FAMILY OFFICE CONNECT SPRING

May 13, 2020 | Harvard Club, New York

Delivering high-level insight for family office investing in the PE & VC space

Read about trending topics being discussed during Family Office Connect Spring, the go-to for single/multi-family office insight and unsurpassed networking opportunities in North America.

PEI

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Dear Colleague:

Over the past ten years, family offices have been one of the fastest growing segments of the wealth management industry, and this trend is expected to continue. Recent reports estimate family offices hold global assets in excess of $5 trillion, allowing them to become a disruptive force in the marketplace with the capabilities of transactions traditionally reserved for their institutional counterparts.

The publishers of **Buyouts**, **PE Hub**, **PERE**, **Private Equity International** and **Venture Capital Journal** cover the family office sector extensively and we have compiled a white paper of exclusive articles highlighting this industry over the past few months.

Please enjoy this complimentary compilation of family office insight. To hear even deeper-dive discussions from top industry experts, join **300+** qualified Family Offices, LPs, Independent Sponsors, VCs and GPs from all over the country on May 13 at our 3rd annual Family Office Connect.

Our carefully curated event will include peer-to-peer interactive breakouts, a cocktail reception and ExecConnect private meetings.

Articles within this white paper include:

Please enjoy this white paper. I'm looking forward to connecting with you at Family Office Connect Spring.

Kind Regards,

Melissa Baer
Conference Producer
Melissa.b@peimedia.com
+1 212 796 8326

Melissa Baer

Apeiron, a family office with a taste for venture

By Justin Mitchell

Christian Angermayer, despite having a $400 million family office, still considers himself an entrepreneur at heart.

He started his first company, Ribopharma, while still in college, but quickly dropped out to build it up. Ribopharma merged with Alnylam Pharmaceuticals in 2003. Soon after, Angermayer sold his shares and became a wealthy man.

> *"Technically, I am now on the other side and define myself as an investor," he told Buyouts, an affiliate publication of Venture Capital Journal. "But I feel in my heart like an entrepreneur."*

Through Apeiron Investment Group, Angermayer takes an active approach, finding novel ways to get directly involved in venture investing.

"I think I have certain character traits that are very good for an entrepreneur…but I also realize that I'm not a guy who likes to run business as a CEO and be the operator," he said. "I'm more like the startup guy who likes to start things and get companies on the right track."

Angermayer: I am now on the other side and define myself as an investor, but I feel in my heart like an entrepreneur

