Goldman Sachs

Eyes on the Horizon

Family Office Investment Insights

One Goldman Sachs Family Office Initiative

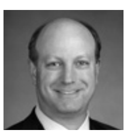
Goldman Sachs

We are excited to share our second Family Office Investment Insights report with you – *Eyes on the Horizon* – from our One Goldman Sachs initiative. This report presents the perspectives of 166 distinct family office decision makers, combined with our collective observations from working with family offices and family-controlled enterprises around the world.

We are pleased to work with this investor segment throughout their lifecycle, from the earliest stages of building a family office to maintaining a family's legacy into its third or fourth generation and beyond. This report focuses on family offices that most closely resemble institutions: more than 70% of our respondents have a net worth of at least $1 billion and more than 90% have in-house investment management capabilities. The family offices that participated in this report, while similar in sophistication, hail from different regions and represent diverse family backgrounds and businesses.

Since our last report, the macroeconomic and geopolitical backdrop has evolved dramatically. What we have observed amid the swift and significant shift in financial conditions is that family offices have a uniquely steady hand on the wheel, maintaining their overall strategic course while also tactically capitalizing on dislocations that may not be as accessible to other, less-agile investors. Our findings this year indicate that family offices have largely maintained their asset allocations, despite the substantial changes in the market.

As with our first report, our goal is that these findings can be helpful to both family offices and non-family offices alike. We consistently hear from clients that they want to learn from each other, and we are delighted to be able to facilitate this exchange of ideas alongside our own reflections. Thank you to our family office network for your time and the insights that you have contributed. We appreciate your partnership and the continued trust you place in our people and firm. If you are interested in further exploring this topic or have any feedback, please reach out to us or your Goldman Sachs representative.



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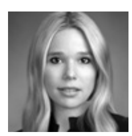

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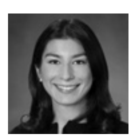

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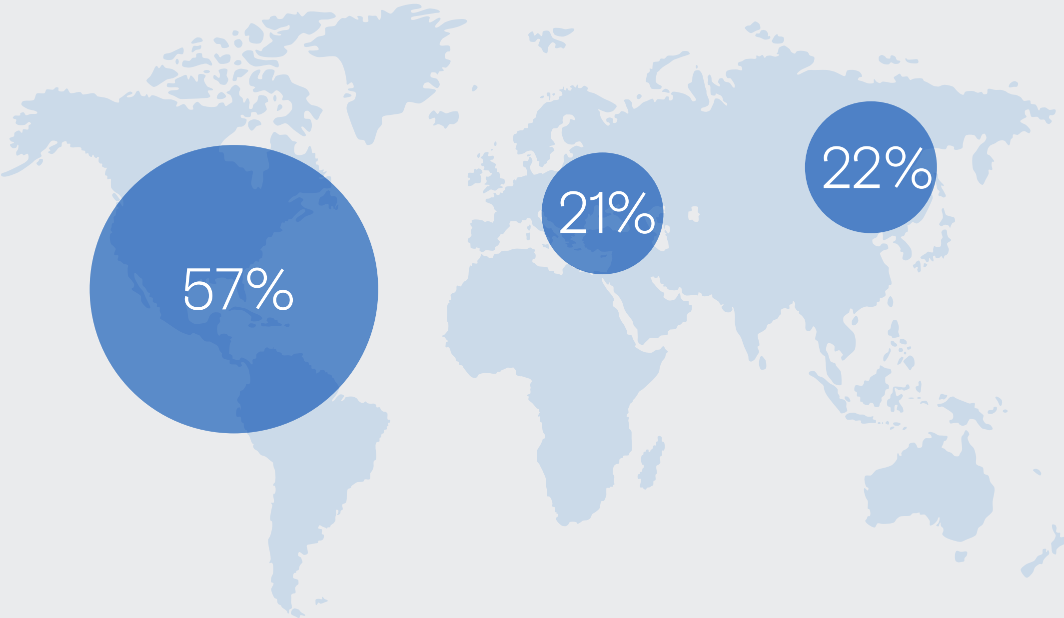
About the Survey Respondents

This report examines family offices across the globe that are institutional in nature — their asset bases are in line with other institutional investors, and their investment management functions are professionally staffed.

166

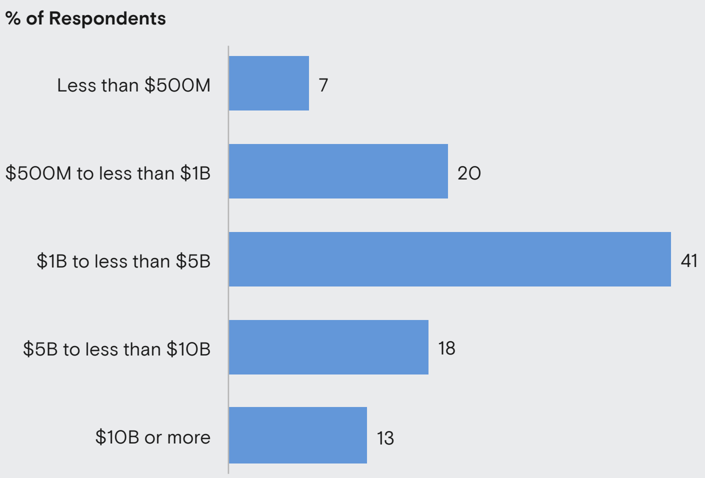
respondents **globally**

57% Americas, 21% Europe, the Middle East, and Africa (EMEA), 22% Asia-Pacific (APAC)



Family Office Net Worth

72% of family offices reported a net worth of at least $1 billion.



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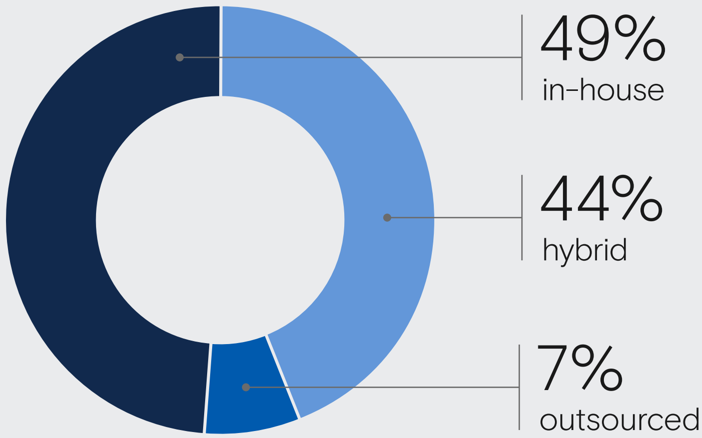
Structure for Investment Management Services



Executive Summary

In our second global survey of family offices, we learned that despite the radically altered geopolitical and economic landscape, family offices have maintained a steady course, only modestly adjusting their asset allocations.

Family offices continue to hold outsized allocations to alternatives. Collectively, private equity, private real estate and infrastructure, hedge funds, and private credit account for 44% of holdings. While many expect to maintain their current allocations over the next 12 months, there will be movement, with a considerable number of family offices expecting to increase their holdings in private equity, private credit, and private real estate and infrastructure.

A substantial proportion (39%) of family offices plan to increase their holdings in fixed income over the next 12 months, possibly in response to the prospect of higher yields in lower-risk instruments.

Cash and cash-equivalent holdings — currently 12% of family office portfolios, which is high compared to that of other investors — are expected to fall, with 35% of respondents expecting to deploy this capital in the coming year as opportunities arise.

Family offices are taking a similarly steady approach to their geographic allocations, with a strong focus on U.S. and other developed markets, which represent 63% and 21% of holdings respectively. Perhaps reflecting their greater concerns about geopolitical developments, 41% of APAC family offices expect to increase their allocation to U.S. holdings in the coming year.

Family offices remain focused on secular growth themes that have the potential to endure business cycles and drive value over the long term: 43% of family offices globally consider their portfolios to be overweight information technology; 34% of family offices are currently overweight healthcare.

Across products, 32% of family offices currently invest in digital assets. Within the digital-asset ecosystem, family offices have become more decisive about cryptocurrencies: the proportion that are invested has risen from 16% in 2021 to 26%. However, the proportion that are not invested and not interested for the future has risen from 39% to 62% and those that are potentially interested for the future has fallen from 45% to 12%.

Most (76%) family offices support families with operating businesses and, of that cohort, 44% have a role in running their operating businesses. Among the latter, the most-cited potential catalyst for a sale is a favorable valuation (56%), though many (35%) plan to hold these assets in perpetuity.

Outlook and Portfolio Construction

Current Asset Allocation

The constructive market narrative that was the backdrop for our 2021 Family Office Investment Insights report has changed dramatically. The current environment presents challenges across asset classes amid sustained higher inflation and hawkish central bank policy. In this year's survey, respondents cited their top three concerns going into the next one to two years as recession, geopolitics, and inflation. A significantly higher proportion of family offices in APAC (73%) are concerned about geopolitics than their counterparts in EMEA (47%) and the Americas (51%), while a much lower proportion (27%) are concerned about inflation than in EMEA (62%) and the Americas (56%). Despite this radically different environment, the survey results suggest that family offices' asset allocations have changed only modestly since 2021.

Across all respondents, the average asset allocation to private equity increased slightly, from 24% in 2021 to 26%, while the average allocation to public market equities has decreased slightly, from 31% to 28%. This may be a function of continued family office interest in the private markets. Echoing the findings of our last survey, family offices on average are allocating 44% total across alternative asset classes compared with 45% in 2021. This matches our experience of working with family offices: they tend to maintain a more concentrated exposure to alternative or private investments than other investors.

The global average allocation to hedge funds is unchanged since 2021 at 6%. However, we have seen improving sentiment around this asset class with low correlation strategies, such as macro and market-neutral trading, leading the charge. Among tactical trading strategies, macro hedge funds in particular attempt to take advantage of an increased opportunity set across rates and currency trading. In addition to portfolio diversification, the flexible mandate and liquidity of macro hedge funds allow them to remain opportunistic amid volatility.

