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MS HINDUJA S.P. SHANU

CHAIR HINDUJA BANK SWITZERLAND

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HINDUJA S.P. SHANU
DIVERSITY IN THE WORKPLACE

Hinduja S.P. Shanu, Chair Hinduja Bank Switzerland speaking at Monaco Madam evening

In the era of heightened attention to marginalised groups in the workplace, diversity is at the top of every organisation's agenda. A select group of people have a real track record of leadership on this subject. One such person who is fearlessly paving the way in this area is Ms Hinduja S. P. Shanu.

Ms S. P. Shanu is chair of Geneva-based Hinduja Bank (Switzerland) Ltd, one of the first women ever to chair a Swiss bank. We hear a great deal about diversity from a wide range of businesses, but few have made a commitment as strong as Hinduja Bank's under Ms S. P. Shanu. The success of her approach at Hinduja Bank is backed up by many studies concerning diversity in the workplace. These studies have found that, for every 1% increase in gender diversity, company revenue increases by 3%. In addition, higher levels of ethnic diversity increase revenue by 15%. According to Glassdoor , 67% of active and passive job seekers say that, when evaluating companies and job offers, it is essential that the company has a diverse workforce.

The Equality and Human Rights Commission stated: 'Discrimination, whether conscious or not, limits an organisation's ability to get the best from its workforce. A climate where unlawful discrimination is fostered, condoned or ignored cannot provide these benefits.' As the eldest daughter of Srichand Parmanand Hinduja and Madhu Hinduja, Shanu's leadership of the bank is just one symbol of the family's continuing commitment to pursuing impact and promoting diversity.

Shanu's achievements have been emulated by many organisations around the world tackling this issue, including The Global Banking Alliance for Women, Inc. This is an Alliance of financial services providers, mainly banks that offer women consumers access to finance, information, education, networking, and recognition. The Global Banking Alliance for Women mission is to propel the growth of women in business and women's wealth creation while generating superior business outcomes for member financial service providers.

FOM: As an Indian woman who is clearly breaking down barriers, what are your thoughts on diversity in the recruitment process?

Ms S. P. Shanu: Firstly, when we say "We are an equal opportunities employer committed to diversity in the workplace" these are not just words, we live by them. Not being offered a position because of someone's age, gender, or ethnic background is distressing. The decisions we make during the recruitment process are always based on who is the best-qualified person for the job. We have always been a diverse employer and this is part of who we are. We also work hard to support the most marginalised in society, to ensure that they have access to the same opportunities as those born into privilege.

FOM: What are your thoughts on diversity for the next generation in your own family?

Ms S. P. Shanu: I am keenly aware of the challenges faced by the next generation – one of the most significant being the need to boost women's empowerment in the global workforce.

My son and daughter, Karam and Lavanya, are without doubt citizens of the world who firmly believe in diversity in all they do. Looking at what they have achieved makes me encouraged for future generations after mine. Their focus and concentration on improving the world is much more than mine, which gives me the power to work for them and with them.

FOM: As someone who has had the opportunity to excel, to lead and to be a role model, do you feel that women in business should be the rule and not the exception?

Ms S.P. Shanu: I am very grateful that I have had such an opportunity, and this, indeed, is a cause for which I have fought all my life. In my role as chair of Hinduja Bank Switzerland, I am keenly aware of my role as a woman in a position of leadership and influence. Yet, at the same time, I look forward to a future environment in which my experience of being a woman in business is the rule, not the exception.

This is hugely important for the next generation. That is why today is so exciting: we're on the cusp of a new era of gender balance in the industry. I want to do all I can to ensure that the entrepreneurial-minded women find themselves with the means with which to pursue their dreams. It is one of my worldwide endeavours. The pathway I am making today is for the betterment of my son and daughter, Karam and Lavanya as equals . Where brothers and sisters know they belong to the same world and they learn to accept each other as ONE, in the balance of power.

For too many young women, a better, more open-minded environment of gender equality remains too far off. As uncomfortable as it may be, we need to confront the scale of the problem we face. Even now well into the 21st Century, women remain woefully under-represented in business.

FOM: Did your mother have an influence on your career path?

Ms S. P. Shanu: I believe that our mothers are our example. We are especially blessed to have had a mother, Mrs Madhu Menda Hinduja, and an example, whose power was a complementary light to my father's vision. She is a prime example of how mothers today can help inspire fathers so that both sons and daughters are treated equally.

FOM: Are women in the boardroom genuinely treated as equals?

Ms S. P. Shanu: Women have the skills to succeed and reach the top just as men do: they are a third more likely to attend higher education than their male counterparts. However, this is not matched by equality in the workforce. I see the problem especially manifest in the traditional, conservative financial sector, where boardrooms are still dominated by men. There is much to be done from a woman's perspective, and clearly from a man's perspective, to change these issues.

FOM: What are your thoughts on gender equality?

Ms S. P. Shanu: The battle for gender equality is an issue that strikes at the heart of civilisation and humanity. This is a fight, which has gone on way too long and we need to foster more open discussion about gender in the workplace.

FOM: How can we improve women's participation in the workforce?

Ms S. P. Shanu: Both the business community and governments must get a sense of the challenge at hand. This is crucial if we are to stand any chance of boosting women's positions in business and access to leadership positions – or of rallying new support. Success will only come with the support of both the public and the private sectors. It is necessary to have visible and high-achieving women in all walks of life.

FOM: Do you see yourself as a role model for young women?

Ms S. P. Shanu: I have worked very hard to get to where I am today, to be respected – as a woman – in the leading position I hold at the bank. Women in high, powerful positions in business can be encouraging role models, as my sister has been for me. Many have no doubt suffered trials and tribulations to get where they are and are inspiring for the rest of us still on the journey. Girls growing up today should not have to believe that we are an exception.

FOM: What are your thoughts on educating children on the issue of diversity?

Ms S. P. Shanu: We do need education to prepare the groundwork for a better gender balance in our children's generation. Boys need to be raised to value girls as equals in the schoolroom so that they grow up to treat them as equal colleagues in the boardroom. My father inspired this in me to see myself as an equal and encouraged our lives in this way. My father has fought alone and striven alone until today to bring equality for his daughters, and for everyone's daughters.

His legacy of female empowerment extends beyond his family to his businesses and social enterprises. We are proud to be his daughters, to build a better world for the girls who come after us.

FOM: Should parents play a more active role in teaching children about diversity?

Ms S. P. Shanu: All parents must help bring up our children to carry the issue of diversity forward. Parents should, of course, value life education for their children as much as, if not more than, their school education. Fathers, as much as mothers, must help raise their children with a dedication to work, instilling in them a passion for learning and a grasp of the dignity that only comes from equality – just as my father and mother did for me. I appreciate doing this for Karam and Lavanya. For many, the cultural, socioeconomic, historical, and family environments have not allowed them to pursue a career.

FOM: As a first-born in the family, were you encouraged to pursue a career?

Ms S. P. Shanu: Yes, as the firstborn, I was expected, and indeed, encouraged to pursue a career. My father has always been a great visionary for women's empowerment – and that meant I have had to step up to the plate.

FOM: What do you see in the future with regard to the issue of diversity?

Ms S. P. Shanu: A diverse and inclusive employee base can give companies a competitive edge. For our part, we will always promote diversity. It is not just respect for a woman with a high-profile job or who is in a position of influence that is important for me. Becoming the female chair of a bank certainly takes hard work from one person; bringing about change, equality, and diversity in the workplace at large will require all of us to move mountains. I have faith that this change is happening and this is what keeps me moving forward in business. My inspirations are Lavanya and Karam. My father's love, my mother's powerful conviction, and my sister's encouragement and support have brought me here.

Thank you, Ms S. P. Shanu.

About Hinduja S. P. Shanu
Shanu is a strong advocate for gender equality and the evolving role of women in the economy and is a leading voice on socioeconomic issues and is a prolific writer, commentator, and speaker on current affairs. Her work has explored subjects ranging from technology, healthcare and education to Brexit and globalisation. She has also been published across the European, U.S. and Indian media. Shanu began her career at Merrill Lynch, Morgan Stanley, and Nomura, working in portfolio and asset management. She graduated in finance and economics from the INSEAD Business School in France. She was recently appointed Professor of Leadership at the University of Bolton's Institute of Management.

In addition to supporting the Duke of Edinburgh Award and the United Nations Global Accelerator—a programme designed to foster entrepreneurial ideas to tackle today's economic challenges—she has provided scholarships at Massachusetts General Hospital and Cambridge University.

She is a founding member of the environment-focused Prince Albert II of Monaco Foundation, has notably addressed the leaders of more than 130 countries at the UN General Assembly, and publicly discussed achievement of the UN's gender equality goals with former Secretary-General Ban Ki-moon in Davos.

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THE VIRTUAL FAMILY OFFICE AND PRIVATE EQUITY

By Frans Peeters & Jurgen van Olphen

For most Family Offices (FO) in Europe, these days, low or non-existent returns on government bonds and volatile equity markets have increased the interest for Private Equity investments.

Private equity is a relatively unknown industry in much of the world, yet it is one of the few ways to invest in equity ownership of private companies, generally considered the backbone of Europe's economy. Therefore, it provides an opportunity to diversify a portfolio further. Investments in companies can be broadly categorised by asset type and whether the asset type is publicly traded or not.

Private equity is a form of equity investment into private companies not listed on the stock exchange. It is a medium to long-term investment, characterised by active ownership. On the other hand, stock market investing ('public equity') is characterised by passive, insignificant, ownership.
Privately-held companies come in different shapes and forms; the same holds for private equity funds. There are funds investing in innovative start-ups and funds acquiring established companies in mature industries.

Common investment strategies in private equity following the life cycle of a company include venture capital, growth capital, (leveraged) buyouts, and distressed investments.

Generally speaking, venture capital is when private equity is invested into young, entrepreneur-led, high-potential companies. Venture capital investment are relatively small investments in a minority ownership.

According to Invest Europe's 2017 European Private Equity Activity' report, about 1.400 private equity firms had € 640 billion in capital under management. In the same year, € 71,7 billion in equity was invested in ± 7,000 companies. In addition to providing capital, private equity firms also aim to build better businesses through active ownership. Examples of active ownership are strengthening management expertise, delivering operational improvements and helping companies to access new markets. Besides, active and substantial ownership leads to a better governance structure, aligning interests, thereby evading the 'agency problem' public companies encounter.

The total market for private equity is large, with over 960 billion US-Dollars raised in 2015 and 2016, but is highly tilted geographically towards the Anglo-Saxon world. In Europe in 2017 according to "Invest Europe" only 92 billion Euros were raised and of that amount, just 4% was provided by FO's or individual investors. A far cry from the situation in the US, where today private equity matches public equity as the main investment category (21% portfolio weight each) for FO's. To cater for this high demand in private equity investments, funds tend to become larger and larger. The average size of a private equity fund launched in the US in 2017 was 1.9 billion US-Dollars. Moreover, investors are becoming more demanding for managing partner participation, the managing partners providing on average 55 million US-Dollars of the total funds raised.

To access the best funds, FO's need to have the resources to be able to analyse the different investment opportunities. For example, thorough due diligence should always be a key component of the decision process. However, it also needs to have a considerable size to be interesting as a potential investor for the best funds on the market.

In Europe, apart from a large number of Single-Family Offices (SFO's), there are lots of Virtual Family Offices (VFO's). A VFO is a lean SFO, with a small overhead and thus strongly reduced costs compared to a regular SFO. Most of its specific expertise is outsourced. A VFO typically has a maximum of three employees who act as liaison officers with banks, lawyers and wealth advisors.

This newest branch on the FO-tree can be built from scratch, but more and more wealthy families decide to reduce their SFO to a VFO barebone umbrella support structure for a number of reasons. A VFO can provide more privacy and a better cost structure and give higher flexibility since it works almost exclusively with outside service providers, mainly private banks.

Obviously, this VFO will be able to negotiate terms and respond to specific family requests, but there are of course limitations to its activities. Especially for investments in private equity, the common difficulty a FO faces accessing the best deals will be exacerbated for a VFO. Moreover, with its limited resources a VFO will not have the necessary knowledge even to consider direct investments in private equity.

Contrary to investing in listed equity, which is usually just a financial transaction, investing in private equity, be it as a direct investment or through a specialised fund, does not consist of only providing money but should also aim to improve business through active ownership. For a VFO, this will be very difficult to accomplish, resource constraints and knowledge gaps being the obvious obstacles.

Also, because of this, there is a clear bias in the direct investments in private equity a FO, especially an SFO, tends to make. A wealthy family that has gathered its wealth in a particular sector will try to add value by making direct private equity investment in this same sector. Market knowledge and a network within the sector can provide valuable input but will result in investments being tilted to this one sector. Diversification will then be limited, which is, of course, a risk factor in itself.

With the market booming and awash with investment opportunities, how should VFO's choose the best-suited vehicle?
An SFO and especially a VFO will need to choose a private equity firm to invest in this asset class. The fund focus and investment strategy should fit the FO's interest and risk appetite. It is clear that venture capital and distressed investments have a significantly higher risk profile than the overall private equity market. The investment team should have the right level of experience and should show continuity.
The track record and both the historical and expected returns of the fund should also be assessed. Also, to add value, there should also be an active involvement with the portfolio companies of the private equity fund, even more so in the venture capital and distressed investments space.

Authors:
Ir. Jurgen van Olphen, is the Founding Partner of TransEquity Network, a Dutch Private Equity firm that focusses on mid-sized companies with significant growth potential. The added value of TransEquity Network is a combination of capital and management support. TransEquity Network strives to create substantial value growth by hands-on involvement on a strategic, financial and operational level.

Ir. Frans Peeters has worked for several international banks, such as UBS, ABN-Amro and ING, in the Netherlands, Belgium, France, Monaco and Switzerland. Among other duties, he was responsible for managing UHNWI portfolios and has worked closely with Family Offices in that capacity. Frans Peeters is the founder of Verifin.eu based in the Netherlands, but operating internationally.

VALUES-BASED WEALTH MANAGEMENT: THE SECRET TO DYNASTIC FAMILY WEALTH

By Enzo Calamo,
CEO, Lugen Family Office, CEO, Medici Family Office, CEO, Moranda Family Office

Intergenerational wealth management must always be built upon people that you love, care for, respect, and trust. This is why it is essential to focus on what you value before you focus on the value of what you own.

Businesses, assets, toys, real estate, etc. will always deteriorate over time and fluctuate based on fair market value. For example, owning the most successful buggy whip business 150 years ago will probably not be as valuable to a family in today's economy. A family is only as strong as their common purpose, shared principles, and similar values. Values based wealth management is how a family's wealth will grow and prosper over multiple generations.

Legacy planning and intergenerational wealth management require a foundation of governance, based on common family values, to preserve family wealth effectively. Unfortunately, creating a shared values based mission statement is not an easy task. Our beliefs are formed by attaching our own meanings to various life experiences, even if those experiences are shared within a family.

This is why communication is vital for a family's survival. Intergenerational wealth management requires regular family meetings to discover, and reinforce, the common ground in family values. Diversity in personalities can strengthen family wealth if common values are aligned within a shared purpose. However, if individual values are different, and each family member is pursuing their own goals, family wealth will be seriously depleted within four generations.

Seven generations of legacy planning requires each generation to answer the following questions: 1) how do I fulfil my life purpose and live the life of my dreams; 2) what common values do I share with my loved ones and how can I help them to grow and prosper; and 3) how does our family want to impact the world together so

Enzo Calamo
CEO, Lugen Family Office

that we can lay a strong foundation today for future generations.

The real challenge with values based planning today is our materialistic world. The term "value" in most societies is perceived to be monetary value. Many people want to become billionaires or millionaires as their end goal. However, the real objective of our lives should be living every day based on our core values to fulfil our life purpose.

Money is only a tool to magnify our dreams. If you doubt that money is a tool, and not the end goal, envision yourself with $100 billion on an isolated island, with no way to get off the Island and no other people on that island. I am sure that you would use that money as a tool versus imagining a luxurious lifestyle.

The real value, in my opinion, is what is truly important in your life. Your core values can be: Dependability, Reliability, Loyalty, Commitment, Open-mindedness, Consistency, or Honesty. Family values are priceless! From my experience, when family members start valuing a $1 million Ferrari as more important than core family values, that is usually a clear indication that family wealth will soon vanish. Hence, the family cycle of wealth destruction begins and the family will experience the shirtsleeves to shirtsleeves phenomenon in three generations.

Lastly, I would like to address the question about the possibility of generating infinite returns on family wealth over multiple generations to create a family dynasty.

This question reminds me of an editorial called "Is There a Santa Claus?". In 1897, Dr. Philip O'Hanlon, a coroner's assistant on Manhattan's Upper West Side, was asked by his then eight-year-old daughter, Virginia O'Hanlon (1889–1971), whether Santa Claus really existed. O'Hanlon suggested that she write to The Sun, a prominent New York City newspaper at the time, assuring her that "If you see it in The Sun, it's so."

"Yes, Virginia, there is a Santa Claus" has become an idiomatic expression to insist that something is true. The reality is that infinite returns are sometimes possible within the monetary definition of value. For example, consider buying a real estate property, fixing it up and stabilising revenue, and then refinancing the property to pull out all your original money within a short time frame. If you continue to own that property and the property continues to generate positive returns, you have created an infinite return on that investment. However, only a few investments have the ability to generate infinite returns since investments depend on the market, which is out of your control.

On the other hand, infinite returns are very possible when based upon family values like honesty, caring for each other, giving, and loyalty. Thich Nhat Hanh says, "If you look deeply into the palm of your hand, you will see your parents and all generations of your ancestors. All of them are alive at this moment. Each is present in your body. You are the continuation of each of these people." However, core family values need to be reviewed regularly and flexibility must be part of the process in intergenerational planning.

As my dear friend Dr. Paul Schervish, Professor Emeritus of Sociology and a retired Director of Boston College's Center on Wealth and Philanthropy, taught me, "If you pass on your values to your children but no money, they will still do very well in the world. If you pass on your values and your money to your children, they may actually change the world for the better. However, if you pass on your money but none of your values to your children, you are only asking for problems.'

www.lugenfamilyoffice.com

Making Cash Work Harder

Citi Private Bank

The business of managing liquidity in the Family Office or private investment company requires balancing the need for both readily available cash under circumstances that cannot often be predicted, while also maximizing return. Citi Private Bank has responded to this need by combining sophisticated analysis with yield enhancement strategies.

Cash Levels Remain High Globally

Subsequent to the dramatic global market dislocation of 2008, it is not uncommon to see Family Offices' cash levels double - or even more - than pre sell-off levels. Regardless of geography or asset levels, ultra high net worth (UHNW) families have continued to maintain liquidity throughout the long recovery cycle. The reasons for this vary greatly and include the appeal of a safe reserve, the flexibility to spend or invest, market or geo-political uncertainty and liability or expense management purposes. Although all of these are relevant reasons to maintain liquidity, it remains the case that persistent high levels of cash has imposed a heavy cost on portfolio returns for UHNW families and investors are being slow to adjust.

Time to Reassess

With changes to U.S. monetary policy, Citi Private Bank recommends it is time for investors to reassess their liquidity strategies. By way of example, on December 31, 2016 a 1-year, U.S. Government Bill was yielding 0.81%. Fast forward two years to December 31, 2018 and that same bond was yielding 2.60%. Although the foregone yield (as an example, vs. a low yielding deposit) is much more meaningful now than in years past, the impact of rising inflation should be considered too. With inflation expectations above 2%, these lower yielding products and accounts will reduce an investor's purchasing power going forward. It is for all these reasons that the Citi Private Bank Global Investment Committee currently has an underweight view on cash.

Single or Portfolio

There are a number of opportunities that family offices have traditionally taken advantage of including conventional banking solutions, diversified portfolios of high-quality municipal bonds or laddered duration bond portfolios. In addition and unlike most other investors, family offices will often direct their liquid assets across multiple financial institutions, rendering oversight and integration difficult. Increasingly, we find family offices and private capital firms benefit from an in-depth analysis of both sources and demands of expected and unexpected (cushion) liquidity. Capital calls, distributions, new investments and capital needs demand a thorough and ongoing analysis that reflects the needs, risk tolerance, and goals of the family office. This type of customized approach allows the family office to skillfully bridge the demands for liquidity and yield optimization.

Solution

A customized, risk-based approach called Yield Enhancement Strategies (Y.E.S.) has been developed by Citi Private Bank's Global Investment Lab, a team focused on developing innovative and customized allocations and strategies for clients based on in-depth portfolio analytics.

Y.E.S. starts with an evaluative process to better understand the family office's – or any client's – needs. Then, based on the evaluation of the client's demands, a selection and weighting process is undertaken to optimize cash equivalent allocations using parameters such as duration, maturity, credit quality, income goals, diversification and liquidity needs. For example, the recommended Y.E.S. strategy can be comprised of distinct allocations based on the demands of a family office client including first to meet a future monetary obligation; second to maximize income; third to control for interest rate risk; and finally to allocate the remainder of the liquidity into a diversified set of higher- yielding products, all while controlling for credit and duration.

The blend of cash and equivalents is provided to a family office client as a portfolio, with highlighted characteristics and qualities. The emphasis of the strategy is to make a client's cash work for harder for them by leveraging knowledge of their individual demands and circumstances with the ability to adapt to their changing needs and a changing market. The Y.E.S. strategy is designed for longevity – clients working with their banker can continually manage their liquidity using the designated analysis, which also includes updated and optimized product offerings based on market conditions.

Contributors

David Bailin, Chief Investment Officer
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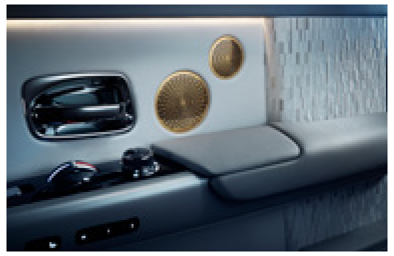
Steven Wieting, Global Chief Investment Strategist
Stephen Campbell, Chairman of the Global Family Office Group

ROLLS ROYCE

Rolls-Royce Motor Cars returns to the Geneva Motor Show and debut its full current product portfolio for the first time on an international stage.



ROLLS ROYCE
GENEVA MOTOR SHOW

by Kevin A Murphy

The Home of Rolls-Royce in Goodwood, West Sussex continues to be celebrated as a global centre of luxury manufacturing excellence and the remarkable business record set in 2018 – the greatest sales result in the brand's 115-year history - called for the marque to further expand.

200 new jobs have taken the total workforce beyond 2,000 for the first time while the company remains profitable, generating a financial contribution to its shareholder, the BMW Group.

ROLLS-ROYCE WILL SHOWCASE A FULL BESPOKE PORTFOLIO AT THE 2019 GENEVA MOTOR SHOW

Rolls-Royce Motor Cars will return to the Geneva Motor Show and debut its full current product portfolio for the first time on an international stage. Representing the near-infinite Bespoke possibilities at the heart of its record-breaking success in 2018, the marque will present one of an extraordinary collection of 25 Phantoms alongside the first publicly-revealed Bespoke Cullinan commission. In addition, two powerful visions of Black Badge and a highly Bespoke Dawn will be revealed, each informed by the taste patterns of a younger, more assertive breed of entrepreneur drawn to the brand.

Created for those who conceive and achieve the impossible, Tranquillity is an expression of Phantom's standing as the rarest and most desired object in the luxury world. This Collection is strictly limited to just 25 examples worldwide and available as both Phantom and Phantom Extended Wheelbase, which discerning collectors have already purchased.

For the precious few who commission a Phantom, the realisation of their personal vision represents a moment that sees them view the world from a rare place. Phantom Tranquillity is a statement piece for the visionaries who push beyond accepted limits. Named and crafted to celebrate the feeling of euphoric tranquillity one achieves within the car, this unique Phantom beautifully curates objects and inspirations from worlds beyond earthly bounds.

Within Tranquillity's Gallery is a design inspired by the X-Ray coded aperture masks used on the British Skylark space rocket. High energy radiation passes over and through the distinctive perforated pattern, creating a coded shadow on the layers beneath. The properties of the original radiation sources were mathematically reconstructed from this shadow and rendered in highly reflective stainless steel, 24-karat gold plating and space grade aluminium.

Inspired by the light and dark sides of the Moon, the interior colourway of Arctic White or Selby Grey leather integrates unique veneer combinations of gloss and satin, both with an exclusive metallic effect. Black gloss runs from the fascia onto all the centre consoles, while a satin finish is used for the upper glovebox and door armrests. Black gloss elements are highlighted with elegant stainless steel Pinstripes.

In both the Light and Dark variants, Bespoke Audio Speaker Frets are finished in yellow gold, complementing the additional gold elements throughout the car.

SANDAIRE

by Kevin A Murphy

Sandaire launches new Corporate Finance business

Sandaire, the international multi-family office, has announced the launch of Sandaire Corporate Finance, a new division to serve the evolving needs of its clients. By broadening its relationship-led services, this new initiative marks a key milestone in Sandaire's long-term growth strategy.

Sandaire Corporate Finance will provide independent M&A and strategic financial advice to entrepreneurs, high net worth individuals and family-owned businesses. The scope of advice available to clients includes advising on business disposals and acquisitions, joint ventures and strategic alliances.

The division will harness Sandaire's existing international networks and will provide dynamic market insights based upon an informed perspective to help clients achieve their overall objectives.

James Fleming, Chief Executive of Sandaire, said: "We are seeing a real increase in clients' appetite for integrated advice. By closely aligning wealth management with corporate finance through the launch of Sandaire Corporate Finance, we are responding to an increasing level of client demand."

Spearheading the expansion is Paul Staples, who joins Sandaire as Managing Director of Sandaire Corporate Finance. Paul will be responsible for leading and growing a team of experts to deliver tailored high quality independent financial advice.

Paul has over 30 years' investment banking and corporate finance experience and joins Sandaire from Deloitte, where he was a senior partner leading the TMT advisory franchise in the UK and EMEA. Prior to this, he was Head of UK Corporate Finance and a member of the Management Committee within the Investment Banking division of BNP Paribas.

Paul Staples, Managing Director of Sandaire Corporate Finance, said: "I am excited to join Sandaire as it enters an exciting new phase of development. With access to the combined strengths, network and market connectivity of the Sandaire platform, we are well positioned to advise clients on the optimal approach for navigating a changing market environment."

Warwick Newbury, Chairman of Sandaire, said: "Since its inception, Sandaire has focused on evolving to meet and anticipate the ever-increasing needs of clients. Our history is rooted in building strong and enduring relationships and supporting our clients with clear and purposeful advice. Sandaire Corporate Finance is a natural expansion of this focus."

"We have ambitious plans to grow and diversify our offering over the next five years, and we look forward to working closely with Paul to drive further growth and continually enhance our service with a unity of purpose."

The expansion follows a succession of senior additions to Sandaire's leadership team in recent months, following the appointments of Janet Tarbet as Client Relationships Director, Andy Mattocks to the newly created role of Head of Corporate Development, and Marc Cane as Head of Risk and Compliance.

Sandaire is one of the first independent multi-family offices in the UK and Singapore, founded by Alex Scott in 1996 who continues to play an active role in developing the business.

Sandaire is a pioneering, family-owned business offering expert investment advice to wealthy families and foundations seeking support with their long-term financial goals.

www.sandaire.com

SUPERYACHT INVESTOR CONFERENCE 2019

by Pandora Mather-Lees. Edited by Paola Tenconi

Managing superyacht owners' expectations and demands is challenging as the bar continues to rise in all aspects of build, management and service. Leading companies in the yachting industry compete to deliver high levels of quality, service, technology and design.

When "best in class" ripples through every aspect of a vessel, from state-of-the-art satellite systems to the most exquisite interior finish, one hopes that the significant investment in what is, after all, a depreciating asset will assure better liquidity, longevity and marketability in the form of a charter or future sale.