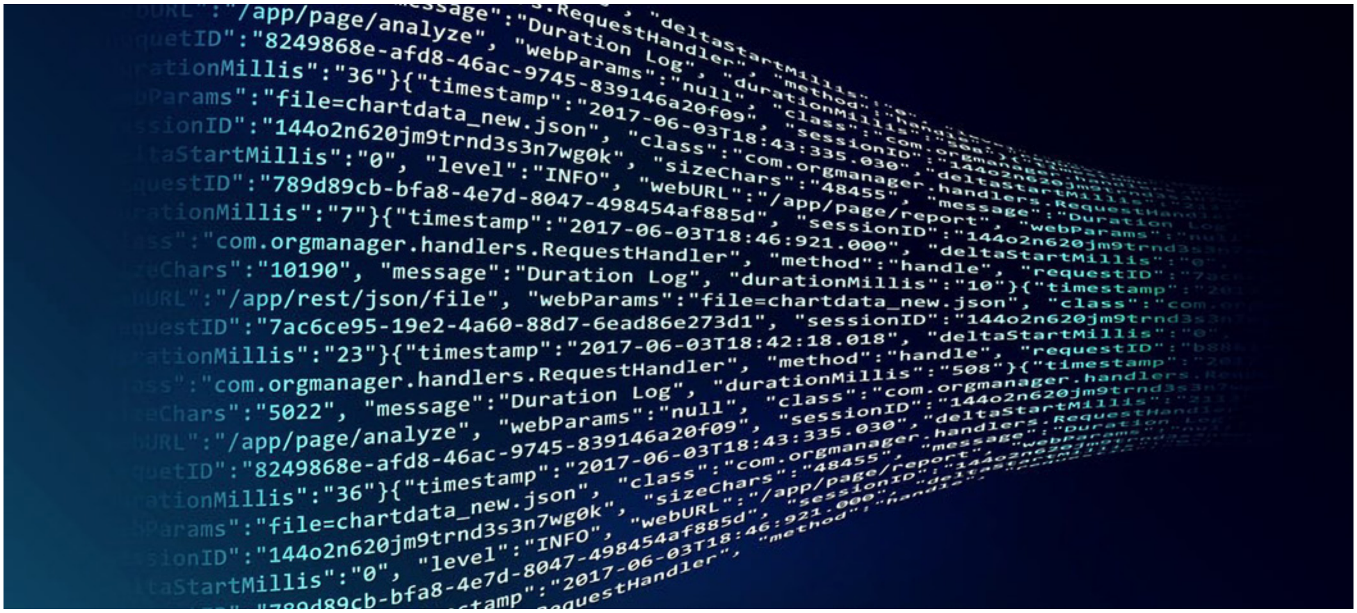
Apeiron has a "concentrated portfolio," Angermayer said, with stakes in 10 companies representing about 70 percent of the firm's NAV, which he said was about $400 million. Apeiron has about 12 people on staff, and takes a very hands-on approach to investments mostly in Germany and Europe. But he wants to branch out. Recently, Angermayer closed the first fund of Presight Capital, a "pocket" of his family office focused on venture investments. Presight was co-founded with Fabian Hansen, who is based in San Francisco.

The fund closed at $80 million, well past its original $50 million target, which includes $20 million of Angermayer's own money. The fund has no management fees, just a 20-percent carry.

Angermayer originally intended Presight to be completely in-house, but that quickly changed once he began sharing his plans with friends, who immediately expressed interest.

Presight has a diverse list of investors. Family offices include that of Austrian entrepreneur and Deutsche Bank supervisory board member Alexander Schuetz; international entrepreneur and investor Nicole Junkermann; and the Schadeberg Family Office, best known for owning the company that manufactures Krombacher beer.

On the Wall Street side, investors include Mike Novogratz, formerly CIO of Fortress and the founder of crypto merchant bank Galaxy Digital; Jim Leitner of Falcon Management; and Moore Strategic Ventures. Fellow entrepreneurs Michael Auerbach and Markus Pertl and Hollywood actress Uma Thurman have also signed on.



Courtesy of Getty Images

> *"If we perform successfully, which is my assumption, then we want to have the option to build a stand-alone, large VC manager, and to make more and bigger funds," Angermayer said. "It's set up so that practically down the road…it can morph into a more individual standalone asset manager."*

So far, Presight's investments have been mostly in the healthcare field, fitting Angermayer's background. They include Terran Biosciences, Peptilogics, Enclear Therapies and SmithRX. Presight has also invested in a cannabis company called Left Coast Ventures.

"We have no defined focus. Our strategy is to follow the best funds we believe produce the best returns in their geography, and whatever they do will define our portfolio," Angermayer said.

But Presight is not all Angermayer is up to in the venture capital space. Apeiron has also dedicated up to $30 million to a fund-of-funds portfolio dedicated to emerging managers, mainly in the U.S. and Asia but also some in Latin America. Investments so far include Fifty Years Fund, Clocktower Technology Ventures and Akaris Global.

> **"I like it when somebody's starting something," Angermayer said. "Just like we want to back great companies, we want to back great managers."**

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Action Item: read more about Apeiron at www.apeiron-investments.com.

How family offices are thinking about real estate

Given a family office's access to long-dated capital, real estate investments seem like a good fit. But management fees continue to be an area of contention.