Respondents cited their **top three concerns** going into the next one to two years as **recession, geopolitics, and inflation.**

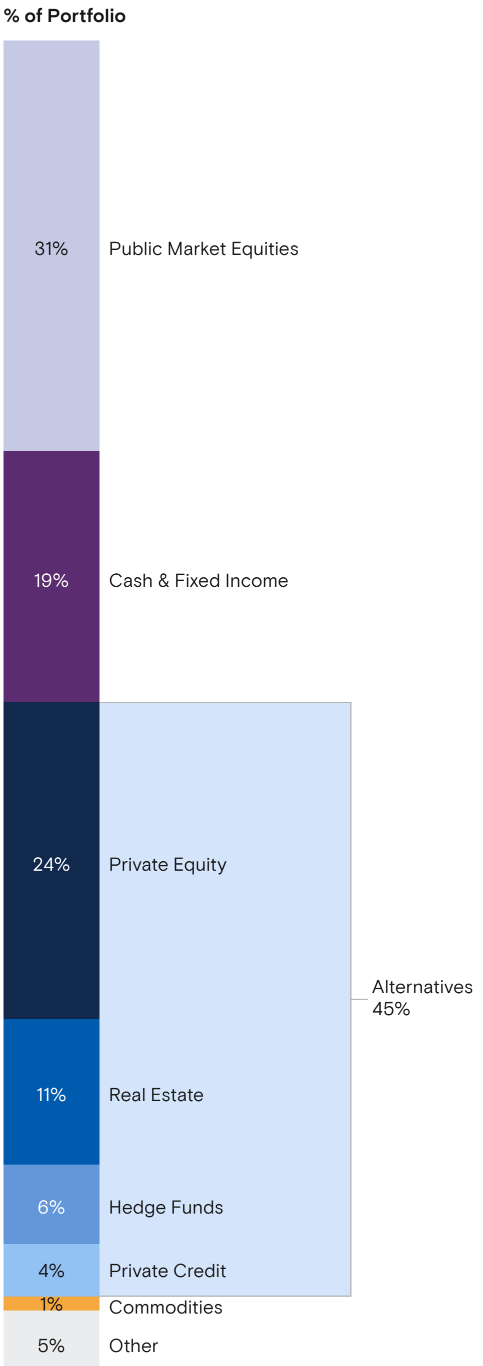
42%

of family offices indicated that they **do not utilize leverage** in their investing portfolios.

Compared to other investors, we see family offices often having a relatively higher allocation to cash and other low-risk assets to balance their allocation to high-risk assets such as alternatives. Since 2021, global family offices, on average, increased their combined allocation across cash and fixed income from 19% to just over 22% total — 12% in cash and cash equivalents, and 10% in fixed income. More specifically, respondents allocated an average of 8% total to Treasuries and investment-grade fixed income, and 2% to high yield. This is consistent with how we see many ultra-high-net-worth investors repositioning their portfolios in the current market environment and allocating to fixed income, with that capital serving as "sleep-well" money. We are seeing family offices refine their fixed income and cash-management strategies given the ability to generate yield across lower-risk instruments.

Anecdotally, we find that family offices maintain cash balances sufficient to cover capital calls relating to their illiquid investments, while taking into account any potential drag on returns of their alternatives holdings based on market conditions and the pipeline of future capital calls. While many family offices likely have access to margin leverage, 42% indicated that they do not utilize leverage in their investing portfolios.

Average Asset Allocation of Global Respondents in 2021



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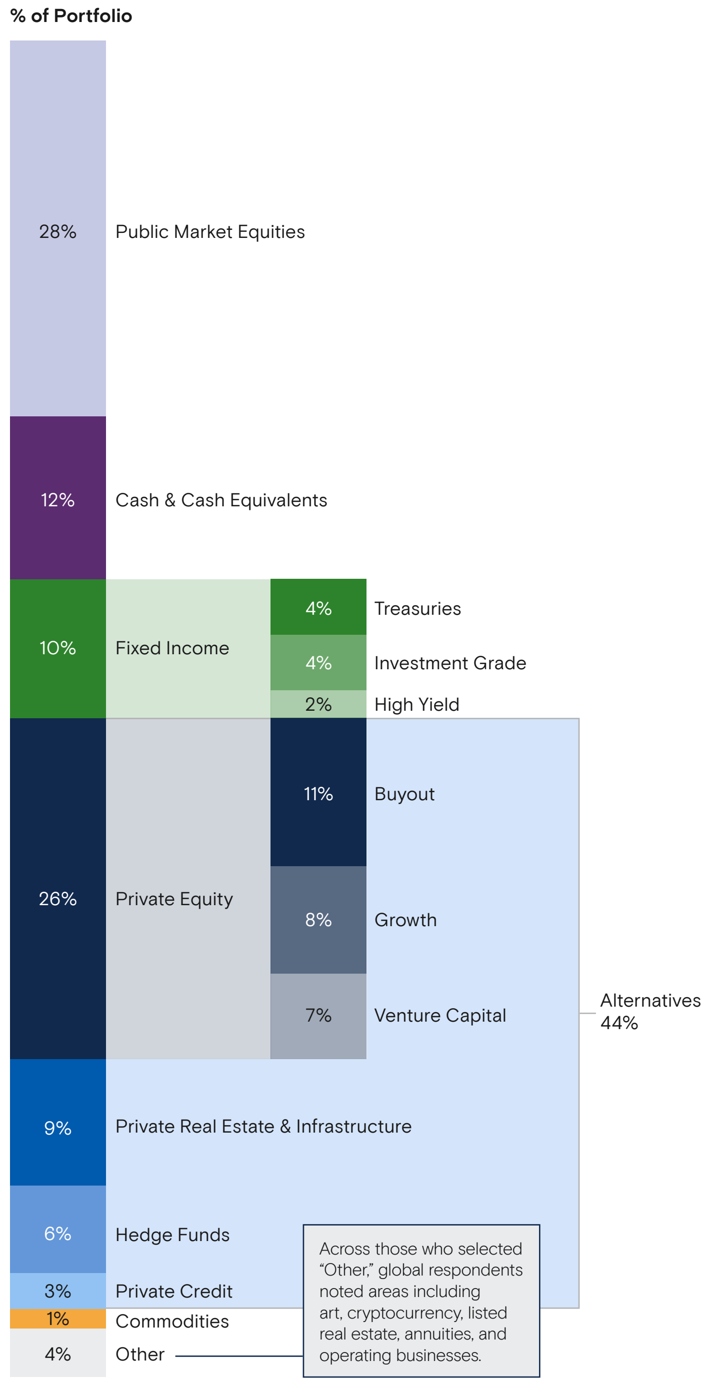
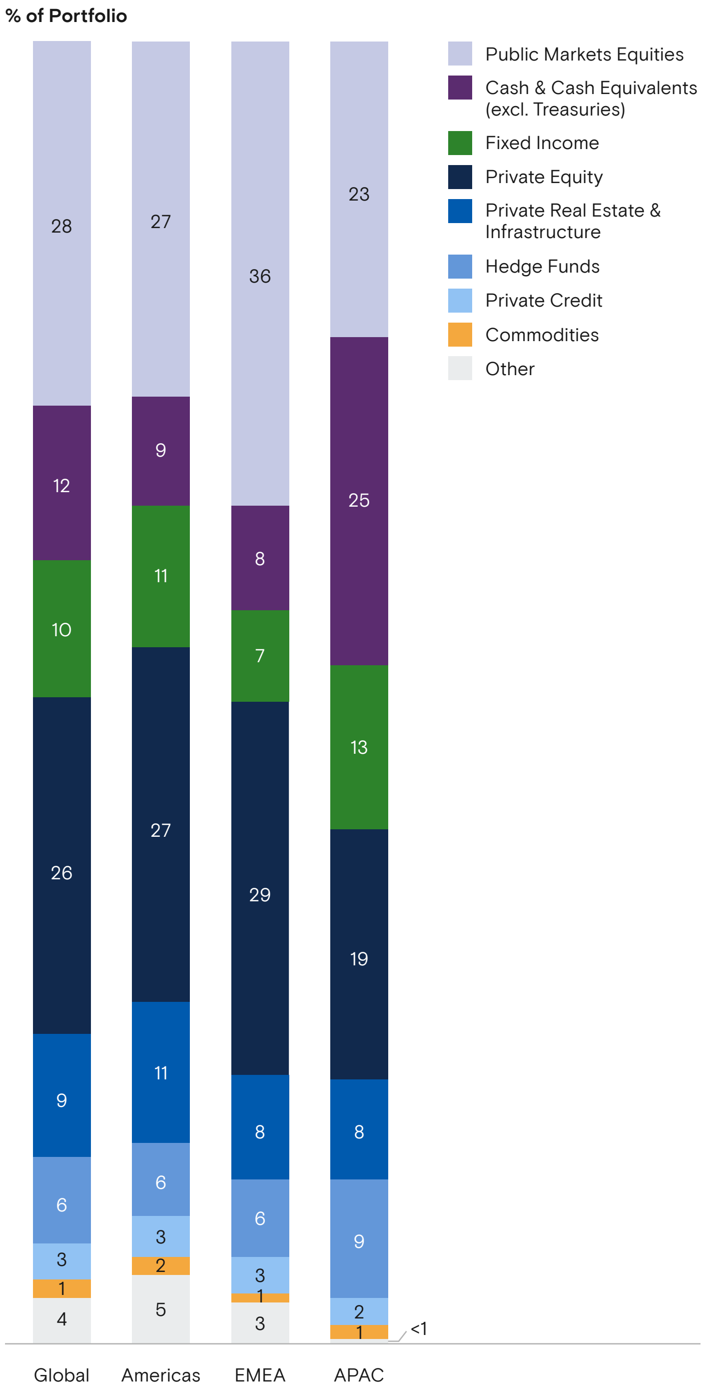
Average Asset Allocation of Global Respondents in 2023



Average Asset Allocation



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So, it may be that liquid capital is top of mind as family offices wait for opportunities to tactically deploy these funds. Recent periods of volatility have not been forgotten and we have seen family offices resist being over-levered in order to avoid forced selling and allow them to act swiftly in the event of a market dislocation.

> 35%
>
> of respondents indicated that they **plan to reduce their allocation to cash and cash equivalents in the next 12 months**.