With the large sums required to purchase a superyacht today, maintaining value is critical. The annual Superyacht Investor Conference, attended by foremost brands in the industry and continually supported by sponsors such as VISTRA, dedicated to all financial aspects of yachting, and HFW, specialist superyacht law firm, is a must for industry professionals. This year, host and MC Alasdair Whyte welcomed Fraser, Benetti, Bluewater, Vistra, MB92 and Monaco Marine along with private banks such as Close Brothers and Societe Generale, in addition to ship registries, financial advisors, brokers and the all-important insurance sector.

Across two days in January 2019 over 200 delegates explored topics including yacht valuation, borrowing against the vessel as an asset class, improving the image of yachting, navigating the polar regions, fine art on yachts, flying on yachts and the delicate matter of Anti-Money Laundering (AML) and other financial hazards.

AML and similar compliance issues affect yachting just like other big-ticket purchases. Professionals now face additional compliance burdens. This was pertinent given some of the major scandals which took place last year, much debated by a legal panel looking to dispose of yachts in a distressed sale. Entitled "I want it back" the discussion included some of the top superyacht legal names in the industry including Panos Pourgourides of Hill Dickinson and William MacLachlan of HFW. Some scandals called to the fore at the conference included incidents involving motor yachts Equanimity, Natita and Indian Empress.

The latter vessel, which was owned by entrepreneur Vijay Mallya, has caused ripples on many levels, from the need to protect staff and salaries through to preventing valuables from leaving the ship as assets are frozen to pay debts. The superyacht impounded in Malta in 2017 with rising debts of €2m, provides an example of what a mortgagee ought not to do. The mortgagee stood by as other creditors acted to recover debts, including the forty employees who had not been paid for weeks. The situation resulted in attempts to remove goods from the vessels such as fine art and other valuables, under the pretext that these did not form part of the freezing of the yacht. The judge in charge ordered a quick sale which caused mayhem and ultimately failed when the purchaser (himself entwined in the scandal) never came up with the funds.

Repossessed yachts do not command the best prices, and associated liabilities may impact future buyers. A distressed sale can take the form of an auction, a private sale or sealed bids. Lawyer Sitpah Selvaratnam explained that the latter was the first choice in the sale of Superyacht Equanimity, but ultimately not successful as the Malaysian courts refused bids for the yacht, which did not meet expectations. The vessel was previously owned by Jho Low, the fugitive tycoon caught embezzling funds from 1DMB, the Malaysian state investment fund. It was seized in Indonesia and the Malaysian government hopes to recover monies through its sale. It is now on the market with Burgess at $130m without encumbrances, but difficult to dispose of because of its remote location.

These scenarios have rocked the industry and mark a sharp learning curve for those involved.
The daily trials that plague us all are not far from life at sea too, namely IT and internet demands. In a session on connectivity, Immarsat, the international marine satellite company, detailed its plans to improve life at sea where connectivity is now essential for guests. As a second home the yacht is also a place of business, but as a place of leisure, it is vital to keep those of all ages on board. One panellist said his client had asked "Will my kids be able to play Fortnite in the Atlantic?" Yachts pay dearly for premium connectivity in international waters, yet services largely remain limited. M/Y Dilbar, for its part, has a powerful internet connection - 150mb/second – better than some offices, but this is purported to cost around $5,000 per month, and is the exception rather than the norm.

It is perhaps not surprising then that even itineraries are determined by the need to stay within 4G regions for some cruisers!

In addition to investment in a yacht itself, owners invest in interiors, too. The first ever panel on fine art on yachts at this conference was a fresh theme for many delegates. In the session, moderated by Pandora Mather-Lees, who offers on-board consultations for superyacht owners and captains on how to protect their art, attendees learned about how to mitigate risk and best protect the one appreciating asset on board. Reports from the panel were shocking. Tillman Kriesel of TKA art advisors Hamburg mentioned efforts to make multi-million-pound iconic pieces 'fit' the space on board. In one instance it was proposed that a Mark Rothko work be turned on its side, another " trimmed to fit a space and then a priceless Chinese vase was secured by glue. Karolina Blasiak of Rosemont Family Office Art Advisory, meanwhile, told of damage due to a fire incident. "It was a very prestigious private vessel. The owner asked me to source and curate paintings of the Peconic Bay School and to develop a narrative between the sea, nature and land. The paintings were all hung in the living area and they were hung too close to one another. During a candlelit dinner, one of the paintings caught fire when guests started to light the candles. It takes a certain degree of confidence to have art on board".

One inspiring presentation covered a different style of investment— social media. A popular figure on the yachting scene, Northrop and Johnson's David Seal shared his secrets for social media success. For many years David has been building a YouTube presence, often to the amusement of his peers, who jibed that a typical 'follower' is not a superyacht investor. Nevertheless, Seal's channel is now a market leader, and has earned him a place as a respected authority in the industry with considerable influence, thanks to the many thousands of followers he has attracted – not to mention the financial benefits of a sizeable social media presence.

Overall, the conference was marked by a high quality of production and catering, enlightening content, diverse extra-curricular activities and a rich seam of yachting professionals attending from all over the world. Valuable lessons were learned, and the presenters were industry professionals at the top of their field, with the conference content reflecting the expertise and first-hand knowledge of the panellists present. Summed up by Jim Acher, Broker with Masters Yacht Management, "This is one conference I always ensure I get to because of the people who attend and the quality of content and speakers". Alasdair Whyte's urbane and relaxed leadership set the tone throughout from the traditional launch—a spectacular banquet. Moreover, the numerous other opportunities presented to engage with colleagues and learn off-stage proved invaluable.

Superyacht Investor, along with sister events Helicopter Investor and Private Jet Investor, propels from strength to strength as it enters its fourth year at the prestigious Landmark Hotel in London. Family Office Magazine is delighted to partner with these events.

WHY IS RAFFLES GOING TO SETUP A FAMILY OFFICE IN SINGAPORE?

by Ray Tam

Asia has been at the forefront of wealth creation in the last few decades. Spearheaded by China open-door policy in 1978, the number of billionaires in Asia surpassed the United States for the first time in 2016, and the majority of those are creators of first-generation wealth.

This means that Asia will see one of the most significant wealth transfers from the first generation to the next in the next decade. Two of the richest men in Asia, Mr Li Ka-Shing and Mr Stanley Ho, both announced their retirement earlier this year and that they were passing on their business empires to their children.

Therefore, succession planning and family governance are among the top priorities of wealthy Asian families. To ensure a smooth transition of family wealth, a growing number of wealthy families in Asia are setting up family offices to serve as their focal point in the management of the family's assets and investments.

A family office is a private and independent wealth management firm set up by the family to oversee the day-to-day administration and to provide a 360-management of the family's assets.

The primary goal is to protect, grow and transfer their wealth on to the next generation and generations to come.

On top of asset and wealth management, the family office also works with other specialists to provide advice on matters such as legal and tax advisory, family trust, insurance policies, property and estate management, or even educational programmes for young children and other lifestyle services such as purchase of private jets and yacht, provision of high-end medical services etc. It is often joked that a family office knows where to get the best manicure, pedicure and spa services, even for the pets of the family.

In layman terms, a family office is a high-end butler providing a one-stop shop to solve all the needs of the family with a focus on the long term for the benefit of future generations.

Raffles Family Office

Raffles Family Office is a multi-family office and the name of the holding company of these four entities:

1) Raffles Assets Management (HK) Limited, which provides External Asset Management (EAM) services on private banks with open architecture platform in Hong Kong, Singapore and Switzerland.

2) Raffles Capital Holdings Limited, which provides insurance brokerage services of both onshore insurance companies in Hong Kong as well as offshore insurance companies which specialise in Universal Life and Private Placement Life Insurance policies.

Mr. Ray Tam is the Managing Partner and Co-Founder of Raffles Family Office

3) Raffles Properties Limited, which provides sale of high-end residential and commercial properties in Hong Kong.

4) Raffles Corporate Services Limited, which provides incorporation of companies in offshore jurisdictions such as Singapore, Labuan, Seychelles, Cayman and BVI.

Why is Raffles setting up a family office in Singapore?

When the Trump-Kim summit was finalised, Singapore emerged as the natural choice on security and neutrality ground. Owing to the requests of our existing clients, Singapore was indicated to be their preferred choice for setting up a family office. Ultra-High Net Worth Individuals (UHNWIs) in China have a new focus on the investment side due to unfavourable government policies, a slowdown in the economy and a depreciating currency. What they want now is to protect and transfer their wealth.

The choice of location to set up a family office has a significance. It is not simply choosing a location for asset and wealth management, but also a place where the interests of the family can be best served and safeguarded.

1. Politically Stable, Pro-Business Environment

As a former British colony, Singapore adopts the Common Law, hence the legal and regulatory frameworks are clear and stable with a well-respected judiciary. In this aspect, Singapore ranks top in Asia and the 13th best worldwide according to the most recent World Justice Project.

Singapore is an independent country, politically stable and the government has consistently adopted a very pro-business stance in its policies. According to the World Bank's annual ranking, Singapore is ranked the easiest country in the world to do business in 2018.

The government is also keen to attract (wealthy) foreign investors and the Economic Development Board (EDB) and the Monetary Authority of Singapore (MAS) are both actively looking at ways to continue drawing wealthy investors to the country. For example, wealthy families can take up the Global Investor Programme (GIP) administered by the EDB which gives them permanent residency status in Singapore. To qualify, the UHNW has to start a family office with an Asset under Management (AUM) of at least S$200 million.

At the same time, Singapore has been ranked as the most liveable city in Asia and the Singapore education system has been ranking consistently near the top by OECD in the world.

2. Attractive tax schemes

Already having one of the most favourable tax schemes in the world, Singapore also has various tax incentive schemes that are attractive for the setting up of family offices there. For instance, tax exemptions on specified gains from the funds managed by family offices for both offshore and onshore Special Purpose Vehicles (SPV).

Singapore has a comprehensive network of more than 90 Double Taxation Agreements (DTAs) including China and India, two of the largest and booming economy of the world. These DTAs reduce or even exempt certain types of income and would be attractive to families with the cross-border family business enterprise.

3. Gateway to Asia

Since its founding in 1819 by none other than the namesake of our company, Sir Stamford Raffles, the British used Singapore as its crown jewel as a gateway between Asia and Europe. Singapore has a well-established and booming business hub which is often used as a gateway by companies wanting to gain access to Southeast Asia and Asia.

Singapore Changi Airport is one of the busiest in the world and it has direct flights to more than 100 cities in the world. Specifically to our clients in the mainland China, it has no time difference, is only between 4 to 6 hours flight away between Singapore and first- and second-tier cities, and 75% of the population speaks Mandarin as a second language.

Singapore, Zurich and Taipei

Singapore marks the first overseas foray for Raffles Family Office. Besides Singapore, Raffles will also set up a representative office in Zurich and Taipei in Q1 2019. In this globalised and inter-connected world, it is not about choosing this or that, but about having a full array of choices, this is precisely what the UHWIs and Families are looking for and we are ready for it.

FAMILY OFFICES LOOK TO IRELAND FOR INVESTMENT

by Alan Merriman, Chairman, Elkstone Multi-Family Office

Located in the northwest of Europe, Ireland offers more than green fields and its famed "one hundred thousand welcomes". It is also an attractive location for Family Offices and high net worth (HNW) investors seeking an array of compelling investment opportunities. When you think of Ireland, think compelling real estate opportunities; an increasingly vibrant early stage venture scene; mispriced asymmetrical private credit and lending opportunities.

Family Office landscape in Ireland

Driven by factors such as the increasing concentration of wealthy families, and rising globalisation, Family Offices are increasingly being considered as investment vehicles of choice by families with substantial wealth. According to a recent EY report, there are at least 10,000 single family offices in existence globally and at least half of these were set up in the last 15 years. The Family Office landscape in Ireland is relatively underdeveloped, with a small number of Single-Family Offices as well as the Elkstone Multi-Family Office in operation. As a country where English is spoken, and with a similar legal system to the UK, and Immigrant Investor Programme, Ireland is an attractive location for wealthy families considering alternative jurisdictions in which to invest due to Brexit amongst other reasons.

Strong Economy and Attractive Location for Business

The Irish economy boomed from 1993 to 2007, earning the name "the Celtic Tiger". The global financial crisis led to a collapse and a period of severe fiscal tightening. Since 2014 the economy has rebounded strongly. With robust GDP growth, Ireland is positioned once again as the EU28's fastest growing economy.

Ireland is a leading centre for global business. Many leading companies have located their EMEA headquarters in Ireland, most notably in the technology sector: Apple, Microsoft, Intel, eBAY, Google, Twitter, Facebook, LinkedIn, and pharmacy and medical technology sectors such as

Alan Merriman
Elkstone Multi-Family Office

Boston Scientific, Stryker, Pfizer, Johnson & Johnson amongst others. As a result, there is a lot of talent in Ireland.

World Leading Brands located in Ireland:

17 of the top 20 in ICT
10 of the top 10 Pharmaceuticals
14 of the top 15 in Medical Devices
8 of the top 10 Industrial Automation
10 of the "top born on the Internet" firms
20 of the top 25 Financial Services Firms
Source: Irish Development Authority (IDA)

Investment Opportunities

Ireland is currently the fastest growing economy within the European Union and while Brexit is a concern it has also triggered a real number of UK based companies, particularly in the financial services sector, to relocate to Ireland. The Irish Strategic Investment Fund, Ireland's sovereign wealth fund with patient capital, is also a key catalyst, with priority investment areas focused on regional development, housing, indigenous businesses and climate change, and over €5 billion earmarked to enable matching funding for opportunities that can compete internationally.

Real Estate

As 2019 began with some global uncertainty, the Irish residential market is experiencing more moderate, and we believe sustainable growth levels.
The gap between demand and supply remains a key feature, with supply still well below demand.
The institutional appetite for Build-to-Rent residential property will continue throughout 2019, representing a large and growing percentage of real estate activity. Elkstone is supporting several Build-to-Rent opportunities, and institutional interest, both domestic and international in this new asset-class is very strong.

The outlook for the non-residential property market remains positive, supported by underlying economic growth and Brexit relocations. Perhaps the most visible sign of the upturn in real estate is the 104 cranes over the Dublin skyline at the start of December, which compares to just 34 cranes recorded in February 2016.

Room rates continue to rise, but land prices and construction costs are the main challenges to those now entering the student accommodation sector. The growing number of international students will absorb a percentage of these beds.

Demand for hotel beds from corporate and general tourism continues to grow. The Central Statistics Office (CSO) confirmed that growth in overseas visitors increased by just below 7% in 2018, while growth in the number of British tourists increased by 1%. Sentiment in the sector remains positive.

Venture

There are many Irish founded global corporate players such as Kerry Group, CRH and Ryanair. These companies have been joined by leading global technology players with their European and/or Research & Development centres headquartered in Ireland. These include Apple, Google, Facebook, and LinkedIn, in addition healthcare leaders such as Medtronic, as well as financial services companies such as JP Morgan.

Such activity has influenced the dynamic domestic venture community excelling in Ireland. Notable individual successes include Aerogen in which Temasek has invested; Movidius bought by Intel; and Keyword Studios.

Sectors that we see increased activity and local success include:

Artificial intelligence, such as SoapBox Labs and Movidius; Augmented reality and VR with companies like 3D4Medical; Fintech with RegTech especially notable; and health continuing to be very strong with therapeutics and medtech; and agritech and food, with increasing numbers of dedicated VCs focused on this sector in the Irish market.

Private Lending opportunities

The Irish banking system is still in recovery mode and as such, there are a plethora of credit opportunities in the Irish market for HNW and Family Offices who are prepared to network and cater for individual deal flow. Equally, there is an increasing number of alternative lenders arriving to support activities such as peer-to-peer lending and invoice discounting, which need Family Office lending to enable growth as they build out their marketplaces. While returns are strong, accessing these opportunities is often tricky without being connected to the right people in the marketplace.

Elkstone – A Window into and out of Ireland

Elkstone, is one of Ireland's leading Multi-Family Offices, and is open to building bilateral relationships with other Family Offices to both enable investment into Ireland, and to support our entrepreneurial client base diversify their holdings and access international deal flow.

By Alan Merriman,
Chairman, Elkstone Multi-Family Office

www.elkstonepartners.com

André Rieu – LIVE in VIENNA

4th + 5th May 2019, 19:30 o'clock, Wiener Stadthalle, VIENNA
Tickets are available on www.andrerieu.com

International renowned star André Rieu is undoubtedly one of the most popular musicians of our time. Celebrated as a modern "king of Waltz" from Mexico to Australia, André Rieu plays in a league of his own. With over 700,000 spectators in 2018, this year was the most successful year of his career and made André Rieu to one of the most successful artists of the world. On the 4th and 5th May 2019, André Rieu will be performing his bombastic stage show in the Wiener Stadthalle.

Tickets start at €49 and are available on the website www.andrerieu.com.

"Music and especially the waltz are a very important part of my life," says André Rieu. "If a piece of music touches my heart, it will touch yours too. This wonderful music allows me to bring the joy of life and humour to the world. Everything is allowed in my concerts: laughing, crying, dancing, singing. Emotions are the secret of my success."

André Rieu's concerts are a firework of emotions. On about 100 concerts a year Rieu grants perfect entertainment with world-famous, romantic and soulful melodies as well as numerous surprises, humour and top-class international soloists. Together with his 60-piece Johann Strauss Orchestra, the largest private orchestra in the world, the charismatic Dutchman has been touring the world for over 30 years.

In September André Rieu's World Tour 2018 has stopped in the USA & Canada, in October in Argentina, in November in Australia and will take him in December to Great Britain. In order to manage the transport routes of the enormous production between the continents, the fabulous costumes, instruments and stage structures exist four times. Over 40 million CDs and DVDs sold, 30 number 1 chart positions and 500 platinum awards make André Rieu a real "maestro of the masses", as the New York Times goes into raptures. His YouTube videos reached far over a billion views so far. Over 3.4 million fans follow the Waltz King on Facebook.

In July 2018 André Rieu played his annual fantastic open-air concerts in his hometown Maastricht in the Netherlands. For the first time on 13 evenings, more than 150.000 fans from over 80 countries joined the spectacular concerts at the Vrijthof.

André Rieu has been married for over 40 years and lives with his wife Marjorie on a romantic castle from 1452 in his hometown Maastricht in the Netherlands. The couple has two sons and five grandchildren.

André Rieu and his Johann Strauss Orchestra are back in Vienna in 2019. Enjoy a fantastic mix of waltz, film music, musicals, opera and hits. Get the best tickets for your unforgettable evening and experience André Rieu - LIVE!

ACREW INSIGHTS

14.00 - 17.30 9th APRIL 2019
YACHT CLUB DE MONACO

FAMILY OFFICES - MANAGEMENT COMPANIES - CAPTAINS - PURSERS - CHIEF STEWS

MOVING RARE AND PRECIOUS ART ONBOARD SUPERYACHTS ACROSS BORDERS

The art on a superyacht is often highly treasured and incredibly valuable. Carrying, moving and displaying fine art on a yacht comes with many risks including care, security and increasingly, the risk of prosecution when taking these pieces into new territories. In a groundbreaking seminar, fine art expert Pandora Mather-Lees assembles an incredible panel to discuss how moving art pieces across borders can lead to significant legal and moral issues, from endangering rare species to supporting terrorism.

PANEL

Pandora Mather-Lees - Superyacht Art Consultant
John E. Scanlon - Former Secretary General of CITES
Victor Jaques - General Manager of Hedley's
Paul Lindahl - CEO of Arius Technology Inc.
Donald Christiansen - Director of Chelsea Art Group
Simon Gillespie - Director of Simon Gillespie Studio
Michael Pavluk - Vice President of Operations at Frankentek Yacht Security Systems
Dr. Holly Trusted - Honorary Senior Research Fellow at the Victoria and Albert Museum

Hedley's · Chelsea Art Group · ARIUS · FRÄNKENTEK Yacht Security Systems · SIMON GILLESPIE STUDIO

Lürssen

BUYING IN TO THE LÜRSSEN LIFESTYLE

"To those who have never owned a yacht, but who have the means, you don't know what you are missing," says John Risley.

It's a decisive statement from someone who certainly speaks from experience: Risley is the ex-owner of the 63-metre Polar Star and the 75-metre Northern Star, now called Bella Vita, both highly capable superyachts built by the family-owned German yard Lürssen.

What does owning a Lürssen entail, and what is it about the superyacht lifestyle that attracts such a wide variety of individuals? Ask a selection of owners what they love best about their yacht and they will invariably give you a range of answers, but a common theme is always the peace and privacy that a yacht affords. Privacy is a crucial factor in making a yacht feel like a home away from home – rather than a hotel – a place where you can relax and let your guard down with friends and family.

"A luxury hotel is a commercial establishment. A yacht is a home and a place to welcome and entertain family and friends. The two don't compare," says Risley.

By its very nature, a yacht affords isolation from the outside world, something increasingly rare in this digital age. *"I love the feeling of being removed from the stress of traffic and the urban pressures. The whole pace of life slows down on a boat,"* adds Risley.

Shahid Khan, a well-known repeat Lürssen owner, and currently owns one of the most talked-about yachts since her launch in 2015, Kismet. *"I wanted to own my own yacht because it's an expression of freedom and adventure that cannot be equalled, and the experience you get is one you can share with family, friends and business associates,"* he says. *"One of my favourite parts of being on board is knowing that anything is possible, whether it's a beautiful journey with loved ones or a celebration with hundreds of friends, old and new."*

Lürssen is a well-known name in the superyacht industry, having built some of the most famous yachts over the years, and, recently, many of the largest. The pedigree of a shipyard is undoubtedly a top consideration for many would-be buyers.

Kismet's 95.2 metres make her one of the largest superyachts in the global fleet today. The German yard can also lay claim to some even more impressive figures, such as building Azzam, at 180-metres she is the largest superyacht in the world. Dilbar at 156-metres is the largest by total interior volume at 15,917 gross tonnes. However, size isn't everything, and the yard builds yachts from 50-metres in length.

"We chose Lürssen because we wanted safety, stability, quality and lasting value," says the owner of Lady Kathryn V, a 61-metre yacht launched by the yard in 2011. "Our family always had smaller boats, and after a yachting trip as a guest, we decided we wanted our own yacht. Our times aboard Lady Kathryn V are the best times of our lives, especially when family and friends join us."

Positive feedback about building a custom yacht is not hard to come by, but it can still be a long and sometimes daunting process, which is where choosing the right shipyard to build the right yacht comes in to play.

"Owning a yacht, any yacht, is a very personal experience," says Risley. "Custom yachts more so, as that experience extends to the design, the construction and the use. A yacht becomes a part of the family because it brings a family together, and produces wonderful memories and happy times. I want to build my yachts with a family, and a yard owner whose handshake means something. I want to do business with people who take pride in what they do, who have a long attachment to the business, so it's not just a business, it's a passion and a source of great satisfaction."

In terms of useful advice for anyone thinking of building a superyacht, Khan's suggestions are succinct: "I am biased, but I have been yachting for almost two decades, so I feel I have an educated viewpoint on

this. The first thing you do is start with the best. That's Lürssen."

Like many owners before him, Khan has once again put his trust in the family-owned business and built more than one yacht with the German yard, the current Kismet replacing a smaller yacht launched a few years ago.

Although she was delivered three years ago, Kismet has already travelled extensively, including to London on a number of occasions. This has to be one of the main draws of yachting: the ability to see so many new places. "I have many 'favourite places', so I cannot say which I prefer," says Khan. "The way I look at it, cruising to any destination on Kismet is special. Wherever we end up, it's my favourite place in the world at that time." When it comes to onboard spaces, the choice is equally difficult. "The great thing about Kismet is that Lürssen made it possible to have multiple favourite places on board, depending on the environment, guests or event. If I were alone, I'd say it's the eagle's nest on the very top deck. When we have a party or 300-plus guests, then it's the main saloon with the two-story lounge videos. However, with family, it's the bridge deck aft with the open air, beach deck and outdoor cinema."

For the owner of Lady Kathryn V, the bridge deck is also a preferred spot to relax in. "We love the bridge

deck salon and bar with its 180-degree floor to ceiling views. This is one of the best parts of owning a yacht: the ever-changing view and of course the relaxation and privacy."

Owning a superyacht is undoubtedly luxurious, but that isn't just down to the first class service or the inherent privacy; there is also the luxury of choice in how to spend your time. Whether relaxing in the world's hotspots or travelling to the remotest points around the globe, spontaneity is your friend if you so choose, as is deciding to wake up in a new place every day. "Being on a yacht is adventurous and truly dazzles the senses," says Khan. Owning a superyacht truly is an infinitely rewarding experience for those who value time with friends and family away from the eyes of the world.

About Lürssen

The German yacht-builder Lürssen has earned an international reputation as the No. 1 specialist in exclusive, custom-built yachts. Founded in 1875 and remains solely in the hands of the 4th generation of the Lürssen family. With a workforce of 2700, Lürssen maintains eight state-of-the-art facilities at Bremen-Aumund, Lemwerder, Berne, Rendsburg, Wilhelmshaven, Wolgast and two yards in Hamburg. Its main headquarters are located in Bremen.

Lürssen Yachts
E-mail: yachts@lurssen.com - www.lurssen.com

TOP MARQUES

www.topmarquesmonaco.com

MONACO 2019

Top Marques supercar show is returning to the Principality of Monaco this spring under new management, at new dates – with many other exciting novelties!

Billed « the ultimate auto show » by Bloomberg TV and « the world's most exclusive auto show » by the New York Times, Top Marques has certainly made its mark on the luxury car scene since its conception 16 years ago and is now without doubt one of Monaco's most popular annual events.

Historically, the supercar show has been held during the Rolex Monte-Carlo Tennis but this year – the first under new owners Monaco Check-In – the event will take place just after the famous Monaco Grand Prix, from May 30 to June 3 2019.

"We have made the decision to move our event to the end of May, just after the Grand Prix ends, so that we can continue the festival of the supercar and hypercar in Monaco," Salim Zeghdar, Deputy Chairman of Top Marques Monaco by Monaco Check-In said.

"What better way to launch the summer season in the Principality than a winning combination of the Formula 1 Grand Prix and Top Marques Monaco?"

The much-loved annual supercar show, held under the high patronage of H.S.H. Prince Albert II of Monaco, promises an extraordinary collection of luxury vehicles for its 16th edition.

Amongst the exhibitors already confirmed are iconic brands Pagani, Aston Martin, McLaren, Ferrari, Bugatti, Bentley, Porsche and Lamborghini. And while organisers are remaining tight-lipped about exactly which models will be appearing, they hinted that

supercar fans would not be disappointed! McLaren, Aston Martin and Rolls Royce are all understood to be unveiling their latest state-of-the art editions in exclusivity at the event, the lead sponsor of which is Barclays bank.

The private bank heads up an extremely prestigious line of sponsors which include principal watch sponsor Rebellion Timepieces, Groupe Marzocco, Dassault Aviation, Ascoma Jutheau Husson, Air France, Sky Valet, Forbes Monaco, le Groupe Meregalli, Deco-Flamme, Monaco Top Voyages, Aloha and Monacair.

Top Marques is also supported by a number of Monegasque partners such as La Société des Bains de Mer, la Direction du Tourisme et des Congrès and La Mairie de Monaco.

Mr Zeghdar said: *"I am very pleased with how this edition is shaping up; it is going to be rich and unprecedented. The team and I have focused on developing the DNA of Top Marques. We have concentrated on getting the very best hypercars and supercars to exhibit at Top Marques, both unique models of major brands but also other manufacturers who be bringing innovation, new technologies, high performance, luxury and refinement to the Principality. However, we have not forgotten haute horlogerie and jewellery, where exceptional pieces will also be presented. In this edition, we will demonstrate our concern for new energies and introduce new-energy luxury vehicles, which allows Top Marques Monaco to affirm its environmental concern."*

Francesco Grosoli, Head of Private Bank - EMEA, Private Bank and & Overseas Services, Barclays said: "Barclays Private Bank is built on a deep understanding of our clients' passions and long-term goals. This, coupled with nearly a century of experience in Monaco, allows us to offer the right expertise, opportunities, solutions and networks to support our clients. *"We are excited to be the lead sponsor of this unique event that will focus on luxury, innovation, and green technology."*

Top Marques Monaco has become a unique event for all those interested in supercars and hypercars, and the revolutionary innovations which shape the transport of tomorrow.