By Lisa Fu

Courtesy of Getty images

Real estate continues to be an attractive asset class for family offices, but commingled real estate funds remain a hard sell unless managers can offer lower fees and build trust, according to a survey conducted by Family Office Real Estate Magazine.

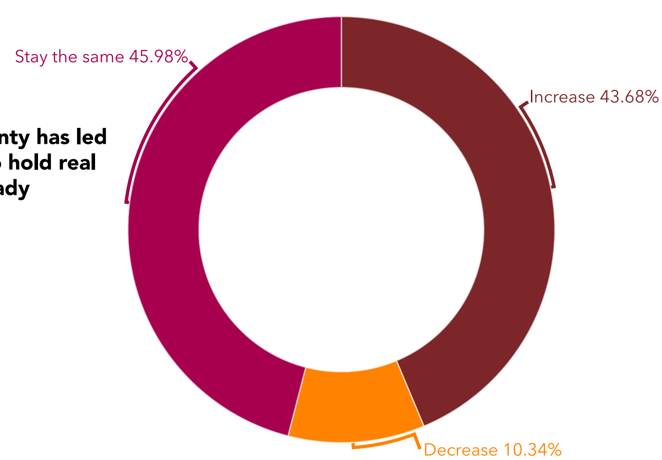
Many family offices planned to add to their real estate portfolios, with 43.68 percent of respondents expecting to increase allocations in 2019, according to the survey. By comparison, just 10.34 percent intend to decrease allocations and 45.98 percent aim to stay the same, due largely to cycle uncertainty.

Like many institutional investors, family offices have found favorable returns in the asset class – they reported a 14 percent average return in 2018 and expect the same in 2019. However, these investors place a heavy emphasis on personal relationships and low fees, explained DJ Van Keuren, a family office executive and founder of Family Office Real Estate Magazine. He interviewed more than 100 family offices for the survey, which he claimed is the largest study on family office real estate investments ever conducted.

None of the survey participants selected crowdfunding as an investment vehicle that they would consider in 2019. Van Keuren attributes this lack of interest to its absence of relationships, as the crowdfunding model often relies on a large base of anonymous or new investors. By contrast, 16.82 percent expected to co-invest with another family office – the third most preferred investment method. Meanwhile, 45 percent of respondents showed an interest in non-traded REITs for 2019. Direct real estate deals were the second most favored investment model, with 29.55 percent of respondents showing an interest. Direct real estate deals, in which a family office might partner with a local operator, continue to be popular because of how fee-sensitive family offices are, according to Van Keuren. On the other hand, only 11.36 percent of family offices planned on investing in private equity real estate funds in 2019. Funds of funds are automatically written off due to double fees,

REAL ESTATE ALLOCATION GOALS IN 2019

Market cycle uncertainty has led some family offices to hold real estate allocations steady



Van Keuren added. He believes fund management fee contention has been a primary driver in the popularity of direct real estate over the last few years. The pain of management fees is acute, with 64.71 percent of family offices saying they were "very concerned" and 20.59 percent "somewhat concerned" about fund-level management fees. Only 11.76 percent of respondents stated that fees were negligible for attractive returns.

