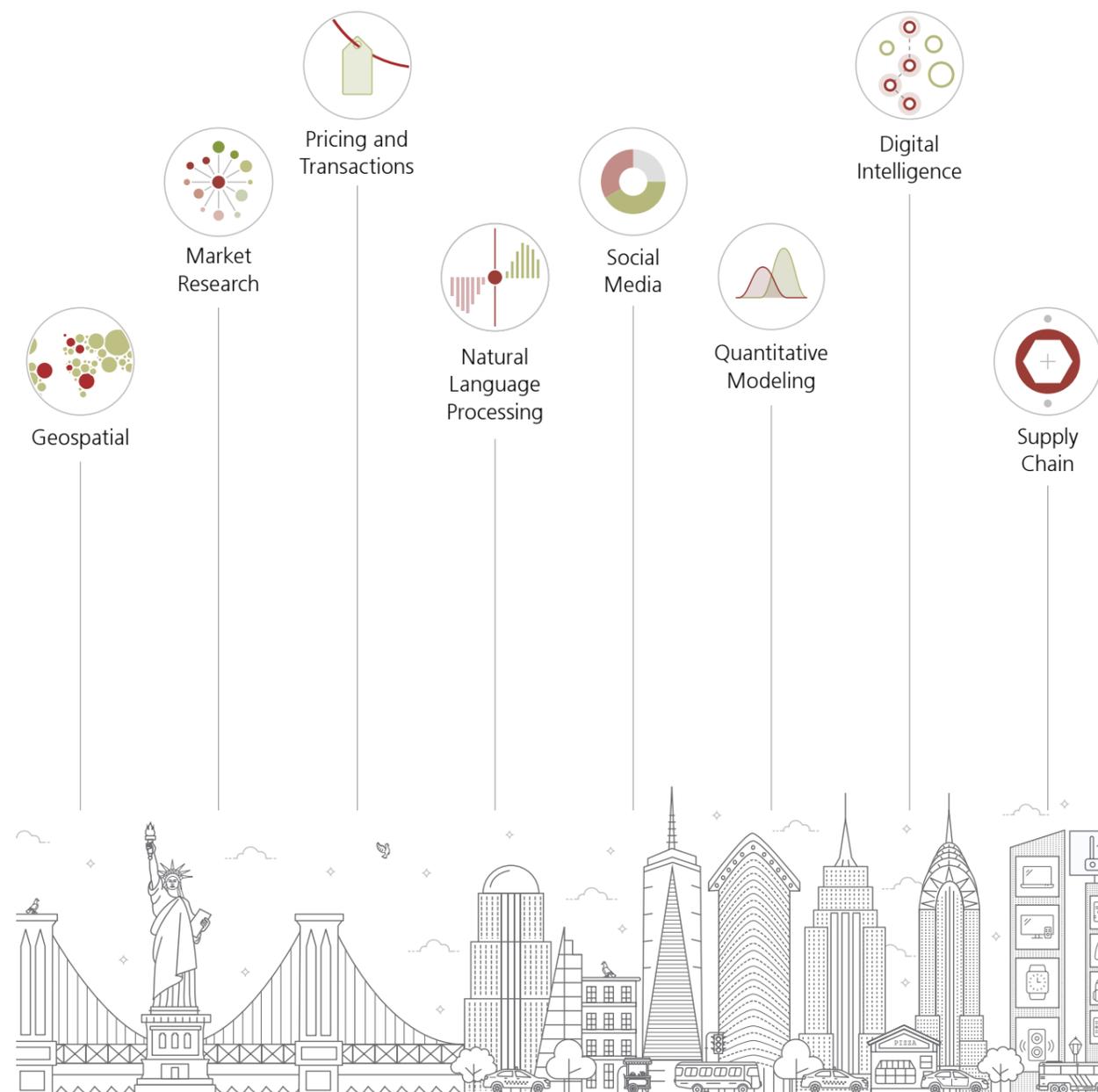
Source: UBS Evidence Lab

UBS Evidence Lab

Turning data into evidence

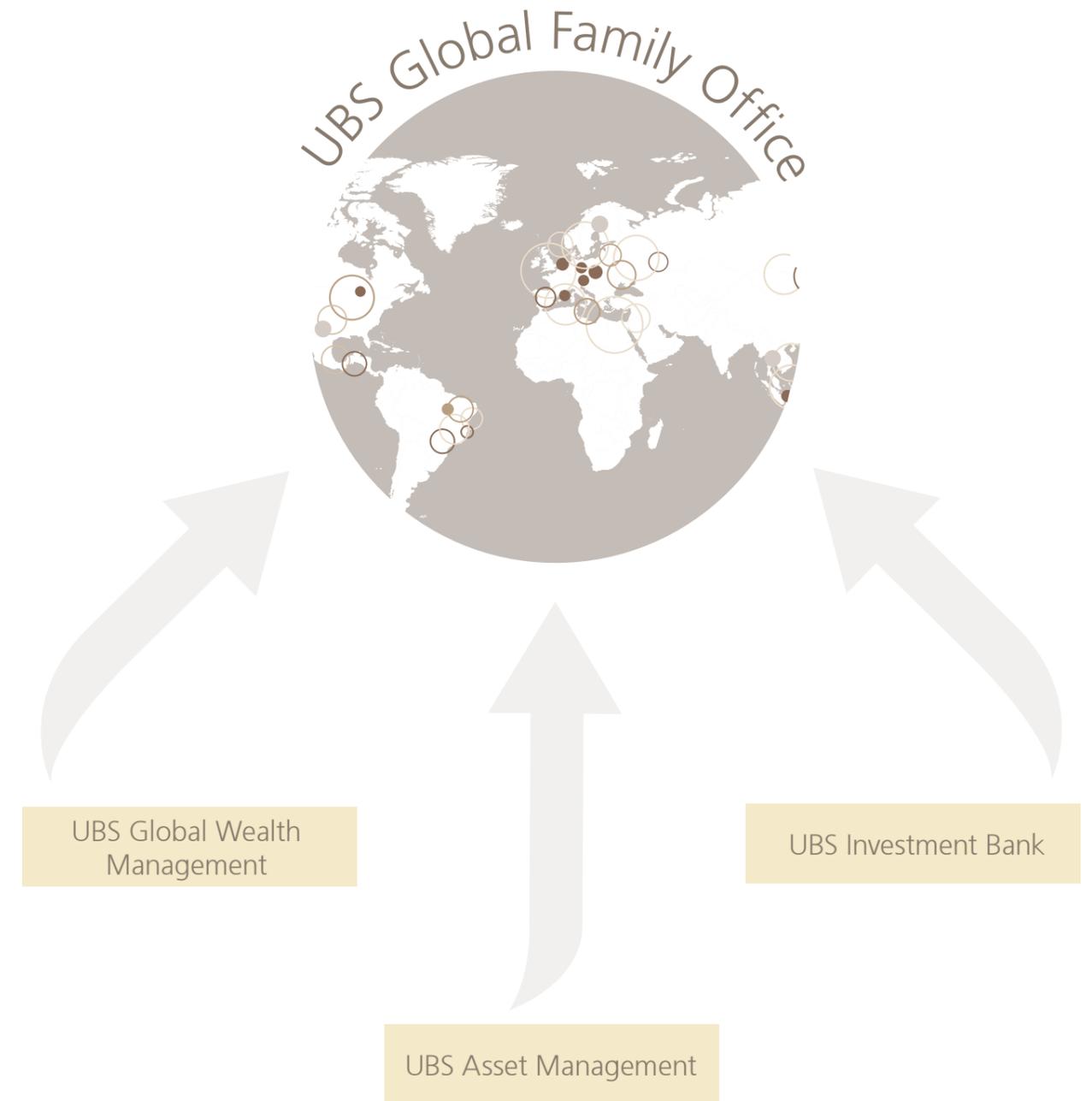
UBS Evidence Lab is a team of alternative data experts who work across 55+ specialized areas creating insight-ready datasets. The experts turn data into evidence by applying a combination of tools and techniques to harvest, cleanse, and connect billions of data items each month. The library of assets, covering over 5,000+ companies of all sizes, across all sectors and regions, is designed to help answer the questions that matter to your decisions.

Robust coverage. Rigorous approach.



UBS Global Family Office

Global Family Office (GFO) aims to anticipate and respond to the evolving needs of clients seeking the most complex solutions, ongoing institutional coverage, bespoke investments and financing, global coverage, and corporate solutions. In addition to global wealth management services, we offer billionaire families, wealthy entrepreneurs and their family offices access to the full range of UBS's investment bank and asset management capabilities across geographies and booking centers. Our clients are provided with holistic financial and non-financial advisory services, as well as an extensive peer network with dedicated teams in Zurich, Geneva, Lugano, London, Luxembourg, Munich, Frankfurt, Hamburg, Milan, Madrid, Singapore, Hong Kong, New York and Miami.



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