This year it will shine the spotlight on a number of niche supercars from smaller, independent manufacturers such as the Anibal ICON, a carbon-fiber-bodied cruise missile with a massive 920 horsepower, from Canada. There will also be on display and for sale an extraordinary and surprising luxury auto from Bilenkin. This classic 'Made in Russia' vehicle has gold interiors and will makes its European debut at Top Marques.

The show will also feature two revolutionary vehicles from Australia, both of which have chosen Top Marques as the venue to reveal their incredible state-

of-the-art machines in public for the first time. The Azaris, is a stunning extreme-terrain vehicle which rides on six wheels and is powered by a unique fluid drivetrain designed by Ferox, the Perth company behind this 'outrageously out there' vehicle.

Meanwhile fellow Australians Zacaria Sueprcars will be attending Top Marques with their world premiere the first ever street legal Formula 1 car with a Ferrari V12 engine and a good grasp of ADR requirements.

The 2019 edition hopes to be the show's greenest yet – with a number of electric vehicles including Tesla, the Audi e-tron and the 100 per cent electric concept car from Pininfarina, as well as the Puritalia Berlinetta, a hybrid supercar from Italy.

There will also be new, ground-breaking technology from NanoFlowcell. a Swiss company which has invented an ingenious concept for its electric cars from sea-water!

For lovers of Haute Horlogerie and Haute Joaillerie the show will display a number of with exceptional timepieces from world renowned designers such as Greubel Forsey Roger Dubuis and sponsor Rebellion Timepieces. In fact, Rebellion Timepieces will not just be showcasing its' watches but also its victorious racing car, the R-One LMP1 Racing car – which will be 'given' to the buyer who snaps up the Rebellion 540 Magnum Tourbillon – for a cool 4 million euro!

For the first time ever, Top Marques will be held over 5 days, just after the Monaco Grand Prix, with the fifth day being an invitation-only occasion.

Tickets for Top Marques Monaco, priced between 40 and 70 euro, are available via the website www.topmarquesmonaco and www.fnacspectacles.com. A VIP ticket offering access to a VIP Lounge and Private Terrace is also available throughout the four-day event for 120 euro per day.

www.topmarquesmonaco.com

ROLLS ROYCE

LUXURY LUGGAGE COLLECTION

CARBON FIBER

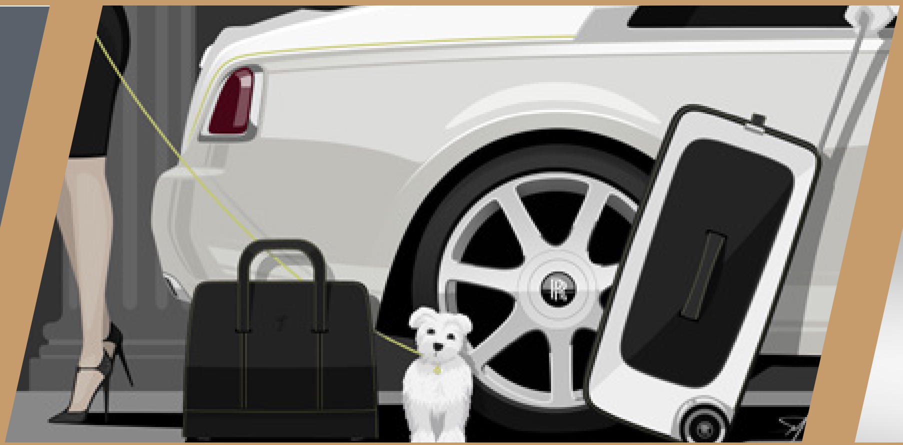
light weight and durable

A wide-set handle and a high-sided design, optimising the storage capability of the luggage.

THE GARMENT CARRIER

A sleek and slim-lined addition

The Garment Carrier sits seamlessly atop the Long Weekenders and Grand Tourers,



THE VERY ELEGANT WRAITH LUGGAGE COLLECTION DEMONSTRATES THE ART OF TRUE LUXURY CONVEYANCE

TIMELESS DESIGN REALISED WITH STATE-OF-THE-ART TECHNOLOGY

As the world leader in the art of true luxury conveyance, Rolls-Royce Motor Cars has extended its expertise to design a suite of elegant luggage to complement Wraith, the most powerful Rolls-Royce ever created.

The collection, conceived by Rolls-Royce Bespoke Designer Michael Bryden and designed in the Rolls-Royce Bespoke Design Studio led by Director of Design Giles Taylor, comprises two Grand Tourer valises, three Long Weekender bags and one Garment Carrier, meticulously designed to be housed in the luggage compartment of a Rolls-Royce Wraith. Like every Rolls-Royce motor car, they can be commissioned to the customer's exacting specifications.

Counsel was sought from experts accustomed to handling discerning individuals' luggage. The design team conversed with Head Butlers from some of the world's most illustrious hotels, who offered insight into the interaction between guests and their belongings. Luggage is not only seen as an expression of style, but also as a wardrobe from home, increasingly important as entrepreneurs and captains of industry adopt a more transient lifestyle.

Particular attention to detail has therefore been paid to the area that most often comes into contact with the owner, ensuring the experience is an entirely effortless one. The handles have been designed to ensure an even weight distribution, meaning no undue pressure is placed on the hand. An invisible stitch, a skill honed in the world of Haute Couture and used on the steering wheel of Wraith, has been applied to ensure a perfectly smooth and tactile finish. Reflecting all Rolls-Royce motor cars, refined visual aesthetics shroud state-of-the-art engineering. Rapid prototyping was used in the development of the Long Weekender to test the ergonomics of the handle repeatedly, ensuring the piece is effortless to carry. Subtle references to the marque can be found in the form of the discrete fastenings, which magnetically dock, providing optimum designed resistance formed from a solid billet of machine polished aerospace-grade aluminium, inspired by the silhouette of Wraith.

Michael Bryden, Rolls-Royce Bespoke Designer, commented, "The Wraith Luggage Collection consists of six pieces, each carefully considered to reflect the unparalleled design aesthetics of Rolls-Royce motor cars. The latest technologies and materials are blended with traditional crafts and techniques, leading to an elegantly executed and thoroughly contemporary luggage collection, designed exclusively for Wraith, the ultimate gentleman's gran turismo."

The distinct style of Rolls-Royce Motor Cars accompanies the discerning traveller on any epic voyage. The Spirit of Ecstasy, the flying lady figurine that has graced the bonnet of each Rolls-Royce motor car since 1911, is elegantly embossed onto the exterior of each bag.

Self-righting wheel centres featuring the Rolls-Royce double-R emblem adorn the Grand Tourer, offering a fitting reflection of Wraith itself.

THE AFFLUENT BORROWER PARADOX

CLARITY

Article by **Daniel Grillo**

A paradox, upon investigation, often proves to be true. On the face of it, borrowing while affluent seems utterly irrational. Some might even compare it to driving while intoxicated: reckless, irresponsible, a perilous activity which often ends in tragedy. However, upon closer inspection, the seemingly contradictory nature of the "affluent borrower" dissipates, leaving behind major, overlooked opportunities.

Why should wealthy members of society consider using credit? While this is hardly a common topic of conversation at most exclusive clubs or black tie galas… it absolutely should be.

Those who are fortunate to be prosperous often collect fine art paintings, sculptures, classic and exotic automobiles, vessels, rare antiquities, and artefacts. However, these collections are rarely valued as merely physical assets or storehouses of wealth, but instead revered akin to conquests or triumphs as distinguished by their acquisition and possession.

For the collector, these purchased assets are amassed over time or purchased as complete collections, enriching the palimpsest of provenance stretching back through history. The well-heeled collect art and other assets for myriad reasons, but rarely from a strictly defensive posture – that is, seeking sustainability or survival. It is not a surprise then that Rembrandts and Ming Vases are seldom mentioned within the context of Maslow's Hierarchy of Needs. Rather, beyond appreciation for the unique qualities of these assets themselves, their acquisition and aggregation are driven in part by certain showmanship, exhibitionism, and pride.

The fact is, most true collectors are not motivated by historical appreciation alone, as long as their assets' worth does not decline in value over time – something which many believe would be almost unprecedented. The real value of any luxury asset is its appeal to the owner, its ability to quench a thirst for a moment in time as the asset is pictured hanging on a wall, around the neck of their loved one, or donated to a museum with a special plaque of appreciation displayed prominently for all to see. Like art itself, the ownership of great art or similar luxury items can create the ultimate legacy – a legacy which can stand the test of time.

Sometimes, of course, luxury asset owners come into possession via inheritance or estate plan. More often than not, the recipient is left not just with a great gift and its incredible potential benefits, but regrettably, with a potential dilemma for those who are inexperienced: "Whatever shall we do with this?" Alternatively, more commonly, "How can we make money from it?" Sadly, many new luxury asset owners resort to shady financing or quick sales via unscrupulous parties, not realising that they are shorting both the intrinsic value of the asset and its financial value as well.

The fact is

"Most true collectors are not motivated by historical appreciation alone, as long as their assets' worth does not decline in value over time"

Unfortunately, despite how common and fruitful asset-based lending is, there remains an underserved, negative stigma associated with it. The greatest fear for people of means is for their inner circle to learn that they have borrowed against one or all of their luxury assets, without understanding the shrewd choices being made behind the scenes. Alternatively, worse still, false assumptions are made about their motivations or liquidity. Moreover, yet, ironically, rather than mismanaging their good fortune, those who understand and embrace the right opportunity involved in borrowing against assets stand to reap significant rewards.

Yes, loans need to be repaid, or collateral gets sold. All borrowers must have the ability to repay their debts, and as it relates to borrowing against assets, this repayment should come from revenue generated from solid investment strategies and smart business. Borrowing then, should not be a reaction to an event, but a preordained plan of action to execute a specific stratagem. However, what type of stratagem?

The asset lending industry often misuses the word "monetisation." Monetisation does not (just) mean to convert an asset into liquidity; it also means converting the liquidity into profit or revenue. Astute collectors who have a plan in place for their newly-borrowed liquidity are monetising their assets. Asset owners who are simply looking for liquidity as a reactive measure to some situation in their life are borrowing against their assets.

As previously mentioned, luxury assets tend to trend up in value over time, making them strong collateral for lending consideration. However, the market for these services is not easy to navigate. Though many claim to lend against luxury assets, most of these "lenders" have a segregated and diversified investment portfolio, and use luxury lending to "anchor risk" carried by some of their other strategies. Unfortunately, luxury assets often become balance sheet enhancements for these types of lenders, who may not have their clients' best interests in mind. Dealing with reputable, experienced financiers in this space is essential, as is having the right advisors who can walk asset owners through the lending environment. Your advisors must understand your specific goals and objectives, as well as your ideal exit strategies.

Henry David Thoreau once wrote, "The cost of a thing is the amount of what I will call life which is required to be exchanged for it." He was speaking of trying to live more by spending less, but his comments are equally applicable here. Luxury assets carry tremendous value if utilised for their monetisation qualities as well as their artistic beauty and aesthetic appeal. However, no one needs to sacrifice one for the other. If we can eradicate the negative stereotypes surrounding affluent borrowing, we can draw more life from the things we own. Luxury asset owners can then proudly show the world how they are making returns while their Rothko hangs on the wall.

About the Author:
Daniel Grillo is Global Manager of Truss Point Partners, a specialised financial services firm providing liquidity to asset owners globally.

www.trusspointpartners.com

THE HIRING CONUNDRUM:
WHY BEING OPEN-MINDED MAY HELP FAMILY OFFICES ATTRACT AND RETAIN TALENT

Sometimes a subject follows you around. Early in my career at a private bank, I was tasked with researching and producing a paper on family offices to help the firm connect with clients in this space. I discovered that the industry is, like the families it serves, lacking in uniformity ("if you've seen one family office, you've seen one family office"), but the theme which came up continually was the challenge of effective hiring.

The primary reason for this seems to be the sheer breadth of what family offices offer. Their employees need to be generalists, ideally, without compromising on their specialism – it's a tricky balance! Boundaries between roles can be blurred and everyone is expected to get involved when it really matters. When safeguarding families' interests is the primary goal, the stakes could not be higher.

Family offices which are principally investment houses may have a clearly-defined set of skill and experience requirements for new hires, but full-service multi-family offices such as ours look for a much wider variety of skills in a single individual. The difference was perhaps more apparent to me than most, having started my career in a multinational bank with thousands of employees across hundreds of departments. At my previous employer, it wasn't just that people weren't expected to fix a piece of broken office equipment themselves; they were actively discouraged from doing so. This might be because nine times out of ten they would have made it worse(!), but it also had to do with the company being large enough that there were efficiencies to be gained by allocating certain tasks to a specialist team.

Shortly after I arrived on my first day at Hottinger, I caught sight of a pair of feet protruding from under a desk. "This is Tim," I was told, "he's the head of investments." Tim also happened to be the person who installed the phone system, so he'd taken time out from his busy trading desk to cable my new handset. As he emerged with a cheery "Hello!", I recalled something I'd seen in a paper by Family Office Exchange: "The ideal hire is a credible, experienced finance professional who doesn't mind fixing the photocopier."

I'm fortunate to be among colleagues with the attitude that - in addition to our core roles - there are tasks essential to the continued operation of the firm that simply have to be shared between us. Larger companies can become siloed and a mentality develops that something 'isn't my job'. In family offices, almost everything is arguably everyone's job. There's a sense of community that comes from collective responsibility, and in our case, it's led to a versatile and effective team. We don't mind coming out of our comfort zones as we're rarely in them to begin with!

Family offices are often light on staff from banking and wealth management backgrounds because their search for the right people takes them beyond the usual places. Requirements vary as much as the firms themselves, but the holy grail of attributes seems to be a willingness to step outside the confines of a 'day job' to achieve whatever needs to be done for our clients. The hard-to-find nature of the flexible all-rounder has led us to hire unconventionally, seeking raw talent rather than hiring based on prior experience or tenure. This requires patience and a solid experience base from which recruits can learn, but we believe it creates a pipeline of talent that will connect with the clients of the future.

For some, seniority means not having to deal with certain things, while others genuinely thrive on variety. I certainly do. How can you get bored when there are so many different aspects of your job? My first week at Hottinger included assisting a struggling luxury business, researching the viability of anaerobic digestion projects, administering an elaborate collective investment scheme, coordinating five service providers to make an urgent payment and ascertaining the redemption requirements for an imminently-maturing collection of secured loan notes. Subsequent weeks have been no less diverse or challenging.

Family offices often struggle to benchmark their employees' remuneration against the rest of the market, although in recent years firms such as Campden, Family Office Exchange and Agreus have produced material to facilitate comparisons within the industry. Finding a counterpart for a family office employee in a more traditional wealth management business is challenging simply because of the scope of the family office employee's role in comparison. Even if an accurate compensation benchmark were available, sometimes family offices cannot match the salaries on offer at larger firms. We feel it's best to compete where you can, to offer what others cannot. The reward can take the form of various financial and non-financial components which mean different things to different people. By finding out about each person's values and motivations, we can tailor a package that suits them. Equity options, contingent incentives, team building trips, support with academic qualifications, personal development, business travel and flexible working are just some of the tools available. Family office employees frequently invest their career in a business in a way that seldom happens elsewhere in financial services, so investment in hiring yields significant rewards.

It's refreshing to be part of a business that thinks differently about hiring and searches for talent in unusual places, especially in an industry where diversity is a constant challenge. Social mobility is particularly important to the senior team here, so we try to ensure that opportunities are available and visible to those who might not ordinarily access them.

Family office hiring is a conundrum not easily solved. Getting it right can have an extraordinary effect on productivity while getting it wrong can be equally costly. For us, it's about being open-minded when it comes to job design, reward and employee development.

By Emily Woolard, Hottinger Group

Michel Dotta, Chairman MEB

MONACO: *A THRIVING BUSINESS PLATFORM*

Monaco may be famous for being a glamorous place (Grand Prix, Casino, etc.), but if you look more closely, you will discover a balanced and diversified economy. This is mainly due to the vision of a succession of the Princes of Monaco which provides stability to the principality that is a key factor for future prosperity and also enables the country to deal better with any potential crises.

Monaco is a dynamic platform with GDP of €5.68 billion. Finance and insurance represent 17.8% of GDP; scientific & technical activities, administrative and support services (corporate) 17%; hospitality and retail 12.5%; real estate 10%; construction 8.7%; international trade 8.4%; administration, education, health and social welfare 7.2%; information communication (mainly ICT) 5.4%; personal services 5.1%; industry 4.1%; and lastly transport/storage 3.7%. GDP per capita at €67,796 is one of the highest in the world. GDP per employee is €104,603. Monaco hosts more than 5,000 companies, composed mainly of SMEs with a focus on services. They are high added value and non-polluting and hire 52,000 employees within the Principality of Monaco.

It's a sustainable model is due in part to its debt-free economy with reserve funds equal to four years of state expenditure (two in liquid assets) and a balanced budget (€1 billion) of which 30% on average has been invested in infrastructure and amenities over the last 50 years.

Monaco enjoys social, fiscal and political stability for over seven centuries. While it has a reputation for being tax friendly, that is not to say there is no tax – indirect rather than direct taxation is the favoured route. VAT is under 20% and represents 50% of state revenue. In addition, the balance between a free-market economy and the social welfare of the people is also unique. With regards to fiscal transparency and cooperation, Monaco has a structure in place to combat money laundering and terrorist financing which is unanimously recognised by international bodies like FATF (Financial Action Task Force) and the OECD (Organisation for Economic Co-operation and Development).

Major projects are underway, for example, the land extension on the sea which complies with environmental restrictions to meet the growing needs of residents and investors. This policy promotes renewable energy and sustainable mobility aiming to cut emissions by 50% by 2030 and be carbon neutral by 2050.

Monaco is also an international business environment with over 140 nationalities which make up an extensive and accessible business network on 2km2 that is very accessible. They are businessmen and women from diverse backgrounds. Many are experts in their field who chose to settle in Monaco to live and work, having achieved success elsewhere.

The location is ideal as its close to Nice Côte d'Azur International Airport, the second busiest hub for business aviation in Europe with 13.5 million travellers pass through its terminals in 2017. In addition, being situated in the heart of the Mediterranean basin and part of the Euro Zone, Monaco is a gateway to Africa and has international influence abroad through it's extensive diplomatic and consular corps.

The quality of life in Monaco is unique, its not just about the mild climate and strategic location between sea and mountains. Monaco is a multi-cultural place where 38,000 inhabitants enjoy a maximum level of security with 1 police officer per 70 residents and a highly effective CCTV system. In addition, it has excellent health care and education systems, and a busy cultural and social calendar with over 700 international events every year. 25% of the country is green spaces and 30% of its electricity is green - ecology.

As Michel Dotta, chairman of the Monaco Economic Board explains the MEB informs and guides single-family offices that are attracted Monaco as a place to do business: 'We're very much in line with helping SFOs find the right structure and connect them to the right people. There are a lot of single family offices currently operating in Monaco and we look forward to welcoming more to the 'new safe and viable destination with a debt-free platform, future-level digital security and an international setting".

The Monaco Economic Board is an organisation that has been set up in 1999 to promote Monaco as an international business hub.

The MEB organisation is supported by Monaco's Government and has 500 company members; membership is voluntary. The board integrates nearly all stakeholders of Monaco's economy. The MEB is Monaco's National Committee to the ICC since 2001 (ICC MONACO).

Its priorities consist of developing Monaco's entrepreneurial base and being proactive in making networks operate effectively for all those involved.

Contributing to the local economy as the Government's operational arm, the MEB is in permanent contact with people in business. It is well briefed and acutely aware of their concerns and are therefore well able to respond, often working with local authorities, public and private.

The MEB's intention is to build and strengthen the MEB working relationships with companies and financial institutions at home and abroad.

Its missions are to attract new businesses, new entrepreneurs to bring their economic expertise and spheres and set up business activities within the Principality of Monaco and to support the development of Monaco companies on a local and international level.

www.meb.mc

MAKING AN IMPACT ON SOCIETY AND YOUR PORTFOLIO

Interest in impact investing is on the rise and transforming how investors are balancing social impact investments and portfolio returns. According to a Morgan Stanley report, 71% of active individual investors are interested in impact investing with millennials twice as likely as other individual investors to consider impact investing.

Impact investing options are seemingly endless. At Tortoise, we focus on essential assets; those assets that are indispensable to the economy and society. Examples include education and healthcare facilities that serve our youth and seniors, as well as water and energy infrastructure projects that provide clean drinking water, fuel our cars and heat our homes.

But can impact investing provide solid portfolio returns while also making a positive impact on society? Before investors get on the impact investing bandwagon, it is essential for them to reflect on their objectives. And it is an advisor's fiduciary obligation to explore options for the most suitable investment. If it's a desire to give back to a non-profit organisation, it could be as simple as making a charitable donation. But if it's impact investing, advisors should help investors assess the risk/return profile that best suits their needs and balances the desire to give back with the desire for strong investment performance.

Capital Supply/Demand Imbalances

Tortoise developed a high yield, tax-exempt, direct lending strategy where we feel family offices can make an impact while meeting their return hurdles.

Within the capital markets there often exists capital supply/demand imbalances. However, it is infrequent to find a market where a capital supply/demand imbalance exists while simultaneously providing a positive risk-return and a societal good.

At Tortoise, we feel we are investing in a market that meets all three metrics. We lend to borrowers that we believe run essential businesses, businesses that are necessary for society to function. We lend to charter schools, senior living facilities, healthcare facilities, and special purpose project finance, such as waste

Gary Henson, CFA

President, Tortoise Investments

to energy. Under the private activity bond act, tax-exempt financing can be an option for all of these entities.

Capital supply/demand imbalances in this market are caused by a combination of lower taxes for commercial banks, tighter economics and regulations for commercial banks and regional investment banks, and massive demographic trends on the demand side. The growth in senior living facilities and charter schools is persistent and strong. Many commercial banks and regional investment banks have vacated the financing of these entities unless they are large and investment grade.

Consequently, a capital supply/demand imbalance has evolved, increasing investment needs for social infrastructure projects. Direct lending has helped fill the gap, disrupt traditional financing and provide investors with an attractive risk/return profile. Direct lenders such as Tortoise provide early stage and bridge financing where borrowing is a challenge, providing capital when they need it most and help them grow to a point where they are better positioned to secure traditional financing.

"Through direct lending to social purpose providers and 501(c)(3) organisations focused on social infrastructure, we aim to provide a bridge to more traditional forms of financing," said Tortoise President Gary Henson. "Meanwhile, investors can earn a high level of tax-exempt income in these assets. Leveraging capital supply/demand imbalance opportunities put risk and reward in an investor's favour and captures the illiquidity premium associated with holding illiquid assets."

Direct investing strategies for social infrastructure projects may also offer borrowers other advantages over traditional financing including a significant reduction in upfront transaction costs, elimination of rating agency expenses and reduced execution time.

Win-Win for Borrowers and Investors

Yields from directly originated securities tend to be attractive for investors, ranging from ~6.5- 11% tax-exempt annualised yields which can equate to tax equivalent annualised yields for high tax bracket investors of over 10% to up to 17%. Ideally, borrowers pay a cost of capital they can afford and investors may get a tax benefit that can significantly increase their return, creating a win-win situation for both borrowers and investors.

Social Impact Investment Spotlight

An overcrowded community in Arizona was stretched thin with a public school striving to serve 30,000+ students. The community lacked the ability to raise the necessary funds to open a desperately needed second school. That's when two area educators set course to open a charter school in the area, and direct lenders including Tortoise stepped in, purchased an empty office building in the community, and opened a charter school that now serves 450 area youth.

Disclaimer: *Nothing contained in this article constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This article n contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although Tortoise believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This article reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intention. Discussion or analysis of any specific company-related news or investment sectors is meant primarily as a result of recent newsworthy events surrounding those companies or by way of providing updates on certain sectors of the market. Tortoise, through its family of registered investment advisers, does provide investment advice to Tortoise-related funds and others that includes investment into those sectors or companies discussed in this article. As a result, Tortoise does stand to beneficially profit from any rise in value from many of the companies mentioned herein including companies within the investment sectors broadly discussed.*

Tortoise

Tortoise invests in essential assets – those assets and services that are indispensable to the economy and society. With a steady wins approach and a long-term perspective, Tortoise strives to make a positive impact on clients and communities. To learn more, please visit www.tortoiseadvisors.com.

Gary Henson, CFA, President

Mr. Henson joined the board of Tortoise in 2009 and formally began working at Tortoise in 2016. Mr. Henson was formerly the CIO for a family office as well as the CIO of Mariner Holdings and its affiliates. Mr. Henson has more than 29 years of institutional money management experience at banks, insurance companies and foundations. Mr. Henson earned his Bachelor of Arts degree in business from Westminster College (Fulton, Mo.) and is a CFA® charterholder. He serves on the board of directors of Shatterproof, a national organisation committed to ending the stigma of addiction with a particular focus on the prescription pill crisis. He is also a board member of the National Association of Intercollegiate Athletics (NAIA) Champions of Character.

www.tortoiseadvisors.com

ICT SPRING 2019: FinTech Summit

A new edition of ICT Spring will be held on May 21st & 22nd, with more than 30 experts sharing their knowledge and discuss the latest FinTech trends. ICT Spring, a two-day event created in 2007 aims at facilitating the meeting of minds, encouraging emulation and networking with industry leaders, will take place at the European Convention Center Luxembourg, at the very heart of Europe.

Today, the organisers are announcing an impressive list of international speakers, companies and innovative startups, who will take part in the event. This edition will include convergence sessions between the different summits: AI, Digital, FinTech & Space. Xavier Bettel, Luxembourg's Prime Minister and Pierre Gramegna, Luxembourg's Minister of Finance will also participate and share their views on the government's strategy and Luxembourg's ambitions in today's (Fin) Tech Europe.

Digital technology has dramatically changed the way clients interact with banks – and vice versa -, forcing them to evolve from traditional banking operations to online-based services. Therefore, banks have to rethink and reinvent the way they are operating and find innovative ways of extracting value out of customer's data. This can include co-existing with non-banking services to attract customers, co-developing new experiences, and much more. To discuss the latest FinTech trends, the organisers have brought together FinTech experts from all around the world who will share their expertise and latest innovations next May.

FinTech beyond the 360 approach

On May 21st, KPMG will officially open the FinTech Summit and act as Master of Ceremony of this morning conference. Chris Skinner (Author, Speaker and Troublemaker) known through his blog "The Finanser" but also for being one of the most influential voices in FinTech, will share his knowledge with a presentation entitled 'Is it FinTech or TechFin?" Indeed, FinTech has been all the rage the past few years, gathering billions of dollars of investment and spawning a wide range of unicorn start-ups, but what if it's all wrong? Alibaba's Jack Ma prefers the term TechFin, as he believes "it is wrong to put finance first'. According to him, it should be technology first. What's the difference in these points of view and what does it mean to your bank's strategy?

Claude Marx (General Director, CSSF) and James Chou (Managing Director & CEO, Microsoft for Startups for Greater China, Japan & Korea, Chair of Technology and Innovation Committee of American Chamber of Commerce) have also confirmed their participation through a keynote speech. Carlo Thelen (Director General, Luxembourg Chamber of Commerce), will give insights about the position of Luxembourg in today's world of modern technology before introducing the official talk of Luxembourg's Prime Minister Xavier Bettel. This first morning will end with a speech from Luc Julia (Vice President of Innovation & CTO, Samsung Electronics) about the fact that "AI does not exist". Being the co-creator of Siri and known as one of the fathers of artificial intelligence, he will share his views that AI will be able to create something that does not exist yet. Luc Julia will notably talk about an algorithmic revolution that surpasses the pure frame of mathematics and blends all fields to innovate and break the rules.

New banking generation & payments

Fintech has made some of the most significant inroads in areas big banks have shunned since the financial crisis. Lack of trust in established companies created space for start-ups that are often leaner, thanks to the use of technology. These new FinTech companies have made serious competitive inroads in areas banks have backed away from, and billions of dollars in venture capital money has followed.