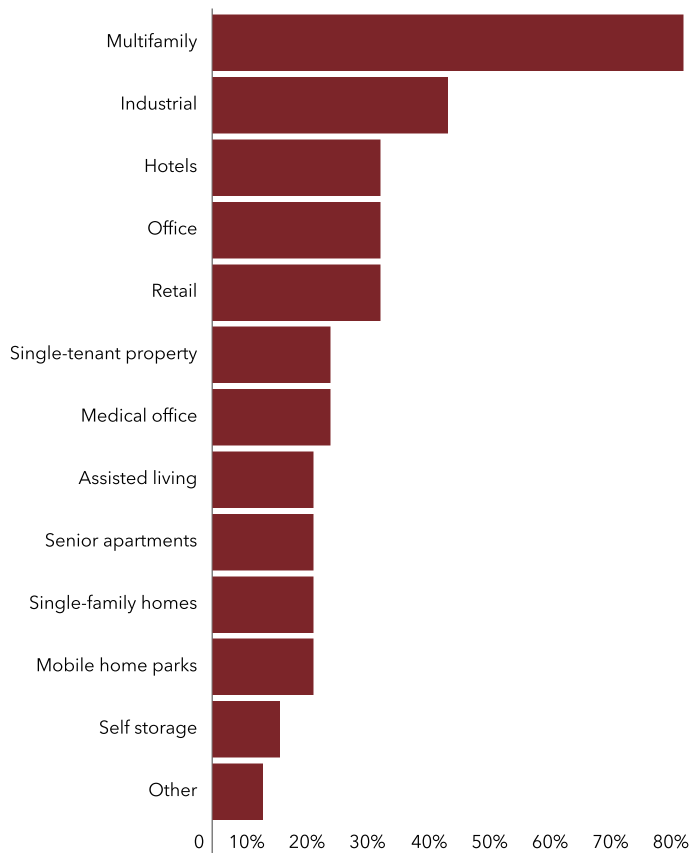
In a market expansion, family offices might profit from direct deals. However, once the market turns and direct deals sour, Van Keuren expects many investors will decide that the expertise that comes with commingled funds will be worth the management fees.

Managers seeking commitments from family offices may find more success by emphasizing their high level of due diligence and putting effort into building long-term relationships, according to Van Keuren. Some firms win over family offices by agreeing to show families direct real estate deals in exchange for a fund commitment.

Many families want to see dealflow, but do not have the resources in-house that can match the sophistication of a manager. On the relationship front, Van Keuren recommends managers present a clear and simple investment story.

PROPERTIES FAMILY OFFICES ARE INTERESTED IN FOR 2019

Respondents, who could choose more than one property type, felt multifamily was most attractive



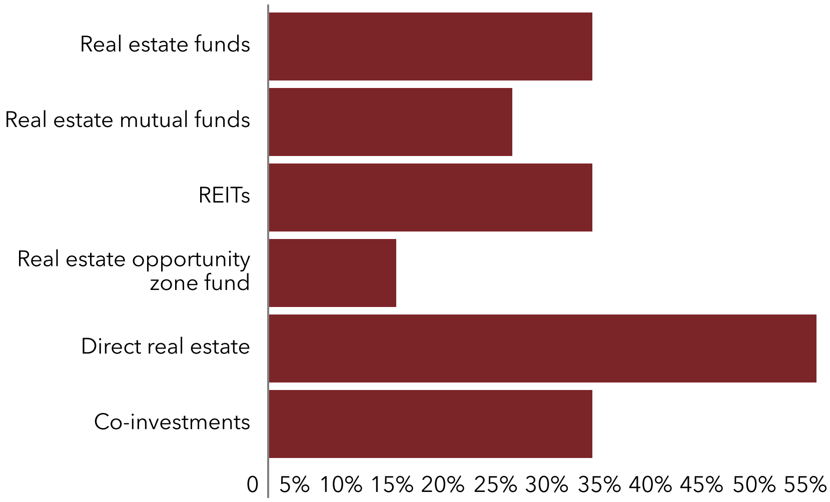
Source: *Family Office Real Estate Magazine* survey