Future Asset Allocation

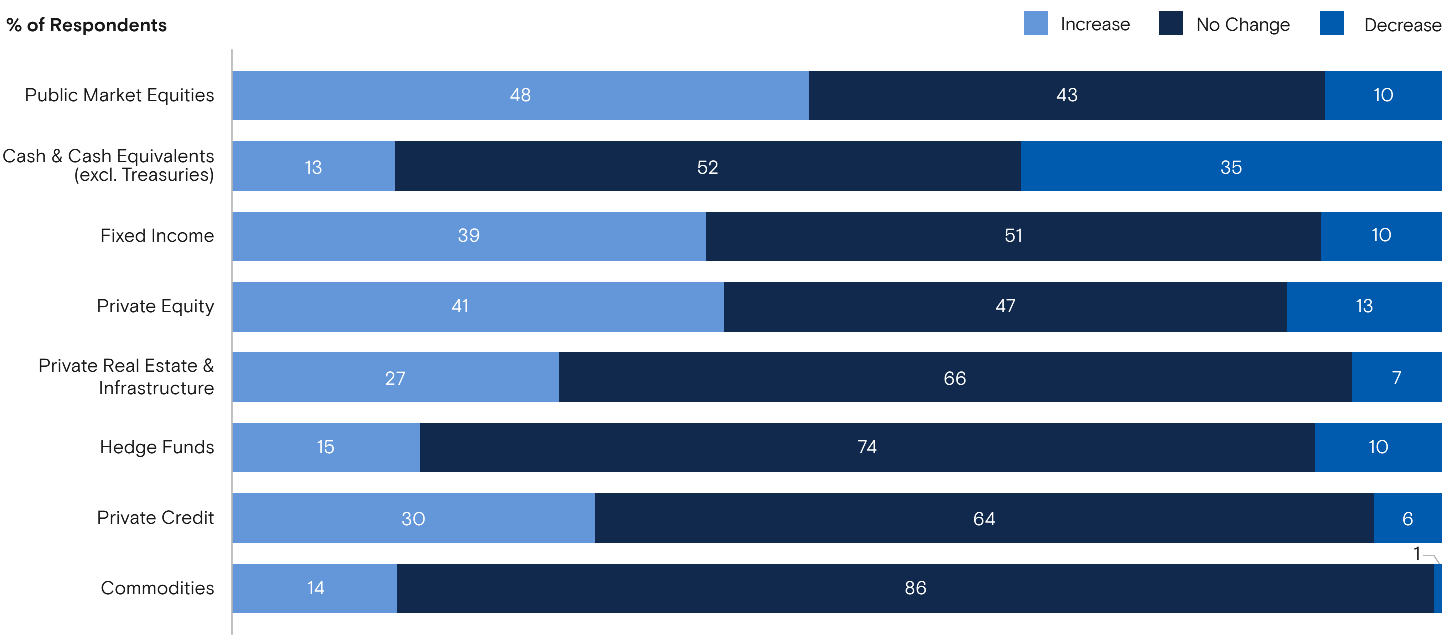
Our survey results suggest that family offices have a generally constructive view on the market and may be willing to increase risk in their portfolios. With agile investment teams and without being held to fixed mandates or benchmarks, family offices enjoy the flexibility to invest across different asset classes, strategies, and geographies, and to take advantage of market dislocations. Globally, 35% of respondents indicated that they plan to reduce their allocation to cash and cash equivalents in the next 12 months, suggesting that respondents feel that they have high cash balances today but are focused on opportunistically deploying capital. Specifically, 48% of family offices expect to increase their allocation to public market equities, and 41% expect to increase their allocation to private equity in the next 12 months. This continued focus on private equity is unsurprising, given the ability to access innovative companies earlier in their lifecycle than in public markets, and the historical outperformance of private equity, as well as private credit.

While private credit represents only a small part of the average family office portfolio, at just 3%, a notable proportion of our respondents (30%) reported that they expect to increase their allocation over the next 12 months. Private credit is typically floating rate, which has brought it more into focus in the current macroeconomic environment. Based on our conversations, family offices also value its potential to provide seniority in the capital structure, stable cash flows during uncertain economic conditions, and incremental yield to the portfolio. We have also seen heightened focus on opportunistic credit, where companies need specialized financing when typical lending transactions are not as easily accessible. In cases where family offices provide direct loans, particularly distressed credit, many are comfortable owning the underlying collateral in the event of a default.

In line with higher returns in the fixed income market, 39% of family offices expect to continue to increase their allocation to fixed income in the next 12 months. This is particularly pronounced among APAC respondents (56%). Our survey findings show that directionally, respondents expect their average portfolio duration to increase over this period. As monetary tightening cycles began, we saw many investors move into shorter-duration investments to help manage risk. When central bank policies normalize, we may see family offices returning to longer-duration investments.

Target Strategic Allocation in the Next 12 Months

How do you expect your target strategic allocation to the following asset classes to change in the next 12 months?



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Geographic Allocation

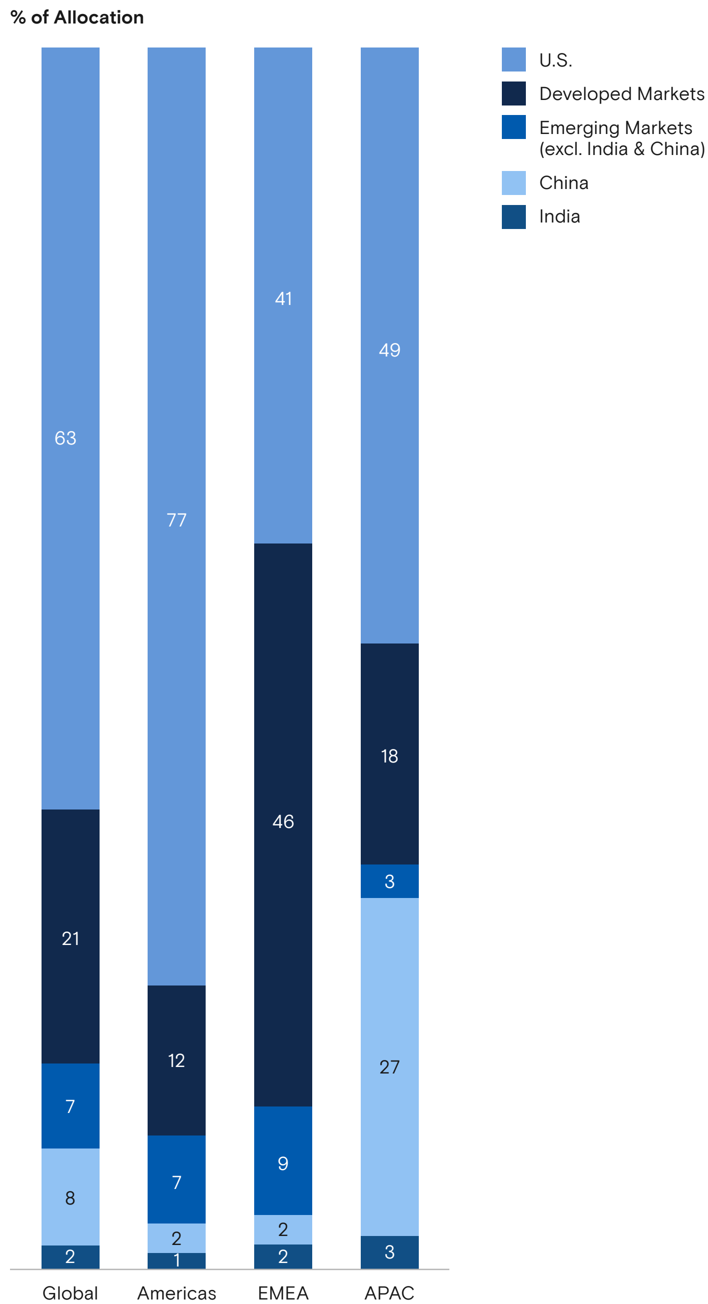
Family offices reported that they currently allocate an average of 63% to the U.S. and 21% to other developed markets, with the balance invested across China (8%), India (2%), and other emerging markets (7%). However, within this broad view there are regional nuances, including an apparent "home bias." For example, family offices in the Americas have a markedly higher average allocation to U.S. investments at 77% than both EMEA (41%) and APAC (49%). Additionally, family offices in EMEA are relatively more concentrated in other developed markets with a 46% allocation, versus the 12% and 18% allocations of Americas and APAC family offices respectively. With a 27% allocation, family offices in APAC are more concentrated in China than those in the Americas and EMEA, which each have just 2% allocated to China.

Looking ahead, the majority of family offices on a global level expect to broadly maintain their current geographic allocation over the next 12 months, though the pattern is not completely uniform. Globally, the survey shows that 26% of respondents are looking to increase their allocation to the U.S. and 27% are looking to increase their allocation to other developed markets. This may indicate a reluctance to invest in geographies where the perceived risks outweigh potential returns in such a challenging macroenvironment, notwithstanding tailwinds such as a warmer-than-anticipated winter in Europe and the rollback of China's Zero-COVID policy. A smaller percentage of respondents expect to increase their allocation to India (14%), China (14%), and other emerging markets (20%), although a significantly larger

> **Family offices currently allocate an average of 63% to the U.S. and 21% to other developed markets**, with the balance invested across China (8%), India (2%), and other emerging markets (7%).

Average Geographic Allocation

What is your current allocation across the following geographies?



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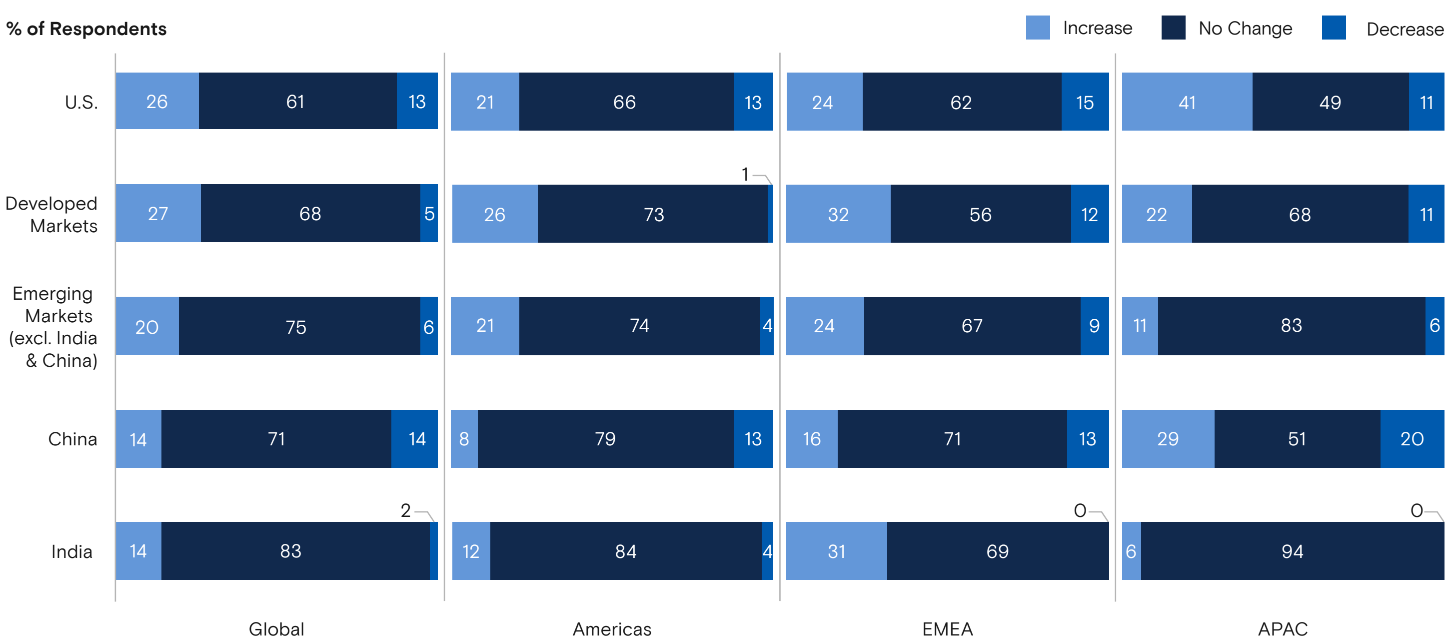
proportion of EMEA family offices (31%) intend to increase their allocation to India over the next 12 months than respondents from the Americas (12%) and APAC (6%).