This first afternoon will be divided into three key topics: "New banking generating, "A Game-Changer in Payments" and "Discover FinTech hubs across Europe". Startups will have the opportunity to pitch their innovative solutions during a session called "Skyrocket your Business: 30 minutes of innovative ideas". Duena Blomstrom (Author, Keynote Speaker, Creator of Emotional BankingTM, @ Forbes Writer, Co-Founder & CEO PeopleNotTech), will explain why the new banking generation is more about people and not technology. If big organisations, especially banks, want to take advantage of fast-paced technology and deliver addictive experiences to the consumers, they must embrace new agile ways of working and new ways of thinking. In other words, they must focus on how to make their people feel psychologically secure enough to exhibit knowledge, courage and passion. In her book "Emotional Banking ™ Fixing Culture, Leveraging FinTech and Transforming Retail Banks into Brands", Duena Blomstrom tells the story of having arrived at the realisation that people's feelings about their money were not investigated and her quest to explore why banks haven't done so…yet!

Benoit Legrand (CEO, ING Ventures & Chief Innovation Officer, ING), who's responsible for Fintech at ING but also for developing the bank's strategy towards innovative financial technology companies, and Douglas Feagin (President of International Business, Ant Financial Services Group), in charge of spearheading the company's globalization strategy, as well as Alipay's international business development, operations, and marketing activities, are already among the confirmed speakers. LUXHUB, a Luxemburgish company created by 4 major banks and aims to provide an innovative answer to the upcoming PSD2 European Directive will also take part in this afternoon.

This first FinTech Summit day will end with insights from Talent Route, the first network of Fintech Hubs in the area which connects startups and accelerators from all across the world to facilitate access to new markets and international talent. LHoFT will then introduce a round table discussion entitled "For an EU Fintech Strategy: a joined framework to increase competitiveness for European FinTech companies", which will bring together several international experts.

Sustainable Finance

During the second day of ICT Spring, on May 22nd, local and international experts take the stage and explain why sustainable financing projects require effective public-private cooperation and alignment of public strategies with the needs of the private sector.

This session will include speakers from LHoFT, a private sector initiative driving technology innovation for Luxembourg's financial services industry, which will also act as Master of Ceremony, and Deloitte, with a talk on "AI for financial services". Among the confirmed speakers are Brett King (Bestselling Author, Speaker, Founder, Radio Host, TV Commentator), a world-renowned expert on all topics associated with the future of banks and businesses, and Douwe Miedema (Editor-in-Chief, Luxembourg Times). Both experts will be included in a round-table covering the topic of sustainable finance and its importance for societies. Anand Rao (Global & US Artificial Intelligence and US Data & Analytics Leader, PwC US) who has co-edited four books on Intelligent Agents and has published over fifty papers on Computer Science and Artificial Intelligence, will cover the topic of responsible AI within Finance. In a parallel session, Patrizia Luchetta (Strategic Advisor and Independent Director), Larissa Best (Co-Founder & Director, Equilibre Luxembourg), Anne-Catherine Ries (First advisor to the Government - Media, Telecommunications and Digital Policy, Prime Minister's Office), Assaf Topaz (Horizon 2020 Expert and Jury Member for the European Innovation Council (EIC)-SME, European Commission), Ulf Nehrbass (CEO, Luxembourg Institute of Health) and Michal Michaeli (Entrepreneur & Founder, Eva Ventures) will highlight how to enhance women's role in the Tech industry.

It's all about Money

Over the past years, digital currencies such as bitcoin have caused a financial frenzy. The "value" of all money is unstable and abstract, even in the face of every attempt to secure it,with a set rate of exchange against various assets, or to regulate its flow by setting interest rates.

Paypal, using data encryption and anti-fraud technology to help keep your information secure, and therefore reducing the risk of online fraud, is among the confirmed companies. Jean-Louis Schiltz (Attorney, partner at Schiltz & Schiltz S.A.) will introduce the round table bringing together Marc P. Bernegger (Member of the Board, Crypto Finance), Bernadette Leuzinger (COO, Crypto Fund), David Fauchier (CEO/CIO, Cambrial Capital) and Joram Voelklein (Co-Founder, Cryptology Asset Group), who will all share their expertise about money while focusing on crypto assets, which is a type of private financial asset that depends primarily on cryptography and distributed ledger technology as part of their perceived or inherent value.

ICT Spring Gala Dinner: rewarding the best startup from Pitch Your Startup

After an insightful day of the conference (May 21st), 600 guests, speakers and ICT top managers will attend the ICT Spring Gala Dinner. This gathering encourages emulation and networking of professionals on a European scale. During the Dinner will be hosting the awards ceremony of the Pitch Your Startup competition, which will reward four startups of different verticals: Fin- & RegTech; Artificial Intelligence, Machine Learning & Big Data; Smart Living and Cybersecurity. This event will honour 100,000€ from Docler Holding to the winners.

More information about Pitch Your Startup: www.pitchyourstartup.eu

About ICT Spring

ICT Spring is a Global Tech Conference hosting an array of international professionals. This two-day yearly event is held in Luxembourg City, and offers the participants a unique opportunity to deepen their Digital Knowledge, capture the Value of the fast-growing FinTech Industry, and explore the impact of Space Technologies on Terrestrial Businesses, through exhibitions and demonstrations of the latest Tech Trends and Innovations. ICT Spring is also the perfect place to network with peers and future business partners.

ICT Spring is organised by Farvest Group, the leading marketing & events agency in Luxembourg.

More information & registration:

www.ictspring.com

MARBELLA CLUB

ANDALUSIAS MOST ICONIC BEACH RESORT ENTERS A NEW ERA 65 YEARS ON

"Luxury is a blend of privacy and gardens"
Prince Alfonso von Hohenlohe

Prince Alfonso von Hohenlohe founded the Marbella Club in 1954.

This legendary resort began its journey as a beautifully rustic beach club attracting the bold and the beautiful from Hollywood film stars to European royalty and nobility. The result of Prince Alfonso's inexhaustible 'joie de vivre' was a carefree utopia that evolved organically from humble, playful intentions. Today this small slice of paradise has retained its original magic while evolving to become one of Europe's most sought-after beach resorts.

Situated in the heart of Andalusia's 'Golden Mile', the Marbella Club has been under the helm of second-generation owners since 2011, They have set about sensitively modernising the resort with insightful vision and style while staying true to its original charm. The result is a timeless evolution where heritage and innovation work in perfect harmony.

Beginning life as a humble collection of rooms dotted around a patio and inspired by the then new age of Californian motels, the Marbella Club has evolved over time to include 115 rooms and suites. Fifteen of those are individually designed 2 to 6-bedroom villas. There is also a variety of restaurants, bars and guest offerings. It feels more like an Andalusian village, connected by bougainvillaea-lined walkways and sun-soaked patios decorated with hand-painted tiles.

The Marbella Club is much-loved for its 'perfectly imperfect' approach where understated elegance and pared-back design features bespoke furnishings. A carefully curated selection of art and photography fills the walls by artists such as Pablo Fernandez Pujol, Elisabeth Langford, Vicente Viudes and Martín Zerolo. Many images relay a bygone era of the party-filled decades when guests such as Brigitte Bardot, Carey Grant and Grace Kelly enjoyed the resort as a place to switch off and indulge in total privacy without being 'on show'. This ethos still very much remains the same.

New to the hotel is a progressive approach to wellness, designed for guests to embrace slow and mindful living away from the trappings of modern life. Wellbeing, spa, nutrition and fitness are the four cornerstones of Wellness at the Marbella Club. Guests are invited to take part in highly personalised and goal-orientated programmes.

The spa at the Marbella Club is one of the very few Thalasso spas in Spain and offers an extensive sensory experience while harnessing the profound benefits of the Mediterranean Sea. The newly introduced Holistic Studio offers advanced integrative and holistic health practices to identify root causes and provide long-lasting benefits to target modern day issues ranging from adrenal burnout, insomnia, weight loss and fitness. A daily agenda of wellness activities range from aerial yoga, Pilates and kundalini energy healing to HIIT classes and nutritional wellbeing workshops. The teaching approach is intuitive, deeply nurturing and healing with guests able to reap the benefits of a destination spa within a beach hotel environment and without having to compromise on travelling with family or friends on a different agenda.

Home to one of Europe's most impressive and creative Kids Clubs, the Marbella Club offers an enchanting 5,000 square metre utopia for children set in the grounds of Prince Alfonso's original family home. This converted farmhouse is where the magic of the Marbella Club originated and now provides a wholesome wonderland for children to get inspired and be creative. Group activities range from gazpacho-making and gardening to flamenco-yoga, archery, art upcycling and perfume making – all infused with the resort's overarching 'back-to-basics' philosophy.

Sitting under La Concha mountain, the Marbella Club enjoys a unique microclimate making it a destination of year-round travel that's ripe for activities such as hiking, cycling, horse-riding, tennis, golf and even skiing at its sister hotel El Lodge in the Sierra Nevada. With over 60 years under its belt, the Marbella Club offers guests unrivalled access to the hidden treasures of Andalusian culture and cuisine from the hand-painted ceramics to locally sourced products.

Activities aside, the real allure of the Marbella Club lies in its boundless charm and the lively spirit that has evolved organically over time. It's no surprise to see three generations of families happily holidaying together. This is a testament to the owners' commitment to maintaining the magic of its past while subtly innovating to meet the expectations of the modern traveller.

www.marbellaclub.com

ASIA IS ON THE RISE

BUT IS THE TALENT AVAILABLE?

By Dudley Edmunds

Recent media reports appear to agree with the points raised in my previous pieces: you must ensure that the right people are in place and that they have an appropriate level of expertise and experience. This would seem to be particularly relevant when looking at the expanding Family Office market in China and India.

Family Offices within Asia, as a whole, are on the increase. It is estimated that the area has circa 38% of the global billionaire base (in terms of US$) and that this will grow exponentially. Hong Kong and Singapore have been the main hubs in East and South East Asia, but they will reach out to other suitable financial centres within the region as a whole.

The growth potential for both single and multi-family offices within China is widely recognised. However, all these new ventures will require proven financial expertise and that expertise should be coupled with cultural and global understanding and networks.

Hong Kong and Singapore are a good hunting ground for CEO, CIO and COO types but there may well not be enough to go around. If this is the case (and it is very likely), then the Family Office will need to look to Europe or the USA to hire the right people.

The same issues apply to the growth in India although, arguably, with firmly established links between India and the Middle East. Through the commerce and the Global Non-Resident Indian (GNRI) network, there is, perhaps, more potential to find suitably qualified and culturally knowledgeable senior executives.

However, do you need these top quality and expensive people in your Family Office when you have a plethora of bankers/wealth managers knocking on your door, all keen to sell you their various solutions to all your problems and requirements? Well if the reports are right, you very probably do.

A major concern within the Family Office space is the lack of real bespoke services, given by the banks who are fighting for your Family Office business. The advisors are keen to sell their financial wares but they are very much based on a 'one size fits all' approach and not tailored specifically for the client whether that be on a broader financial basis or the cultural requirements of the families. As one Family Office head put it, 'it's the difference between a hand-built suit or one off the peg from a store.'

Service providers need to form strong relationships with the Family Office (that may, or may not, have family on the 'staff'). They need to pay attention to the thoughts and ideas of the head of the family and additionally be able to understand the ideas and thought processes of the younger family members who want to be actively involved. It may not be an easy path for the 'Advisor' to tread but, it is a path that they have to pro-actively follow if they want to earn respect and confidence of the family.

An able Family Office CEO or CIO is likely to have the knowledge and experience specific to the base region; this specific experience will be coupled with a broader global perspective. Their contacts will be in the major financial centres and be with both the big banks and the small specialist managers.

They should also have a good inroad into the world of third-party advisors, e.g. law firms, accountants, tax advisors etc. Add in cultural awareness and ideally linguistic ability and the overall specification for the senior Family Office executive becomes quite complex. Of course, these issues are not confined to China and India, but with the growth potential in the region, these issues are very relevant.

So, if you are the head of Family Office, either a family member or a hired officer, what do you do to ensure the best service from your advisors? I would suggest that you start by having the best people on-board as your CEO or CIO. These are the people who will be your 'gatekeepers' and who will be asking the challenging questions of the banks and boutiques who will be beating a track to your door wanting to provide you with their 'bespoke service' and 'best in class products' etc. You are the buyer of the product and service so you can ask for the best for your specific objectives and expect to get it. However, unless your people are up to the highest standard, they will invariably be overcome by a brand name and its bankers set on providing you with what they want to offer. Your job is to reverse that. Accordingly, it is imperative that you take great care and pay due diligence when it comes to making your key appointments. The recommendation from a friend or a third party advisor may carry more bias than is outwardly apparent!

If you are connected with other Family Office owners or senior executives, then an opinion can be sought from them but, bear in mind that they will make sure they direct you away from their people if they are good! Equally, accountants, lawyers and other third-party advisors should be able to provide you with information but again, be aware that it may be a little biased. The other option is, of course, to use a specialist consultant to help you find the best available.

The wealth of your family for generations to come may depend on your hiring decisions today: choose wisely!

Dudley Edmunds is a veteran of the private client and wealth management businesses with over thirty-five years advising wealth managers, private banks and family offices. His work includes the hiring of new senior executives, advising top management on business development through to advising and assisting in the establishment of new operations. He welcomes enquiries from potential new clients and ensures the highest level of confidentiality.

www.searchint.co.uk

FAMILY OFFICE DIRECT INVESTING A NEW FRONTIER

by Brett de Bank, Co-Founder Capitama

Technological development is going through an unprecedented rate of change shaping and defining businesses across all sectors and geographies.

As this technology evolves so does it influence the global direct investment landscape especially for Family Offices who are by very nature invariably global in their domicile and outlook. This creates both investment opportunity and challenges.

In October 1958 it took a BOAC de Havilland Comet 4, about 10 and a half hours to fly from London to New York. In the 1970's Concorde reduced that time further to around 3 and half hours to jump across the pond. Qantas is planning a direct commercial flight from London to Sydney (c.22 hours) and having developed the first orbital class rocket with reflight capability, SpaceX is pushing forward the company's mission to enable people to live on other planets, Elon Musk's Brave New World. Within five decades of development it is now possible to travel around the world in under two days and even orbit it. Consequently, the world has become a much smaller place in which to do business.

Paradoxically on one hand technology-based companies are showing us that they are able to scale up at unprecedented rates across multiple geographies and sectors in very short periods of time. They are unconstrained by tradition, culture, language and in some cases operate outside of existing financial markets and controls.

Like the de Havilland, Concorde and SpaceX Falcon 9, technology is reducing the distance between people and communities de facto increasing interconnectivity and the scalability of businesses, prompting the opportunity to create new businesses or disrupt existing ones, themes which are at the heart of many Family Office direct investment strategies.

Brett de Bank
Co-Founder Capitama

On the other hand technology is enabling companies such as Capitama to access new markets, opportunities and demographics where historically they would need to invest in teams and physical infrastructure to implement new ventures at great expense. However, technological advancement is enabling companies to open up new markets and so the world is becoming a bigger place to do business.

So how do Family Offices take advantage of this changing investment landscape both tactically and strategically? Where, how and with whom should they deploy and invest capital with and what are the potential risks? The conundrum here is how can you best access the right investment opportunities which fit your investment preferences and strategy? Should you allocate capital to fund managers and allow them to execute on your behalf or should you build your own internal team to execute a direct investment strategy?

As Capitama continues to work and build new relationships with Family Offices across the globe we have been carefully analysing and thinking about how Family Offices are changing and adapting their investment strategies. We have adapted our own sourcing and origination efforts to reflect this changing demand. What is clear is that the rate of change and rapid scaling up of technology companies is driving and shifting direct investment momentum.

Companies seeking growth capital in sectors such as FinTech and Consumer disruptive businesses remain key areas of focus for most Family Offices. The investment market is highly competitive with opportunities coming to market and raising capital quicker than ever before so be quick or be dead. Decisiveness and speed to commitment is key to locking in capital as the window of opportunity to invest into highly sought-after companies narrows as competition strengthens.

Global Family Offices continue to register with us in growing numbers and as they constitute almost 50% our Investor base we are beginning to see a number of current trends crystallise which reflect and confirm the changing direct investment landscape and support some fundamental protocols of direct investment strategies across this investor population.

Here are some key observations;

The Rise of the Fund-less Sponsor
We are seeing a growing number of seasoned professionals branching out independently (former private equity firm partners in particular) using their relationships and deal experience to enter into buy-out processes and start to work with Family Offices on deal by deal funding solutions. The advantage for Family Offices is they can access deals without committing to managed funds, and therefore potentially better economics. For Sponsors this creates an opportunity to tap into flexible but sophisticated pools of capital without the constraints of formal fund mandates.

Fund, Direct or Co-Invest?
Post 2008, funds took a significant downturn in activity and new fund raisings. Direct investing increased as a consequence. Anecdotally we are seeing a strategic re-balancing between fund allocating with co-investment rights and direct investment, the latter comprising a growing proportion of assets on an annual basis over the last decade.

Scaling Up
Family Offices are clearly focusing their direct investment efforts on the ability of companies who use technology enablement to access large populations and those with rapidly increasing per capita per head fundamentals.

Valuations and Capital Shift
Valuations in both the US and Western Europe venture and growth markets have arguably peaked and so we are witnessing a resultant shift in asset allocation towards Asian based companies which have potentially more competitive valuations and greater economies of scale.

Sponsor and Anchor Investor Importance
For prospective incoming investors the quality and provenance of an existing institutional anchor investor and sponsor who are committing to the growth of the business and future fund raisings are a massively important barometer of the company's likelihood of success. Choose your sponsor and institutional investor partners wisely as it could be the difference between the red and the black.

Brexit / Europe Mitigation
For European Family Offices accessing opportunities which have a global income footprint and decreasing relative exposure to the UK and Europe are becoming a more popular topic of conversation. As we approach two minutes to midnight for some it's a storm in a tea cup and for others a fear of the dark and the great unknown. What we all require is certainty or we shall all run to the hills.

Family Offices can register with Capitama here:

www.app.capitama.com/investor-register

WEALTH SUCCESSION PLANNING
PASSING WEALTH TO THE NEXT GENERATION

by Helmut Siegler

Helmut Siegler

Board Member: Schoellerbank

Most people don't want to consider their mortality or to ask themselves: "What legacy will be left after I've passed away?"

Social intelligence is essential for wealth succession planning and is not limited to the distri-bution of material assets. Many people consider succession planning as doing the right thing; this may be in the belief that a legacy of something good that will remain beyond their pass-ing.

Main reasons for wealth succession
Loving and caring for one's family or other cherished individuals is principally the main reason for wealth succession. Providing for your partner, children or grandchildren is of course, a pri-mary concern within this context.

Preserving family assets is also extremely important, especially where assets have been in the family for generations. Other reasons may include appreciation or gratitude for a longstanding friendship; a loved one or colleague which is often expressed by making gifts dur-ing their lifetime or by leaving a legacy to others in their last will and testament.

Schoellerbank Private Banking

Some family members also leave charitable bequests in their will for philanthropic purposes.

Families should consider wealth succession on an ongoing basis and plan well into the future. There may also be circumstances where a family member at a younger age may want to make provisions, e.g. when they are about to create a family or they already have young children.

A matter of responsibility
Given the importance of this issue and the consequences of failing to have a succession plan in place, it is therefore surprising that many families do not look beyond their own lives and can leave a burden that is placed on the beneficiaries when an individual dies intestate. This is where an individual dies without having made a will or having made adequate provi-sions for his/her estate.

Most families need workable resolutions for the sake of their family and the next generation. Where a case arises when a person has not created a last will, a final discussion of inheritance could happen between all concerned. Succession disputes do not necessarily have to end up in court, which can be stressful, time-consuming and costly for all those involved. AlsoIn addi-tion, such situations may also have an adverse effect on family member's relationships.

That said, many families find it difficult to discuss or address the prospect of their death or creating their last will and testament. Notwithstanding that a document such as a last will does not represent the final point of one's life. It is more about creating a vision be-yond one's own life and dealing with it in a responsible way. The wealthier the estate, the more complex and challenging it may be when dealing with the dispersal of the assets and administering the estate.

Wealth is not limited to material values and can make a substantial change to the lives of family members or towards a good cause. It is therefore prudent to consider this question "What would an ideal solution that is tailored specifically to my families own unique set of circumstances look like?" It pays to plan early and to develop an ideal solution; this should only be done with the assistance and advice from relevant experts.

"Well planned out succession planning, which culminates in the creation of a last will, reduces the risk of inheritance disputes remarkably."

The process of professional succession planning
Succession planning may involve various aspects and can be extremely difficult for a layper-son to deal with. The legal framework can be very complex and the asset structure may be problematic when it comes to distributing the wealth and administering the estate. There may also be a unique family dynamic or emotional issues that may require a sensitive approach.

When reviewing a case for probate, the family's structure is carefully examined and potential heirs are determined. Drafting a personal financial statement and taking a structured view on the individual assets are mandatory. On that basis, it will be determined if the wishes and ob-jectives as outlined by the deceased person can be realised or if modifications need to be made. In some cases, it is just not possible to distribute the estate's assets evenly among the legal heirs. Also, there may not be sufficient cash or security assets within the estate.

Relevant inheritance laws provide the legal framework for wealth succession planning. The law does not govern who gets which part of the deceased estates' assets. While anyone can make a last will and testament outlining their wishes, this should never be done without first consulting a notary or lawyer and, if necessary, a tax consultant. It is essential to remember to keep sufficient assets within the estate, especially when gifting assets to children and/or grandchildren during one's own lifetime. It is also crucial to have a power of attorney and a living will created as the loss of one's decision-making ability may de-teriorate with old age or as the result of an accident or illness.

Digital inheritance is another area that is often neglected. This refers to all assets that exist in electronic form only (e.g. your personal website, social media accounts, digital photo and mu-sic collections, login data to e-mail accounts, and online balances on platforms such as Pay-Pal).

When planning wealth succession, it is essential to think about the future of these assets and about who is to get access, what is to be retained and by whom and what should be deleted? It is recommended to record all such requests in writing and to nominate a person of trust who will receive a copy of all electronic login data.

Schoellerbank's wealth succession planning experts
Schoellerbank has a team of skilled and experienced wealth succession and financial plan-ning experts that support its clients when planning and implementing wealth succession solutions.

In addition to Schoellerbank's expertise on wealth related issues and legal competence, their wealth succession planning experts are also highly skilled in addressing emotional needs. Experience has shown that a perfect succession solution may require not only the settlement of legal, tax-related and economic questions but also of emotional and social issues.

In succession planning, Schoellerbank's experts work with selected partners such as notaries, lawyers, and tax consultants to come up with the best possible wealth succession solution that fits the customer's requests and needs.

Helmut Siegler, Board member of Schoellerbank, Chairman of the Board of the Austrian Financial Planners Association and member of the Advisory Board of Zertifikate Forum Austria
www.schoellerbank.com

MONACO YACHT SHOW 2018

by Pandora Mather-Lees

The Monaco Yacht Show is one of the most important events in the yachting social calendar. Superyachts cruise in from all over the world to enjoy the magnificent scenery, the Cote d'Azur has to offer and to see what's up for sale, what's up for charter, to attend a plethora of events and to find out about the latest toys, tools and trips to make life at sea even more incredible.

It is one of the most intensive four days of the year managed by the company Informa and supported by His Serene Highness, Prince Albert II of Monaco.

The exhibition grows year on year and the stands engage in lively competition for visitors' attention with high production displays, offers and of course, the obligatory drinks parties. It is the place to be from the top brand brokerage houses to the most sought-after tenders and water toys, prestige cars, helicopter and private jet manufacturers.

On the dock, the MYS presents a showcase of 580 leading companies in the industry: from the most reputable superyacht builders and nautical suppliers, top yacht designers, interior designers and luxury suppliers to the industry. MYS veteran Marek Landa has a stand each year at the show because if the important exposure it brings and the calibre of the visitors. Exhibiting sculptures from his gallery ARTSiO, Marek commented "We had Sheikh Hamdan the crown prince of Dubai on our stand and also the former minister of foreign affairs Mohammed al Shaali from the UAE as well as other high-profile visitors"

Monaco last year attracted over 30,000 visitors and they bring the bay alive with restaurants, incoming tenders, water taxis and the flaneurs on the promenade.

The yacht show is not exclusively for the owners of superyachts however, it is an international hub for the entire industry. Some companies take over entire areas for the full five days and use this as their business base for the duration of the event.

For instance, ACREW takes over the iconic La Rascasse on the famous Grand Prix corner and turns it into a Crew Lounge for Captains and crew to network and take a breath from the busy show. Abigail McGrath, Director of ACREW says that they typically welcome 400 captains and crew offering an invaluable seminar programme for superyacht professionals.

It is also a significant draw for businesses selling everything from chandlery, training, insurance and luxury destinations to some of the most stunning yachts available on the market.

Every year, the world's most respected builders display 120 stunning vessels and typically around 40 new launches make their debut. For four days, yacht owners, future superyacht purchasers or charterers, decision-makers in the yachting and luxury industries attend the Monaco Yacht Show to participate in one of the most influential business networks on Earth.

But of course most of all the Monaco Yacht show is about boats. There are some 7,800 yachts on the water of which 2,000 are superyachts. The most stunning of these end up on the Cote d'Azur at some time during their life and the show is the biggest attraction for them.

Family Office Magazine is delighted to attend the show and wishes the team much success for the 2019 event.

DIGITAL CURRENCIES: A NEW ASSET CLASS

Over the course of 2017, cryptocurrencies have enjoyed unprecedented gains. While Bitcoin recorded an astonishing 1,000% return, XRP was the undisputed winner with a 36,000% gain.

Returns of similar magnitudes, above 1000%, were recorded by other crypto assets such as Ethereum, NEM, Stellar, Ardor and Litecoin. Of course, these gains greatly outperformed the return recorded for the S&P500, which stood at just under 19%. Therefore, 2017 set entirely new expectations for investors. The widely accepted double-digit returns which were once acceptable, now seem incredibly small in comparison to the opportunities digital currencies are bringing to investors. Welcome to the world of cryptocurrencies.

The incredible returns recorded throughout 2017 have attracted the eyes of powerful institutions, investors, governments, regulators and many others. The CBOE and CME began the futures market trading on Bitcoin in December 2017 and coincidentally, the price has to date not yet recovered to reach the previous all-time-high price of $20,000. Many have cited several reasons for the downturn we have seen throughout 2018 – from price manipulation to investors simply cashing out their incredible yearly returns.

Digital currencies known as cryptocurrencies have taken the world by storm. Many investors consider them an entirely new asset class. The digital assets space has caught the attention of The U.S. Securities and Exchange Commission (SEC), who has been cautious about approving several Bitcoin exchange-traded funds (ETF) – having declined a number of them in 2018. It is not certain when a Bitcoin ETF will be approved. The last time the SEC approved an ETF was JP Morgan's Copper ETF in 2012. Whether an ETF approval takes place or not, there are other factors which will influence when digital currencies become institutionalised – in fact, the institutionalisation of cryptocurrencies is already happening before our eyes. The main difference is that it may not begin via an ETF approval – but via an exchange-traded product (ETP). It is important to note that ETFs are regulated differently from ETPs.

Francesco Dell'Agata
Editorial Manager
www.colmorefx.com

The U.S. is already behind and lacking innovative thought, as other countries such as Sweden approved a Bitcoin ETP in 2015 and more recently, Switzerland approved an ETP that was designed to track the movements of five leading cryptocurrencies. In Switzerland, ETPs are not subject to the Collective Investment Schemes Act (CISA) and they are not supervised by the Swiss Financial Market Supervisory Authority (FINMA). Nonetheless, institutional investors are showing growing interest in digital currencies – especially as this asset class has demonstrated an uncorrelated behaviour when compared to other asset classes such as stocks, bonds and precious metals. Cryptocurrencies can, therefore, provide a different risk/reward ratio for retail and institutional investors.

