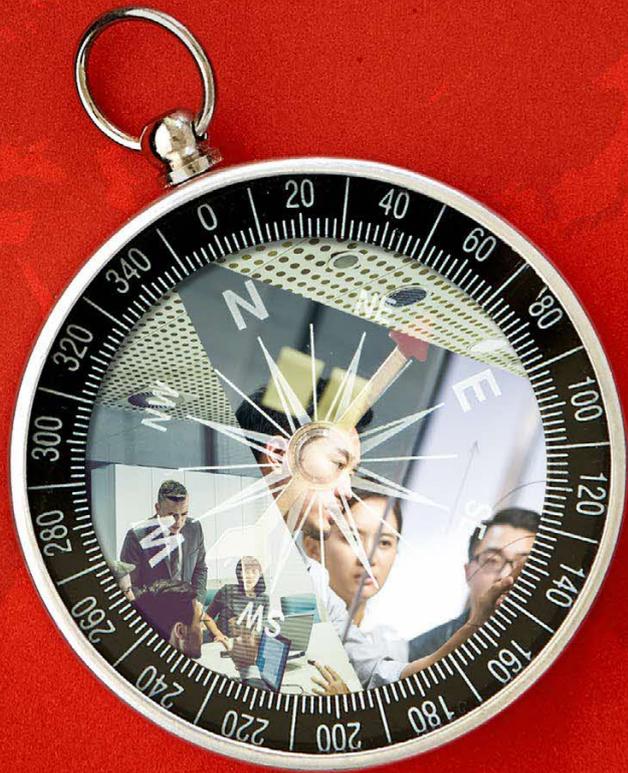




DBS
PRIVATE BANK

THE FAMILY OFFICE BOOM

Contrasts between
East and West



Written by

The
Economist

INTELLIGENCE
UNIT

Foreword

Family offices go wherever wealth goes. Whilst traditionally concentrated in the West, recent years have seen their emergence in Asia as the region takes centre-stage as a global economic powerhouse. Against this backdrop, Singapore—an international financial centre and gateway to Asia's opportunities—stands well-positioned to become a family office hub. According to the Monetary Authority of Singapore, the number of family offices in Singapore rose five-fold between 2017 and 2019.

Compounding that growth is Asia's maturing wealth landscape, which has sparked greater concern, conversation and demand for family office services such as succession and legacy planning. Unlike their Western counterparts, which have existed for multiple generations, Asian family offices are relatively young. Most are still in their first or second generation, and rely on the family business as their main vehicle for wealth generation. With family patriarchs and matriarchs now ageing, we can expect to see a significant intergenerational wealth transfer over the coming ten to fifteen years.

It is not possible to speak of trends driving the family office space without mentioning the Covid-19 pandemic. In just a matter of months, the pandemic has put the world on brakes and disrupted life as we know it to be—financial markets, communities, and businesses both large and small have been affected one way or another, and family offices are not spared either.

Whilst there were differences in Western and Asian families' responses to Covid-19, we also observed several commonalities. For one, the pandemic triggered a shared sense of vulnerability that prompted many families to delve into structural issues such as wealth protection and preservation, legacy planning and family governance, which may not have been top-of-mind in the past. We cannot over-emphasise the importance of these issues—especially so today, amidst intensifying populist sentiments and policies such as 'QE Infinity' by the US Federal Reserve, which suggest we are en route to a world with tightening regulatory regimes, and a possibility of higher wealth taxes and estate duties on the cards. Over the span of the last few months, we have been engaging more clients on these issues, helping them to plan better with stability and longevity in mind.

The pandemic also prompted families to rethink their role in society. We have had some clients share their intentions to help communities in their home countries through these trying times, whilst others expressed interest in giving back through the likes of venture philanthropy, funding or mentoring social enterprises, or setting up philanthropy trusts. We expect Covid-19 to pave the

way for families to place a more concerted focus on philanthropic endeavours and also enable the next-gen, who tend to be more socially conscious, to adopt a bigger role and voice within the family business.

Covid-19 is an unfortunate chapter, but one silver lining is that it has surfaced several key lessons for both Western and Asian families alike. As a trusted advisor to these families, DBS Private Bank seeks to be a close partner at every stage of their wealth journey—helping them to create wealth and achieve success whilst navigating these learnings, and also live more enriched lives in the process.

We are pleased to support The Economist Intelligence Unit on this study, which takes a deeper look into the nuances of families in the East and West: their similarities and differences, the key factors driving these, as well as their concerns, priorities and outlook in today's fast-changing world. We hope you find this read insightful.



Sim S. Lim
Group Head
Consumer Banking & Wealth Management
DBS Bank

About this report

The family office boom: Contrasts between East and West is a report from The Economist Intelligence Unit, commissioned by DBS Private Bank.

Family offices—personal investment firms for ultra-high-net-worth individuals (UHNWI)—are a growing force in the global financial market. The number of family offices has increased ten-fold since 2008 and now stands at around 10,000, according to consulting group EY.

As the ranks of the world's billionaires continue to expand, so too will the count and assets of their associated family offices—along with their clout. The tradition of family offices was started in the West by wealthy British and US businessmen. However, Asia has held a distinction as the world's single wealthiest region for the past five consecutive years.

This report examines the different approaches of family offices in the East (the Asia region generally) and West (Europe and North America) and explores the role culture, family and wealth generation play in terms of their structure and management.

The study is based on wide-ranging desk research and in-depth interviews with family office owners, managers and advisers. Our thanks are due to the following interviewees for their time and insights:

Annie Chen, chair, RS Group, Hong Kong

Stacy Choong, partner, private client and tax, Withers KhattarWong, Singapore

Joseph Falanga, managing director, UHY Advisors, US

James Fleming, chief executive officer, Sandaire, UK

Tony Gao Hao, director, Global Family Business Research Centre; and director, Strategic Partnership and Development Office, PBC School of Finance, Tsinghua University, China

James Grubman, owner, Family Wealth Consulting, US

Chompan Kulnides, vice-president of investment, Minor Holdings, Thailand

Chris Merry, group chief executive officer, Stonehage Fleming, UK

Professor Sir Anthony Ritossa, Chairman, Ritossa Family Office, Dubai

Kirby Rosplock, founder, Tamarind Partners, US

Professor Yu Hongru, founder, BOZE Family Office, China

The report was written by Dewi John and edited by Georgia McCafferty and Jason Wincuinias.

Executive summary

The distinction between East and West family offices is the main focus of this report. While a number of interviewees stressed that every family office is as distinct as the family it represents, two universal factors appear prominent for influencing practices: the cultural background of the family and the maturity of its wealth—whether it is “old money” or comes from more recent entrepreneurship.

Within the family office world, a rule of thumb is that European fortunes are generally older and inherited whereas wealth in Asia often falls into new and entrepreneurial categories. This is all the more true in China where private family fortunes saw a reset after the Communist and Cultural revolutions of the 20th century. Much of the available research on the country’s high-net-worth individuals (HNWIs) agrees that about 95% of billionaires in China today are self-made and have acquired wealth within just the past two or three decades.

Regardless of where on the compass a family office sits, its number-one issue will always be succession planning. Still, there are contrasts. In the West, by far the largest amount of wealth will be moving between generations over the next decade—some US\$8.8trn in North America alone. Estimates for the East fall just short of US\$2trn for the same timeframe. But given the lower average age of the region’s HNWIs, the amount of wealth transfer in the East could grow rapidly and soon become an industry trend driver.

Because the formal legal structures of the family office have a longer history in the West, the processes for managing successions are well established. Cultural norms in the West—particularly direct communication—also tend to favour a straightforward legal or contractual approach, albeit to an intrinsically complex process. By contrast, in the East many family offices are only now approaching their first ever wealth transfer—daunting enough in itself—and doing so in cultures where succession may not always be as openly addressed. A tendency to rely on consultants from North America and Europe—who may fail to adequately consider Eastern cultural norms—can further complicate matters. Although in aggregate, the distinction of ‘new money’ versus ‘old money’ plays a bigger role in defining East-West contrasts in the family office.

Culture and wealth structures also shape the extent to which heads of family delegate investment decisions. In the West, family offices often draw on non-family investment professionals with discretionary mandates. The same can be found in the East, but investment decisions tend to be integral to the family, particularly if its wealth comes from recent entrepreneurial activity.

Investment enthusiasm for private equity and debt has increased generally over the past decade. East and West family offices have both followed suit, albeit with notable differences. While the high-return characteristics of private assets are unanimously valued, Western family offices appear to favour the asset class for portfolio diversification while Eastern offices often look towards synergies within the family business. As a consequence, a natural bias towards domestic or regional markets is more common in the East and boosts willingness to support early-stage investment in more familiar sectors or geographies. As such, family offices in the East tend to share a growth-orientated characteristic.

In the West, philanthropy and investment goals are often intertwined. The rise of environmental, social and governance (ESG) strategies has reinforced that outlook, as has impact investing more recently. In the East, family offices tend to view philanthropy and investment with more distinction. According to our interviewees, family office activity in the East is more discreet and therefore less demonstrative about philanthropic work.

It remains to be seen how much impact the global pandemic may have on any of these trends or distinctions. Since HNWIs universally have more access to healthcare, greater ability to self-isolate and work remotely, covid-19's influence may be negligible on family office structures but the pandemic has helped to raise awareness of long-term issues, such as with ESG investing.