There are further striking regional variations to this picture of relative stability. For example, 41% of APAC family offices expect to increase their target strategic allocation to U.S. investments, versus just 6% that plan to increase their allocation to India and 11% to other emerging markets. This is in line with what we are hearing on the ground: a continuing focus on regional diversification and safe havens, driven by concern about the strained relations between China and Western countries. As we have seen, our survey revealed that a significantly greater proportion of APAC-based family offices (73%) are concerned about geopolitics compared to their counterparts in the Americas (51%) and EMEA (47%). However, and perhaps surprisingly in this climate, we see that 29% of APAC respondents plan to increase their allocation to China. This compares with just 16% of those in EMEA and 8% in the Americas, though we do also see that another 20% of APAC respondents plan to decrease their China allocation — all of which suggests the lack of a consensus view toward the region.

> Globally, the majority of family offices expect to broadly maintain their current geographic allocation over the next 12 months.

Target Geographical Allocation in the Next 12 Months

How do you expect your target strategic allocation across the following geographies to change in the next 12 months?



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Thematic Focus Areas Across Public and Private Markets

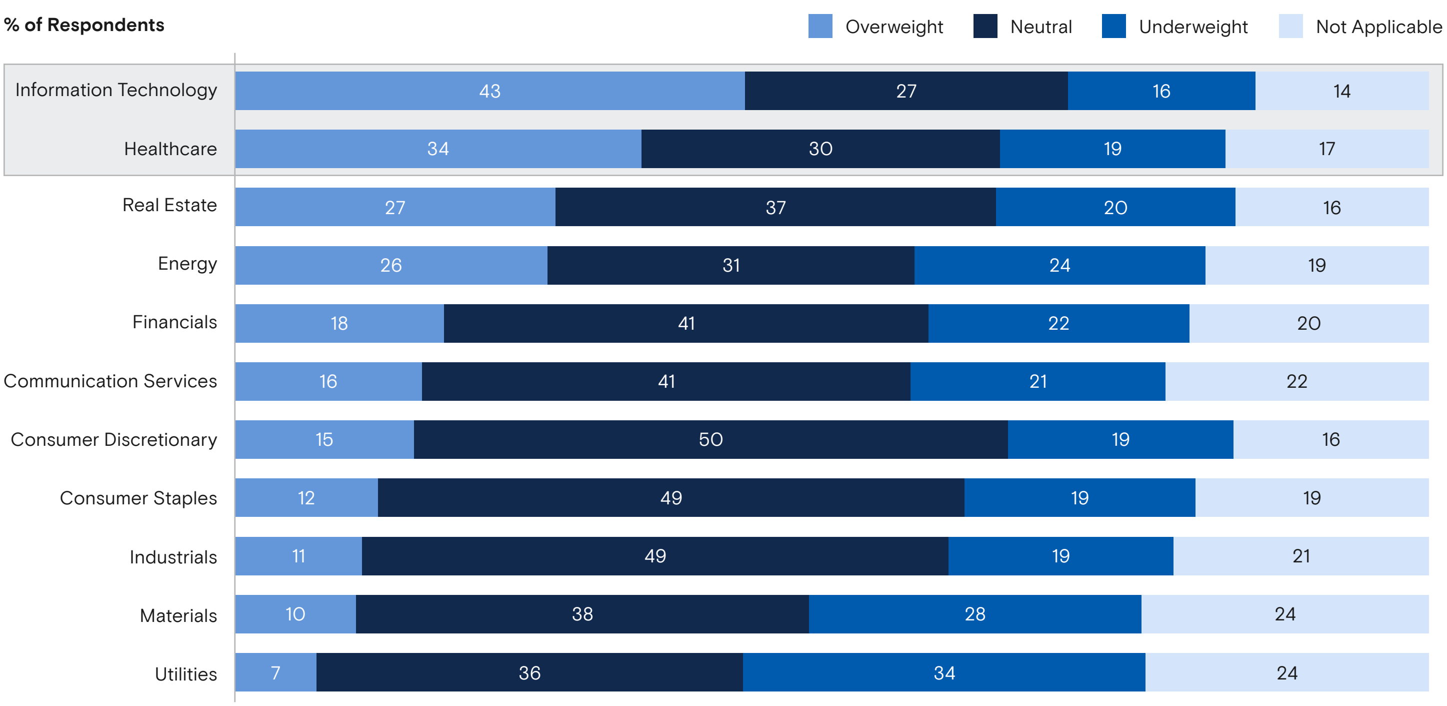
Across both the public and private markets, and consistent with their multi-generational investment horizons, family offices remain focused on secular growth themes. We have seen family office interest in companies that have the potential to endure business cycles and drive value over the long term, albeit with greater scrutiny around valuations and growth-oriented investments. This includes employing increased due diligence with a particular focus on profitability, margins, unit economics, long-term cash-flow, and competitive moat. In our survey, for operating businesses in particular, respondents indicated that valuation, cash-flow profile, and secular growth trends were the most important factors when evaluating potential acquisitions.

43%

of family offices **consider their portfolios to be overweight information technology** while just **16% feel that they are underweight**.

Sector Weighting

For each of the following sectors, please indicate whether you are overweight, underweight, or neutral in the portfolio.



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Technological Innovation

With significant valuation resets within the technology sector, many family offices express interest in taking advantage of attractive entry points into companies that may be experiencing valuation pressures but have the potential for long-term value accretion. Our survey indicates that 43% of family offices consider their portfolios to be overweight this sector while just 16% feel that they are underweight. A significantly greater share of family offices in EMEA (30%) relative to Americas-based family offices (11%) reported that they are currently underweight exposure, perhaps mirroring the lower concentration of technology stocks in major European equity indices (for example, EURO STOXX 50) versus those in the U.S. (for example, S&P 500).

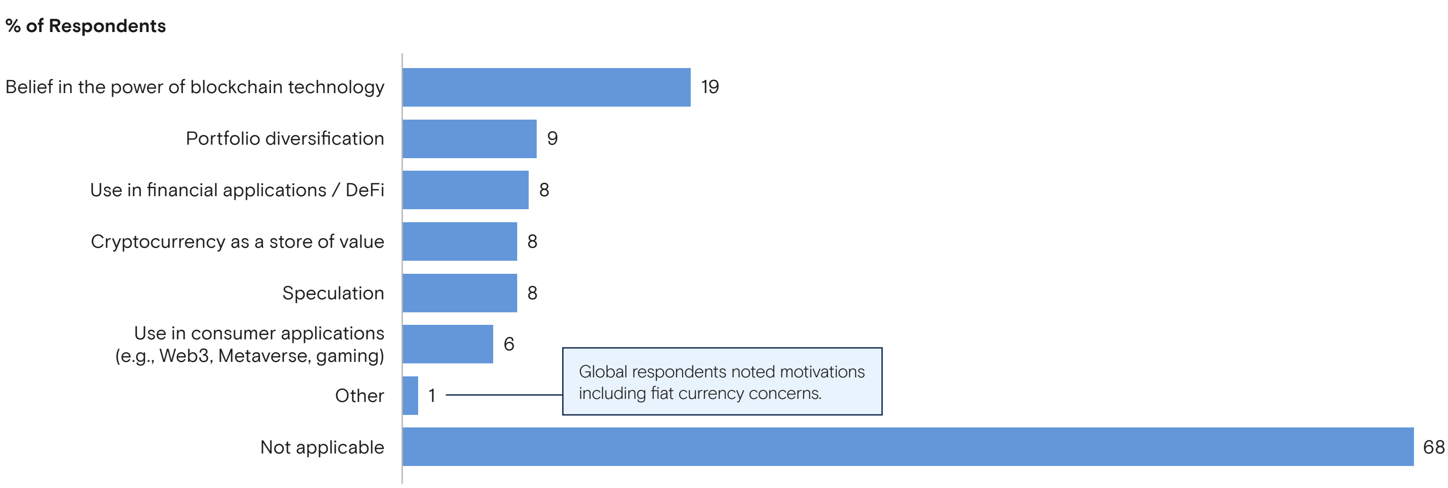
Despite challenges to the sector, there is a focus on innovative companies that aim to improve businesses' efficiency, productivity, and margins in order to combat rising input costs. Examples might include companies with structurally-driven demand, such as supply-chain solutions and workflow-automation software. Looking ahead, as investors and companies adopt more constructive positioning when the market environment normalizes, we anticipate that top-line growth and business resilience will come back into focus. We have also seen interest in digital consumption amid a broad shift in consumer behavior, as well as in the next generation of disruptive technologies, such as artificial intelligence, machine learning, and digital assets. Among all family offices, 32% currently invest

32%

of family offices **currently invest in digital assets across products** including cryptocurrencies, blockchain technology, stablecoins, non-fungible tokens (NFTs), decentralized finance (DeFi), and blockchain-focused funds.

Primary Motivations for Investing in Digital Assets

If you invest in digital assets broadly (e.g., cryptocurrencies, blockchain technology, stablecoins, non-fungible tokens (NFTs), decentralized finance (DeFi), blockchain-focused funds), what are your primary motivations?



Respondents were able to select up to three options.

in digital assets across products including cryptocurrencies, blockchain technology, stablecoins, non-fungible tokens (NFTs), decentralized finance (DeFi), and blockchain-focused funds. Among those that do, the most common primary rationale is their belief in the power of blockchain. Within the digital-asset ecosystem, opinions on cryptocurrencies seem to have crystallized since our last survey: a greater proportion of family offices are now invested in cryptocurrencies — 26% versus 16% in 2021. However, 62% are not invested and not interested in investing in the future, compared with 39% in 2021, and just 12% indicated potential future interest, down from 45% in 2021.