Institutional investors require regulation in the digital currencies space – this will undoubtedly bring further investment in the infrastructure needed for these investors to enter the market. Some large players are entering this space to offer institutional-grade custodian services. During 2018, we have only seen more confirmation that this is indeed happening. Custodial solutions will reveal to be of paramount importance within the cryptocurrency ecosystem to ensure institutional investors are no longer left out. Of course, we already have numerous services available such as Coinbase Custody, Citigroup's Digital Asset Receipt, BitGo Trust Company, Fidelity Digital Assets and itBit.

The digital assets space has received incredibly positive news throughout 2018, despite the market downturn. The Intercontinental Exchange (the parent company of the New York Stock Exchange), has set up a new firm dedicated to Bitcoin trading and offering warehousing storage solutions called Bakkt, which is scheduled to be fully operational by the end of January 2019. This date was postponed from December 2018 and it is pending regulatory approval. The chief executive officer of Bakkt, Kelly Loeffler, said that "Bakkt is helping pioneer and build the infrastructure that does not exist today – this will encourage institutions to get involved with digital assets". There is a massive difference between CME, CBOE and Bakkt – for Bakkt, bitcoin futures contracts will settle in Bitcoin, whereas the CME and CBOE contracts are settled in cash. These institutions, alongside others such as The Nasdaq and VanEck, also have plans to launch their Bitcoin futures contracts platforms in the first quarter of 2019. Such developments will bring more liquidity to the Bitcoin market and the cryptocurrency market as a whole. Ultimately, this could help the market recover.

It is essential to take into account that digital currencies are still in their embryonic stage – Blockchain technology which underpins these digital assets has not yet been fully embraced. Having said this, it does make sense to compare the early days of the Internet to the current cryptocurrency adoption. The ecosystem's user growth and growth of digital assets within it, may or may not follow the same trajectory of Internet growth in the 1990s (Internet user growth and websites growth) – but we can confirm the entire ecosystem adoption is without a doubt continuously increasing.

Once digital assets are globally recognised as a new asset class, the adoption rate will only increase dramatically – right now; no one knows how fast the adoption rate will be for digital assets like cryptocurrencies, utility tokens or the ecosystem of decentralised applications (DApps). Adoption is happening as we speak, as new use cases are released every day. What investors know for certain, is that there should be more mention of Blockchain and digital assets within the educational ecosystem. The potential of these technologies should be recognised and more should be done to ensure that retail and institutional investors are educated on how Blockchain technology underpins these digital assets.

www.colmorefx.com

CONSIDERATIONS WHEN FORMING A PRIVATE FAMILY TRUST COMPANY IN THE UNITED STATES

by Richard T. Hills

Ultra-high-net-worth families have sophisticated trust and financial needs that create many challenges. These challenges include implementing a workable, long-term governance and succession plan and maintaining flexibility for ever-evolving goals and circumstances. Using progressive trust laws in the United States, families from all over the world are addressing these challenges (and many others) by establishing a private family trust company (PFTC). Key considerations follow.
Definition

In the U.S. a PFTC is a state-chartered entity which serves as a fiduciary of trusts benefitting a defined group of family members, including as a trustee of the family's trusts. It is prohibited from providing fiduciary services to the general public.

General Considerations
Long-term governance and succession is a common problem UHNW families face. Families with existing trust relationships and trustees often deal with corporate and personnel changes that undermine confidence and erode long-standing relationships between the family (as a grantor or beneficiary) and the fiduciary. A PFTC can eliminate these issues as it serves the needs of a single family, allowing the family greater influence on hiring decisions.

When using a public trust company, a family may face being forced to reduce its ownership stake in a family business. Many jurisdictions' trust laws in the U.S. require trusts to adhere to rules regarding diversification of assets which may result in investment decisions that require the curated investments to be diversified. PFTCs can provide the flexibility to retain curated investments, to manage unusual assets and business interests and to implement unique investment strategies and objectives. Additionally, a PFTC offers the ability for multiple generations of family members to participate in the management and investment of trust assets. PFTCs permit multiple generations to be members of the PFTC's board of directors or investment committee, which broadens family participation in wealth management. Note, however, that due to tax and legal considerations, family members on the PFTC's board of directors or investment committee are not allowed to participate in certain discretionary distribution decisions and certain other decisions related to trust assets.

Choosing A Particular State in the United States
In the U.S. all states are not created equal when it comes to deciding where to charter a PFTC. A handful of states such as Tennessee, Nevada, South Dakota and Wyoming have PFTC laws that are favourable and provide sensible regulations although such states may differ as to requests and trust laws.

One key factor is how a state defines "family." The broader the definition, the more flexibility and benefits a PFTC provides. Tennessee has the broadest definition of family, which allows providing fiduciary services for in-laws, certain family office employees, PFTC employees and certain employees of the family and entities that the family controls or influences. Also, family members include relationships within the 12th degree of kinship to the common ancestors. Similarly, some U.S. states have specific requirements for the number of and residency of directors, as well as the frequency of meetings and bonding requirements.

As far as taxes are concerned, the PFTC is typically designed to "break even," so even if it is subject to state taxes, these are minimal. In regards to the trusts and trust beneficiaries, many states, including Nevada, South Dakota, Wyoming and Tennessee, do not impose any state income tax on trusts or trust beneficiaries where the beneficiaries are not residents of the state.

In addition to taxes, capital requirements differ by jurisdiction, allowing families to consider states with lower capital requirements, maximising returns and minimising capital reserves. For example, Nevada requires $300,000 in capital; South Dakota requires $200,000. Tennessee, however, has no specific capital requirements.

Practically, since PFTCs are required to have a physical presence where chartered, consider establishing a PFTC in a state that has excellent trust laws, a friendly PFTC environment, is easily accessible and is a fun place to visit. Additionally, some states require the board to meet at least annually in that state. The physical presence requirement for a PFTC typically involves having a physical address with an office at the address, desk and a secured file cabinet for records storage. Some states require an employee to be located within the state. Additionally, the requirements for having 'tax situs' within the PFTC state (and avoiding taxation, to the extent permissible, by other jurisdictions) can be more extensive than the requirements under PFTC law. One of the most important requirements to meet is that of the trust's original "home state" that the PFTC have tax nexus (i.e., a taxable presence) in a foreign PFTC state.

Conclusion
As with most endeavours, the benefits must outweigh the costs of forming a PFTC. Proper due diligence is required to obtain a clear picture of the family's current trust structure, goals, tax situation and relationship with their current trustee(s). In most cases, ultra-high-net-worth families find that their family office can contract with the PFTC to provide accounting and administrative support services. Generally, organising a PFTC and maintaining situs in a particular state costs less than the fiduciary fees such families pay a public trust company.

Richard T. Hills – Partner, Waller Lansden Dortch & Davis
Over a legal career spanning nearly two decades, Richard has played a critical role in helping financial services clients grow through mergers and acquisitions, stock and debt offerings and other capital raising activities. Richard assists financial institutions with corporate formations and restructurings, recapitalizations, corporate governance, and a host of complex regulatory issues. He also has extensive experience representing financial institutions in examinations, investigations and enforcement proceedings before federal and state financial institution regulatory agencies.

HOW THE WORLD'S TOP BANKS REALLY MAKE THEIR MONEY:

AND HOW YOU CAN JOIN THEM BY SECURELY AND SIGNIFICANTLY ENHANCING YOUR CASH RESERVES

Managed buy-sell contracts involve the buying and selling of bank-issued investment-grade paper with a minimum face value of US $100m and up as the underlying operative agreement.

These financial instruments typically (though not always), in the form of medium-term notes (MTNs), are purchased from the issuing bank at a discount of its face value and are immediately resold to a pre-contracted exit buyer, who has agreed to pay a fixed higher price for the MTN before the transaction begins. This thereby locks in a predetermined guarantee profit per trade.

These buy-sell transactions are executed back-to-back on a daily basis over a trading period of typically (though not always) 40 weeks. The difference between the buy and sell price represents the profit per trade, which is multiplied many times over the term of the contract. In this way, a significantly above-average-market fixed rate of return is generated for the "qualified and approved" ultra-high-net-worth sophisticated investor. These resulting yields, while unheard of in public or even alternative investment markets, are very much the norm within this highly specialised private financial market.

A peek under the hood of invitation-only wholesale banking

The facts regarding the existence of and the proper legal context within which these managed buy-sell contracts exist are often misunderstood and can lead to ill-informed dismissive comments to be made by the uninitiated. However, it is only by prudently marshalling the facts and analysing the factors at play within such managed buy-sell contracts that a much clearer insight can be gained into how and why such seemingly high yields are not just feasible, but are in fact the norm and are consistently and straightforwardly achieved within this highly specialised bank-regulated private financial market.

One of the reasons why global top-25 Western European banks issue MTNs is to raise funds from the Eurodollar market, which is the major pool of US dollar-denominated bank deposits held outside the US (primarily in Western Europe). This is for the purpose of generating operating loans and issuing letters of credit to businesses wishing to buy materials and products from other businesses in other countries, effectively resulting in what can be best described as an international treaty whereby the US dollar becomes the common medium of exchange for international trading alongside the Euro.

There are banking regulations which stipulate that all involved issuing banks are prohibited from selling MTNs directly to the public. They must instead be issued and sold strictly through an authorised commitment holder, in just the same way as a corporation or a municipality would be required to sell bonds through a dealer or underwriter. The commitment holder has exclusive rights to buy discounted MTNs from the issuing banks and to immediately resell them to pre-contracted exit buyers.

Another restriction placed on commitment holders is that they are not allowed, based on strict banking and auditing rules, to trade on their own behalf using their funds. Instead, they may trade only on behalf of a third party client-investor which thereby creates an investment opportunity for you.

How a trader unlocks the door to you securing a contract

Another more commonly used name for the commitment holder is a "Trader". Traders have the necessary clearances, credentials, and regulatory approvals authorising them to execute such transactions. Hence the Trader holds the key to any client-investor securing such a contract.

Moreover, as these transactions are classified by securities regulators as a "private placement" and not a "public offering", they are exempt from the requirement to be registered with the same. Therefore, when newly issued in the primary market, MTNs are effectively an unregistered security.

However, to remain compliant with this exemption, these transactions are open only to highly liquid, vetted and approved ultra high-net-worth sophisticated investors, who must have first "passed" the mandatory KYC/AML compliance vetting and approval procedures attendant with these highly specialised non-public trading contracts.

What this means in practice, therefore, is that the only way to secure access to this kind of managed buy-sell contract is to be "invited" to participate, through soliciting a Trader for access by first proving your financial capacity to participate in a contract of this nature.

This is done by the individual or corporate client-investor issuing, as part of the mandatory KYC/AML compliance vetting procedure, a proof of funds (POF) to initiate the series of back-to-back buy-sell transactions executed over the term of the trading contract.

These trading contracts are all based on "riskless principal" new issue arbitrage trading operations, meaning, in effect, simultaneously buying in one market and selling in another to take advantage of a price differential. Hence, there is always a pre-contracted bank-verified financially strong exit buyer in place who has agreed to purchase the MTN at a fixed higher price before the transaction begins.

The Trader purchasing new issue MTNs from the global top-25 bank will typically have a US $50bn contract with the issuing bank to purchase MTNs for immediate resale. A non-revocable contract with an exit buyer to immediately purchase those MTNs from them at a predetermined higher price.

And a contract with the vetted and approved ultra high-net-worth sophisticated investor acting as the Trader's third-party client to provide the mandatory required POF to comply with A: the regulatory audit rules to thereby make the buy-sell a "legal arbitrage" and B: to trigger the Trader's access to their own credit line drawn against their own callable assets deposited at their transaction bank.

These are the prerequisites for starting the series of back-to-back purchase and resale transactions. Based in this example on employing the "in-direct" trading method, because the Trader's credit line used for executing each buy-sell operation is drawn against their own callable assets, not yours.

The Trader makes contractual arrangements with their global top-25 transaction bank, through the bank's back office trading department, to act for them during the US $100m or greater transactions.

The client arranges for their bank to issue to them a POF in the form of a bank statement based on them maintaining a minimum balance of US $100m in cash wholly owned by them, on deposit at their bank. This availability of US $100m from the third party client-investor satisfies bank regulatory auditing rules and hence triggers the Trader's access to their own existing credit line that is now further enhanced by the availability of this additional US $100m cash asset confirmed from the client's POF sent to the Trader in accordance with the contract between the Trader and client.

The trader's carefully choreographed sequence of steps:

Step 1. The Trader's bank communicates with the issuing bank as well as with the exit buyer's bank to obtain a detailed agreement with the issuing bank officer and with the exit buyer's bank, stating that they are both prepared to commence the contracted series of transactions.

The exit buyer's bank forwards a POF to the Trader's bank for the amount of the first MTN purchase of US $100m (Note: when a POF has been issued from the exit buyer and forwarded to the Trader's bank, there is a legal "funding commitment" to complete that transaction, which may NOT be revoked while the transaction is taking place).

Step 2. The Trader's bank forwards to the issuing bank a POF in the name of the Trader, and requests that a MTN be issued in the name of the Trader, along with an invoice at a discounted price of, for example, US $63.75m, payable in 8 hours.

Step 3. A copy of the MTN and an invoice for US $63.75m is forwarded to the Trader's bank which authenticates signatures and the MTN terms to verify compliance with the purchase contract.

Step 4. The Trader's bank then forwards the copy of the MTN, along with a "conditional assignment" of the MTN, to the exit buyer's bank, together with an invoice for the exit buyer's "purchase contract" price of, for example, US $70m, payable in 4 hours.

Step 5. The exit buyer's bank authenticates signatures, verifies compliance with the purchase contract, and pays the US $70m invoice price to the Trader's bank for credit to the Trader's account within the 4 - hour limit.

Step 6. The Trader's bank pays the issuing bank's invoice for US $63.75m within the 8 - hour limit, and follows the instructions for the original MTN to be sent to the exit buyer's bank by courier.

Step 7. The Trader will typically (though not always) execute a minimum of four buy-sell tranches a week with settlements on Fridays, thereby providing a yield of 6.25 points per tranche.

So in this example: 6.25 points per tranche per day X 4 days per week = US $25m X 4 weeks per month = US $100m, representing a 100% per month return, paid weekly by SWIFT to the client-investor minus the introducing intermediary's performance-based service fee.

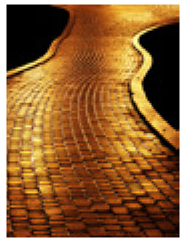
The pricing, of course, is subject to market conditions at the time of contract. However, once agreements are executed, the profits are contractually "locked in" for the term of the transactions.

Funds are either blocked under the client's signatory control, or they are merely electronically verified as still being present in the account prior to each trade. The MTNs are newly issued in the "primary market" at a discount of their face value and then sold on through a chain of authorised pre-contracted in-between buyers. So, the sale takes place "off-market", since the private placement distribution of bank-issued MTNs is not reported on any public exchange.

They are finally sold to an exit buyer in the "secondary market" where they are issued with an ISIN number and other data, converting them into a registered security, which only at this time makes them legally saleable to a "qualified institutional buyer". For example, to a pension fund who will then hold the MTN to maturity and receive a return based on the difference between its face value (100%) and the discount at which it was purchased.

Plus because of the MTN bears a 7.5% pa. interest rate coupon. The exit buyer then also earns this above-average-market bank-guaranteed rate of interest on the substantial cash reserves they commonly hold at their bank when having invested in such a MTN.

These managed buy-sell operations constitute a "riskless principal" transaction as referenced in the Federal Reserve Bulletin of Aug. 1993, entitled: "Anatomy of the Medium Term Note Market" where on page 765 it states: "In a riskless principal transaction, when the dealer buys the MTN, it has already lined up an investor that has agreed to the terms of the resale". Exactly as described here.



Capital-security via various paths

This is but one example of how a managed buy-sell contract can be structured based (in this example) on "in-direct" trading. However, many other equally secure permutations exist, including being based on "direct trading" where the client's funds are used to purchase the pre-sold MTN. However, in these cases too, full principal protection is provided just as with all such transactions. It's just structured in a slightly different way appropriate to the type of transaction. So it is best not to get too hung up on any one way of structuring such a transaction as there are many other equally secure variations. The common denominator with all of these contracts is that there is always full security of your funds. This can be provided by mechanisms including but not limited to: issuing an A-rated or better insurance liability policy or an A-rated or better bank responsible undertaking that fully secures your funds. Alternatively, your funds can be blocked or reserved in your account. Your upside is based on a minimum contractually guaranteed rate of return.

How banks profit from discounting their paper

As well as the low risk vs high yield reward that the bank achieves through the discounting of their new issue MTN (bank paper) for cash, the bank magnifies this capital further by leveraging these proceeds via their central bank at, say, ten times. This thereby provides the bank with sufficient capital to pay the MTN's full face value at maturity and provide even more secured loans to more customers thereby earning the bank more interest. By adhering to the attendant banking, compliance and auditing rules and working at arm's length through a service contract with a third party Trader. The world's top banks can also participate and profit from this private financial market. This is in spite of the fact that banking rules prohibit their participation directly by using their own funds to buy and sell medium-term notes directly from one another.

Accordingly, although these transactions are conducted off-market via private contracts which, by regulatory necessity, are not reported on any public exchange, this bank regulated private financial market does still allow the involved banks to earn significant fees both from extending huge credit lines to the Trader to enable them to conduct their trading operations. Moreover, they also accumulate banking fees on every buy-sell operation the bank executes under the instructions of the Trader.

Evidence of MTN trading hidden in plain sight

The following law firm engages in the highly specialised practice area, of delivering paymaster services to clients that are engaged in managed buy-sell contracts which involve the buying and selling of bank-issued medium-term notes.

When reviewing the following information, look specifically for the words "medium-term notes" or its abbreviation "MTNs", as these are the financial instruments that are securely traded on a riskless principal basis in such managed buy-sell contracts. Clearly, this licensed and regulated law firm would not be offering such paymaster services and be receiving payment for delivering them, if this private financial market in which MTNs are being bought and sold on a riskless principal basis did not in fact exist.

Accordingly, here is a link to a member of an exclusive inner circle of specialist law firms that do have knowledge of the off-market trading of medium-term notes within its proper legal context and so offers paymaster services to the parties involved:

http://www.jpa-iac.com/en/services/paymaster/

Perhaps more significantly though, here is a revealing document from the New Zealand parliament's government website. This can be accessed by you simply Googling the following sentence: "private placement guidelines for medium-term notes". The first result you will find is this same sentence displayed as a clickable link, under it you'll find this URL: "www.parliament.nz... " Essentially because this link originates from the New Zealand parliament's official government website.

Therefore, by clicking on this "private placement guidelines for medium-term notes" link, a PDF originating from this government website will open showing a table of contents outlining what is in effect the anatomy of how managed buy-sell contracts are conducted. This is the same trading strategy as described here involving a licensed Trader, their global tier-1 transaction bank and their MTN issuing bank. However, please don't take my word for it, as you can authenticate the existence of these MTN buy-sell private placement contracts from this reliable government source hidden in plain sight.

Of course, only you can then decide, after reading this document at your leisure, what you choose to do with this knowledge. However, once having read it, the more thoughtful and discerning yield-investor will very quickly realise the objectively verifiable fact (as other insightful investors have already discovered), that there is indeed a long-established private financial market in which the buying and selling of medium-term notes is conducted off-market on a riskless principal basis. This thereby generates a pre-contracted guaranteed profit per trade, which yields an above-average-market fixed rate of return that is more than sufficient to deliver the contractually agreed returns paid to you.

Solving the puzzle of secured turnkey access

Colin Blanchard is the Managing and Investment Director of Cautus Asset Management (CAM) a special purpose company which operates as the investment vehicle, thereby offering your capital exposure to this market by CAM signing the trading contract.

For 17 years he was a market analyst in the alternative investment space where he researched, analysed and wrote about these highly specialised transactions.

He was also the author and publisher of a distinctive and highly advantaged financial newsletter, which offered family offices and other ultra high-net-worth subscribers insightful commentary on investment-grade paper trading. This was possible through his privileged relationships developed over 20 years with bankers, program managers, law firms, trading platforms and licensed traders.

For those who are not liquid for US $100m+, he has implemented a number of secured proven and performing alternative funding and capital enhancement programs.

They are structured to enable the more financially savvy but smaller cap investor the rear opportunity to securely access a US $100m+ managed buy-sell contract. crucially, however this is achieved at a significantly lower minimum investment amount.

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FAMILY OFFICES, FUND BOUTIQUES, ASSET MANAGERS: SEED MONEY AND DRILLING THICK BOARDS

"Little by little, the bird builds its nest." The expression probably reflects an experience all too familiar to many asset managers and other fund initiators when it comes to collecting seed money.

Knocking on people's doors in connection with a possibly high rejection quota seems part of the business. Similar to the areas of project financing or venture capital, this "uphill grind" appears mandatory, regardless of whether it deals with open or closed funds. Clients (family offices, banks, etc.) often find it difficult to recognise the direct use that is mostly a result of the efforts involved. Markets are satiated and talented fund managers exist only infinite numbers. Newcomers have a difficult time and well-established firms frequently require great measures to buy investors' interests in particular product concepts. Happy are those fund initiators who have done their homework—others must travel rough roads. Failure and high costs are not excluded.

Product development—does one often put the cart before the horse?

Investment companies such as Universal-Investment, IPConcept, or Axxion are typically the first point of contact for fund initiators in the area of open public investment funds. These usually offer great sites of know-how in terms of product conception. However, the German Association of Independent Asset Managers (VuV) is also a good, first point of contact. Investment companies execute product checks prior. Here as well, salt is put in the wound: Is there one or more initial investor for the fund proposal? The product idea seems often primarily driven by the excitement of fund initiators over new income possibilities. Consciously or subconsciously, investors' interest appears to take second place. This reality often catches up to asset managers and fund initiators of closed fund areas during roadshow events for seed money search. Not only is the fund industry dominated by this mechanism of product development, but products and thus also fund products are typically sold rather than bought. Institutional investors and retail investors aren't easily fooled in the short or long run: current discussion on the quality of certain absolute-return approaches or the strong growing number of "fund duds" (keyword: flat rate withholding tax conjunction) emphasis this situation.

Asset managers: Focusing on core competencies

Experience in seed-money search shows that slowing project or projects that last a long time have some points that certainly warrant a closer look: Were investors involved in conception? Does one even have added value for investors in this context? An asset manager can offer excellent services for private clients and still be considered a mediocre fund manager. The total package counts. Private banking units of some well-established firms showcase it—whatever the client perceives as useful counts. Should the same asset manager show interest in income possibilities in the field of institutional investment and express the desire to enter the fund initiation adventure world, unpleasant experiences in terms of increasing frustration tolerance level and the ongoing facing of project management stumbling blocks are seemingly preprogrammed. The sheer number of fund projects with funds that hardly any investor finds appealing or whose concepts are deemed interchangeable document this odyssey. The grass isn't always greener on the other side of the fence!

Impatience, opportunism, "tinkering around": Belief in magical contacts

Fund ideas typically mature slowly; all too often, they are brought into the world too quickly. One current trend (flat rate withholding tax, UCITS-Umbrella, sustainability, etc.) is identified—"We can do this too."—Moreover, immediate action is taken. Seed investors must be found. What does this look like in practice? Just like what happens in regular sale circumstances, one addresses personal contacts first. Acquaintances, family members, or friends are next, and they in turn address additional friends and associates. Next, a time of disillusion sets in and a phase of opportunistic lookout for potential investors begins. Consultants are contacted; if these are respectable, they characteristically point out that fund initiators are "beating a dead horse." Nobody likes to hear this, and it obviously hurts one's pride. Isn't there a magical man somewhere in this industry who has all desired contacts and can immediately fill the fund's volume on the basis of an excellent network?

Doing your homework is half the rent—patience, budget, and fortune

Experiences based on successful seed processes show that many factors work hand in hand. Possible hygiene factors are management expertise, infrastructure, and network. Much more important is the timely development of new networks in terms of subscription period; ideally, this should have happened to the start of the fund project. Nothing vanishes faster than a seed money confirmation before the end of the subscription period; having a plan B ready is undoubtedly an advantage. As it happens in life, "hot" projects often get "caught on the fence" and lose steam. Projects that are deemed successful are typically characterised by a realistic timetable in combination with a well-thought-out, creative multiplier or networking strategy. How do I identify investors in a given time period who appreciate the conceptualised project and are willing to invest? Successful seeding candidates practice one virtue uncompromisingly: systemization in combination with the art of drilling thick boards!

Markus Hill is an independent asset management consultant based in Frankfurt, Germany. He focusses on the selection of funds and pre-checking new fund concepts for investors. In this context, Mr Hill specialises in due diligence and the different strategies of German fund selectors and fund providers. Furthermore, he was the Co-Initiator of the first all-German Consultant survey in 2005 and the first "UCITS-survey" in 2003. Thanks to numerous publications, he has become a highly recognised expert in the German asset management industry. "Industry multiplier" is a term often used by journalists and clients to describe his style and personality.

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Such vessels are among the most high-tech on the seas. Advancements in their technology over the past few years have outpaced those in most business offices and homes. And yet, when it comes to cybersecurity and the safe and efficient handling of expenses – which, by the nature of this luxury pursuit, can mean four, five and even six-figure sums – many superyachts are being left in the wake of the latest trends.

Onboard many of these yachts it's not unusual for sensitive expense data to be inputted manually by a crew-member into an Excel file before being emailed to a family office or management company. This means that vast amounts of data – which could include everything from fuel costs, owner's food & beverages to entertainment bills – is insecure. Swilling around in the pirate-infested high seas of the internet can be, for many superyacht owners, expenses amounting to millions each year, not to mention other highly sensitive personal information that thieves and hackers would love to get their hands on. As the saying goes, there's plenty more 'phish' in the sea.

David Rider of CSO Alliance, an international organisation that works to protect the maritime community from criminals, suggests in his article Cyber Security at Sea: The Real Threats that although piracy and other such seafaring dramas might be a threat, the real onboard Achilles heel is the crew themselves, and the way they handle the accounts.

Until recently, accountancy solutions designed for yachts and other high net-worth assets have been thin on the ground. The captains and crew of yachts, though they provide owners and guests with a fabulous six-star service, aren't always from an accountancy background. Taking on the role of accountant can mean dealing with budgets more often associated with a multimillion pound business.

So user-friendliness is crucial. One company, Voly, has answered the superyacht tech-SOS with a multi-currency accounting solution it says is unique and completes the full circle of onboard and ashore accounting with a smartphone crew app, fully integrated high-limit prepaid Mastercard .and foreign exchange payment platform. Users, both onboard and ashore, are also offered the ability to manage expenses and expenditure in real time, as well as run a multitude of pre-defined reports at the click of a button.

Gone, it therefore seems, with the advent of this technology, are the days of captain and crew struggling to reconcile the accounts at the end of the month and, wading through receipts inputting data into an Excel file. Scan the receipt with your Voly app and you can get on with the more important task onboard – keeping your passengers happy. "Current users," says Liz Jackson Senior Sales & Marketing Manager, "report that the time saving is over 50% each month from using Voly on board, rising to 75% when users utilise the Voly Prepaid cards."

So much for accounting efficiency, but what about security? As with everywhere else, having reliable internet and WiFi access on a superyacht is a vital requirement. But these cyber-luxuries come with risks, which yacht owners and crew members have to face along with the rest of us, such as vulnerability to malwares, ransomwares, phishing and virus attacks that might sneak in via emails, usernames, passwords and the like. Data security is at the heart of Voly, says Ian Flanagan, Group CEO *"All Voly's system information is protected using 'salting', a modern and highly secure encryption method which makes it impossible for hackers to access data if they know a user's email address. And Voly's servers are only accessed using 'private key, public key exchange', a high-tech alternative to usernames and passwords which blocks access with compromised passwords."*

Google's 'Project Loon' – its ambitious dream to deliver internet access to the most remote places by means of high-altitude balloons – might mean that one day on the high-tech maritime horizon super-yachts could have their own balloons accompanying them to guarantee the high-speed internet connection that guests anywhere on terra-firma would absolutely demand.