Introduction: shifting tectonics in global wealth

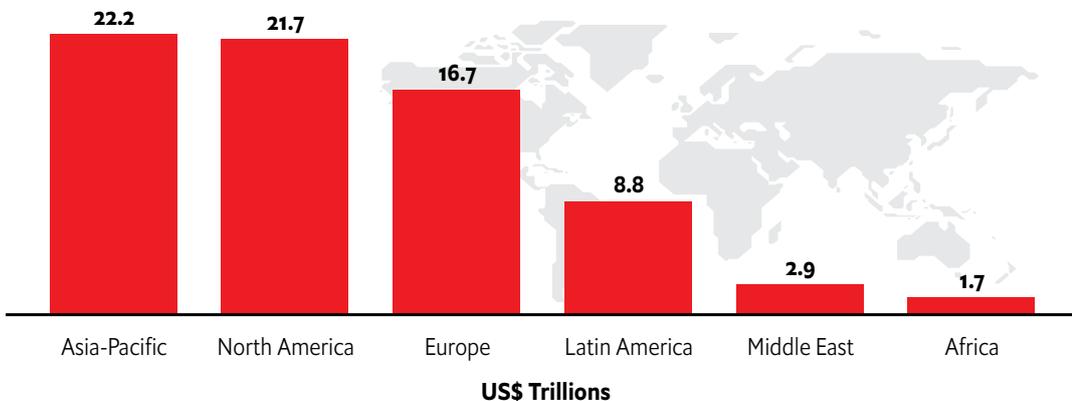
Although it is difficult to provide an exact number of family offices, partly due to varying definitions, a recent boom is clear—the global count now exceeds 10,000.¹ “Four out of ten family offices globally have been created in the past decade. The number of new entrants is really amazing,” says Kirby Rosplock, a researcher and adviser to US-based family offices.

Although the worldwide billionaire population declined by 5.4% to 2,604 in 2018, that was only the second annual dip since the 2008 financial crash, according to consultancy firm Wealth-X. Yet, even with the decline, the number of billionaires and their combined fortunes remained well above those of the preceding two years.² The *Wealth-X Billionaire Census 2020* reveals a rebound for billionaire populations: their combined holdings swelled by over 10% in 2019, reaching US\$9.4trn (with Asia showing the largest percentage jump in the number of billionaires).

But it’s not only the billionaire class that is growing. In the 2020 edition of the *World Wealth Report* from Capgemini, an enterprise management and consulting firm, HNWI (those with more than US\$50m in assets) were also calculated to show a jump in populations: 10.9% for North America, 8.7% for Europe and 7.6% for Asia-Pacific. Capgemini stated that “around the world the HNWI population and wealth each grew by nearly 9% in 2019”.³ Combined holdings for the cohort reached US\$74trn (See figure 1). Asia also maintained its position as the single wealthiest region for the fifth consecutive year, according to the same report.

Despite the rapid gross domestic product (GDP) growth of many Asian economies and China’s acceleration to become the world’s second-largest economy (first on a purchasing power parity basis), the US remains the epicentre for billionaires—and therefore for the family office industry. The country accounts for 27% of the global billionaire

Figure 1: HNWI¹* US\$74trn
Total holdings of HNWI by region (US\$trn)



Source: Capgemini (*more than US\$50m in assets)

¹ The Asian Family Office: Key to intergenerational Planning, EY, 2019.

² *Billionaire Census 2020*, Wealth-X.

³ *World Wealth Report*, Capgemini, 2020.

A woman with long dark hair, wearing a light blue blouse, is in the foreground, looking down and holding a yellow highlighter. In the background, a man in a dark vest and white shirt is standing and talking to another woman who is sitting at a desk with a laptop. The office has a modern, bright atmosphere with warm lighting and blurred background elements.

**“Four out of ten family
offices globally have been
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Kirby Rosplock, founder, Tamarind Partners

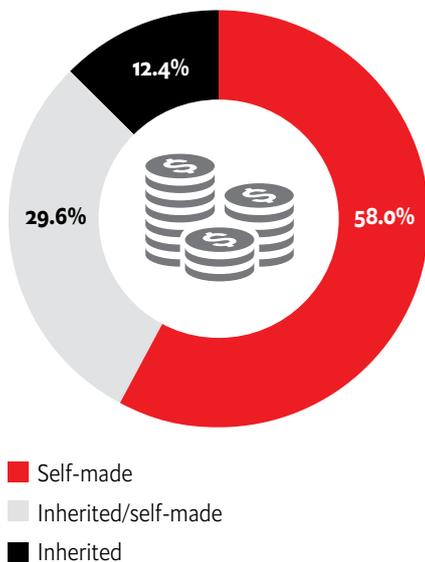
population and 35% of total billionaire wealth. Although Wealth-X recorded a 16% drop in China’s billionaire population, the nation’s total of 285 made up 12% of total global billionaire wealth and remained well above third-placed Germany.

The rise of Asian family wealth rests squarely on the rapid growth of their businesses: more than 70% of China and India’s family businesses said they expected double-digit growth in 2019.⁴ The figures for China are particularly remarkable given wealth there has largely risen over the course of the current century. While the perception that

the West’s wealth stems from “old money” is open to challenge, there is a higher proportion of newer, self-made billionaires in Asia given that 95% of China’s (the second-largest country of residence for billionaires behind the US) are self-made.⁵

Research demonstrates a gradual secular increase in the proportion of self-made billionaires globally. Tech billionaires play a big part in that. They have an average net worth of almost US\$6bn and five of the world’s ten richest people created the majority of their wealth in the technology sector. While considerably greater than those in other sectors, this figure is heavily skewed by a small number at the top, such as Amazon founder Jeff Bezos whose 2019 estimated net worth was US\$124bn.⁶ This long-term global trend towards technology is also apparent in Asia with the rise of billionaires like multinational tech conglomerate Alibaba co-founder, Jack Ma. The highly mobile, international and high-growth nature of this cohort will no doubt have implications for investment strategies at associated family offices. For example, while Jeff Bezos pours his wealth into space exploration, his ex-wife—who became a billionaire in her own right after the divorce—concentrates on philanthropy. That division is repeated across the billionaire gender spectrum as women are more likely than men to report philanthropy as a hobby or passion. So in addition to East-West divides of family office directives, there are also significant gender splits.

Figure 2: Found, grow or receive
Sources of billionaires’ fortunes

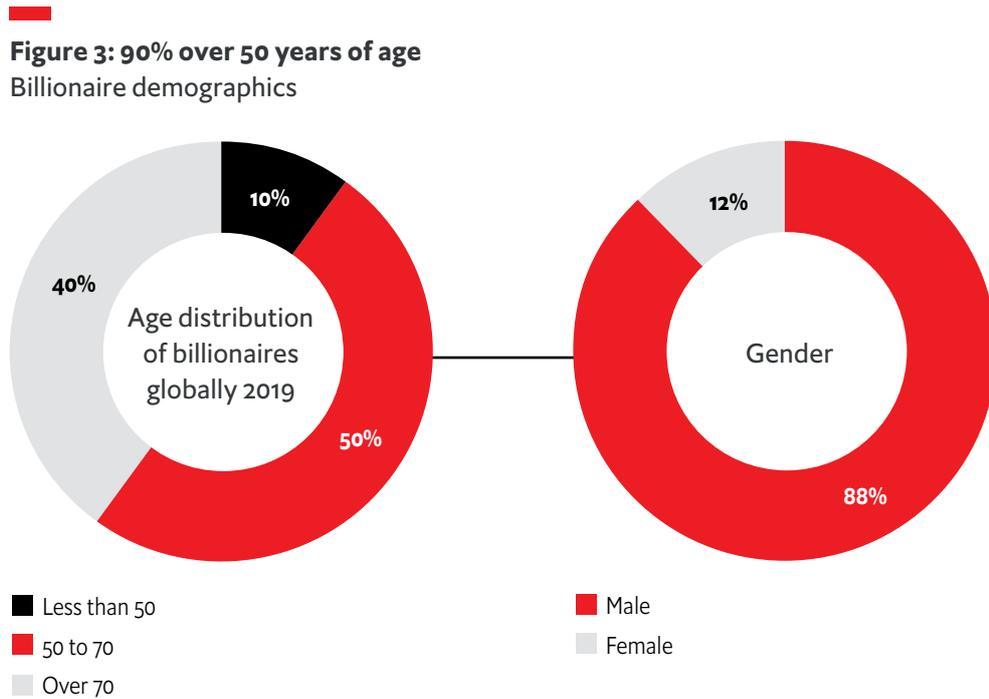


Billionaire Census 2020, Wealth-X

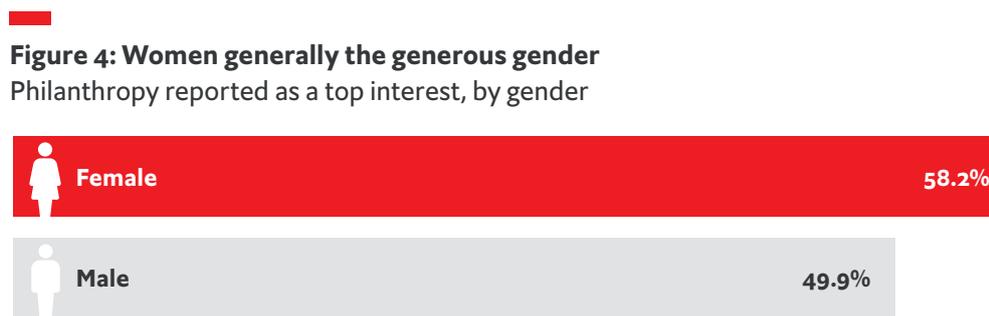
⁴ The Asian Family Office: Key to Intergenerational Planning, EY, 2019.

⁵ Billionaire Census 2019, Wealth-X.

⁶ Billionaire Census 2019, Wealth-X.



Source: Billionaire Census 2020, Wealth-X



Source: Billionaire Census 2019, Wealth-X

How culture frames the tasks of the family office

Many factors combine to determine the structure and approach of any given family office. One study compares the success of such structures to marriage—or marriages: “Long-term spouses do not have one marriage; they have many marriages strung together in sequence.”⁷

As with a marital relationship, families and their offices need to understand the changing beliefs and assumptions of the other to succeed. Culture plays a role in framing assumptions, and cultural differences are central to the dynamic. However, that importance does not mean culture is either adequately understood or factored into the equation.