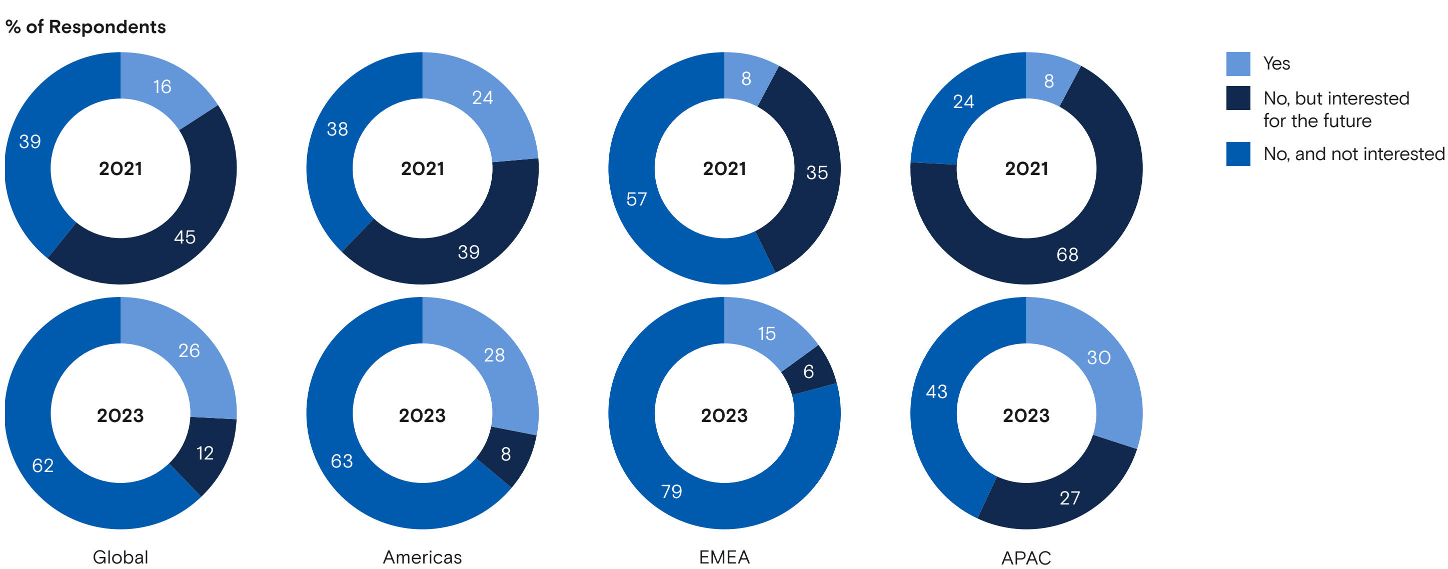
Opinions on cryptocurrencies seem to have crystallized: a greater proportion of family offices are now invested in cryptocurrencies, but the proportion that are not invested and not interested in investing in the future has grown more.

Healthcare and Life Sciences

Healthcare is another sector in focus, with 34% of family offices indicating that they are currently overweight. In addition to certain sub-sectors, such as pharmaceuticals, that are historically considered defensive, the landscape is rapidly evolving, particularly in life sciences. In our conversations, family offices have expressed an increased focus on life sciences alongside heightened demand for therapeutics, driven partly by an aging population and the greater prevalence of chronic conditions. In parallel, a lack of venture capital funding and the retreat of "tourist capital" — non-traditional investors —

Cryptocurrency

Do you currently invest in any form of cryptocurrency?



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prompted by the drawdown in biotech valuations in the public markets, may have also created additional opportunities for family office investors in this space. We have also observed growing interest at the intersection of healthcare and technology, including tech-enabled procedures and digital healthcare.

Sustainable Investments

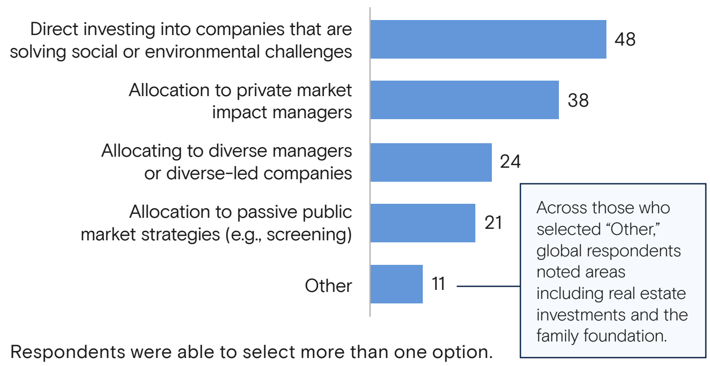
Family offices continue to incorporate climate transition and inclusive growth themes into their portfolios as a way to access business models that can withstand economic cycles, drive compelling returns, and benefit from strong secular tailwinds. Based on our survey, 39% of family offices are currently moderately to extremely focused on sustainable strategies. Among those respondents, 48% are investing directly in companies that have a social or environmental impact, 38% are allocating to private market impact managers, and 24% are investing in diverse managers or diverse-led companies.

Thematically, clean energy is the most popular area for family offices interested in sustainable investments, with 60% expecting to deploy capital there in the next 12 months. This theme has been supported by regulatory tailwinds, such as the U.S. Inflation Reduction Act, as well as investors' increasing focus on the need for energy reliability and diversification, which was brought into sharp focus by the Russia-Ukraine war. The survey found that similar proportions of family offices globally are either overweight (26%) or underweight (24%) the energy sector as a whole, with 31% neutral. This split suggests that there is no overwhelming consensus about how or whether fossil-fuel companies will successfully navigate this transition in an increasingly complex global energy landscape. The other leading sustainable investing themes are sustainable food and agriculture (40%) and accessible and innovative healthcare (39%).

Sustainable Investments: Implementation

In what areas, if any, of your investment portfolio have you incorporated sustainable investments?

% of Respondents Among Those Focused on Sustainable Investments

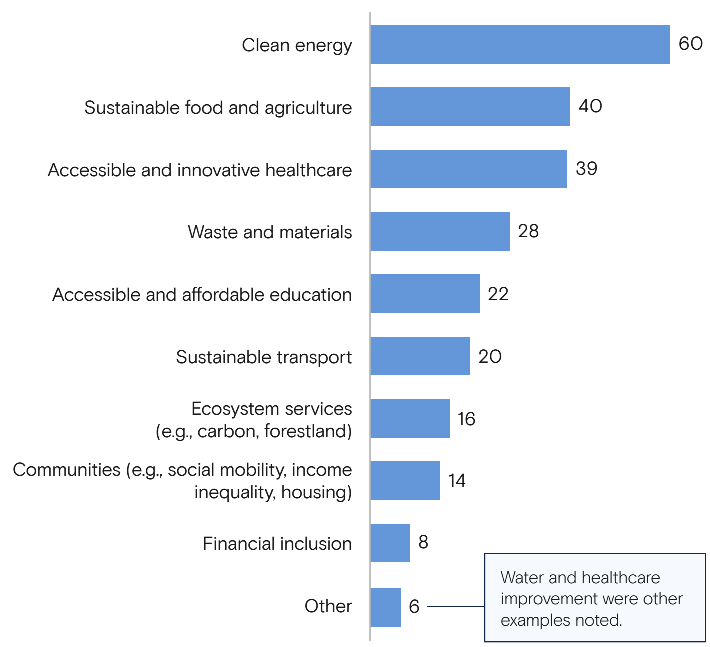


Respondents were able to select more than one option.

Sustainable Investments: Focus Areas

Where are you focused on deploying capital in the next 12 months across the following sustainable investment opportunities?

% of Respondents Among Those Focused on Sustainable Investments



Respondents were able to select more than one option.

Private Markets Investing Landscape

Allocation to Alternatives

Family offices' allocation to alternatives tends to be meaningfully higher than that of other investors. This reflects their higher return hurdles, due diligence capabilities, and long-term investment horizons that can bear more illiquidity risk. The uncertain macroeconomic environment has, in some ways, made the private markets even more compelling. Private markets have been characterized by historically higher returns and more muted mark-to-market volatility versus public markets. In addition, many family offices hold the view that correction cycles may lead to outperforming vintages, given better entry points and more efficient use of capital by companies, despite lower deal volumes. However, family offices also tend to diversify their investments across fund vintages over time in an effort to balance exposures across a variety of return environments and build a seasoned portfolio.

As we have shown, our 2023 survey reveals an outsized allocation to alternatives, with a 44% global average allocation across private equity, private real estate and infrastructure, hedge funds, and private credit. While other investors, such as hedge funds, have slowed their activity in privates, family offices continue to evaluate private opportunities, with a more selective approach. Without the mark-to-market pressures from outside capital or stated benchmarks or mandates that other institutions may have, family offices can transact opportunistically. In fact, as managers and private companies compete for a smaller available pool of capital in a difficult fundraising environment, family offices' negotiating power is at a high point, allowing them to dictate investor-friendly terms. Examples include more-favorable fee structures or co-investment rights for funds, and governance rights or structures that offer attractive features including discounts to IPOs and coupons in direct equity financings.

> **Family offices' allocation to alternatives tends to be meaningfully higher than other investors.** Over the next 12 months, they expect to increase their allocation to alternatives even further.

Over the next 12 months, family offices expect to increase their target strategic allocation to alternative asset classes even further. Within alternatives, 41% of family offices plan on increasing their allocation to private equity, with many respondents planning to increase their allocations to private credit (30%), and private real estate and infrastructure (27%) as well. While there may be near-term challenges, including an uncertain exit environment, many family offices ultimately view alternatives as a diversifier.

Sub-Asset Classes

Family offices' approach to investing within the alternatives landscape continues to be varied. Growth is the most-favored approach (92%), followed by venture capital (85%), buyout (83%), and private real estate (81%). From our conversations, we expect to see increased interest in buyouts as multiples continue to come down, contributing to an operating environment poised for carveout, take-private, and other consolidation transactions. While most family offices are also invested in other asset classes, the numbers are lower: private credit (64%), secondaries (60%), and seeding and general partner (GP) stakes (52%). In addition to the appeal of floating-rate debt in a rising-rate environment, we anticipate further interest in private credit, given the structural shift following the Global Financial Crisis that saw banks pull back from direct lending activity, leaving opportunities for others to take their place. Regarding secondaries, volatility coupled with more-expensive portfolio financing options have led to higher demand for liquidity for private assets. This dynamic has fueled deep pricing discounts to intrinsic value of limited partner (LP) stakes or companies' prior financing rounds, and family offices are able to initiate new exposure or add to existing holdings at lower valuations.

There are, of course, nuances by region, such as in venture capital, which is a popular asset class among family offices globally. The lowest percentage of family offices invested in this stage of the market hails from EMEA (76%), compared to 91% in APAC and 86% in the Americas, echoing our 2021 findings. We hear less from our clients regarding challenges in accessing venture opportunities in the region, although the venture capital industry in EMEA is relatively less mature than in other areas such as Silicon Valley or China, where entrepreneurial activity, particularly in technology, has historically been concentrated.