Can Voly's game-changing software, with its industry-leading security and user-validation, give crew and yacht owners alike the peace of mind to know – while they enjoy their real and virtual views onboard – that their personal and financial data is as safe as the superyacht they're sailing on? Sounds like one luxury they certainly can afford.

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nanoFlowcell Holdings is building a pilot facility for the production of flow cells and the bi-ION electrolytes. In parallel, it will also build a demonstration production facility for existing applications such as the QUANT 48VOLT and QUANTiNO 48VOLT.

The company announce ed details of those investments during this half of the financial year. Besides prototype development of electric vehicles under the QUANT brand, the company also conducts research into opportunities for mobile and stationary application of the nanoFlowcell® technology.

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FAMILY OFFICES IN THE GCC COUNTRIES

by David Gibson-Moore: President and CEO, Gulf Analytica, Dubai, UAE

Merchant families in the GCC countries have always held a very important place as key pillars of society. Indeed, in the early days of Saudi Arabia, during the long reign of King Abdulaziz Al Saud, the royal family depended significantly on these merchant families for financial and logistical support at different times. The most famous family names still resonate today: Ali Reza, Bin Ladin, Jamjoum, Juffali, Kaki, Bin Mahfouz, Olayan, Al Rajhi, Al Suleiman and many others.

The same situation prevails in other Gulf countries and the merchant families remain today key players in construction, finance, hospitality, logistics, retail and many other sectors. They have also joint ventured with many of the most significant international corporations to facilitate business in the region. Many family members are assigned to key government positions.

They are today however facing some significant challenges. Gulf family businesses are often set up in the form of sole proprietorships or partnerships which can make change challenging. Additionally, most families, particularly the first and second generations, prefer to continue investing in their businesses in ways that are tried and tested. This is where they have been most successful. There is also the on-going task of upholding cultural and family values in today's rapidly changing world.

The elderly patriarchs who founded the businesses, often at the dawn of the oil era, are now, however, passing from the scene and probably the most serious challenge is the imminent generational transfer of wealth. This is estimated to be over $1 trillion in the next decade with enormous implications for family succession and governance.

To navigate this situation successfully will put special emphasis on two factors: governance within the family office and successful management of the family's wealth.

Unlike many family offices in the rest of the world which recruit outside investment professionals, most GCC family offices are tightly controlled by the family itself. There are typically family members actively involved in all investment decisions. The manager actually running the office is often a family confidant who in some cases may have been in the job for the last 30 years.

Moreover, when outside professionally trained managers are recruited, they can often become frustrated by the slow pace of change within the family. This is a challenge for some of the complex issues facing families in the GCC.

Overall family office investors need to manage three objectives to maintain their wealth: achieve long-term capital growth, obtain predictable cash flows from interest and dividends as well as minimising the negative impact of taxes, fees and investment losses. Two factors often complicate this. Firstly, many of the direct corporate and real estate investments are legacy assets connecting other family members or close family friends and therefore in the family's eyes cannot be changed. Secondly, there is frequently a misapprehension in terms of the projected benefits of diversification. Often the stated objective is to achieve a target rate of return of at least 15% pa with zero risks!

The process of asset allocation is the first stop. The endowment model will usually be the starting point. These are long term, intergenerational strategies pioneered by the Harvard and Princeton endowments and generally mean/variance optimised.

In practice, it is difficult to obtain specific statistics on current, ongoing family office investment strategies in the GCC family offices. It appears however that portfolios are increasingly oriented towards higher risk/high return albeit less liquid asset classes. Asset allocations to private equity rose to 22% (and hedge fund exposure reduced to only 6% in 2017) according to a UBS survey. The next most popular asset class is direct real estate accounting for 17% in the average portfolio.

In the case of a number of families, there is the desire to select Sharia-compliant investments. As a result, the actual portfolio allocations will either be strictly in compliance with Sharia guidelines or else sometimes more loosely "Sharia-friendly".

These Sharia requirements will constrain the range of possible products in the portfolio. Neither hedge funds or conventional bonds or other interest related investment products relying on derivative structures will not be allowed although sukuks may substitute the latter.
To ensure proper decision making and intergenerational flexibility, the best functioning family offices have set up governance structures comprising of several components: a family council with its own constitution to make decisions, a board with outside directors, a succession plan endorsed by the founder as well as other key family members and fair and transparent recruitment process.

In the Gulf region, MFOs have often been set up initially as SFOs and then extended their services to other families. Good examples of this would be SEDCO set up in Jeddah by the Bin Mahfouz family and The Family Office in Bahrain set up by the Al Omran family.

In the UAE, both SFO and MFO structures can be set up at the Dubai International Financial Centre (DIFC) and the Dubai Multi-Commodities Centre DMCC. Abu Dhabi has similar possibilities at the Abu Dhabi Global Market (ADGM) as do each of the other jurisdictions in the Gulf.

Some family offices have been looking at the possibility of seeking a flotation on either a local or international market for some or all of their business.

This would allow access to broader funding and possible facilitating an exit for a partner and realising financial gains. However, many family business owners are reluctant to dilute family ownership with the potential loss of control and the greater transparency that would be required by publicly owned stock.

All in all, it is fair to say that many challenges face GCC family offices in today's fast-changing world. Given their importance to the local Gulf economy, it is essential that both outside advisers and families themselves carefully adapt and evolve to ensure continuing growth as well as the on-going interests of family members.

FLORIDA ALTERNATIVE INVESTMENT ASSOCIATION
Real Estate & Direct Lending Forum 2019

by Danielle Berman

The Florida Alternative Investment Association recently hosted its Real Estate & Direct Lending Forum 2019 on March 4-5th, 2019. The event focused on the intersection of direct lending and real estate, as the opportunities offered in Florida for successful investing are abundant. Real estate is a pillar of Florida's economy and the state has an abundance of opportunities for wealthy real estate investors and institutional allocators. The goal of this forum was to provide a space where different stakeholders can meet, build relationships and get capital flowing into their respective projects.

On Monday, March 4th, the Real Estate Forum kicked off with opening remarks from Founder & Chairman of FLAIA, Michael Corcelli. Panels throughout the day included Short Term Rental Housing - The AirBnB Model, Opportunity Zones, Disruption in the Real Estate Sector, and Investing in Multi-Family Housing.

Speakers represented firms such as Cervera Real Estate, Spear Capital Group, Newgard Development, Flashstay, South Florida Sun-Sentinel, Reed Smith LLP, Group 10, North Capital, Condo.com, RESF, WP Carey, Upshot Capital Advisors, V1 Fund Services, Henley Investors, Torres Law, Kajaine Capital, Berkowitz Pollack Brant Advisors and Accountants and more. Lunch also featured keynote presentations from Austin Carlson of Parkview Financial, Sean Casterline of Tuscan Gardens Capital Partners and Antonio Zuniga of Oak Shore Capital.

Since the recent recession, Direct Lending has been the fastest growing segment of the alternative investment industry. Assets under management of Direct Lenders has grown 20% annually to $4.5 trillion globally according to Preqin, a member of the Florida Alternative Investment Association.

Institutional appetite continues to grow for the Direct Lending sector as average yields are currently more than 3% above traditional collateralised debt obligations (CDO) and collateralised loan obligations (CLO) being offered. The excess returns above CDO & CLO have favourably driven capital flows for Direct Lenders. On Tuesday, March 5th, the Direct Lending Forum opened with remarks from Carolyn Gosselin of the Florida Chamber of Commerce. Her presentation was titled Florida's Changing Economic, Demographic & Political Landscape and Why It Matters. Panels throughout the day included 2019 Direct Lending Opportunities & Trends, Traditional Banking vs. Direct Lending Model, Asset Based Lending in the Emerging Global Economy, and Leveraging Blockchain Technology in Borrowing.

Speakers represented firms such as Glide Capital, Prime Meridian, Highmore, Sheridan Asset Management, Capital Bank, Boomerang Capital, Reed Smith LLP, RD Advisors, Ironhorse Holdings, Apis Capital Management, Asset Based Lending, Delgatto Diamond Finance Fund, Newbridge Global Sourcing, Amerant Bank, Veterans Capital Fund II, Triad Securities Corp., Genesis Trading, TLDR Global and Securrency. Lunch also featured keynote presentations from Paul Durward of Atlas Fund Services, Alex Mashinsky of Celsius Network and Isaac Gilinski of Brickell Analytics.

This year's event looked at the direct lending and real estate sector from several different points of view--investors, lenders and borrowers. Allocators offered their insights on the lending environment from their purview. Direct lenders described their funds from a risk-reward perspective and discussed underwriting processes for deals in their pipeline. Moreover, borrowers described their experiences borrowing from both banks and lending platforms.

FLAIA is proud of the work it has done in attracting businesses and investors that are looking to borrow capital, buy assets and develop real estate and we hope to continue to do so at future conferences.

For more information or to attend one of our upcoming events, please contact danielle@flaia.org.

TIER 1 INVESTOR VISA

ARE TAILORED INVESTMENTS THE RIGHT CHOICE WHEN CONSIDERING THE UK TIER 1 INVESTOR VISA PROGRAMME

The United Kingdom has one of the most highly sought-after visas in the world – despite Brexit. It is one of the most attractive places in the world in which to reside as well as being a preferred business location. The UK is known for its respected system of law; a stable democratic government; and is strategically located between multiple time-zones that allow international business to be conducted.

It can also be an attractive base for wealthy individuals and families who are non-domiciled in the UK by allowing those who can to take advantage of the special tax treatment available. The UK's education system is widely respected throughout the world and has some of the best pre-school and university educational institutions in the world.

The UK's capital, London, is a leading global city and remains the world's premier financial centre that is home to the FTSE100; it has the highest GDP of any city in Europe and houses headquarters of numerous multinational corporations, financial institutions, professional firms and major worldwide organisations.

The UK has always been at the forefront of financial innovation, bringing UK and international companies and investors together. When the FTSE100 first launched over 30 years ago, the combined value of companies was around £160 billion, today; it stands at above £2 trillion. This is a testament to the growth of the UK's global capital markets.

The FTSE100 complies with the highest governance standards, is constructed with transparency and integrity and remains the UK's globally recognised benchmark. Through London, these global companies have embraced innovative new strategies, fostered global outlooks and driven economic success in the UK and are looking outwards while securing strong inward investor support, allowing them to innovate further, grow and create jobs. International investor confidence is high; the UK remains a highly sought-after destination for investment migration.

For the UK Tier-1 investor visa, the investor is required to invest a minimum of £2 million (GBP) in a qualifying investment within three months of entry into the UK and the investment must be maintained for the duration of the period until permanent residence is granted. On completion of five years of continuous lawful residence of 185 days or more per annum the principal applicant and respective family members may apply to be granted settlement, i.e., Indefinite Leave to Remain (ILR) in the UK.

Under the new reforms to the UK Tier-1 Investor visa, which are due to commence on the 29th March 2019, an investor is now required to prove that they have had control of the £2m investment for two years or they will need to demonstrate evidence of the source of those funds.

An applicant who increases their qualifying financial investment in the UK to a total of £5 million (GBP) may apply for settlement after three years in the UK and a qualifying financial investment of £10 million (GBP) qualifies the applicant for an accelerated route to settlement in two years. The qualifying financial investment has to be invested into UK shares or corporate bonds - government bonds will not be an acceptable investment under the new reforms commencing on the 29th March 2019. The Home Office has gone to great lengths to emphasise that the nature of the changes ensures that the investment through the Tier-1 is of greater benefit to the UK economy, something that government bonds cannot ensure.

The nature of the changes coming into effect on the 29th March 2019 will ensure that there is a clear benefit to the UK economy by investing directly into active and trading companies along with increased transparency.

A new provision is being considered that allows investment in certain pooled investments which receive funding from a UK government department only. The exclusion of all other types of pooled investments remains as the Home Office cannot be satisfied that the investor's funds are of benefit to the economy.

What choice does an investor have?

Why tailored investments are the best choice when considering the UK Tier 1 Investor Visa. A tailored investment that reduces risk considerably by incorporating protection into the capital sum is a better choice for tier-one investors. Each investment design is created exclusively for the investor and to satisfy the requirements for Indefinite Leave to Remain (ILR) through the UK Tier-1 investor visa program. Each tailored investment adheres to UK Home Office rules and incorporates high degrees of protection to the invested capital and allows for the opportunity for growth to deliver ILR for international investors.

A tailored investment design should be created for each international investor who is seeking ILR or British Citizenship and takes into account the market conditions at the time of the design. Investor returns are made clear at the beginning and once the requirements are met the returns are added to the investor's capital sum. When an investment matures a new one is created, and all designs are facilitated through leading UK banks. Each qualifying investment is monitored to ensure compliance with the Home Office investor visa regulatory requirements through approved reporting structures for the lifetime of the investment.

Many large investment firms are pulling out of this field which has created an opportunity for the smaller, more agile, boutique investment houses to create tailored investments and to work very closely with a small number of investors.

The strength of a boutique investment house is not only in the tailored investments but also in their fee structure. No set-up fees, no management fees, full transparency and with returns paid directly to the investor's capital sum its the start of a new wave of tailored investments created to satisfy the requirement for Indefinite Leave to Remain through the UK Tier-1 investor visa program.

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ELEMENTS OF SOPHISTICATION

AND ITS APPLICATION TO THE CAPITAL MARKETS

The term sophisticated is commonly used in the capital markets to communicate a certain level of investor expertise. Sophisticated investors are understood to have large amounts of capital to allocate, a deeper financial understanding and overall higher levels of net worth.

These identifying factors propose that sophisticated investors are better suited to engage in advanced investment opportunities than other types of investors. However, is the distinction of "sophisticated" merely about financial metrics and bank balances or are there deeper characteristics to one's personality that lay the foundation for their sophistication?

As arrogant as it may seem, sophistication by its very definition refers to personal development in the pursuit of superiority. Akin to a sophisticated person who looks to improve upon themselves through knowledge, experience and increasing self-confidence an investor can learn, explore and build conviction to achieve superior investment performance.

"Sophistication is a thing of the mind...." (Mbiaka)

A commonly recognized trait of a sophisticated person is that their core persona has been altered by their education. For example, they are often described as well-read, polished in their speech, and elegant in their writing. They continually seek the refinement of thought through increased exposure, comprehension and practice.

Taking learning to another level, a sophisticate works to sharpen the mind, heighten perceptiveness and develop an appreciation for nuance. In a social situation, this notion of savvy creates a polished

Amana Manori CEO
Highness Global Capital

air of delicateness or finesse as there is a greater understanding of the subtleties of being and interacting.

Sophisticated investing is premised on the belief that greater knowledge and financial expertise leads to better performance. In a professional context, savvy allows for the development of business acumen. It is the coupling of knowledge with this acute financial shrewdness that makes for a discerning investor. This shrewd skill allows sophisticated investors to make better investment decisions. At the end of the day, a sophisticated portfolio is a cultivated one that is purposefully created and judiciously maintained.

"The world is a book, and those who do not travel read only a page." (Saint Augustine)

Sophisticated people are well travelled, worldly-wise and culturally astute. They experience and absorb the richness of the world and all that is in it. They are open-minded and curious. Because of their worldly knowledge, global experience and international interactions they are not naïve or insular. In short, the world is their oyster and they are in the position to take advantage of all that it has to offer.

Sophistication suggests cosmopolitanism. In terms of investing, it supports a portfolio construct that is broad-based, diverse and pluralistic. A 'cosmopolite' investor recognizes the blurring of boundaries and borders in favour of opportunity.

Accessing global capital markets offers expected portfolio benefits such as diversification, a larger investment universe; participation in niche deals and in-roads to domestically unavailable opportunities – all elements to foster a greater ability for profit. Specifically, an international portfolio can be an important factor in risk reduction by smoothing out portfolio returns through geographic diversification. However, it also offers less obvious benefits such as unexpected portfolio dynamism, influence of regulatory markets and commercial stimulus to international economies.

Perhaps on a more meaningful level, a global financial outlook offers the occasion to forge international relationships with like-minded individuals, explore unanticipated opportunities and can lead to beautiful professional (and personal) experiences.

"A Sophisticated Lady Has A Millionaire's Confidence"

Wealth brings with it confidence and confidence yields power. The superiority complex of sophisticates is not merely because they expect the best, but more importantly that this expectation is supported by the belief that they are able to obtain the best. In addition, they are confident that they have the knowledge and experience to be able to identify what is the best and what is not and what is not, simply will not do.

A sophisticated portfolio requires an embedded level of confidence. It comes from the clear articulation of business aims, financial goals and performance targets that lie at the foundation of such a portfolio. Although preservation of capital may be a key consideration, it is opportunistic by nature and constantly seeks nourishment and growth. Sophisticated investors set standards and are selective because they have the confidence to know what is best suited for them and what they do not have an appetite for.

"The biggest obstacle to wealth is fear. People are afraid to think big, but if you think small, you'll only achieve small things." (Eker)

Sophistication highlights an underlying thread of upward mobility in the strive for pre-eminence. The sophisticate is a polished individual who is continually refining herself with the goal of experiencing the best that life has to offer. She is wise, astute, curious and self-assured.

The same characteristics demonstrated by a sophisticated person are at the essence of a sophisticated investor. Both seek greater knowledge and understanding, wider exposure and experience, and the ability to demonstrate sounder conviction in order to be better established. It is with the mindset of sophistication that investors can access superior investment opportunities, exceptional business relationships and fuel outstanding financial results.

ABOUT HIGHNESS
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Sophisticated Dealer. Sophisticated Capital.™
Highness Capital offers best-in-class placement agency services for global alternative investment managers seeking allocations from sophisticated Canadian investors.

WHY DO THE WEALTHY BORROW?

by Tina Davis Milligan & Rosanne M. Peel, BMO Family Office

BMO FAMILY OFFICE

So they can grow their wealth in strategically tax-efficient ways.

The wealthy understand the power of leverage. With relatively low interest rates, borrowing against an investment portfolio to fund major purchases can not only provide liquidity in a tax-efficient way but may even boost portfolio returns. Margin loans and non-purpose lines are two effective ways to do this.

Before using debt, investors must carefully consider how much leverage is appropriate. The volatility in their portfolio, cash flow and net worth, as well as overall liquidity and risk tolerance, must be factors in deciding whether — and how much — to borrow.

Margin: Optimal for buying publicly-traded equities
If the purpose of borrowing is to purchase publicly-traded stocks, then margin is the appropriate source. A margin line allows investors to borrow up to 50% against the value of marketable securities in their investment portfolio. The line can be used for any purpose, including buying securities such as publicly-traded stocks and convertible bonds.

Bear in mind that if the portfolio balance falls below a certain point, investors may be required to deposit additional funds or pay down their line of credit. Therefore, it's best to lower the overall volatility of the portfolio where possible.

One way is to ensure that any purchased assets have low correlation with the current portfolio; the higher the correlation among assets within a portfolio, the more volatile the returns are likely to be. Ideally, investors should choose assets that increase diversification and therefore lower the expected volatility of the overall portfolio.

When considering leverage to help enhance portfolio returns, it's important that the expected return on the purchased assets exceeds the cost of the debt. Investors should not take an outsized risk in pursuit of only moderately higher returns.

Non-purpose lines
For a fast and flexible source of funds, many investors choose a non-purpose line of credit (NPL) secured by their marketable securities portfolio. NPLs differ from conventional margin by offering better pricing and better advance rates. While they can be used for nearly any purpose, regulations prohibit their use for buying publicly-traded equities.

Unlike alternative sources of standby liquidity such as home equity lines of credit, NPLs can usually be set up quickly, with minimal paperwork and no closing or maintenance fees. What's more, advance rates are higher than margin, with the ability to borrow 65% to 85% of the market value of their portfolio, depending on the asset mix. In addition, interest rates tend to be far lower than for both HELOCs and margin — typically below Prime.

Advantages of NPLs for ultra-affluent clients
NPLs allow the wealthy to smooth out cash flow and meet short-term liquidity needs without being forced to sell at an inopportune time or incur the tax consequences that may arise from the sale of securities. They can be particularly useful for those with a portfolio of low-basis stocks or concentrated investment positions.

Also, NPLs offer quick access to cash, making them a good source of bridge financing to facilitate the purchase of big-ticket before securing permanent funding. NPLs provide all the advantages of cash acquisitions, more favourable pricing and terms, while allowing investors to remain fully invested without sacrificing potential portfolio appreciation.

For those with concentrated investment positions, NPLs can provide an effective means of portfolio diversification. By leveraging the concentrated asset, investors can reinvest the proceeds in order to diversify their holdings while slowly unwinding their concentrated positions over time.

Interest deductibility considerations for investment-secured lines of credit
Interest on loans secured by investments may be deductible if the proceeds are used to purchase additional investments or to fund trade or business capital needs. Note that the amount of the investment interest expense that may be deducted when the loan proceeds are used to purchase additional investments is limited to the net investment income for the year. When the loan proceeds are used to meet business capital needs, the business expense deductions are limited to 30% of adjusted taxable income with an exception for small businesses and real estate companies.

Bottom line
Whenever using leverage, there is a risk that the asset used as collateral will decline in value and the cost of borrowing could exceed the potential return of the acquired asset.

While securities-based lines don't typically have fixed repayment schedules, investors may be required to deposit funds or pay down their line of credit if the value of their portfolio drops below a certain point. For that reason, it's important to keep leverage to a manageable amount and maintain sufficient liquidity elsewhere as a cushion.

However, the prudent use of debt can allow investors to maximise their investment returns while meeting their liquidity needs. Work with an experienced lending professional to evaluate whether this option is right for you.

www.bmofamilyoffice.com.

THE BRITISH TAILOR

SUPPORTING THE FUTURE OF MADE IN ENGLAND

In 1993, when Tony Lutwyche left the Royal Military Academy Sandhurst to join his Regiment, the 9th/12th Royal Lancers (Prince of Wales), he was required to make the trip to the official Regimental tailors on Savile Row to be fitted for his uniforms.

A daunting shop and the froideur of the staff made the whole experience somewhat intimidating. A 23-year-old Tony parted with a large sum of money and left with his heavy, rigid bespoke regalia feeling deflated. He had anticipated a moment of pride and satisfaction. Rather than opting for a career in the City after leaving the military, Tony sought a career with greater scope for creativity. Thinking back on his first tailoring experience, he set out to set up a more welcoming tailoring business.

After meeting a pair of ageing Greek Cypriot tailors working from a small room in London's Soho, Tony rented a corner of the studio and began working with them, eventually launching his very own bespoke tailoring company, Lutwyche, in 2000. Tony thinks back on this experience as a 'reverse apprenticeship' learning the skills of his trade while renting space from the masters.

Since the company was launched at the turn of the century, Tony has aimed to ensure that every Lutwyche suit projects a true twenty-first-century elegance that remains relevant today.

In addition to producing suits that are more modern light and easy to move around in, Tony's overarching aim is to ensure that every one of his clients feels at ease and enjoys the tailoring experience at Lutwyche.

Almost twenty years on, Lutwyche operates out of two private showrooms - one in Mayfair, London, and another on Madison Avenue in Manhattan's Upper East Side. Lutwyche is stocked alongside some of the most renowned global brands in American luxury department store, Saks Fifth Avenue. Lutwyche alone flies the flag for Britain in the men's suiting department, as well as stocking beautiful suits; the brand also produces shirts, trousers, sport coats and overcoats to complement a man's wardrobe. Lutwyche's presence at Saks Fifth Avenue enables Tony to compare the quality of his apparel and brand to those of his competitors, which led him to stop outsourcing shirt production to other UK manufacturers and to produce Lutwyche shirts in-house.

Lutwyche has perfected the art of shirt making, and Lutwyche shirts are now regarded as the "Frette of English shirts. Lutwyche has also set up the 'Lutwyche Bespoke Shirt Club', allowing members to receive bespoke shirts monthly throughout the course of their annual subscription after one fitting.

The Lutwyche brand had had the freedom to produce garments in-house since 2006, when the business rescued a tailoring workshop in Crewe, Cheshire. The workshop - the last of its kind in the UK - had been closed down. Tony, anticipating a catastrophic loss for British tailoring in the closing down of this workshop, with its unique artisanal tradition, rallied the troops and put the business back together again. The team set about locating a new property, purchasing machinery, installing the required utilities and laying out cutting rooms, sewing lines and pressing area. Most of the staff that had been made redundant were successfully re-employed and the workshop was reopened.

Crewe had a world-class workshop dating back to the 1930s, and Lutwyche has ensured its continued reputation as the home of British tailoring. The workshop is known as one of the finest in the world for upholding the highest level of craftsmanship. A visit is the only way to grasp how much effort and attention goes into making each suit. The workshop produces beautifully tailored garments that have been hand-cut, fully canvassed and hand-finished by talented cutters and tailors who ensure the perfection of each piece down to the buttonholes.

Tony explained: "We had to do something to ensure that we could continue manufacturing all the Lutwyche products in England while providing our clients with the best quality garments possible." Owning the workshop allows Lutwyche to manufacture garments from scratch that meet quality standards while demonstrating the best of British craftsmanship. Supporting local artisanship is central to the Lutwyche ethos.

Tony realised that much like the Greek Cypriot tailors he had first rented space from, the workforce was ageing, and little had been done to attract the next generation of artisans. Thus the Tony Lutwyche Academy was launched to support and encourage youngsters to join the tailoring industry.

The Academy scheme bucks the trend of tailoring companies in which customers are fitted in the UK, but suits are manufactured overseas. In order to fund the Academy, ready-to-wear collections made in the workshop have been launched under the 'Tony Lutwyche Academy' label. This range allows for a wider audience to enjoy the "Made in England" quality.

Tony believes that manufacturing in England is a privilege, and one not to be taken lightly. The product must be of the highest quality, yet continue to keep a competitive qualitative advantage. Rather like Bentley, it's British automobile manufacturer neighbour in Crewe, – Lutwyche demonstrates the importance of building on heritage and keeping it relevant in a twenty-first-century context.

CORPORATE RELOCATION AND EXPANSION

THE FOUR MAIN PILLARS TO CONSIDER

No matter how successful an organisation is, it must continually look at potential growth opportunities and adapt to an ever-changing climate to remain relevant. One way of doing this is by examining the benefits of expansion or relocation, and assessing the potential that different jurisdictions may offer a business. When seeking to administer company operations overseas, there are four main aspects which need to be taken into consideration concerning corporate strategy.

Steve Muscat Azzopardi
Chetcuti Cauchi

Tax Compliance

With the formation of any company, the tax regulations and incentives within the hosting jurisdiction as well as any cross-border fiscal implications should be considered one of the key deciding factors, as tax rates alone could have a gross impact on the success of a venture. Malta welcomes foreign investors with open arms and offers a range of attractive benefits including operating space, financial grants or tax rebates. Malta also offers a low-tax environment and favourable tax regimes for companies with the prospect of a 5% tax rate for qualifying firms located in Malta. Additionally, the jurisdiction does not charge withholding tax on company dividends, royalties or interest, and provides several other tax incentives and rebates to businesses. Transfer of shares is usually tax exempt for non-residents, while a low VAT rate and easy VAT registration apply to trading companies. As a result, the flexible and pro-business attitude of Malta's financial regulator, the Malta Financial Services Authority (MFSA), has provided a legal certainty which has seen foreign investment in Malta flourish.

Corporate Law

A jurisdiction's corporate regulations will affect everything from organisational structure and re-organisation to mergers and acquisitions, and daily corporate transactions to the transfer of shares and dividends. Drafting of commercial or employment agreements and memoranda, tax planning and corporate governance will also be impacted. Malta's companies Act is mostly modelled on that of the UK, and as a member of the European Union, Malta's corporate framework reflects EU standards and directives. This provides the island with stability that has propelled Malta into the standing of a prominent business and financial jurisdiction.

Finance

A core component of any business is its financial management and funding opportunities. Companies need to consider payroll, tax, funding, account management and auditing amongst other factors in the administration of corporate functions. The financial environment in which a business finds itself will contribute to issues such as banking solutions, as well as due diligence regulations required to open a bank account and to apply for operational finance related facilities.

As a leading financial jurisdiction, Malta not only provides a strong economy but conservative and liquid banks offer a stable banking infrastructure. The financial system adopted is in line with British financial tradition and EU directives that result in strict and secure regulations that provide regulatory stability to investors and their businesses.