“In Asia, there are still quite patriarchal family systems that tend to be more respectful and reverential to older generations,” explains Ms Rosplock. “In Western culture, there is more democratic thinking that may lead family [members] to question or test assumptions in the family office—this isn’t always welcomed and can lead to conflict or, worse yet, litigation.”

“The family head thought it best to set up a separate office to deal with the affairs and investments of the family,” explains Chompan Kulnides, vice-president of investment for Minor Holdings in Thailand. “As assets had grown, there was a need to bring everything together and to delegate dealing with this alongside banks, accountants and the like,” she explains. Setting up a family office is one way for a family to maintain divisions

between its familial and business interests; sometimes it can help a patriarch to ensure his philosophy or wishes are formally followed. “There is some cross-over between the family office and the business, but the separation of authority and interest is clear and they do not overlap,” Ms Chompan explains.

“Confucian culture shapes attitudes to wealth succession,” says Tony Gao Hao, a Beijing-based academic who specialises in family offices, “which in turn plays a role in [their] design”. His assertion is that succession is bound up with family heritage—something that is especially true of first-generation wealth creators. The relative prominence of family heritage can also drive greater reluctance among family members to sell a business, which again will influence the functioning of a family office.

Rather than simply contrasting East with West, James Grubman, a family wealth consultant based in the US, has highlighted a three-culture model—highlighting “honour”, “harmony” and “individualist” family structures as a series of frameworks for distinguishing family office approaches.

- **Individualist:** (Northern Europe, North America): values include meritocracy, accountability and personal success through hard work. Communication is direct, assertive and explicit in meaning.
- **Harmony:** (North, South and South-east Asia): emphasising respect for authority and family. Harmony is prized, conflict

⁷ James Grubman, Dennis T Jaffe, “The resilient single-family office: a developmental perspective”, *Globe Law and Business*, June 2018. <http://www.jamesgrubman.com/sites/default/files/The%20Resilient%20Single%20Family%20Office%20-%20A%20Developmental%20Perspective%20-%20GrubmanJaffe%20Int%20Fam%20Off%20Journal%20June%202018.pdf>

A photograph of two women in a professional office environment. The woman on the left, with short dark hair and a pearl earring, is leaning over the desk. The woman on the right, with long brown hair, is seated and typing on a laptop. Both are wearing white long-sleeved shirts. A semi-transparent dark grey box with a red top border is overlaid on the lower-left portion of the image, containing a quote and a caption.

**“There is some cross-over
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*Chompan Kulnides, vice-president of
investment, Minor Holdings*

avoided. New ideas are benchmarked against their effect on community and family. Young people must await roles from a strong individual head. Communication is orientated to sustaining relationships, with language being circumspect and ambiguous.

- **Honour:** (Southern and Eastern Europe, South America, North Asia, the Middle East and India): the family is the social and economic focus of life. Family enterprises have a culture centred on those in power. The communication style is somewhere between the individualist and harmony models.

“There’s a lot of intricacy to this,” says Mr Grubman. “The three-culture model explains a lot about issues of regulation and wealth transfer compared with a simplistic East-West model.” According to this view, differences in perspective between generations or family branches may often reflect culture clashes rather than personality differences—understanding the source of conflict can help resolve it.

Family offices must plan for cultural clashes so they can mitigate the worst effects. Mr Grubman says for families in Asia, and Latin America, “whose enterprises are built on complex opaque cross-holdings, the idea that you need to comply with disclosure of beneficial holdings is problematic for the very nature of the business”.

So, while family offices of the West have developed in jurisdictions where transparency is seen more as a cultural norm, offices in the East may face more challenge in this area given that opaque operations may be a

feature, not a bug, of their procedures in order to protect intellectual property, business relationships or investment strategies.

Adopting a one-size-fits-all approach, disregarding place or culture, can cause problems. For example, both Mr Grubman and Stacy Choong, a partner at Singapore-based law firm Withers KhattarWong, cite examples where the direct, technical approach of Western wealth consultants can miss cultural nuances and lead to suboptimal results. “You need advisers who not only understand the legal issues but also that not everything should be legally enforced,” explains Ms Choong. “They must understand the culture in a way that can help bring families together in their collective interest.”

Ms Choong notes that Singapore particularly exhibits such a divide as a place that markedly blends Eastern and Western norms.

“That’s one of its strengths,” comments Mr Grubman, who says Singapore combines certain individualistic traditions—like embracing being analytical and more direct, for example—alongside traditional Asian approaches. “When you work in Singapore and Hong Kong you have to be extremely adept at managing cross-cultural and cross-jurisdictional issues,” he says.

As wealth becomes more internationalised and families more globally dispersed, family offices will need increased proficiency in handling cultural differences and complexities between both financial institutions and geographies.

Succession: managing wealth transfer sometimes means speaking the unspeakable

Succession is a top priority for wealthy families and their offices. A staggering US\$15.4trn is set to transfer within families with a net worth of US\$5m or more by 2030, according to Wealth-X. This involves the transition of ownership of businesses, property and other assets along with the broader financial concerns of the family, such as philanthropic foundations and art collections.⁸

Missteps in this process are common: 70% of wealthy families lose wealth by the second generation and 90% by the third. Managing such a transfer requires family offices to have considerable skill across multiple disciplines, but according to the Family Wealth Alliance, a family-office advocacy organisation, a shortage of talent poses a significant problem.⁹ “We have seen many senior private bankers being invited to join family offices,” says Ms Choong.

Another way to solve the talent issue is to rely on the family itself. “Families will often want to educate the next generation—[initiating] young adults in their charitable foundation, providing guidance, finding placements,” says James Fleming, chief executive officer (CEO) of Sandaire, a multi-family office (MFO) based in the UK.

The approach can be different in China, notes Chris Merry, CEO of Stonehage Fleming, a global MFO with multiple offices around the world. He explains that its market is more product-focused, with family heads asking: “Why would you want to pay someone to come and talk to you about succession?” As a result, he says, banks have been winning

business by offering a service where advice is bundled in with more tangible products.

Succession planning was a key factor that drove Mr Yu Hongru, a former Chinese pharmaceutical entrepreneur who founded BOZE, a single-family office (SFO). “In China, there are many public and private placements, and many asset management companies and insurance companies,” he says. “But to find the suitable talents for family offices is still a challenge.”

“The one-child policy has made this worse,” says Mr Gao, “as there are fewer options for succession”.

Wealth transfer is a notable differentiator between East and West family offices currently. By far the largest amount of money is due to move between family members in North America over the next decade given the sheer size of wealth in the region and the older average age of family heads. North America is likely to account for more than half of global wealth transferred in the next ten years (US\$8.8trn), while Europe should see about one-fifth of the global total (US\$3.2trn) transitioned over the same period.¹⁰

“This is a huge driver for how the next generation sees the deployment of assets,” says Ms Rosplock. “It’s going to impact families as they consider the readiness of beneficiaries, their preparedness as beneficial owners and the need for better wealth education.” She describes the latter as “one of the hot-button issues that keep family office executives awake at night”.

⁸ Generational Shift: Family Wealth Transfer Report 2019, Wealth-X, 29th June 2019.

⁹ State of the Family Wealth Industry 2018, The Family Wealth Alliance, 13th December 2018. <https://www.globenewswire.com/news-release/2018/12/13/1666871/0/en/State-of-the-Family-Wealth-Industry-Report-Released.html>

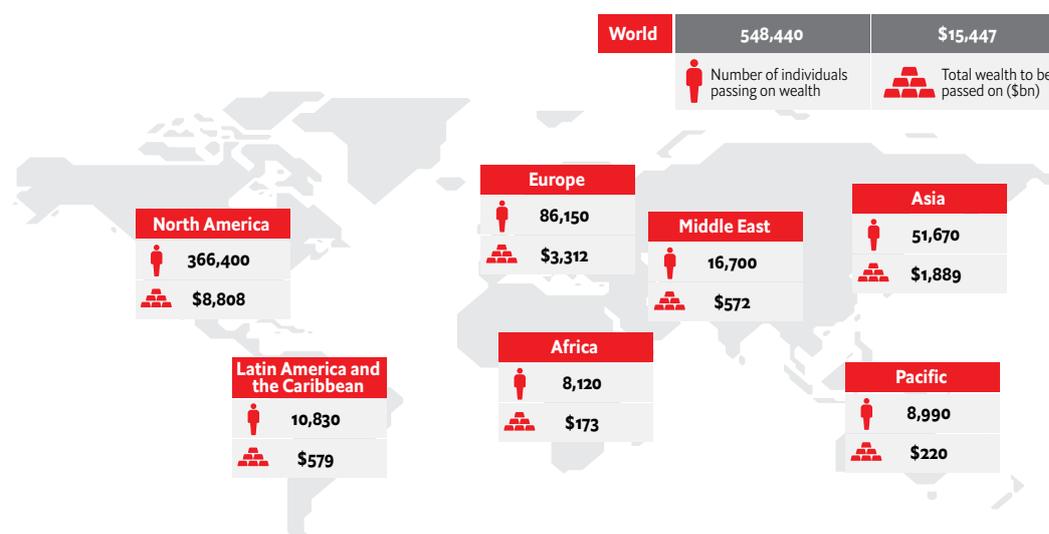
¹⁰ A Generational Shift: Family Wealth Transfer Report 2019, Wealth-X, 29th June 2019.



“Confucian culture shapes attitudes to wealth succession.”

Tony Gao Hao, director, Global Family Business Research Centre, Tsinghua University

Figure 5: From baby boom to booming inheritance
Global wealth transfers by region within the next decade



Source: Wealth-X

The need for wealth education has driven many family offices, especially those that service multiple families, to establish financial education programmes focussed on elements such as entrepreneurship, philanthropy and investment approaches. Some also organise retreats aimed at building family consensus and providing financial education for succeeding generations.