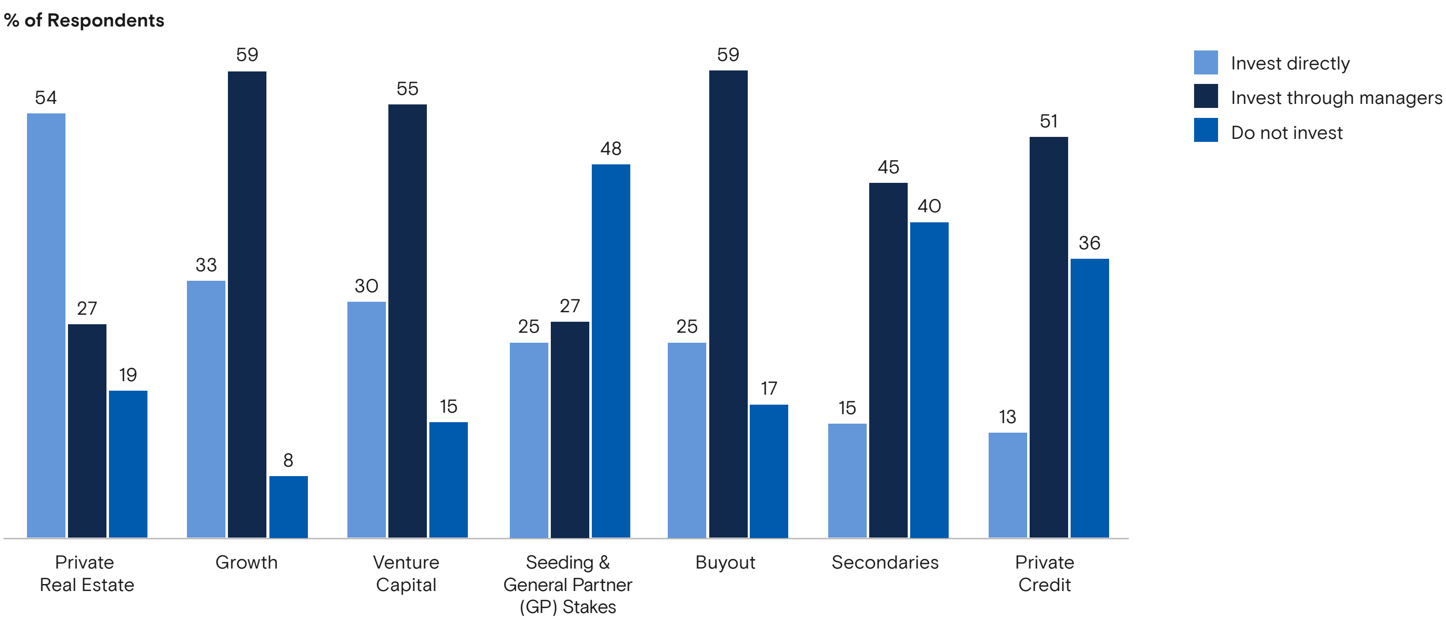
We anticipate further interest in private credit, given the structural shift following the Global Financial Crisis that saw banks pull back from direct lending activity, leaving opportunities for others to take their place.

Funds and Direct Investments

Family offices often invest both through managers and directly as part of the cap table. Our 2023 survey results, similar to those in 2021, show that the primary approach of family offices varies by asset class, location, and size. Directionally, family offices with greater assets under management are more likely to invest directly as their primary approach to secondaries, private credit, private real estate, growth, and buyout. Among family offices that have extensive in-house due diligence capabilities, we have observed a rising interest in direct investing within the private markets.

Alternative Investments Approach

What is your primary approach to alternative investments?



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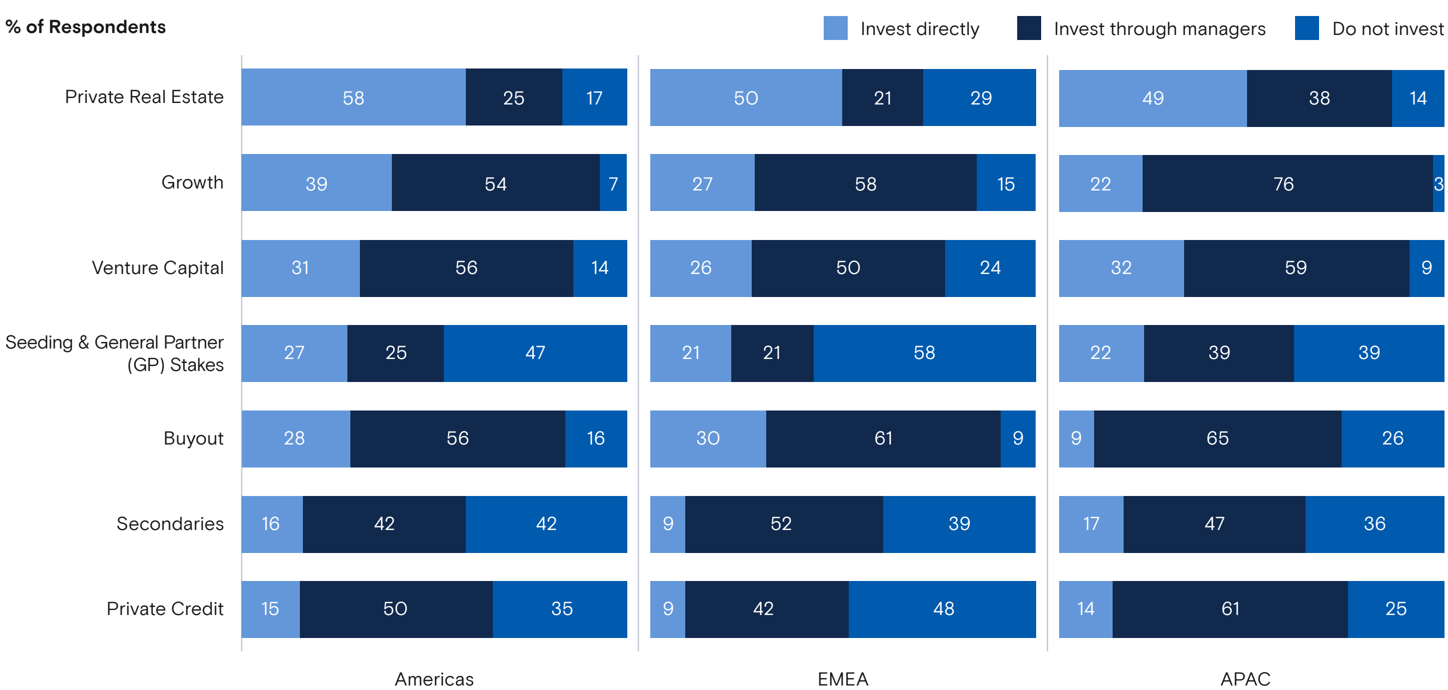
This may be driven by the possibility of more strategic involvement, access to management, increased control over investment selection, or the perception of lower or no direct fees. Given the resources needed to source and evaluate these opportunities, we find that family offices with larger asset bases are more easily able to justify the incremental cost and manage the potential risks, such as concentration, that are associated with direct investing.

However, overall, family offices tend to primarily invest through managers, with the exception of real estate. In our experience, many family offices rely on managers to mitigate some risk through diversification, especially in uncertain times. In this environment, it is worth noting that family offices, like other LPs, are making difficult decisions as they optimize their capital across managers and are tending to choose top-tier managers with established track records. The proliferation of single-vertical strategies focused on very specific parts of the market — for example, venture-stage biotechnology or Web3 infrastructure — has also led family offices to gravitate toward managers with deep sector expertise.

Venture capital is popular among family offices globally, with regional nuances: the lowest percentage of family offices invested in venture capital hails from EMEA (76%), compared to 91% in APAC and 86% in the Americas.

Alternative Investments Approach by Region

What is your primary approach to alternative investments?



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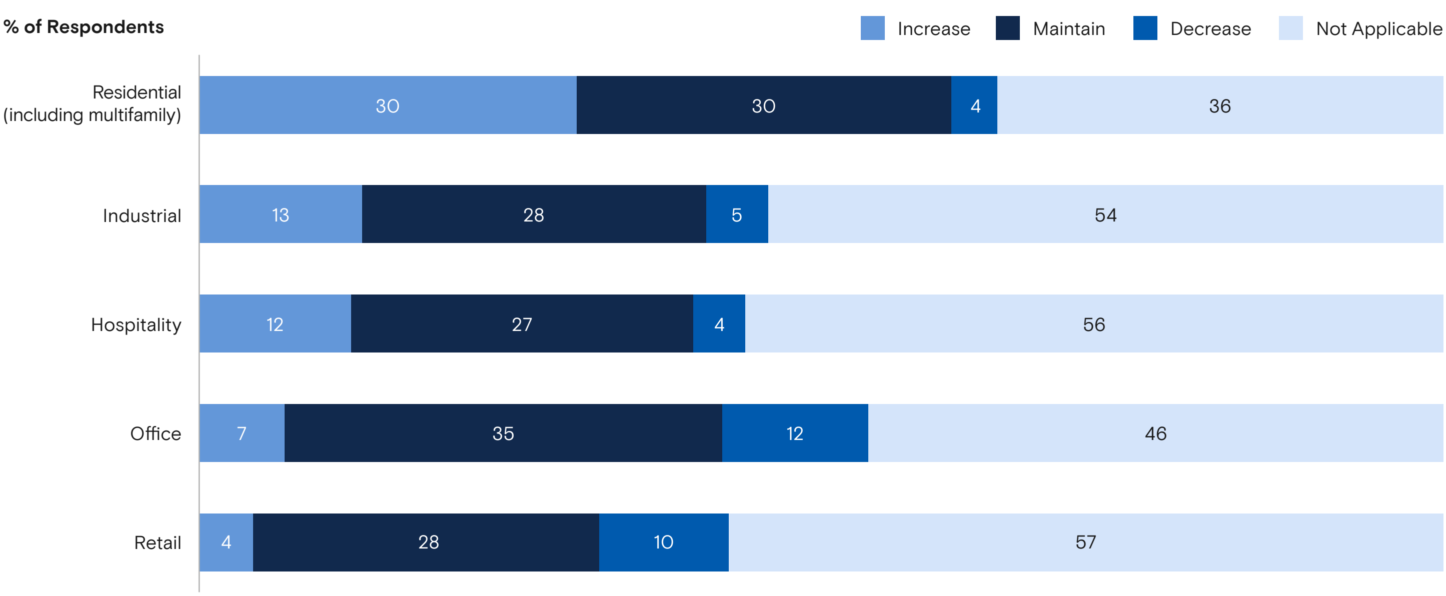
As in 2021, our survey indicates that family offices tend to invest directly as their primary approach to private real estate. This may be due to their comfort with the asset class, given that many families generated their wealth in real estate or have experience owning and developing it. Additionally, we find that many view real estate as an effective store of wealth that can be transferred over generations, especially given its valuable potential tax-efficiency attributes. Family offices may also look to invest in funds to access opportunities in specific markets that are positioned to benefit from demographic tailwinds and technology shifts.

Real Estate

Within real estate, 30% of family offices reported that they plan on increasing exposure to the residential sub-sector over the next 12 months, with another 30% looking to maintain their exposure. This is consistent with broader trends we have observed, including people spending more time at home post-pandemic. We have seen a particular focus on multifamily residential, which has provided consistently strong rental growth across various market cycles. Against an inflationary backdrop, among other cash-generating assets, multifamily is even more appealing given the ability to reset leases. Multifamily has been further supported by an undersupply of housing in the U.S. in particular, coupled with a changing rate environment that may result in home ownership becoming less affordable.