Market Placement

Whether a company is looking into export and import options, or relocation of employees, an organisation must look into logistic coordination and shipping management, as well as visas, work-permits and social security law. As both an EU and Schengen Member, Malta not only has access to the European Single Market but permits anyone with citizenship from other EU states to live and work in Malta. Companies licensed in Malta may also passport their services to other EU member states. A member of the Commonwealth of British Nations, Malta retains an excellent relationship with the UK, while its geographical position in the centre of the Mediterranean provides easy access to the Middle East and African markets.

The combination of Malta's attractive tax regulation, stable political climate and solid legal framework makes Malta a prime jurisdiction for firms looking to relocate or expand their operations elsewhere. As a result, Malta's financial and corporate landscape continues to grow and attract foreign entrepreneurs who are in search for a secure yet flexible jurisdiction in which to grow their firm.

Steve Muscat Azzopardi is the Senior Manager, Corporate & Fintech at Chetcuti Cauchi. He and his team advise international clients on setting up their wealth structure or business operations and licensing requirements in different jurisdictions and continue to support them thereafter. Mr Muscat Azzopardi brings to the table over fifteen years of international experience in operations and in the financial services industry which led to his expertise in advising businesses on international expansion, cross-border transactions and family considerations.

Chetcuti Cauchi is an international firm, with offices in Malta, Cyprus, London, Zurich and Hong Kong, advising high net worth international families and their businesses on corporate, tax, property, residency & citizenship, financial services, fintech, yachts and jets.

CAN YOUR FAMILY AND ESTATE SURVIVE A DISPUTE?

By Mark Linnell, Founder and Director of Moot Hill Ltd

Throughout history, families have fallen out with each other. A classic example from England's past is The Wars of the Roses. This long and bloody conflict eliminated the male lines of both the Lancasters and the Yorks, two families who were all direct descendants of Edward III.

Yet, despite how far we seem to have come since the Middle Ages, families continue to fall into dispute. As I write this, a woman from Stevenage and her sister-in-law are battling in court over the value of a farm they inherited on the death of the woman's brother – her combatant's husband. One wants to buy the other out, but they can't agree for how much. However, the difference in the value they're arguing over will vanish rapidly in costs leaving them both financially and emotionally battered.

We can all be guilty of persuading ourselves this would never happen in my family. However, speaking from my years of experience as a dispute consultant and mediator, I wouldn't be so sure.

My father used to insist an enterprise needed strong leadership, with only one person at the helm. So when he died, he divided his estate equally among his children as his forefathers had done, with just one exception: his own father. My grandfather thought my father was well-enough off and so left his entire estate to his younger son. The disparity here should have been enough to cause a dispute. Thankfully, it didn't.

However, it only takes one family member to act in a way other family members consider unfair to trigger a conflict that, in some cases, will cause pain for generations to come. I remember one family I worked with where the father had died leaving his estate to all six of his children. Although the estate was to be divided equally, it was to be administered by two of the children who had been appointed as co-trustees. The other members of the family objected to these trustees drawing fees and so the dispute began. It went on so long all six children died and their own children were left to try and resolve it. What's more, this long-running dispute firmly split the family into two warring camps of goodies versus baddies.

Mark Linnell
Moot Hill Ltd

I don't judge anyone when I mediate or when my firm helps a family resolve these complex matters. What I believe is important is that you fully understand the implications of what you wish for your family.

Should you tell them of your wishes before you go?

You should if they include directions and advice to ensure continuity. And would you have the courage, as my grandfather did, to tell your eldest son he is doing OK and therefore is getting nothing so you can help out his younger brother? This kind of economic disparity among beneficiaries is a perfect example of what can easily cause a dispute.

I once mediated for an elderly woman and her three children. She wanted to get her estate in order before she died. She hoped, in doing so, to avoid any conflict and help all her children with their varying business and family responsibilities. On the face of it this should have been a simple process. However, it was complicated by three things. Firstly, the estate was complex and two of the children were employed within it. Secondly, the siblings had deep-set jealousies going back as far as their childhoods and held differing views on the value of the various assets, based on their own opinion of how well they were being run. Finally, the family did not have sufficient professional support from the outset.

At the time of The Wars of the Roses, conflicts were fought on the battlefield. Today, we fight them in court. This is a winner takes all situation where the loser, invariably the estate, pays their opponent's fees as well as their own.

So how, when you write your own will, can you avoid this? Because, while it's easy to write a will, it's far more difficult to execute its plan.

However well you think you have planned to avoid it, it's unrealistic to assume your family won't fall into dispute. It's hard to have an honest conversation and measured debate with a family who, however well they get on, will have their emotions running high. It only needs a single spark to ignite a dispute that may run for many years after you've gone. And that may rip through your estate leaving it a miserable ruin of what you worked your whole life to build.

As Sir Max Hastings wrote in his book, Vietnam: An Epic tragedy, 1945-1975, 'The merits of rival causes are seldom absolute.'

The potential causes of family conflict are many and varied. For example: Who should act as power of attorney or trustees? Has any unfair influence come to bear? Has a late marriage changed allegiance? Will an advancement to one heir and not others create tension?

To put this in context, in 2016, the High Court saw an increase of 36% on the previous year in these kinds of cases. I don't have figures for other courts or alternative dispute resolution (ADR), but it would not be unreasonable to expect to see similar growth.

My advice is that you build a team of the right advisors that is not limited to your family solicitor and accountant.

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ENVIRONMENTALLY NEUTRAL ENERGY

With an eye to the future, the shipbuilding industry is gearing up for the energy transition. A new generation of yachts powered by environmentally friendly sources of energy is cruising the oceans and completely redefining the nature of seafaring. A five-year research project on 'disruptive technologies' has resulted in the creation of a new and distinct class of yacht for private owners that comes equipped with every conceivable comfort. The primary source of energy is the sun, and with a top speed of 22 knots, it is an exceptionally fast and yet low-noise mode of travel.

Environmentally neutral energy is one of the hot topics in the ongoing debate about climate protection and sustainability. Fossil energy is gradually being replaced by wind, hydroelectric and solar power. Sailing, an activity in which people become one with nature, is a prime example of this transition. As early as 2010, we saw the debut of the first solar-powered yacht to circumnavigate the globe – the catamaran PlanetSolar.

Now, almost ten years later, the SOLARIMPACT demonstrates how drive technology has been systematically advanced in the meantime, with the addition of sophisticated lifestyle features equal to those found on any superyacht as well as various other innovations.
Two examples of the above are the integration of artificial intelligence (AI) into the controls, which allows a single person to manoeuvre the 78ft yacht, and the SWATH (Small Waterplane Area Twin Hull) effect that compensates for 90% of wave motion, even on rough seas.

Led by Werner Vögeli, a visionary and seasoned sailor for whom the environment is a lifelong passion, with a team of technicians, inventors, scientists and designers spent five years developing the SolarImpact ocean-going yacht which is aimed at the premium segment of the market.

Navigation by means of Yachtview 360° with the world's first camera system for yachts of 15 to 100 metres in length allows an uninterrupted real-time panoramic view from the perspective of a virtual helicopter. Even under the most difficult conditions of mooring, dropping anchor and manoeuvring in the marina or in narrow sea passages, the skipper retains full control, including at night-time.

The hull design is based on the SWATH (Small Waterplane Area Twin Hull) principle first developed in 1938 and hitherto reserved for special-purpose vessels. Two torpedo-shaped buoyancy bodies under the water surface stabilise the craft, isolating it from the wave motion, which reduces rolling and heeling. The yacht lies calmly in the water, even in strong waves.

BLOCKCHAIN & ARTIFICIAL INTELLIGENCE

by: Tom Schapira, Founder of Imagine Capital Group

If 2017 was the year of hot topics: Blockchain, Artificial Intelligence, Mobile Payments, and 2018 fed into that hype, 2019 is the year of "Show Me the Money". Within the domain of artificial intelligence ("AI") media reports and sales pitches envision a future of machine automation that improves speed and efficiency compared to the status quo. However, with any assertion, there are shades of grade and evolution of progress, not the revolution of "disruption". Advancement of AI is contingent on industry adoption and innovative companies. There is no better match between overlooked Asian and European AI FinTech Firms and the Financial Services and Insurance Industry.

The reality is that Financial Institutions have been eagerly exploring AI technologies to improve business decisions, risk management, and customer service according to Oliver Wyman. A survey from Future Perfect Machine Research taken in 2017 among 424 senior executives from world leading financial institutions and FinTech firms found that 75% of these organisations planned on implementing or exploring some form of AI technology to analyse large data sets within a year.

Much of the work done with companies' large amount of data is analysed with machine learning- a subset of artificial intelligence. McKinsey consulting firm highlights that this involves algorithms that process data to detect patterns to make predictions and recommendations based on a firm's needs. As companies collect more and more data, these AI and machine learning technologies seem to further integrate themselves into many firms' everyday practices and business models.

China and several other Southeast Asian regions are proving to be a dominant force in AI growth. China was the second largest investor ($2.6 billion) in AI last year and it continues to be a leader in the AI and FinTech sectors according to research by SCMP. Hong Kong's Orient company uses AI technology to provide real-time credit scoring, digital lending and other tailored services for a number of fast-growing economies in Southeast Asia. HK FinTech News cites that in Beijing, Face++ uses AI technologies for an authentication service involving facial recognition to help with financial fraud detection.

AI innovations in FinTech are making their mark not only in Southeast Asian markets but around the world, as AI offers financial service firms with the opportunity to reach greater efficiency and data analysis capabilities. Dayli Financial Group of South Korea was founded in 2015 and is now one of Asia's leading FinTech companies. It offers AI technology that provides enterprise-level analytics for financial firms. Onfido is a London-based firm that uses AI-powered identity verification to help websites and companies verify user identities using a photo-based identity document, a selfie and artificial intelligence algorithms. Onfido's system is used by many finance companies who face the problem of onboarding new clients and users when processes involve time-consuming and onerous checks.

Not only is AI helping companies, but it is also becoming more user-friendly and widely available to other individuals using FinTech. For example, Indonesia's Datanest partners with FinTech businesses by building a platform that uses AI and machine learning to help its users compare and apply for loans. AI is also improving cybersecurity for many companies. The UK-based cyber security-focused firm, Darktrace, uses AI technology that detects and fights against emerging cyber-threats across different enterprises, including those in the financial service industry.

Even though AI has caused financial services to evolve significantly in terms of affordances and performance, not everyone is embracing AI and machine learning technology. Several critiques have arisen involving AI regarding FinTech. In McKinsey's report, they point out that AI has led to a "meaning evolution" of financial technology and services. Despite the "buzz" surrounding AI Apps in FinTech, there have not been any great leaps forward for FinTech.

For instance, many traditional methods are still being used as a so-called "base" for these technologies. It seems as if AI is increasingly improving existing performances of FinTech- it is not providing any entirely new, cutting edge concepts.

Other experts have significant concerns about AI development involve transparency and the potential for biases in technology. If the creators behind this technology are not open about how it was created or how it works, this could be concerning due to the opportunity for bias to be embedded in the technology. As humans, we naturally hold biases. If we are not transparent about how this technology is being created and implemented, the biases of the developers may translate into the technology or the outputs of it.

Along with this idea of transparency and technology bias is the concern over data quality. If the input data is biased, mostly inaccurate or misrepresentative this would also impact the quality of the output this technology may provide.

That is why many are concerned about the proliferation and quick adoption of AI and machine learning in general and in FinTech specifically. It is difficult to retroactively detect problems in the data or the technology processing it; that is why it is essential for firms to value transparency when adopting these innovations.

Despite the concerns and critiques involving AI and FinTech having gained some recognition, these technologies are continuing to expand and evolve. Companies around the world are embracing this technology and altering their business models around it.

The future of FinTech will be reliant on gathering and analysing large amounts of data. AI and machine learning technologies are likely to be at the forefront by helping provide essential insights and recommendations to companies and individual users. The question is whether AI is worth the effort and the risk- is it genuinely pushing us forward to new and improved technology or just adaptations of what we are already familiar with?

Imagine Capital Group seeks to partner with FinTech innovators in Asia and Europe; we want to be a part of this growth in AI and beyond.

SOLVING DISPUTES DISCREETLY

One of the prime considerations for families is the desire to maintain confidentiality and protect reputation.

This is particularly important when things go wrong, when a dispute arises and cannot be easily resolved. The last thing a family wants is a major public row, or a court case splashed all over the newspapers and social media. This is where advisers with a background in dealing with problem-solving and negotiation come in useful, indeed essential. And who knows more about confidentiality and discretion than a former Ambassador?

The Ambassador Partnership is a unique specialist consultancy of former Ambassadors with unrivalled networks of influence in some 100 countries and with access to many more. We provide discreet services to resolve your international problems and to improve your capacity to operate effectively, wherever you need to. We work across the globe in areas such as finance, commodities, security, and anti-corruption. Our clients include governments, financial institutions, multinationals, investors, underwriters, consulting and corporate intelligence agencies, and law firms.

We are experts in the analysis of political risk, a significant issue for international investors today. Such risks include the nationalisations or direct expropriation of international investments. They can also materialise when governments change, or when contracts, domestic or international regulations are interpreted in a particular way by a government or parastatal body against the interests of the foreign investor. These risks are greater in developing or frontier markets, which are often the most attractive in terms of potential return on investment. And they are notoriously difficult to assess, mitigate and manage.

Boyd McCleary
The Ambassador Partnership

When disputes arise, they can of course sometimes be settled by conventional means, in the courts or through recognised forms of arbitration. International investment treaties might help. But litigation and arbitration are not always straightforward and can be protracted and expensive. They can also result in media coverage, which does not necessarily show the foreign investor in the best light. These difficulties are most likely to arise in countries where authoritarian or extreme governments are in place.

The Ambassador Partnership has extensive experience of dealing with such situations, when commercial relations have broken down, when business has been adversely affected by government action or inaction, when senior level intervention is needed, or when a long-running problem needs a fresh approach.

We represent clients in negotiations, or work with their support teams of advisers, insurers and investors. We offer formal or informal mediation, where parties to a problem want to settle or narrow their differences.

Examples of situations where we have been involved include:

Advising an international client with offshore energy concessions entangled in legal processes in a Balkan country

Interceding with a Middle East Central Bank on behalf of major financial institutions and insurance groups in a dispute which had been escalating for months

Engaging with a West African government to solve a long-running problem for a large commodity trading company

Representing an international energy company in a protracted dispute with a state-owned oil company of a Caribbean nation following a change of government

In all cases, our intervention was at high-level, confidential, discreet and effective.

Finally, we also help clients develop their own skills in negotiation, problem-solving, crisis management and personal communication. We offer a specialist public speechwriting support and associated protocol advice. For members of families looking to develop their presentation skills, we would provide a completely tailored approach.

If any of the above sounds relevant, we'd love to hear from you. Further details of our services can be found at www.ambassadorllp.com

For those interested in international affairs, why not sign up to our AP Insights, regular articles written by our team and guest contributors on current issues on the global stage? For all queries and further information please contact our Partnership Secretary, Tracey Stewart at tracey.stewart@ambassadorllp.com

Boyd McCleary is a Partner in The Ambassador Partnership and an accredited civil and commercial mediator. He is a member of the Advisory Board of the Official Monetary and Financial Institutions Forum and holds an Honorary Doctor of Laws from the University of Nottingham. Boyd spent 40 years in the British Diplomatic Service, serving in Korea, Turkey, Malaysia, Germany, Canada and the British Virgin Islands. Much of his work was in support of British companies exporting to international markets, or with international companies setting up in the UK.

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ARTIFICIAL INTELLIGENCE FOR FAMILY OFFICES: WHAT CAN IT DO?

Circa 2008. The number of family offices around the world stood at 1,000. Ten years and one financial recession later, the number has increased tenfold. In the decade that the cumulative wealth of the world's top billionaires increased to $9.1 trillion, family offices have evolved from their 19th-century wealth-management-for-single-family origins into diversified firms that handle assets worth $500 million-$1 billion on average, and tackle almost anything under the sun; even beyond money.

In 2019 this diversification will continue to increase. Apart from greater professionalisation, time and attention will be spent on tech-based aspects such as real-time reporting, analytics, heightened accessibility to information, and solutions for complex issues such as cybersecurity.

The Inevitable Digitisation of Family Offices

Investment technology has made rapid advancements recently, and AI and Big Data are important contributors to portfolio management and risk mitigation strategies in the financial universe.

Besides increasing use of data collection and manipulation, tech-driven advisories have also become more holistic over the years. Combining the best of both classical and behavioural finance, tech advisories use utility functions as the basis for selecting preferences. At Kristal.AI, for instance, our AI advisory uses the Black Litterman Model to optimise suggestions manually determined by our in-house Investment Committee. Different statistical tools such as Monte Carlo simulation and hierarchical clustering help our advisory platform map several scenarios simultaneously, with preferences from multiple stakeholders.

Analysis, Reporting, and Accessibility
Dealing with multiple stakeholders requires efficient reporting and analysis. Trends predict increased cross-asset class investing. This has put a greater burden on analysts to provide both unified views across multiple accounts, and a more personalised approach for addressing the needs of individual stakeholders. The catch here is that these accounts may be in custody across a variety of financial intermediaries and even in cryptocurrency wallets. Reporting detail and accuracy, therefore, have to be balanced with time and cost efficiencies. Improvements in technology need to be incorporated in a manner faster than ever before, to provide real-time analytics.

Technological changes have made also made advanced analytics not only feasible but essential to investing. No longer is the investment community content to look only at traditional financial indicators as Revenues, Profitability, PE Ratios, and Volatility. Predictive Analytics and Advanced Pattern Recognition (APR) are in fact, the norm of the day. Sentiment analysis demystifies data related to web traffic, meeting notes, social media sentiments, and proprietary web content, and helps wealth managers understand the needs of the market. Machine learning and natural language processing applications help the creation of structured data sets sourced from complex data created by social media, news, events, and political factors.

However, it is not only the software that needs to change. Being able to use ever-increasing computing power, storage, and other resources depend on the availability of sufficient hardware capacity. The progression towards cloud-based and open-source solutions has fortunately meant that this prerequisite has not transformed into a major hiccup.

Security and Risk Mitigation
Big Data and machine learning tools provide point-of-time insights into changing markets and help identify weakening or adverse trends. They work like a storm warning; sounding the alarm before the gale forces hit the shore, allowing wealth managers to make better decisions in times of crisis. Using an algorithm to determine when, where, and how to trade increases speed, lowers costs, and mitigates risk. Decentralised data storage solutions like the Distributed Ledger Technology (DLT) can help store, record, and track financial assets via a secure, distributed platform, and automate post-trade and compliance processes for efficiency.

But as with any data housed in the digital space, the threat of cybercrime always looms large. A study from Campden Wealth and Schillings states that as many as 28% of international family businesses and family offices have already faced cyber-attacks. We can only expect this number to go up; underinvestment in preventive technology is definitely not helping anyone.

The Last Word on AI
As IBM Associate Partner Pavel Abdur-Rahman said, we're just years from a machine that can debate investment hypotheses with the best minds out there. The way we invest today is in stark contrast to how the generation before us did. And it will change again in a few years. Big Data and AI are good long-term investments for the ever-shifting investment world, but the returns will not match expectations if one does not know how to use these tools well.

Of the $9.1 trillion that the world's billionaires hold, family offices are responsible for preserving and investing about 44% of the total. That's a lot of financial clout - and tremendous opportunity to dictate trends using custom technology. The whole world has hopped on the digital bandwagon - it's time the family offices came of age, too.

About the Author:
Vivek is the Co-Founder and Responsible Officer of Kristal.AI. He has over 20 years of experience in banking, most of it as a fixed income trader/ specialist in Asia managing between $200 to 500 million of assets. He has worked for Citibank, Merrill Lynch, UBS, and Natixis.

www.Kristal.AI

THE FIVE CRITICAL SUCCESSION CONVERSATIONS

A COMPREHENSIVE GUIDE FOR THE FAMILY BUSINESS

EXTRACT FROM THE BOOK

"THE FIVE CRITICAL SUCCESSION CONVERSATIONS"

Rochelle Clarke
Succession Expert

"Good morning; this is 57665, how may I help you?" the slightly nasal, imitation secretary voice inquired before the phone could ring a third time. Always before the third ring.

This is not the typical greeting that you would expect to come from the mouth of a seven-year-old, but, in our household, we all answered the business phone professionally. My parents are both veterinarians. My mother owned and ran the local animal clinic, while my father lent his expertise on an as-needed basis when larger livestock were involved. A critical point in my life, and subsequent career path, came in high school at the age of about thirteen; I, along with my peers, would choose the academic subjects we would concentrate on as a precursor to university studies and an eventual career in the selected area. My older brother chose science as a precursor to medicine and would volunteer or be invited to observe my parents as they treated animals. I was more interested in commercial pursuits and chose business.

My parents always gave us the freedom to choose our academic and career paths, so there was never the element of pressure. The family business supported us modestly as we progressed through high school and then moved on to university. One day, after my first year of university, I sat with my father to discuss how my studies were progressing and what my plans were for the future. I had done a few science courses during my first year of university—a time when, in American universities, your course exposure was a melting pot of subjects—and had done quite well in them.

"Dad, I will major in finance and international business," I declared. I did not realize it at the time, but this was another key marker in my career path.

"I am happy that you have decided," he responded, then added in a caring and advisory tone, "Remember that a business path is not something that your mother or I know much about, so we won't be able to guide you."

"Yes, Dad, I know that I will need to figure it out on my own," I responded with the ease and nonchalance of a naive teenager with the world in her hands.

Little did I know that by taking the freedom to make and follow through on that decision, I had essentially helped shutter our family business. Unfortunately, I wasn't the only one; before me, my brother chose to specialize in human medicine, and my younger siblings would follow in my footsteps and pursue business. With no viable heirs to continue the business, its fate as an ongoing enterprise in such a niche area was doomed.

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This book is brought to you by Succession Strength, Inc. We believe that a succession transition could come from either a place of strength or a place of stress for all parties involved. Family businesses impact many employees around the globe and account for about 90% of revenues in the U.S. alone. Stressful successions could therefore negatively impact a very large number of persons.

To ensure a transition that is as smooth and stress-free as possible, our approach is built on three pillars Communication, Preparation and Execution. Communication forms the basis of the entire process and runs throughout the Preparation and Execution phases. In our work, we have found a number of key conversations either missing, overlooked, or given too little attention in the succession process. Failure in these areas can result in a misalignment of objectives and unnecessary stress within the process that could eventually cause the collapse of the business.

For this reason, we focus in depth on the key conversations that should be had during the business succession process, both from the perspective of the business owner and the successor.

Communication can at times be difficult. If one considers how tricky it could be to maintain these skills in the regular world regardless of relationship ties, this challenge is magnified in family businesses where personal relationships provide a potentially more complicating dynamic.

We believe that every family business should have in its arsenal the tools to have good, effective conversations that lead to outcomes that will ultimately advance the business and enable smooth transitions. Parties should dedicate time to establishing the personal and logistical foundation for the succession. Afterwards, both the owner and the intended successor should clearly indicate their decision to either enter into the transition or not.

In the beginning phases of a transition, communication with key stakeholders is important for as smooth a start as possible. Eventually though, as business operations progress, tough performance-related conversations may be needed. Then, finally, if things are not heading in the intended direction, it may be necessary to have a conversation to exit the business altogether.

In all, our work has shown that there are five critical areas that every family business should be equipped to address. Conversations in these areas (the Foundation, the Owner's Decision, the Successor's Decision and Performance Management) can pave the way for a successful business transition. In the undesired situation of a permanent exit from the business, families should also be empowered to handle the Exit effectively.

www.successionstrenght.com

THE TRAVEL AND REAL-ESTATE 'SUPER-FIXER'

For the majority of busy UHNWIs, planning precious travel experiences requires investment of time, not to mention access to specialist knowledge and cultivated contacts. With no time to afford on getting it wrong, those seeking custom-made experiences or simply just the guarantee of smooth-running authentic luxury, are turning to the expertise of private-client travel management membership services.

Anthony Lassman is one such ultra-luxury travel 'super-fixer' who founded the company Nota Bene Global in 2012. Drawing on knowledge built from a highly successful career in high-end real estate and as publisher of premier destination review guides, Anthony now serves clients with a net-worth generally upwards of $200 million.

As Anthony puts it, 'Luxury should not be afraid of simplicity. It is about freedom of time and space, genuine hospitality and fine service, and an authenticity found in exceptional locations. When you enter the world of the super-prime, the bar is set high, and that initial gut feel is so important'.

Why use a private client service?

For experiences

Increasingly, successful business people are taking more risks with their travel. In the same way that an asset manager manages private wealth, or an art advisor builds a world-class collection, companies like Nota Bene Global manage their member's time and experiences - pushing the boundaries on their behalf for that once-in-a-life-time experience.

Using a private-client service will ensure standards meet pricing, that the top hotels meet the criteria they promise, and that experiential travel creates indelible memories. Aside from this they can take control of yacht or plane charter, organizing VIP airport service and luggage shipping.

Private client travel services can organize extraordinary and rare experiences, for one client

Anthony Lassman
Nota Bene

Nota Bene secured an audience with the Pope. Others might want tickets to the Costume Gala at the Met, to fly privately from Cape Town to Antarctica, coveted seats at a top Paris Fashion show or a duly curated bespoke trip with finest suite during the opening period of the Venice Biennale, with a restored 1960s Riva to access all the shows and parties.

Members paying annual fees might travel four-six times a year, perhaps in February for skiing in Courchevel or for Winter sun in the Caribbean or Bahamas; in March or April for the Seychelles or Indonesia; in late Spring to the Mediterranean; in Summer for yachting in Italy, the Greek islands or the Canadian Pacific; in Autumn to New York or European cities for art and shopping; and finally for Christmas an African safari in Kenya and Tanzania.

For private villas

Private rented villas can provide the privacy and true relaxation that UHNWIs require often better than a hotel can. Nota Bene personally preview villas before offering them to clients, with an estimated 80% of villas on the general rental market not meeting their criteria.

The best villas are assessed on location first, followed closely by space and then the quality of finishes, appointments and staffing. The look and feel of the property has to be right, the quality of beds and linens, and the amenities such as the pool, tennis court and gym equipment. And invariably a Nota Bene client will want to know who are the neighbours.

Super-prime vacation rentals in destinations such as Greece, Costa Smeralda, St Barths, St Tropez and the Hamptons can start around £68,000 for a week, running up to £250,000.

The right event access

Increasingly, clients are wanting to be part of a progressively diverse global events scene which requires expert advice and management to access.

There is a huge growth of interest in contemporary art with amateur collectors wanting to be a part of annual fairs, as well as auctions and shows in the important art capitals of London, New York, Los Angeles, Paris, Berlin and Hong Kong.

Other events might include couture fashion shows, the Grand Prix in Monaco, the Cannes Film Festival, the Oscars, and the Palio Di Siena horse race in Italy.

Home and overseas real estate acquisition

Real estate acquisition is a serious investment, and buying in the super-prime sectors of London, Paris, Saint-Tropez, Provence, Italy, New York, the Hamptons, Los Angeles, St Barths or Mustique - in today's market requires impartial advice and a wealth of research and local knowledge.

Nota Bene Global Real Estate is the separate property acquisition service for those who neither have the time to undertake the search themselves, nor wish to become directly involved in negotiations.

Micro Knowledge

A beautiful home is about much more than the location. It is the lifestyle it affords. The flow of space, a special view, the interior design, a magnificent garden or roof terrace, an opportunity to extend and improve while at the same time increasing the value.

There are certain exceptional, coveted locations around the world where micro knowledge is essential. Which is the preferred side of a London garden square? Which is the finest of the Candela buildings on New York's Upper East Side or the best of the new condominium developments in the city? How does South Hampton compare with East Hampton and which are the most exclusive roads in each? Which do we consider the most prestigious domain in Saint-Tropez? Should the Balearics, for example Ibiza or Formentera, be considered preferable to the Greek islands? And if so, why?