Young money

East-West distinctions on succession are significant but the roots of that are more demographic than cultural. A fortune's age plays a bigger role. Billionaires in China—where the bulk of the East's billionaires

originate—are considerably younger than their Western counterparts. With an average age of 56, over 20% are less than 50 years old compared with a global mean of 10%.¹¹ India has a similar demographic with an average billionaire age of 63.¹² Likewise, the average age of its HNWIs with a status of US\$30m+ is 59 years old.¹³ That younger stage of life can greatly influence where a family is on its “wealth journey” and how its related family office then operates and plans for the future.

The relative youth of the East's fortunes suggests there is still time for succession planning. But formalising those plans is a challenge, as highlighted in an Economist Intelligence Unit report. The *Planning*

¹¹ Billionaire Census 2019, Wealth-X.

¹² World's Billionaires List 2020, Forbes; accessed August 16th 2020.

¹³ Family Wealth Transfer Report 2019, Wealth-X.

Figure 6: Eastern youth

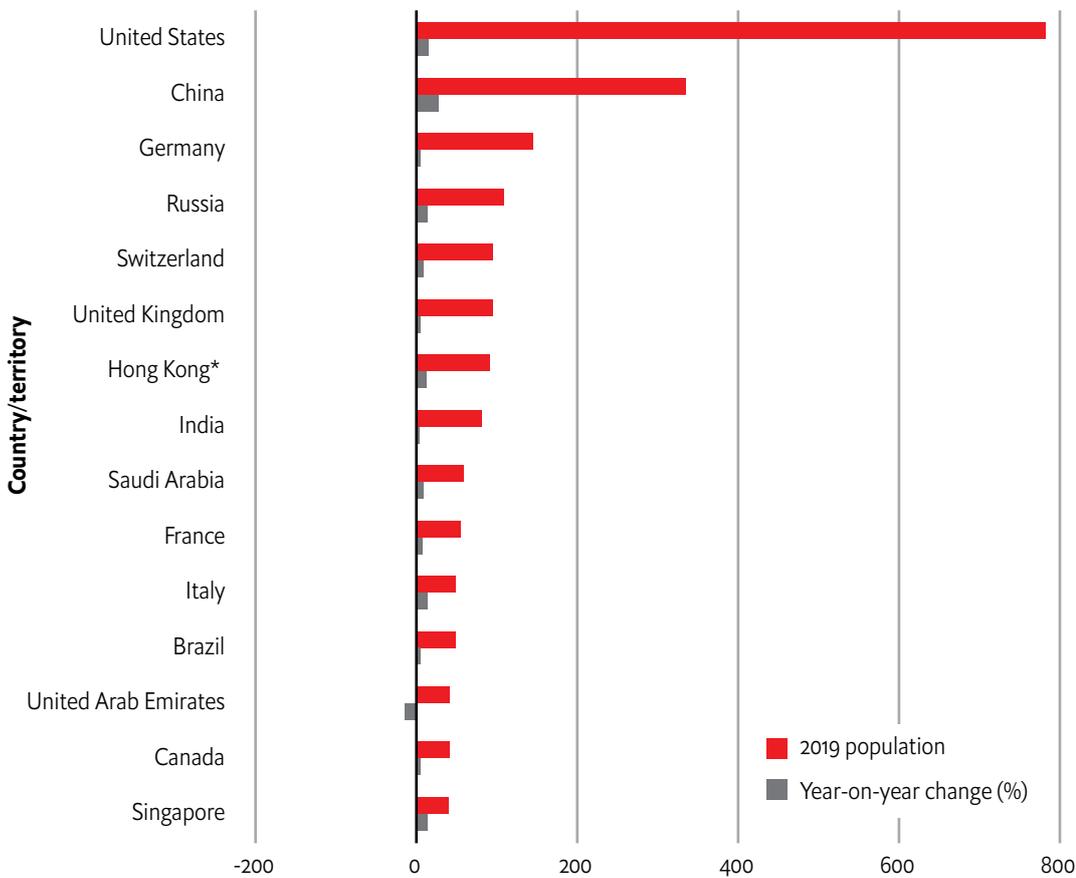
Average ages of select nationalities of billionaires

	ALL	US	CHINA	INDIA
Average age	65.7	68.5	56.2	63
Proportion under 50 years of age (%)	10.4	8.4	22.2	11.9

Source: Wealth-X; Forbes world’s billionaires list 2020

Figure 7: Another China growth metric

Billionaire populations for the top 15 countries or territories and year-on-year change



Source: Wealth-X

for prosperity study of family-owned businesses in Asia—many of which would fall into a HNW category—found a majority of business owners claimed to have a plan for succession. But experts in the field were more likely to “say planning is largely a notional exercise as tradition and culture weigh more heavily in actual implementation. This presents a particular generational challenge between the old ways of succession preparation and a new generation embracing modern planning”.¹⁴

With close to US\$2trn in Asia ready to transfer across generations in the next decade, and over US\$15trn globally,¹⁵ it’s a significant issue to address. While family offices are designed to resolve questions around succession, the matter is not always prioritised. Ms Rosplock explains that Eastern family offices seem less focused on structuring “as the first-generation wealth creators are still building their fortunes,” she says.

At this point, demographics bump shoulders with culture. “Asian family offices are just beginning to think about the succession challenge,” says Mr Merry.

Structuring transition in the East

“The last five or six years in Asia have seen an increase in managed wealth transition,” says Ms Choong. Asian wealth has grown in size and complexity, which in turn adds to the complexity of the skillset needed to manage its transition.

Complicating matters further, succession

decisions are not solely made based on wealth. “There are two types of succession: one is spiritual [values and beliefs of the family], the other is material,” explains Mr Yu. “Spiritual inheritance is more important than material inheritance. But if there’s no material foundation, spiritual inheritance is just empty talk. They deeply rely on each other and are both important. But if there’s no spiritual inheritance, it’s hard to guarantee material inheritance as well.”

At present, that dynamic is coming into play particularly strongly given the emergence of a globally mobile generation with greater awareness of legal claims to family wealth. As a result, next-of-kin in the East are now more likely to challenge any perceived unfairness than generations past.

“Social media has certainly raised greater awareness of how families fight—and the voices of disgruntled heirs are more widely heard,” says Ms Choong. With greater understanding of their rights, the complexities of succession and widespread availability of professional guidance and advice, families are more readily investing time into getting things right.

“Families don’t want to be in a position where the family head dies and a fight starts because it’s not clear what happens next,” says Mr Merry, emphasising that “succession needs to be agreed upfront”.

“The first private-owned Chinese family businesses only began 40 years ago,” says Mr Gao. “This means that we’re hitting a trigger point for family offices on how to manage succession.”

¹⁴ Planning for prosperity: assessing family business future-readiness in South and South-east Asia, Economist Intelligence Unit, 2018.

¹⁵ Family Wealth Transfer Report 2019, Wealth-X.

A photograph of two women in professional attire. The woman on the left is wearing a white ruffled blouse and black-rimmed glasses, smiling and looking towards the woman on the right. The woman on the right is wearing a dark blue top and glasses, looking back at the first woman. They appear to be in a modern office or meeting space with a blurred background.

**“The last five or six years
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increase in managed
wealth transition.”**

*Stacy Choong, partner, private client
and tax, Withers KhattarWong*

Jurisdiction

Lastly, in a world where assets and family members are widely dispersed, multi-jurisdictional issues become more frequent for family offices. Western offices tend to be working on a more level playing field than their Eastern counterparts as the latter often have to deal with complicated limitations on property ownership and inheritance by non-domiciliaries.¹⁶

“For instance, in countries such as Singapore, only citizens can inherit certain landed residential real estate,” says Ms Choong. “So if a family has significant landed residential real estate with heirs of different nationalities, ensuring that inheritances are fairly divided is not a simple issue.”

The past decade has seen a rise in global asset disclosure and reporting requirements as governments have turned their sights to cross-border capital flows and offshore wealth holdings.

FATCA, CRS, CDOT¹⁷ and the EU Directive DAC6¹⁸ are all regulations specifically created to give governments or tax regimes greater transparency of global wealth. While these laws may originate in the West, their effect and influence have significant reach in the

East. Such regulations, says Mr Grubman, “are predominantly individualist-driven laws” emphasising transparency and openness. This can cause significant stress to many “honour” and “harmony” families in the East whose trust-based structures are often interpreted as opaque in the West. Mr Grubman adds. “These families are being forced to deal with issues they have never had before.”

¹⁶ The Asian Family Office: Key to intergenerational Planning, jointly published by EY and DBS, 2019.

¹⁷ FACTA, or the Fair and Accurate Credit Transactions Act of 2003, is a US federal law that has compliance and regulatory implications for financial reporting by foreign financial institutions. CRS, or the Common Reporting Standard, is an OECD Council standard for annual cross jurisdiction financial information sharing. CDOT, or the Crown Dependencies and Overseas Territories International Tax Compliance Regulations, is a UK regime based on FACTA that requires financial institutions in the British Crown Dependencies and Overseas Territories (CDOT) to automatically provide information on UK taxpayers who hold financial reportable accounts in the CDOT countries to the UK’s HMRC annually.

¹⁸ DAC6 is a 2018 European Union directive on cross border tax arrangements. https://ec.europa.eu/taxation_customs/sites/taxation/files/dac-6-council-directive-2018_en.pdf

Who's in charge? Delegation versus advisory

The degree to which delegation takes place in family offices differs by region. While there is no simple delineation between practices in the East and West, distinct patterns emerge. Mr Fleming says families in the West more readily give discretion with investments, especially with the anchor of quarterly reports. "In Asia, discretion is difficult, and rarely given," he adds.