Real Estate Exposure in the Next 12 Months

Are you focused on changing your exposure to any of the following areas of real estate over the next 12 months?



Total percentages may not add up to 100% due to rounding.

In contrast, only 7% of family offices are looking to increase their exposure to the office sector and only 4% to retail, with 12% and 10% respectively actually looking to decrease their exposure to these sectors. The use of office space, which had already been shifting in a number of ways before the pandemic, has since changed structurally, with tenants increasingly preferring newer, technology-enabled spaces with amenities. Regarding retail, the rise of e-commerce, which accelerated during the pandemic, has led to the perceived demise of the traditional retail segment. Many family offices are, however, still monitoring opportunities to potentially step in to provide loans as higher rates and tighter lending standards could make refinancing increasingly difficult across the commercial real estate complex.

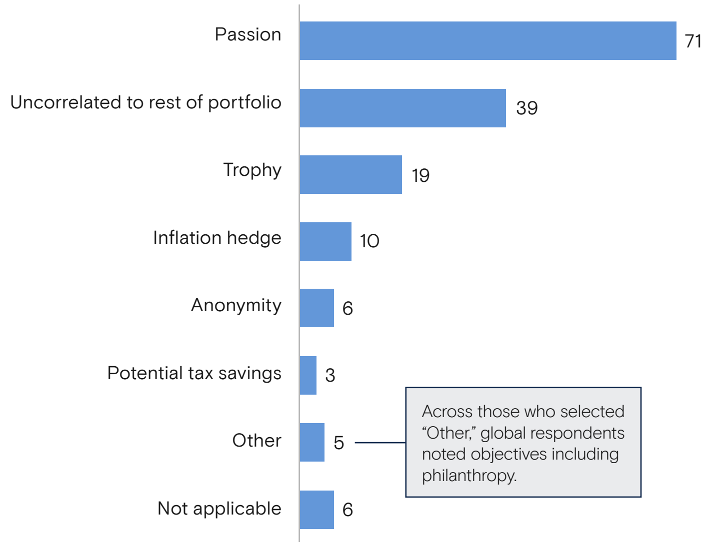
In parallel, we see continued interest in warehouses and logistics centers that support the shift to e-commerce and onshoring. In our survey, 13% of family offices reported that they plan to increase their exposure to industrial real estate over the next 12 months, with another 28% indicating that they wish to maintain it. Other secular themes include towers and data-storage centers that enable digitization, assets related to renewables and sustainable food production, and lab facilities dedicated to biotech innovation.

> **Family offices tend to invest directly as their primary approach to private real estate**. Within real estate, 30% of family offices reported that they plan on increasing exposure to the residential sub-sector over the next 12 months.

Collectibles

What are your primary objectives for investing in collectibles?

% of Respondents Among Those That Invest in Collectibles



Respondents were able to select up to three options.

Collectibles

As part of their investment strategy, 38% of family offices allocate capital to collectibles. Unsurprisingly, art is the most-invested asset (27%), followed by wine (14%) and aircraft (14%), the latter being especially favored by family offices in the Americas, with 20% investing in aircraft compared to just 6% each among EMEA and APAC family offices. We are also increasingly engaging with family offices on their interest in acquiring stakes in sports teams and related assets, particularly those with hometown ties. Among family offices that invest in collectibles, the large majority (71%) selected "passion" as their primary reason for doing so, while 39% indicated their potential to generate returns that are "uncorrelated to the rest of their portfolio" which mirrors conversations that we have had, particularly in the current inflationary environment.

Operating Businesses

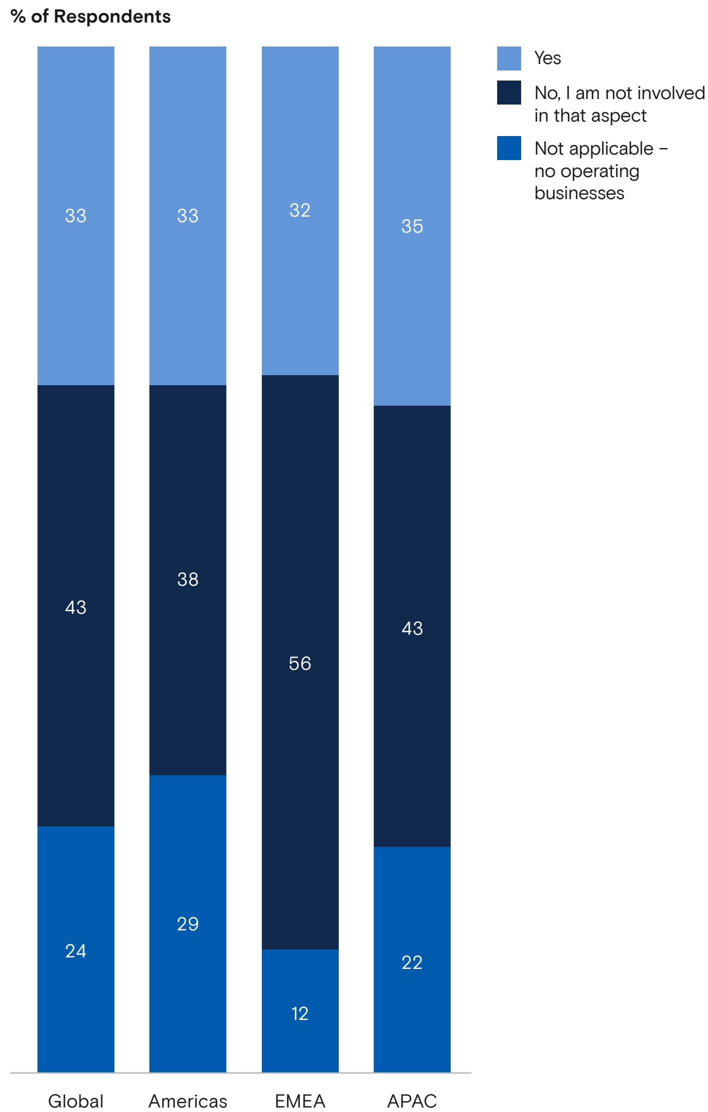
Many family offices have significant operating business interests. Globally, 76% of family offices support families with operating businesses, with an even higher proportion in EMEA (88%) and APAC (78%) compared to the Americas (71%). Of that cohort, 44% of family office decision makers reported that their role involves those businesses. Directionally, it appears that families in their second and third generations are more likely to separate their family office and family business activities.

> 76%
>
> of family offices **support families with operating businesses**.

Many family offices intend to hold their operating assets well beyond the typical five to seven-year period of other institutional investors. In fact, among family offices involved in the family's operating businesses, 35% plan to hold them in perpetuity. An attractive valuation would be the strongest catalyst to monetize holdings for those involved in the operating business (56%), while diversification of wealth (29%) and access to liquidity (27%) would also be motivations to sell. In our conversations, we commonly hear that stable cash flows, lifestyle preservation, and legacy are some of the reasons for maintaining an interest in the operating business. In the event that they do sell, family offices indicated that they would prefer a strategic or corporate as a buyer (42%), or an institution (22%), perhaps because such buyers are perceived as more likely to offer a premium valuation, given an opportunity for consolidation or strategic synergies.

Operating Businesses

Does your role in the family office include involvement with the family's operating businesses?



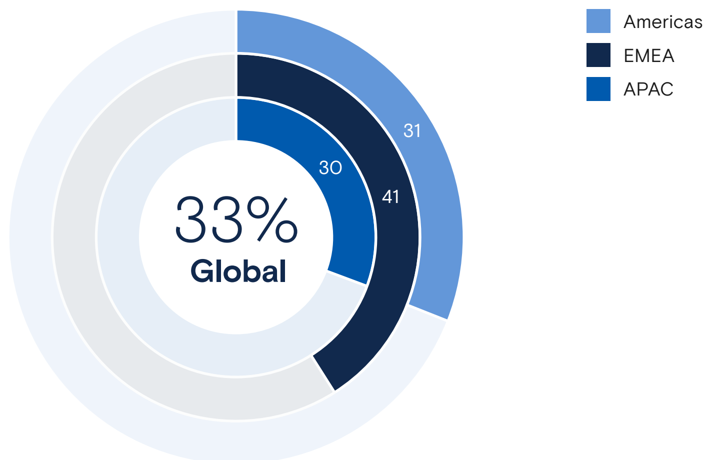
Further to that point, for 25% of the cohort, the buyer profile is not important, which may also point to valuation-driven motivation. Conversely, only 9% would look to sell to a sponsor, and 11% to another family. Anecdotally, we see that families value a buyer that brings strategic value and operational expertise to support future business growth and preserve their legacy.

In our inaugural survey, we found that 19% of family offices considered the development or acquisition of operating businesses a top priority. Based on our conversations, this appetite remains. When evaluating an acquisition, valuations are the most important factor for 49% of family offices that make direct private investments, followed by cash-flow profile (41%) and secular growth trends (33%). Consistent with what we hear on the ground, 33% of all family offices reported that

Family-Owned Businesses

Are investments in family-owned businesses central to your investing philosophy?

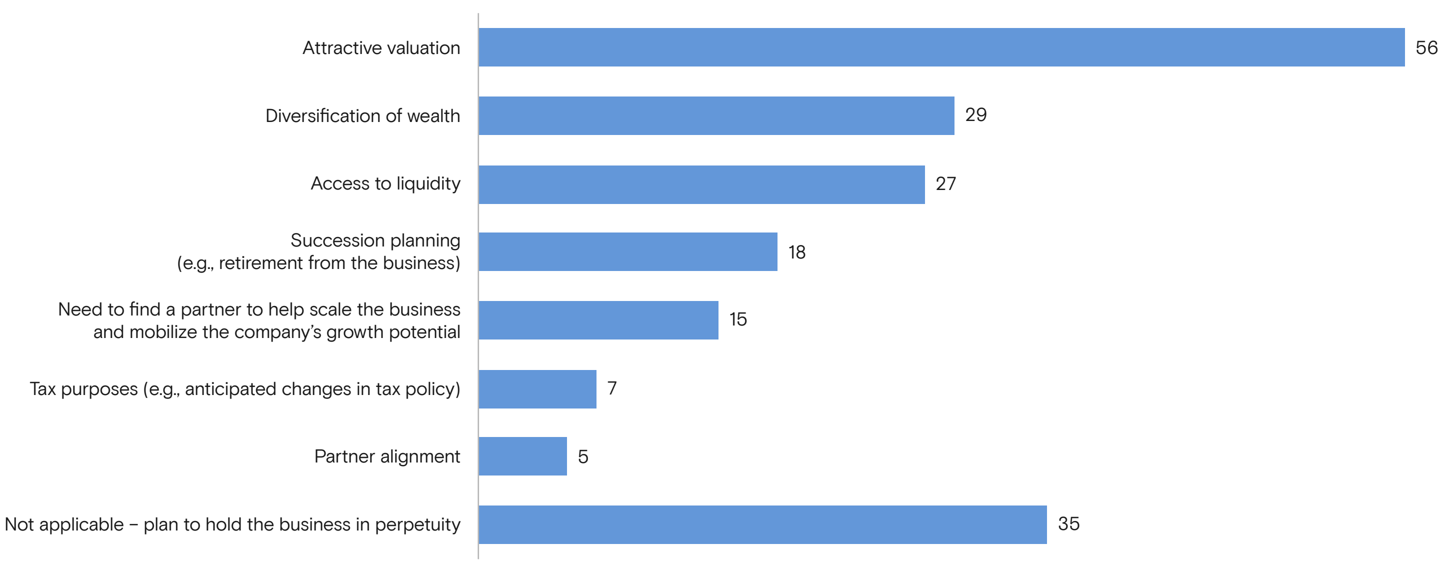
% of Respondents Who Said "Yes"



Catalysts for the Sale of Operating Assets

What would be a catalyst for selling a stake in your operating asset(s)?