Process

Without serious investment of time, turning to a private service is the only way to ensure extensive due diligence. It is vital that a strategy for purchase is in place, working closely with the appointed lawyers and other advisors, guiding the purchase through to exchange of contracts and completion.

Overlooking detail can be costly, it is essential to carry out analysis of maintenance and service charges as well as other relevant costs and taxes. This may also extend to recommending architects, interior and landscape designers, sound, lighting and security specialists as well as financial advisors.

It is important to remember that the process of acquiring a dream property abroad does not necessarily stop at purchase. It is often the case that buyers have planning issues or renovations to undertake, both of which are time consuming and which need to be outsourced by experts on the ground.

Membership

Nota Bene has approximately 150 clients at a bespoke-level service. Nota Bene Global clients are allocated a Private Client Consultant who will plan and personally manage every detail of annual travel and act as an exclusive point of contact.

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GEN EX: DIVING DEEPER

By Bruce Jones, Triton Submarines Co-founder and CEO

Undoubtedly one of the primary benefits of well-managed wealth is the inherent freedom it provides. Evidenced in both the volume of advance subscription for civilian space experiences and the exponential growth of the explorer yacht sector, the increasingly youthful demographic of UHNWI's is resulting in a new generation of adventurers who utilise both their wealth and luxury lifestyle assets as platforms for experience, exploration and expedition. Welcome to 'Generation Ex'.

"When Victor Vescovo approached us three years ago," says Patrick Lahey, president of Triton Submarines, "it was with the brief of building a submersible that would ensure he would become the first person to dive to the deepest point of the five oceans. In the fall of 2018, we delivered the Triton Hadal Exploration System (THES) and have since completed two of the goals of the Five Deeps Expedition; achieving pioneering dives to the deepest point of both the Atlantic and Southern Oceans."

Having already climbed the highest point of the seven continents and skied to both poles, while Vescovo's achievements are extraordinary, they are also typical of a growing number of UHNWI's desire to utilise their success in business as a springboard for personal endeavours and growth. In 1937, writing for the Herald Tribune, Walter Lippmann wrote of Amelia Earhart: "The world is a better place to live in because it contains human beings who will give up ease and security, staking their own lives to do what they think worth doing. They help to offset the much larger number who are ready to sacrifice the ease, the security and the very lives of others, to do what they want to be done."

To that end, over 4,000 climbers have achieved the summit of Everest, 220 astronauts have visited the International Space Station and twelve humans have walked on the moon, yet only three have ventured to Challenger Deep, at 10,898m (35,754') the most remote place on earth.

Currently benefiting from a level of interest not experienced since Jacque Cousteau's pioneering of marine awareness in the 1950s, the world's oceans once again regularly occupy international media coverage and public consciousness. But why, when water covers over 70 per cent of our planet's surface, does 95 per cent of the world's oceans remain unexplored?

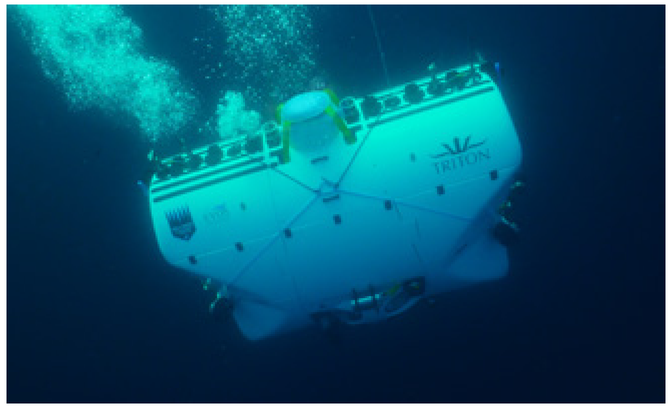
For Lahey, the answer is simple: "Because in the history of mankind a vehicle providing repeatable and reliable access to its entirety has never existed: until now." At the centre of Triton's Hadal Exploration System is an 11,000m (36,000-ft) dive capable two-person submersible with a weld-free 90mm-thick Titanium pressure hull. Formed from giant forgings machined to within 99.933 per cent of true spherical form, the hull, like the majority of the Triton 36000/2's components, represents a significant advancement in deep ocean design, engineering and technology.

"Where the two previous craft to successfully reach the bottom of Challenger Deep (the Swiss-designed bathyscaphe Trieste in 1960 and James Cameron's Deepsea Challenger in 2012) never again attempted dives to Full Ocean Depth (FOD), the Triton 36000/2 has been produced to complete thousands of such missions," states the submersible's designer, John Ramsay. Validating the veracity of this assertion, the Florida-based company worked closely with third-party marine classification society DNV-GL, who scrutinised every step of the design, testing, production and operation of the submersible.

In December Vescovo became the first human to reach the floor of the Puerto Rico Trench (8,376m), followed by the South Sandwich Trench (7,433.6m) in January. With the Atlantic and Southern Ocean's deepest points crossed off, this leaves the Java Trench (Indian Ocean), Molloy Deep (Arctic Ocean) and of course Challenger Deep (Pacific Ocean) to be completed in 2019. The logistics of such an expedition are staggering. For each dive, a team of up to 50 experts, including operations crew, engineers, scientists and media, fly into rendezvous with a 68m (224') research vessel; DSSV Pressure Drop.

Aboard DSSV Pressure Drop, an ex-NOAA oceanographic research ship, the innovative submersible resides within a purpose-built retractable hangar, while inside is accommodation for up to 50, a full mission control room and media suites. The vessel features the most advanced high-definition multi-beam sonar available in the civilian sector, which scans the dive sites to provide more detailed oceanographic surveys than have been previously available.

While scientific discovery is not the primary focus of the Five Deeps Expedition, its equipment, not to mention



reported discovery of potentially four new species during its first dives, make it an invaluable asset for the international scientific community. Accompanying the submersible on each of its dives are three 'landers,' and each features an array of instrumentation that provide unprecedented opportunity to sample data like temperatures, salinity, food supply and latitude across a gradient of depths.

As they currently seek an onward buyer for the HES, both Vescovo and Triton hope that the system will be acquired for future research following the successful completion of the Five Deeps Expedition. "No country on earth, not Russia, China nor the USA currently possess the capability of repeat exploration to Full Ocean Depth," explains Triton's founding partner, Bruce Jones. "This vehicle and system are unique in human history, so the price tag of $48.2-million is a relatively modest sum considering the importance of the research it can undertake. The HES can provide valuable research capability into significant issues like the environment, marine biology, oceanography, even prospecting for deep-sea mineral deposits and pharmaceutical discoveries. Naturally, this makes acquisition an attractive proposition for a philanthropic foundation, who can then provide the asset to a variety of research institutions."

From the 500-hours dive time used to record Blue Planet II–the most watched documentary of 2018, to playing a central role in Ray Dalio's all-encompassing OceanX initiative, Triton's are playing a vital role in creating visceral connections with the ocean. With over 400+-years of in-house submersible design, production and operations, it comes as no surprise that submersibles are becoming the adventure vehicle of choice for Generation Ex.

THE IMPORTANCE OF A FAMILY CONSTITUTION

We have all heard the cautionary numbers related to generational wealth transfers, such as the 70% failure rate at each generation or "shirtsleeves to shirtsleeves in three generations" as the saying goes. Even with these figures in mind, surprisingly little thought has been given to making critical changes in the wealth transfer process to improve or beat these grim statistics.

The wealth transfer industry has consistently provided innovative solutions for families as tax, financial, and legal circumstances change, which is why only 2-3% of wealth transfer plans fail due to problems with the legal, tax, or financial plan. The main factor in wealth transfer failure is also the most overlooked: the people.

A common theme among families who successfully transfer wealth is a thorough plan for preparing children and grandchildren for their future, including a clear family mission statement, constitution, and framework for open dialogue.

What Can We Learn from Families Who Have Succeeded?

When we look at families that have succeeded at generational wealth transfer, it seems they all have one thing in common: a plan. This plan is usually manifested in a family constitution. Most civilised countries adopt a constitution, which is a body of fundamental principles or established precedents according to which the country is governed. Many, if not most families, have core beliefs or values that they want their descendants and other loved ones to adopt and live by. Those core beliefs establish the basic framework within which the family members are expected to conduct themselves and function as a constitution.

Unless these principles are captured and written down, however, they are easily ignored or forgotten. Just as core beliefs set forth in a country's constitution are used to interpret the laws of the country, a family constitution may be used to guide the operation and goals of the family wealth.

These principles are easy to define when the wealth creators are alive, but like all things, can get lost in time. A family creed that allows these values to be recorded and then apprenticed to future generations is a key component to improving the wealth transfer statistics. By preserving the values that created the wealth, it just may protect the family wealth for generations to come.

Core Parts of a Family Constitution

There is no one-size-fits-all family constitution, but there are common parts. These may include reference to the family matriarch or patriarch's views, especially if not well known by younger generations. This may include precatory (i.e., non-binding) statements of expectations, such as to be loyal to certain beliefs—for example, asking family members to acknowledge that wealth can be a double-edged sword, that wealth can retard ambition, that success in life should not be measured solely by financial gain, and that loyalty to family is of utmost importance.

Most importantly, the family constitution should identify the family values and set forth the family mission statement. A good family mission statement outlines the values of how the family wealth was created, why it was created, and what the family wants to accomplish with this wealth.

A family constitution should include general guidance about investments and a philosophy for future wealth creation that encompasses the family values. This guidance may include things such as recommendations for using professional advisors, debt, operating family-owned companies, and restricting certain investments. For instance, the creed may direct that only a certain percentage of wealth may be invested in a certain way (e.g., into fixed income or private equity). That said, one must be cautious about mandating how wealth must be managed as it may not be wise in the long run.

The family constitution many go even further, such as specifying when a descendant will be disqualified—permanently or temporarily—for certain action or inaction, such as committing certain crimes or leading a decadent lifestyle. Often, the disqualification will be directed on account of substance abuse or other addictions, although typically the trustees will be authorised to expend trust funds to provide for rehabilitation for addiction and other problems. Statements as to what constitutes an excessive lifestyle, and the consequences for it, can be included in the constitution. However, what is regarded as excessive today might not be in the future.

Marriage, Divorce, Descendants

The family constitution should consider diving into the concepts of marriage, divorce, and descendants. So-called "common law" marriages have now been abandoned in most jurisdictions in the United States and the concept of marriage and divorce is changing. However, while the concept will inevitably change, the financial responsibility associated with it is not likely to go away. Additionally, the concept of who a descendant is continues to evolve. People born posthumously using the cryopreserved gametes of a descendant may be treated as a descendant for certain legal purposes including inheritance or support. Because the future will inevitably differ from today's expectations, a good family constitution must include broad discretion to those who will control and distribute property for loved ones' needs.

Use of Trusts: A Critical Factor in Having a Meaningful Constitution

Once ownership of property is conferred upon someone, it becomes difficult to enforce any family constitution. One practical way to ensure it is followed is to have the wealth placed in trust with the guidance set forth in the trust governing instrument. Among many considerations, trustees should probably be authorised to consider alternative financial resources available to beneficiaries. They may also be authorised to support a descendant who chooses a certain life that is not highly rewarding from a financial viewpoint, such as doing charitable work.

Next Steps

Family mission statements and constitutions are best crafted with a variety of committed family members. Once the family mission statement and constitution are in place, families should share these documents with beneficiaries, as part of a broader framework to foster successful wealth transfer. Holding regular family meetings, creating mentorship opportunities within the family, and encouraging open communication are some of the strategies needed to pass on these values to future generations effectively.

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IT'S NOT ABOUT THE MONEY

EXPOSING THE HIDDEN OPPORTUNITIES BEHIND PROJECT FINANCING

By David G Rose Regional Director, UK/EMEA Crossway Capital Pty Ltd

Family Office Magazine readers will know that along with the growing impact of UHNWI's and family offices on the global financial markets over the past decade; there has also been a trend towards 'syndicating' project finance deals amongst themselves. Quite naturally, the foremost thought when embarking on these transactions is that private wealth can be deployed into a project with an emphasis on equity, perhaps supported by some debt finance. However, there is more to project financing than just the money, so don't write that cheque just yet!

At the outset, it is worthwhile defining what a project is. From the financier's standpoint it is a newly built construction specifically to produce something that someone is contracted or committed to buy. It might be an energy plant with a national grid buying the output. Alternatively, a highway or railroad where people are going to pay tolls or fares. Alternatively, it might be a resort hotel with the franchise already signed.

To further clarify, project finance is not funding for someone seeking to build a new factory based on demand for its products forecast in a business plan. That's risk investment. However, if that factory is being built to meet confirmed and contracted demand for its output by a credible buyer, that is project financing.

Shovel ready

Also, before a project can be considered for funding, it needs to show itself to be 'shovel ready'. This is a widely used yet misunderstood term but, in a few short words, can be defined as A project being at a stage where the only missing element is the funding itself.

This means that all permits, permissions and surveys have been sourced and paid for. Also, that all contracts including land acquisition, access rights, construction and commissioning are prepared and, where they can be, signed off ('subject to financing' where necessary). Also, sale and/or off-take agreements for energy or any other product generated by the project are in place.

Many projects arrive on financiers' desks which, from first glance, appear viable. Then, on closer inspection, we find that they are not shovel ready and are still in need of getting themselves to that stage. It is at this 'pre-funding' stage where Family Offices can be of most benefit to themselves and the projects they choose to get involved with.

The most liquid and structured project finance source is the capital markets (pension, fixed income, sovereign and other institutional funds). However, as they are primarily responsible for policy-holders or other risk-averse money, it is not in their remit to cover the 'risk' cost of bringing a project to shovel ready stage. That is the sole responsibility of the project principals.

But where the project principals are capital-starved (a significant proportion) a family office can provide the one to five per cent of a total project financing of, say, $100 million ($100,000 to $500,000) to cover the costs of preparing the project for funding, without which it cannot move forward. These costs include geo-surveys, legal, permits, access rights and other early-stage expenses needed to bring the project to shovel ready stage. Providing this 'early stage' finance will result in equity participation for the family office of whatever can be negotiated with the project principals. This will be significantly more than the one to five per cent invested and, history shows this can often be well into double figures.

Interlinked Insurance Wrap

Once you have brought your project to shovel ready stage, there are three further considerations for the project financier. First, the management team or company; Second, the engineering, procurement and construction (EPC) contractor(s) and; Third, the offtake agreement or contracts to buy the project's output.

The one thing in common with all these, from the financier's standpoint, is that they must all show track record and financial stability. There is an infinite permutation of scenario's for each of the above components, but it is these two factors, track record and financial stability, that will decide whether the project can be funded.

Should each component meet the necessary standards, the entire project can then be underwritten with a series of interlinked insurance templates, which are then tailored to the individual project. This wraps project as the whole in the Lloyds of London 'A' credit agency rating, making it a straightforward lending proposition for the capital markets. Being risk-averse, they rely on credit agency ratings to decide where their money should be deployed, always leaning towards an 'A' rating of which there are many variations between the three main agencies, Moody's, Fitch and Standard & Poors.

So, through this Insurance Wrapped Project Finance (IWPF) structure, the Family Office can now invest a small proportion of the total project funding requirement to prepare it for financing and still take a significant equity stake. The A-rated insurance wrap delivers funds on terms that just cannot be matched in the mainstream project finance market, 100% debt linked directly to 30-day Libor.

Opportunities

So, IWPF brings three unique opportunities to UHNWI's and Family Offices:

Opportunity #1: Where the Family Office is presented with a project needing to be brought to shovel ready stage, it can provide the necessary early-stage capital to prepare the project for IWPF finance, in exchange for major equity participation. The minimum deal value for IWPF is $100 million.

Opportunity #2: If the project is already shovel ready and comes with the necessary track record and financial stability criteria, IWPF can wrap it in A-rated insurance making it completely acceptable to the capital markets. No risk to the Family Office bringing the project to IWPF.

Opportunity #3: Existing loans of $100 million or more, incurred through transactions ranging from project financing to M&A are now being re-financed through the IWPF structure, bringing significant savings. Naturally, track record and financial stability in this context means that there is an uninterrupted record of loan repayments.

In summary, and contrary to popular belief, project financing (and re-financing) is about preparation with a focus on track record and financial stability, not about the money.

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FAMILY OFFICES AND PROCUREMENT: A CONSIDERATION FOR EVALUATING VENDORS

by Andy Stephenson

Organisations globally are beginning to step up their game in the vendor management space with family offices adopting approaches developed by the asset management houses and institutional investors. A key call-to-action is refinement of the objectives and procedure for vendor governance control. Alongside this, is the need to ensure clarity in monitoring transactions and flagging those where timeliness or accuracy has a material impact – whether to the bottom-line, risk or service quality.

Where there has been a need for oversight of outsourced processes, there is an emerging expectation among regulators for firms to be using best practice in overseeing all service contracts which could have a material impact. While regulators' focus typically doesn't extend to family offices, their scope of interest does provide a strong indicator of best practice in vendor governance and its importance in addressing risk.

In selecting and reviewing their service providers and other vendors, firms have used a whole host of information sources: guidance from consultants, informal feedback from industry colleagues and in-house service level reviews. Historically, a range of surveys produced by publishing houses and independent consultants added some useful colour, but unfortunately their output has become tainted through manipulation of the survey process.

Previously surveys had the publisher reach out to service providers to seek their involvement and a good number (often as many as 15 or so) took part. Each would reach out to a representative sample of their clients, keen to get a reliable picture of how well they are serving their clients. This allowed them to promote their strengths, while also identifying their weaknesses, driving a programme which addressed the critical service gaps, keeping clients informed of developments and closing the expectations gap.

Unfortunately, the past decade has seen service providers manipulate this process. Almost without exception, they came to 'traffic-light' their clients, only asking the 'green' happy ones to contribute to the survey whilst also collecting survey responses from clients and being selective in which ones were forwarded to the survey publisher! With service providers having steadily withdrawn from active participation in the surveys, they have suffered from a heavy fall-off in participation and in the universe of providers assessed.

ServiceMatrix offers a new approach to vendor evaluation. Independent of service providers, several asset managers and institutional investors sowed the seed for the development of a platform where firms engage directly, identifying what they want to be measured. Crucially, it allows for any service provider or other vendor to be evaluated. The individual can then focus specifically on what's important to them, completing a brief personalized questionnaire.

Family offices are joining institutional investors and asset management houses in migrating away from the traditional surveys to use ServiceMatrix for an easy and dependable measure of how they are being cared for by their service providers and other vendors. With a total of 36 vendors already evaluated and high-level results available freely at the ServiceMatrix app and website, firms can 'hit the ground running'. They simply complete a questionnaire, with fast complimentary access to a full drill-down of the corresponding results. This reveals vendor strengths and weaknesses with actionable data on where to drive improvement.

As a minimum requirement, firms should get a good handle on the highest-level stance to service provider performance by examining quality of delivery. The professionalism of staff, their technical knowledge and how well they are aligned to your firm are key to helping you navigate your day-to-day business to resolve problems speedily and effectively. Critical to delivering on strategy and growth plans is having suppliers which know and support your daily operations, while also supporting change in your firm and its growth. These important aspects are all addressed to give firms clear pointers on where they need to press service partners and vendors to step up their game.

Andy Stephenson
'Founder, ServiceMatrix (app | servicematrix.net)
Andy established a consulting firm and founded ServiceMatrix following a career in the global custody business of Chase Manhattan and a member of the executive team at a major professional services firm.

TRADE WAR:
THE EMPIRE STRIKES BACK

by Simon Calton

In July 2018 the US Administration egregiously imposed a 25% tariff to $34 billion worth of Chinese imports. The protectionist policy aimed to support US exports, damage Chinese profit margins, surreptitiously motivate Jinping to open the Chinese economy and subvert China's exponential growth. However, China responded, adding a 25% tariff of its own to $34 billion worth of US imports. Both countries proceeded to intensify disparaging tariffs, cumulatively amounting to $250 billion on Chinese imports and $110 billion on US imports. A Chinese spokesman subsequently accused the US of 'forging the greatest trade war in economic history'. Although a temporary truce has been drawn, this merely suspends feuding escalation rather than the trade war itself.

For many years there has been a consensus surrounding China's controversial trade practices. China assumes control over foreign businesses to garner access to bleeding edge technology. In return, offering market access is exemplary of uncompetitive trading practices. China's violation of international trade law through orchestrating intellectual property appropriation ultimately damages US business - the US International Trade Commission concluded US IP-centric companies lost $48 billion in 2009 due to China's longstanding anti-competitive policies. Trade secret theft of US IP is rife - concerning new entrants into the Chinese markets - especially considering Chinese offenders seem to operate inconsequentially. Foreign businesses are hampered by Chinese counterfeited goods, negatively impacting both sales and profit margins by driving lower prices.

US officials assert China uses foreign-ownership restrictions to force US companies to assimilate with Chinese firms whereby China conducts systematic cyber attacks to ascertain US business trade secrets.

By incurring a trade war, US consumers are the real victim in the short-term through natural increases in costs of goods. The USA specifically targeted Chinese tech goods with the intentions of hindering China's relentless economic development, but namely disrupting the Made in China 2025 project – a transformative programme resulting in making China a manufacturing leader. Trump's critique may be well deserved, albeit his administration's reasoning for implementing protectionist policies is sound. The White House resorted to using Section 301 of the Trade Act of 1974, utilised selectively to pry foreign markets open when American export markets are vastly restricted. The Act hasn't been used in decades, yet in an era of damaged international relations thanks to Trump's notoriously boorish comments, pre-existing economic uncertainty and the deconstruction of trade agreements (such as NAFTA), enacting the Trade Act only further diminishes investor confidence in the US.

The US may not come out better in this deal. While the boisterous POTUS maintains valid rationale for imposing tariffs, there have been short-term victims as profitability decreases through externalising tariff costs onto the consumer, ergo shareholders are seeking to invest elsewhere. Especially as in 2017, China was simultaneously the US' third largest export market and largest supplier of imports; thus profit margins are undoubtedly to decrease. Generally, it's difficult to determine the long-term effects due to ambivalence surrounding the outcome of the trade war.

Hua Chunying, a foreign ministry spokesman representing China stated, "there is no future and no winner in a trade war" and "both sides will be losers". More specifically, China's substantial increase in economic power is more than beginning to rival that of the US – and China recognises the US administration's attempts to counteract their unprecedented prosperity. The untimely levying of taxes during the anniversary of Japan's invasion of north China in 1931, a day of national humiliation, only escalates circumstances further, regardless of China's deplorable trading practices. A deeply neglected topic in western media originating from the East is the One Belt One Road (OBOR) project - inspired by the Silk Road, a route that fundamentally changed trading forever in the ancient world.

The OBOR offers a unique vision for economic integration of China with Asia, Europe and Africa. Incepted in 2013, it represents both a figurative and literal opening of Chinese markets. What's particularly attractive is the land surrounding the newly constructed roads. The poster country for this initiative is Pakistan. In return for China's loan to create the integral roads, Pakistan must utilise Chinese contractors and materials. Land surrounding highly connected infrastructure inflates uncontrollably in price and naturally, China has already initiated further real estate development, intrinsically drawing international attention for potential investment. This strategy aims to develop China's extensive western interior, opening it up to the world while creating vast development potential, even within both the central and western regions.

The OBOR and China's progressive outreach program makes China (along with 70 other countries affected by the strategy), an increasingly exciting area for investment. OBOR innately represents the shift of investment from natural resources to high technology and real estate, with the propensity to draw attention from beyond China's borders. However, this existentially threatens the US USP of developing bleeding edge technology as China's objective of investment shifts progressively from primary and secondary sectors, such as agribusiness and manufacturing to the tertiary sector, involving the procurement of advanced technology and brands.

Arguably, the USA fears the long-term political and economic threat developing countries such as China promulgate.

Although the tariff escalation has come to a halt temporarily, short-term investment in the US, Europe and even Japan noticeably suffered during the initial imposition of tariffs. If talks between Trump and Jinping are successful during the 90-day truce, access to Chinese markets may relax. Foreign access into the largest single market by population and company ownership will thrive without risk of assimilation or attack by China. Continued market volatility is expected, thus making diversification key. As fixed income investments are increasing in risk, true multi-asset opportunities are a necessary alternative to stabilising portfolio volatility, enabling investment managers to protect capital invested adequately. Diversification is the future in this highly sensitive and socially connected market place.

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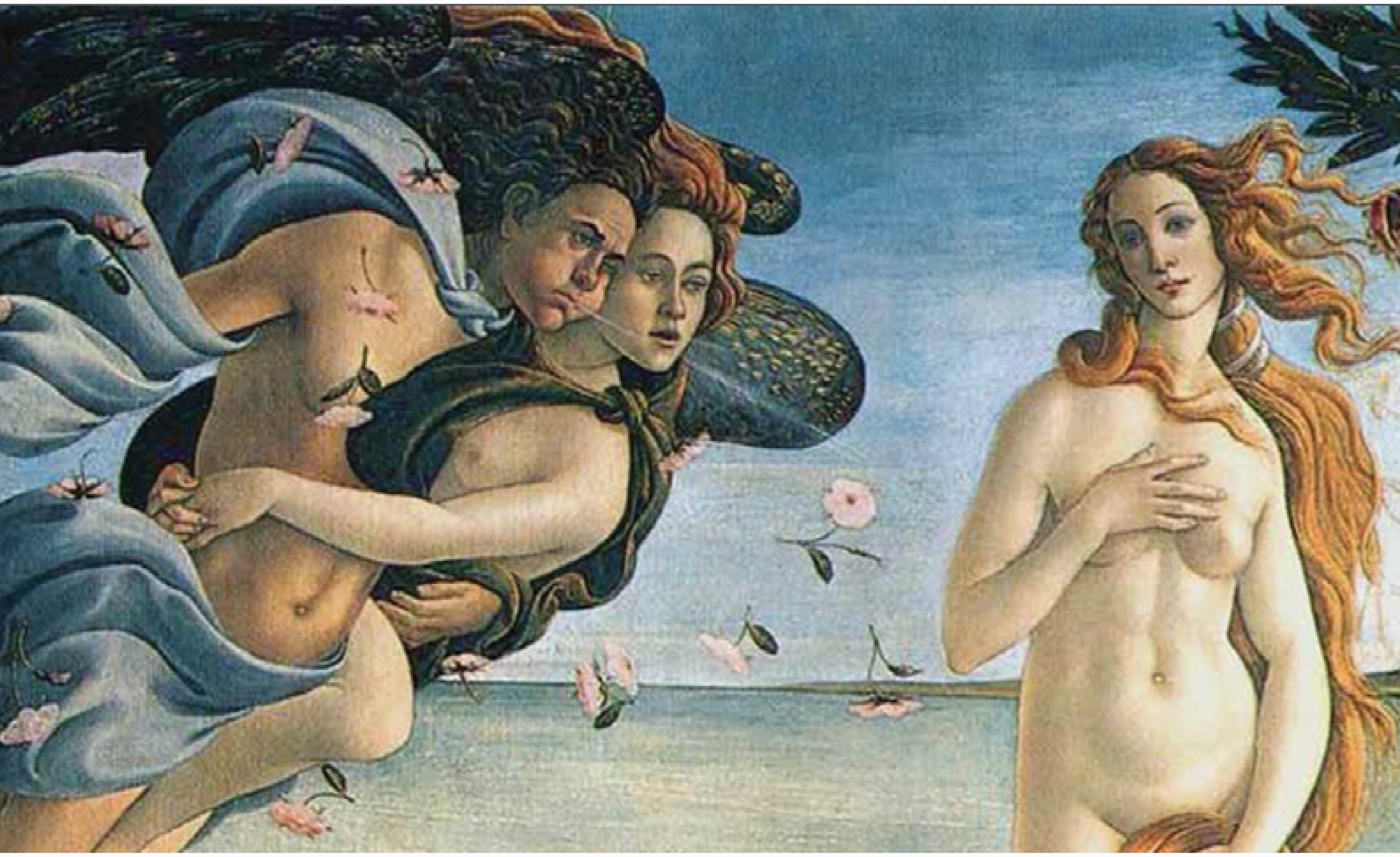

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