Decisions are guided by the familial anchor in Asia, Mr Gao explains. "While there is no typical level of discretion, families will have the final say on investment decisions, especially on large and direct investments," he says.

Emphasising the importance of that familial anchor, Ms Chompan, explains: "I interact almost daily with the family head as I sit quite close to his office." With regard to the office structure, she notes that "we haven't set up key performance indicators (KPIs) for external managers—we work very much hand in hand with them. The KPIs are more on me". Whereas in the West, hired money-managers might take the responsibility directly.

The Chen family office offers another example. "The broader family was fairly involved in the creation of the multi-family office, with most participation being from my generation—five siblings," explains Annie Chen, who subsequently created her own family office team called RS Group in Hong Kong. She adds that the way in which decisions are made varies between different family members and foundations, with some members taking responsibility for strategy and asset allocation where others may devolve mandates to external wealth managers and bankers.

Ms Choong agrees that it is quite common for just one individual or a handful of family

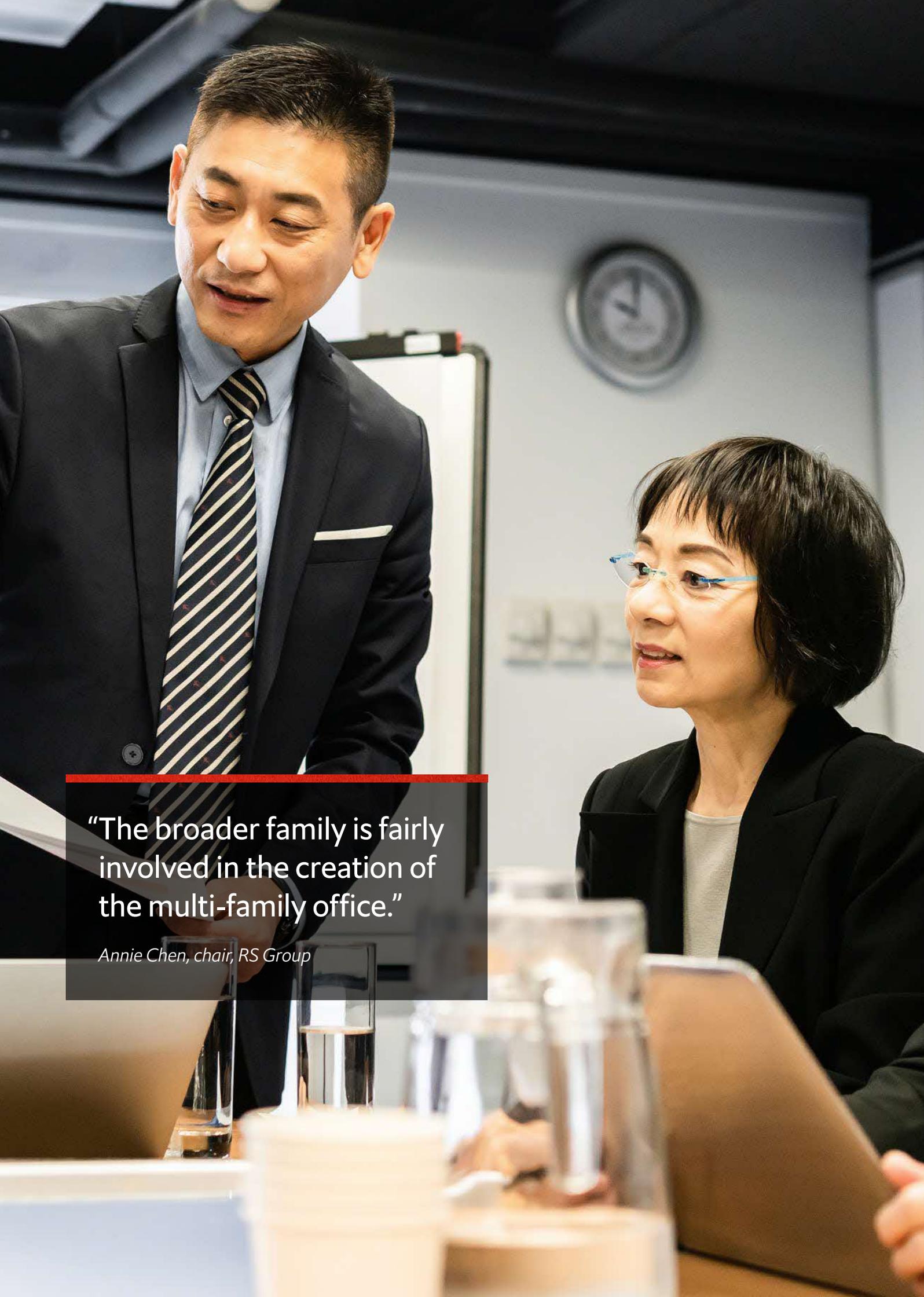
members to make the ultimate investment decisions in the East. "Some family officers are only tasked to research and recommend to the head of the family, who ultimately makes the final investment decision." Others, she adds, may be given a mandate to manage with a certain level of discretion.

Ms Rosplock observes that in the East "the degree of family involvement in the family office may also be influenced by the age and the stage of wealth". The higher preponderance of self-made UHNW family heads goes some way to explaining their proactive, hands-on wealth management, as does the more "intertwined" business structure common in the region, which shapes a closer relationship between the family and its office.

On the other hand, Mr Grubman sees culture as the most influential factor. "One crucial difference from the family perspective has to do with trust," he says. Families that fit into his "honour" or "harmony" categories often have greater confidence in the extended family than they do in non-family advisers. "Much then depends on the experience and expertise of the family member placed in charge." They may prioritise direction from the patriarch as opposed to modern techniques of asset management.

The West's individualistic cultures may demonstrate more preference for external professional advisers, though some experts believe this characterisation to be more an issue of degree than division.

Hiring a family member to run investments "might not make sense if that individual lacks a broad range of knowledge and may not have access to all the research tools of an external



“The broader family is fairly involved in the creation of the multi-family office.”

Annie Chen, chair, RS Group

adviser,” says Sir Anthony Ritossa, chair of the Ritossa Family Office—known for six centuries of succession with heritage from Italy to the Middle East. “Therefore, it may be more practical to hire external specialists to liaise with the family decision-makers.” In addition, discretionary management is more prevalent in the West where quarterly reporting is the norm. In Asia, less discretion is combined with more frequent reporting.

Ms Chompan says she runs the day-to-day investments of the family office on a discretionary basis “within loose guidelines, but if an investment hasn’t been in scope before, or is particularly complex, like a structured product, I’ll consult with the boss”. She adds that “we are trying to organise a family assembly on an annual basis and find opportunities to update family members”.

The degree of family involvement also frames perceptions of East versus West. In the West, family offices provide a varied menu of roles, fundamentally on behalf of the family, whereas in the East they are often an intrinsic part of the family.

In the East, says Ms Choong, “family offices are usually tasked to groom their children to eventually take over and run their family businesses”. This process can be much more detailed in terms of a particular industry or market drivers rather than wealth management. They tend to have a sharper focus on recruiting investment experts for teaching family members and training the second generation as entrepreneurs.

Typically in the West, successive generations would undergo formalised training programmes. “We sometimes take the

next generation in for internships and work experience,” explains Mr Fleming of Sandaire. “Education is very important, from finance to how their family has developed.” The trend is accelerating in the East too. In July 2020, The Institute of Banking and Finance Singapore (IBF) together with the Monetary Authority of Singapore (MAS) announced guidelines for such training, drawing on corporate governance principles, to better define specialist skillsets for family offices.

Mr Gao contends the close association of business and the family office in the East may be changing as “the shortcomings of this model are becoming more apparent and the two entities are becoming more distinct”. A closer collaboration between families and wealth management professionals is appearing in its place as the former recognises the need for talented and trustworthy professionals. “However, the families retain strategic control, and family members are deeply and actively engaged with the family office, which is different to ‘old money’ seen elsewhere,” he adds.

This structure is apparent in the BOZE family office, although Mr Yu stresses that outside professionals must be prepared to make a long-term commitment to any family office role, and must “agree with the philosophy and positioning of the family office”.

“In Chinese culture, sourcing management talents purely from outside does not work, but in the meantime relying on the second generation is also not enough. So the model we decided on is a mix of second generation and management talents from outside. I think this model suits a lot of family businesses,” says Mr Yu.

Investment trends

Market turmoil in 2020, largely engendered by covid-19, hit Asian markets hard at the beginning of the year. But as the virus migrated west, things changed. At the time of writing this report, China appears best positioned to emerge from the crisis, ahead of Western economies. The Economist Intelligence Unit's GDP forecast for 2020 shows China as one of the few countries likely to post any positive growth at all for the year.

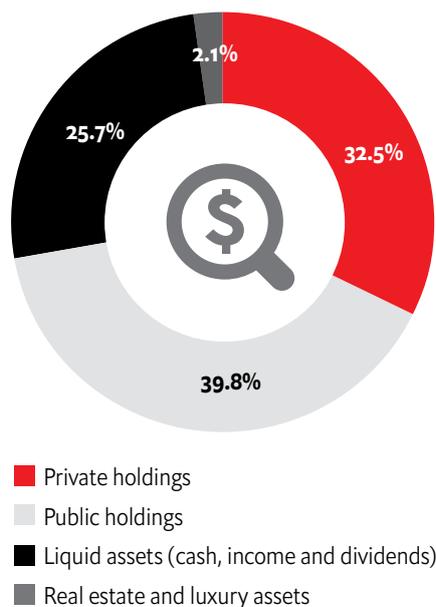
According to Capgemini, Asia-Pacific represented US\$1trn of global declines in wealth (including a 5% drop in the region's HNWI's wealth) for 2019. "China alone was responsible for more than half (53%) of Asia-Pacific and more than 25% of global HNWI

wealth loss," the research found. Globally, asset allocations of the wealthy shifted as cash again became king, forcing equities into second place as the most-held asset class in first-quarter 2019 (28% cash and 26% equity), according to the report.¹⁹ While that may not be a measure of family office holdings directly, it offers some insight into the trends affecting them.