% Respondents Among Those Involved in Operating Businesses



Respondents were able to select more than one option.

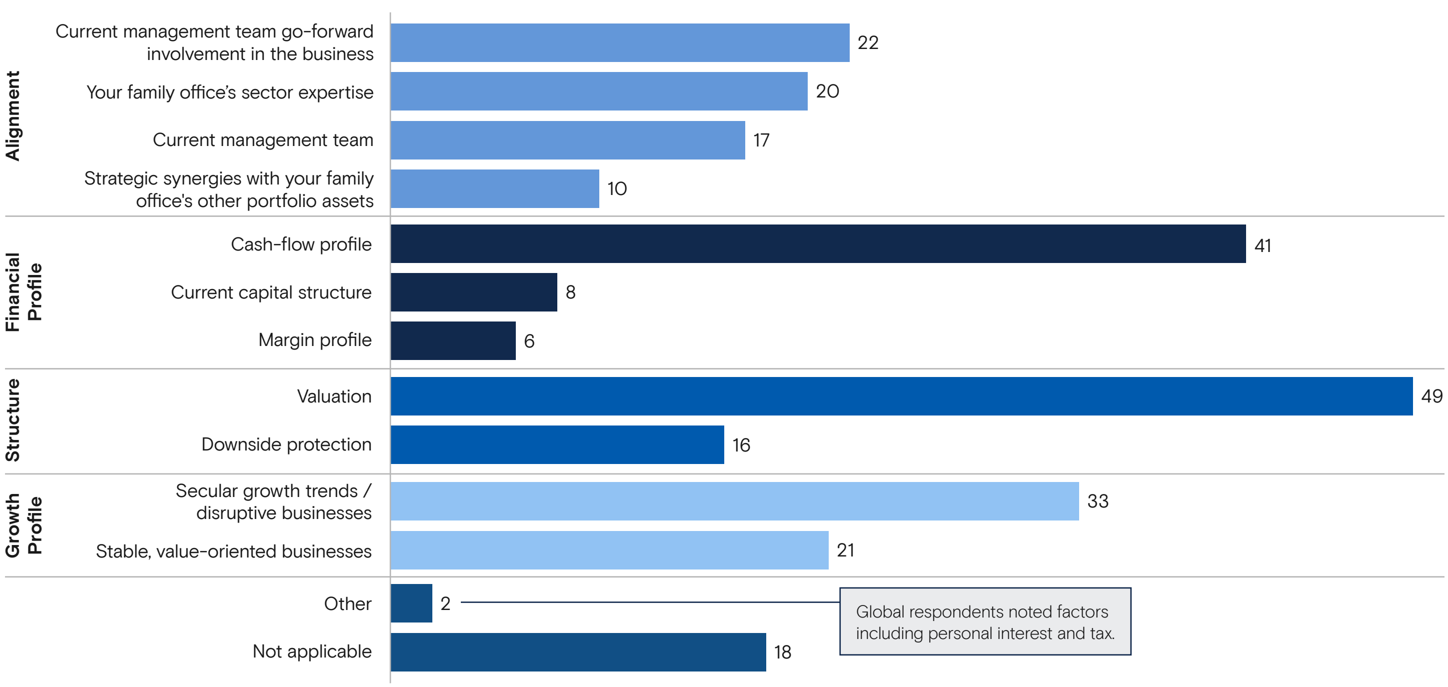
other family-owned businesses are central to their investing philosophy. Identifying the opportune time to discuss a potential sale or partnership with the family is crucial when it comes to engaging with family-owned businesses. Family offices are uniquely positioned to recognize the importance of strong relationships in understanding and navigating these dynamics.

Among those that invest directly in alternatives, respondents indicated that **valuation, cash-flow profile, and secular growth trends were the most important factors** when evaluating potential acquisitions.

Key Factors in Acquiring Operating Businesses

What is most important to you when evaluating a potential acquisition of an operating business?

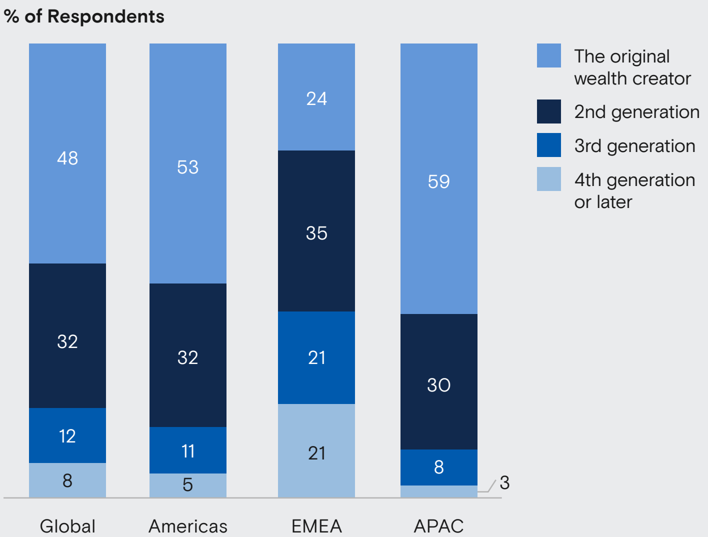
% of Respondents Among Those That Invest Directly in Alternatives



Respondents were able to select up to three options.

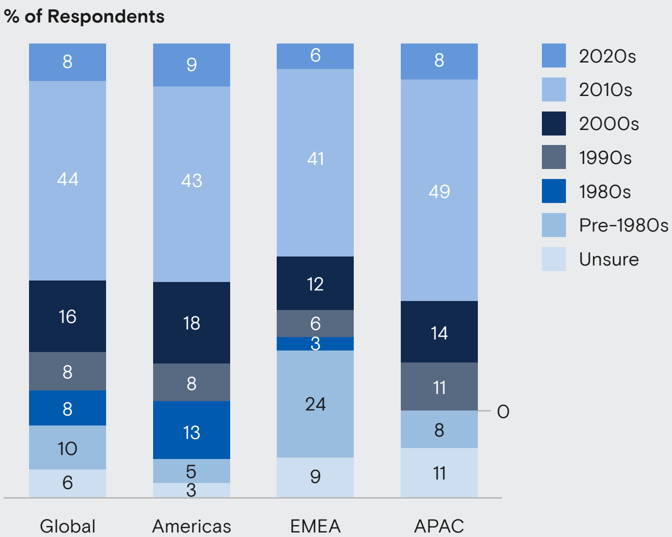
More About the Respondents

Which of the following best describes your founder or beneficial owner?



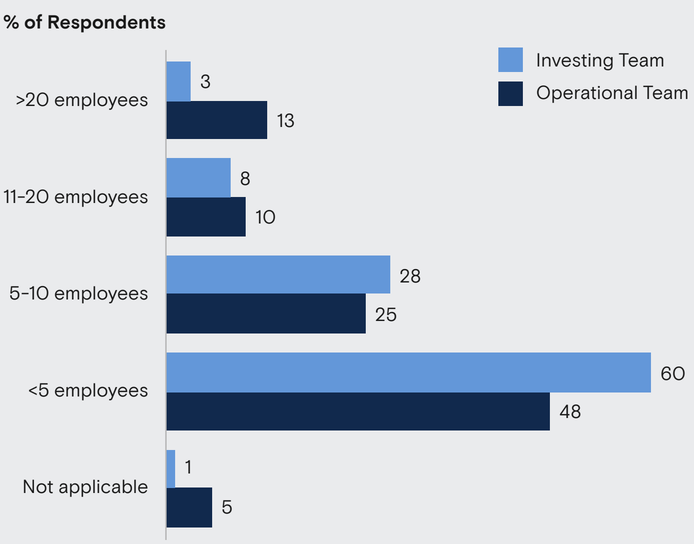
Total percentages may not add up to 100% due to rounding.

When was your family office incorporated?



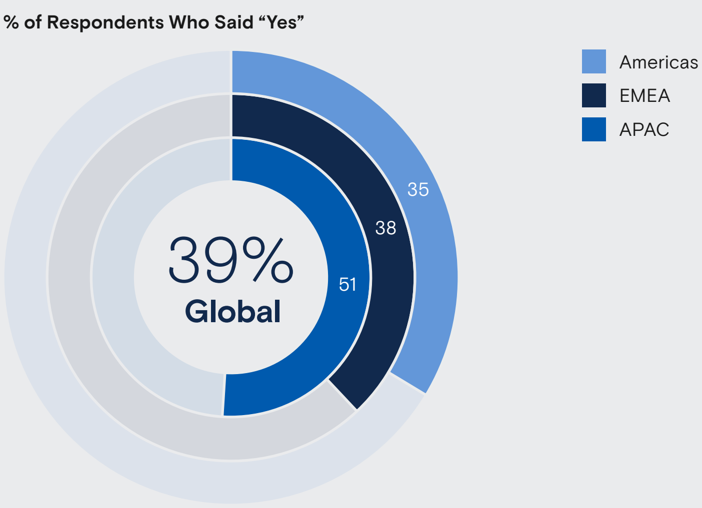
Total percentages may not add up to 100% due to rounding.

What is the size of your investing team and operational team?



Total percentages may not add up to 100% due to rounding.

Is the next generation of the family influencing your investing strategy?



Sample and Methodology

Survey responses were collected from January 17 to February 13, 2023, via an online quantitative survey distributed to family offices by email. The target audience for this survey was key decision makers at family offices that have an institutional structure, including a professional investment staff. Some results may have small sample sizes. In such cases, any reported findings are directional only.

166

family offices participated **globally**

95 based in the **Americas**
34 based in **EMEA**
37 based in **APAC**

Acknowledgements

This report is the culmination of many conversations and meetings, with engagement from a broad network of invaluable resources. It would not have been possible without the efforts of many individuals both inside and outside of our firm, and we want to thank each of them for their generous contributions of time and perspective.

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