By comparison, reports from Wealth-X do not register such pronounced shifts to cash. Its study notes significant differences in asset allocations as a person or family's wealth increases. Public holdings (equities) climb in line with overall wealth while liquid holdings decline in proportion.

Managing director of US-based professional services firm UHY Advisors, Joseph Falanga, notes that within listed equity themes of growth and technology were popular until recently. He adds that while value investing became stagnant, "it remains to be seen whether this continues in the context of coronavirus". Mr Falanga observes that "family offices are also gathering cash to take advantage of opportunities". No doubt there will be many in light of the volatility seen in markets in the first half of 2020.

Figure 8: Affluent asset allocation
Billionaires' holdings by class, 2019



Source: Wealth-X

Strategy

In broad terms, Mr Rosplock says HNWIs anywhere tend to seek less volatility for their hard assets. Balancing the security of the bond market with return benefits of equity markets is as common for family offices as it is for any investor—everyone would prefer higher returns with less risk. But the wealthy can

¹⁹ World Wealth Report 2019, Capgemini, 9th July, 2019. <https://www.capgemini.com/gb-en/news/world-wealth-report-2019/>

better source the skills, advice and assets that offer a greater promise of such returns.

Regardless of location, family offices generally work within a typical allocation framework. Still, such strategies will be highly bespoke, says Mr Merry, where the purpose of wealth “drives the investment strategy, rather than the other way around”.

“Family offices are also gathering cash to take advantage of opportunities.”

*Joseph Falanga, managing director,
UHY Advisors*

Mr Fleming, whose multi-family office, Sandaire, serves largely Western families, says that any such investment plan needs a series of objectives. These will vary widely as they are “affected by circumstances, time horizons and so on. It could be a long-term endowment fund; it could be a single person investing. It could be to target a certain income or level of capital growth”. Such factors will shape specific KPIs and determine asset allocation.

In Singapore, Ms Choong does not believe there to be a “typical” investment strategy. “Every family office I meet has a different strategy, and it is also not a static strategy.” Opportunity and speed rate highly because a family office can be “ready to write large cheques when they spot suitable investments”. Such nimbleness is a function of having

a direct line of communication with the decision-maker and provides an interesting contrast to Western family offices, which are more likely to rely on a structured asset-allocation framework, especially if run by external investment professionals.

Ms Chompan says her experience in Thailand is that diversification is also important. “We don’t have a finite asset allocation ratio but are diversified across equities, fixed income, hedge funds and other investments.” Core equity holdings, which she says are aligned with the family’s business interests, are combined with “short-term [equity] investments, largely playing the market”.

Ms Chen says that RS Group, which is focused on meeting impact goals as well as returns, invests sustainably across all asset classes including listed equity, fixed income and private equity. It only holds a small number of direct investments “as it involves a lot of work in terms of due diligence and monitoring”, according to Ms Chen.

Ms Rosplock, based in the US, believes that investment frameworks are more determined by the source of wealth by sector rather than geography and that such a sectorial bias will be fairly consistent, East or West. “It is not unusual for a family whose business is very real-estate heavy to have a continued interest in investing in real estate,” she says. “For example, a wine-producing family with lots of vineyards will see the stewardship of their wealth through two interlinked lenses—the production of wine and real estate.”

One driver that appears more prevalent in the East than in Europe or North America is

the issue of political risk. In emerging markets, where such risks are often higher, family office diversification strategies may result in a greater proportion of assets being located outside its home markets in order to mitigate any financial risks that could result from political upheaval. In Thailand, for example, the government has had about 20 coups since the 1930s, demonstrating significant political instability. But the West is not immune to the condition: as Mr Merry notes, family offices in South Africa and Latin American have similar risk concerns.

In the East and the West, the broad strokes of seeking higher returns with lower risk paint similar big pictures. The differences come in the details of how families define risk. Families in the East are more likely to see collecting assets in the same or adjacent industries as lower risk because they know the markets, understand the dynamics and feel prepared to take advantage of opportunity—a condition that ties back to the fact that founding members of family offices in the East tend to remain the chief investment decision-maker. In the West, where non-family managers are more common, asset diversification rather than industry expertise more often sets the tone for mitigating portfolio risks. In both geographies, however, it's the family comfort level with either approach that is the determining factor. As the relatively younger fortunes of the East move away from founder control and subsequent generations become less intimate with their families' traditional industries, they may seek allocation structures that bear a closer resemblance to their Western counterparts. And as emerging markets themselves become

more established, this too could influence asset allocations.

Approach summary

- Asset allocations typically shift into a greater proportion of publicly listed equities as a family's wealth increases and fortune progress through generations.
- Family philosophy about the purpose of wealth is a key driver of investment strategy.
- An array circumstances (time horizons, growth targets, etc) shape specific family office KPIs and determine asset allocation.
- Sources of wealth (business sector) greatly influence asset allocation.
- Political risk is a driver of geographic diversification.
- Families in the East are more likely to acquire assets in the same or an adjacent industry to that of their original income source than families in the West.

The old and the new

Length of legacy also has a direct influence on family office investment strategies. "The family office of a third-generation family generally doesn't have the same mandate as a recent technology entrepreneur," says Ms Rosplock. The former will likely be focused on wealth preservation, the latter on wealth creation.

“With the first generation wealth creators, how to invest is most important.”

*Chris Merry, group chief executive officer,
Stonehage Fleming*

“With the first generation wealth creators, how to invest is most important,” says Mr Merry, adding that the longevity of wealth becomes increasingly relevant over time.

This can feed into an expectation of higher returns in Asia, where confidence in wealth creation and perhaps a greater appetite for risk co-exist. Again, the age of wealth and where it resides are shaping factors: Asia has a large amount of private wealth in family-owned businesses with a lower exposure to public markets. So in China, for example, the family office market is at an early stage and therefore has a greater focus on creating wealth, explains Mr Merry. It’s yet to be seen if covid-19 will have any influence on this history. Yet as China is one of the few countries likely to show any GDP growth at all in 2020 and the pandemic continues to disrupt other economies, it’s possible that the long-seen capital flow leaving China (as its wealthy seek geographic diversification) could slow and even reverse.

Private assets

Family offices have been at the forefront of the surge in demand for private assets, driven by years of historically low interest rates due

to the illiquidity premia and consequent higher returns of these assets.²⁰

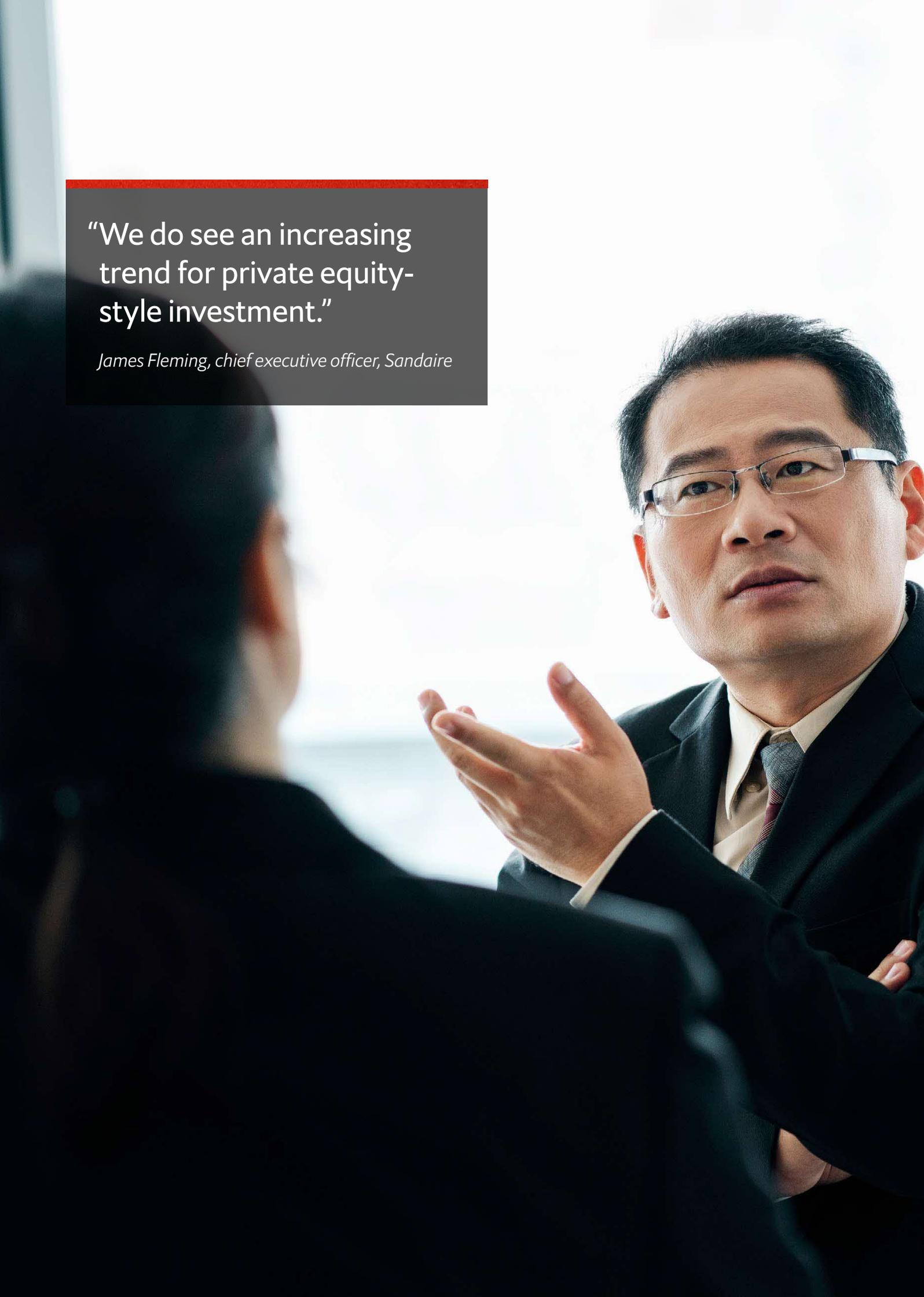
“Many offshore families [those living outside their country of origin] look for opportunities in private equity where fewer middlemen are involved,” says Mr Falanga. He also notes the popularity of real estate “as it’s a tangible asset that people understand”. Sir Ritossa also observes “a constant inclination” to invest in real estate. “It is still one of the most popular investment strategies for family offices as it is considered a bedrock asset for wealth creation and wealth preservation,” he says.

Mr Falanga has seen a stronger bias towards liquid equity assets from US domestic clients, but emphasises that it’s important regardless of geography. “Liquidity remains important for all clients, especially when it comes to the current volatility in markets. We encourage liquidity at all times,” he says.

One recent survey of 111 family office respondents found that family offices in the US are likely to strengthen the bias towards private assets, with 59% reporting that if they were to add one additional investment person in the next six months, that person would focus on illiquid investments. It also reported that 13% of total investable assets were direct investments, with 98% of respondents expecting to maintain or increase this exposure over the next three to five years.²¹ As the US Federal Reserve cuts rates and pumps money into the country’s financial system to fight covid-19 financial contagion, investors in general have taken advantage. *The Wall Street Journal* reports that in the second quarter of

²⁰ A Generational Shift: Family Wealth Transfer Report 2019, Wealth-X, 29th June 2019.

²¹ Balancing Cost and Complexity: 2019 Fidelity Family Office Investment Study, April 2019.

A photograph of a man in a dark suit and glasses, identified as James Fleming, speaking to another person whose back is to the camera. The man is gesturing with his right hand. The background is bright and out of focus. A dark grey text box with a red top border is overlaid on the left side of the image.

“We do see an increasing trend for private equity-style investment.”

James Fleming, chief executive officer, Sandaire

2020 private equity-backed companies issued more than US\$31bn in junk-bonds,²² a record that indicates when the Fed buys junk-rated debt, in any fashion, it makes the asset more attractive. It would be fair to assume then that family offices already involved in private debt and equity would follow through with plans based on these developments.

Sir Ritossa, who chairs a family office based in Dubai, says his office is “exploring options of direct investments instead of private equity. This enables us to take advantage of diversification of the portfolio, management control and higher returns”. And he claims “international families” who he consults with at conferences in Riyadh, Monte-Carlo and Dubai are also picking up on the same trend.

“We do see an increasing trend for private equity-style investment, both in the UK and the US,” Says Mr Fleming. He believes such assets fit particularly well with the long-term horizon of family investment objectives, which often run to 10 or 20 years, and “easily fitting the maturity profile for a private equity opportunity”. A decline in the number of publicly listed US companies—which reduced by almost 50% in the past 15 years—reinforces this belief.²³

Older businesses generally have strong cashflow and lower growth so their related family offices “tend to look for higher-growth opportunities in venture capital, private equity, direct investment and the new economy,” according to Mr Gao. Such an

approach also smooths out concentration risk. Families that have already sold their businesses have a stronger bias towards financial assets while those heading up new high-tech business “are looking to invest in other asset classes in other countries to decrease these risks because their businesses are high risk and high return”.

Previously in the East, private equity was a highly popular asset class “because growth was strong and entrepreneurial family heads understood these engines of growth,” says Mr Gao. However, over the past two years these investments have become riskier with diminished growth. “There is also an increased recognition of their illiquidity and long investment horizons, and we have seen a consequent shift to more liquid assets.”

Yet while private assets and direct investments are growing in popularity in both the East and West, the reasons for this vary. Alongside enhanced returns, Western family offices are generally looking for diversification while in the East they tend to seek opportunities that fit with the family business.

“Eastern investors are more likely to have their primary investment in their own company,” says Mr Merry, “and in line with this they will be looking to invest directly in other companies”. He adds that this is very much how family offices started in the West. Ms Chompan’s experience in Thailand follows suit. She explains that her office seeks “businesses that we have an affinity with, generally located in Thailand or elsewhere

²² Federal Reserve’s Covid Response Fuels Private-Equity Debt Boom, Wall Street Journal, August 12th 2020.

²³ Why We Shouldn’t Worry About the Declining Number of Public Companies, Vijay Govindarajan, Shivaram Rajgopal, Anup Srivastava and Luminita Enache, Harvard Business Review, August 27th 2018.

in South-east Asia. We have a holistic focus, not simply return-driven”.

Home bias

The family office in the East tends to have a sector allocation and risk concentration more closely aligned with the family’s source of wealth than in the West. “There is a crossover between the family office and the business,” says Ms Chompan. “For example, we will often be approached for an investment opportunity that is more appropriate for the business which I will pass onto its chief investment officer.”

“Even though many may express that the family office is seeking to invest in sectors and countries that will help to diversify from the main risks that the family businesses themselves are exposed to, in practice they seem to still gravitate towards familiar grounds,” says Ms Choong. This often leads to a significant portion of Asian family office funds being invested domestically and regionally.

Eastern families tend to leverage personal business connections and relationships when it comes to new investments. As a result, they can be more open to early-stage businesses than a family office in the West, especially if that business is being managed by someone they have an existing relationship with. As Ms Rosplock stresses, this is intimately bound with the age of the family’s wealth. “Chinese billionaires are often first-generation wealth creators and entrepreneurs to their core, given that wealth has been accumulated only since the Cultural Revolution,” she says.

The typical view is that the core function of wealth is opportunity to create more wealth, so the typical family office in the East will seem to be more entrepreneurial while those in the West take a more removed and public investment approach.

“Chinese billionaires are often first-generation wealth creators and entrepreneurs to their core.”

Kirby Rosplock, founder, Tamarind Partners

The dynamic drives deeper because it appears families who wish to be closer to Asian investment opportunities recruit Asia-based investment managers. Ms Choong notes that this continues to strengthen Singapore as a satellite centre for family offices given the country’s importance as a global financial centre with access to regional investment expertise and opportunities.

This trend is also observed by Mr Gao among Chinese families who choose to have more than one family office—one in China and another offshore. Previously, he says, Hong Kong was the preferred offshore office destination, followed by Singapore and the US. However, he comments that Singapore has overtaken Hong Kong in preference as it has the same cultural comforts but is now “seen as a safer destination for wealth among Chinese families”.

Giving as good as you get: the role of philanthropy

Philanthropy is a key concern for billionaires worldwide. Giving is listed as a top priority by 65% of the US\$5bn+ cohort and 50% of those with US\$1-5bn in assets, according to Wealth-X. This is particularly true for wealthy Americans, who list non-profit and social organisations as their third most time-consuming industry.²⁴ To a large degree, the correlation is a wealth effect: interest in philanthropy increases with prosperity.

Philanthropy is also an important way for families to pass along core values to the next generation. “It’s not just about wealth in a narrow sense, but supporting families across all aspects of that wealth: financial, intellectual, cultural and social. Our family office provides holistic services that link back to wealth. At the heart of our multi-family office is a sixth-generation family,” says Mr Merry.

In addition, Mr Merry explains, “there is a public expectation, in line with initiatives such as the Gates Foundation, that people should justify their wealth”. Socially responsible investing is another way of demonstrating this.

ESG outperforms

Socially responsible investment, rather than simply donating money, is becoming a prominent way for wealthy families to execute philanthropic goals. Environmental, social and governance (ESG) investing has become a respected strategy in its own right, and one which pension funds and major asset managers have also embraced. Not only has ESG gone mainstream, it often proves resilient in volatile markets—such as that brought about by covid-19.

Using the pandemic as an example, by early April 2020 the MSCI ACWI, an equity index that tracks global market performance, was down 16% year to date while the MSCI World ESG Leaders index fell by only 14.6%. “Over the recent [pandemic] crisis, ESG has come out well,” says Mr Merry. “When the chips are down it’s all about performance, and ESG has demonstrated it’s not a fad but another way of investing in good companies.” With families wanting to combine doing good with efficient wealth management, ESG is proving its worth.

Generational shift

A generational shift in how the purpose of wealth is perceived has recently taken place in both the East and West.

“There is a clear trend among the next generation to make a purposeful impact—to be a force for good,” Mr Fleming observes. ESG is at the top of millennials’ agendas across family offices, he says. Mr Merry comments that this phenomenon has emerged particularly over the past two to four years. “The next generation want to know what their money is doing,” he says.

In China, Mr Gao notes that the first generation is very involved in traditional philanthropy and tends to focus on direct giving. “The next generation has a different perspective and wants a more modern model that has a long-term social or environmental impact.”

Mr Yu sees the role of a family office as critical in helping this second generation understand the importance of philanthropy. “Philanthropy is the key to succession,” he says. “It makes

²⁴ Billionaire Census 2019, Wealth-X, May 9th 2019.

them [the second generation] understand that money can spread love and warmth. We invest in the stock market and do other business to enable our company to help more people.”

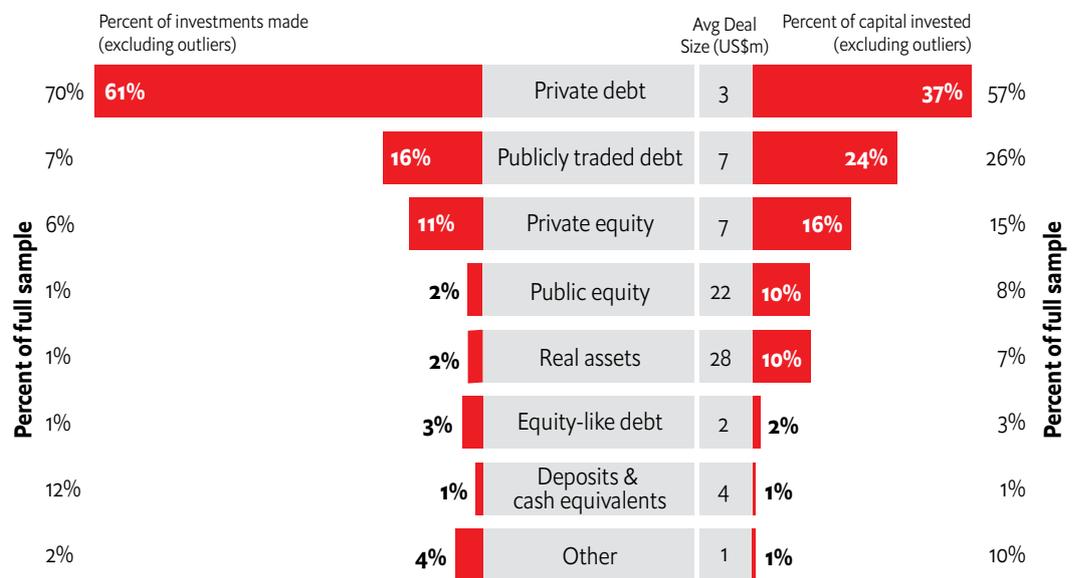
These changing attitudes are a strong factor in the growth of ESG among family offices. ESG also tends to be more quantifiable than traditional philanthropy, with metrics such as return on investment (ROI) and return on mission (ROM) helping to determine material effects.

Making an impact

A step beyond ESG is impact investing which puts more emphasis on quantifiable social outcomes rather than simply screening out negative effects. The UN’s sustainable development goals (SDGs) often set the frame for impact aims.

Sir Ritossa—whose family business started in the olive trade 600 years ago and whose family office is based in Dubai—says he has observed this trend towards impact investing “across at least 50% of the families in our

Figure 9: Family appetite for private debt
Impact investing by asset class



Note: The ‘Other’ category includes guarantees, alternatives, mezzanine, New Market Tax Credits, and other revenue-based financing. Totals exclude ‘outliers’ from the GIIN survey that did not report 2019 investment activity.

Source: GIIN survey 2019

network around the globe who self-identified as philanthropists ten years ago and who now self-identify as impact investors”.

“Because we can take a long-term approach to manage our assets, we have fewer constraints and can be more flexible in selecting investments. This mindset is well-aligned for impact investing,” believes Sir Ritossa.

Globally, family offices are known for taking a direct, very personal interest in their impact investments. According to the 2019 Annual Impact Investor survey by The Global Impact Investing Network (GIIN), family offices were far more likely to be direct impact investors than other groups with 57% of their capital invested directly compared with just 2% of pension fund capital and 24% of bank capital.²⁵ Family offices made a growing contribution to total assets under management (AUM) for impact investing, reaching US\$78m in 2018 and growing to US\$100m in 2019. According to the 2020 GIIN study, family offices plan to nearly double that amount to US\$198m this year.²⁶ Asset managers in the same study also consider family offices to be a significant growth source for AUM earmarked for impact investing.

Still, that enthusiasm seems more pronounced in the West. “There is a greater presence of impact investing in Europe and North America,” says Ms Rosplock. Ms Choong’s experience aligns with that sentiment—while acknowledging she’s seen a lot of reports of increasing interest in impact investing, she says “until quite recently, there are not many Asian family offices focusing on ESG-oriented

investing as a core anchor element in their family mission statement and their family investment strategy.”

Mr Gao’s outlook from China also follows the same narrative. He says impact investing “is something that a lot of people are talking about, but there are not so many cases”. He notes that it can be controversial. “Some families think that you should totally separate business and philanthropy to prevent conflicts of interest.”

However, while acknowledging that “there is still a lot of scepticism” around impact investing, Ms Chen believes “this has changed over the past two or three years as there is a growing recognition that the world is no longer ‘normal’”. Since covid-19, “normal” has become even harder to pin down.

Philanthropy

With a greater preponderance of “new” wealth, family offices in the East are early in their philanthropic journeys.

“I’m not sure if Asian families, at least currently, really see investments and philanthropy as being interlinked,” says Ms Choong, though “that is not to say that Asian families do not focus on philanthropy”.

One exception is Ms Chen’s RS Group. “We are a family office with a vision beyond simply focusing on investing or making grants,” she explains, adding that RS Group adopts a total portfolio approach (TPA) to their portfolio construction. She says this means

²⁵ Annual Impact Investor Survey 2019, GIIN.

²⁶ Annual Impact Investor Survey 2020, GIIN.

“Some families think that you should totally separate business and philanthropy to prevent conflicts of interest.”

Tony Gao Hao, director, Global Family Business Research Centre, Tsinghua University



the group deploys a portfolio's entire capital "towards the objective of investing for a better world, including both financial and grant investments, and ensures there is synergy and coordination between the two". This fits with Ms Chompan's experience; her Bangkok-based family office manages a foundation orientated towards scholarship. "We are also thinking about extending this to other things that the family cares about, such as youth and education," she says. "We don't do so much on ESG investments, but I do help the [family business] with its sustainability strategy and integration into operations".

Family philanthropy in the East is growing with groups like Tata Trusts, The Hinrich Foundation and the Yidan Prize Foundation investing substantial amounts in their chosen areas. Mr Gao describes the shift as "statistically important" while Ms Choong says her firm has also helped many families set up foundations or philanthropic trusts.

Asian families often see philanthropy as a single-family effort and a very private affair, says Ms Choong. "They are keen to get together to hear what others are doing," she says, "to better understand the needs in the region and also to learn how to give more strategically and sustainably". However, they avoid the high-profile declarations or multi-family collaborations often seen in the West.

Mr Grubman views the division as a reflection of how "harmony" families embed their giving in corporate philanthropy because of more blurring between family and enterprise. "They look at areas where the business can contribute rather than setting up a family foundation," he says.

Conclusion

From its roots in European institutions, the family office has grown to become a global investment vehicle. “Global” in a dual sense: existing throughout the world, but also servicing an increasingly globally mobile and globally-minded client base. Many of the family office representatives interviewed for this report are already spread across national borders and the rest have aspirations to do so. And family offices are certainly not isolated from global capital trends.

“Learning from international peers is very important.”

Yu Hongru, founder, BOZE Family Office

“The up-and-coming generation has never been so globally aware: everything from the environment through to social justice issues, gender inequality, geopolitical global instabilities—and now, of course, everyone’s attention is on health,” says Ms Rosplock. Her observation is rooted in the covid-19 crisis, which in 2020 is everyone’s primary concern, irrespective of wealth. “The covid crisis,” says Ms Choong, “also may be bringing out more awareness of having meaningful investments as part of the family mission. Recently, we are seeing many more mandates on formalizing family philanthropy activities and also more discussion on impact investing.”

Eventually, the pandemic’s urgency will fade and as with all investors, views will turn beyond the current moment. “Many family offices will continue to be at the forefront of change, investing early in new technologies, artificial

intelligence, and of course pharmaceuticals and healthcare,” says Ms Rosplock. She also highlights that, unlike institutional peers, a family office has advantages of nimble governance, transparency, liquidity and patient capital on its side—all valuable attributes in the investing world.

From East to West, wealth in transition is growing. However, the rate of increase has been accelerating in the East. Families, which are on average newer to the game, are adapting their own ways of managing and moving wealth across generations. They are taking on knowledge from the West and building on it through their own experience and culture.

“Learning from international peers is very important. Through learning from overseas we can learn about our position. In this way we can find out where we want to go and how we can get there,” explains Mr Yu.

Drawing on Mr Grubman’s three cultural models (“honour”, “harmony” and “individualist”), there increasingly appears to be a fourth, which borrows from East and West and reflects the global nature of modern wealth.

“The family evaluates what elements it wants to keep from its cultural background, what it chooses to let go of, and what new aspects it needs to learn and adopt,” says Mr Grubman. “These ‘fourth culture’ families have more in common with one another than the cultures from which they originate.” Robust and international, they are the families of the future, he adds. As such, the boom in family offices is less about East-West contrast, and more about convergence.

Key takeaways

1. While cultural differences do influence family office structures in the East and West, the starkest difference is the degree to which they rely on outside professionals to achieve investment goals. More family offices in the West than in the East choose this approach, but the distinction could diminish as more wealth transfers generation to generation.
2. The age of a family fortune tends to have more impact on family office structures than culture, geography or endowment size. The deeper generations go, the further away they are from the influences of their founding businesses or even home countries. And as emerging markets themselves become more established, this too could influence asset allocations.
3. Family offices in the East may act more quickly on investment opportunities due to a direct line of communication with the decision-maker. In the West, offices are likely to rely on investment professionals, which adds a layer of management.
4. Investment enthusiasm for private equity has increased generally over the past decade and family offices are naturally aligned, East and West, to favour the asset class—albeit for different reasons. Western portfolios may seek diversification while in the East business synergies are more often the priority, indicating a greater willingness to make early-stage investments in familiar sectors.
5. Real estate is considered a bedrock asset for wealth creation and preservation.
6. While impact investing appears to be more popular in the West as an add-on or replacement for philanthropy, ESG investing seems to have a broader appeal across the globe, if only for its longer-term outlook, which is core to a family-office mission.
7. The global nature of wealth is shrinking distinctions between East and West family office operations and philosophies; distinctions that remain appear more related to philanthropic philosophies than to investing.

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