Courtesy of Getty Images

DJ Van Keuren
Forbes Real Estate Council Member

FAMILY FOUNDATION INVESTMENT ALLOCATIONS

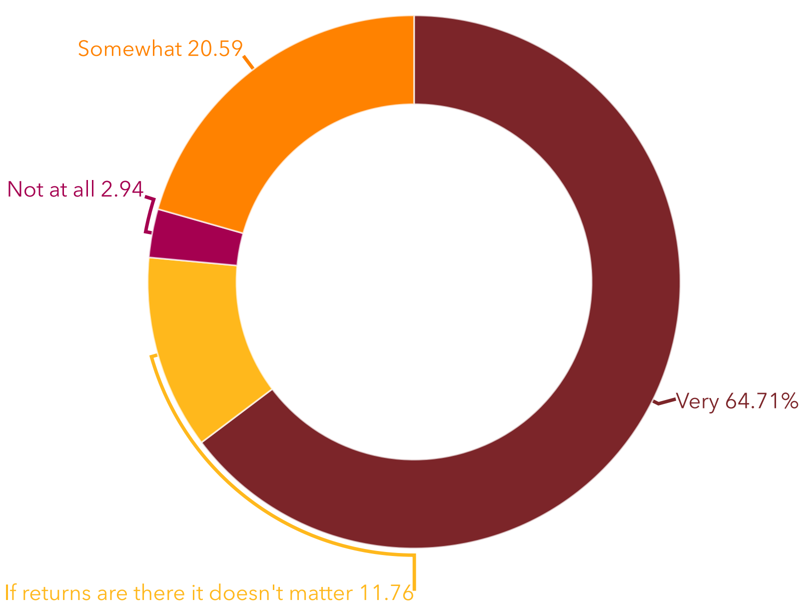
Direct real estate takes the top spot, but family foundations are more open to funds than family offices



Source: *Family Office Real Estate Magazine* survey

FEE SENSITIVE IN SPITE OF GOOD RETURNS

How concerned are family offices about fund-level management fees?



Multifamily residential was the most attractive property type for 2019

With 77.7 percent of families indicating interest, likely because the investment strategy is one that is easy to understand, Van Keuren explained. Industrial properties and hotels followed, with 38.8 percent and 27.7 percent showing interest, respectively. In that regard, "family offices are more like retail investors than institutional investors," he told PERE.

He also observed how the outcome of family investments was often considered personal, with 76.4 percent of respondents saying they want to use real estate to create generational wealth.

However, a family's foundation often approaches real estate investments in a different manner than the family office, according to Van Keuren. The former may want to commit to a real estate fund, even if the family office does not, because it is usually run by a different person and has a different purpose.

Most foundations focus more on maintaining funding and taking a more passive investment approach. Indeed, 31.25 percent of family foundations showed an interest in funds, compared with the 11.36 percent of family offices. But even with foundations, direct real estate continued to be the most sought after strategy, with 52.94 percent of respondents indicating interest.

Action Item: read more about DJ Van Keuren at www.realcapitalsolutions.com.

Single family offices control $5.9 trn: Campden Wealth

By Justin Mitchell

- **Why this is important: the amount of wealth controlled by family offices is growing.**

UK-based Campden Wealth estimates that there are about 7,300 single family offices worldwide which hold $5.9 trillion in assets under management.

> "This number has jumped a significant 38 percent in the last two years, with the greatest rise over this period coming from the Emerging Markets (up 50 percent), followed by Asia-Pacific (+44 percent), North America (+41 percent), and Europe (+28 percent)," Rebecca Gooch, Campden's director of research,

told Buyouts in an email.

UK-based Campden Headquaters

Of the 7,300 single family offices, Campden estimates 42 percent are in North America, 32 percent are in Europe and 18 percent in the Asia-Pacific, with 8 percent split between the emerging markets of South America, Africa and the Middle East. Gooch also told Buyouts that just over a third of family offices now have more than one branch, with a small portion having as many as five.

> "Globalization is impacting the family office landscape," Gooch wrote

Campden estimates the wealth behind these single family offices at $9.4 trillion.

Gooch confirmed these numbers cover only single-family offices, and that the amounts would be higher were multi-family offices included. She expects this trend to continue. "I believe that this trend will continue into the 2020s and beyond. We have seen a rapid increase in the number of family offices since the millennium, and particularly since 2010. In fact, just over two-thirds of family offices were established in 2000 or later," she wrote.

These numbers, first reported by Reuters, will be included in the next Global Family Office Report, which Campden Wealth works on each year with UBS.

Photo courtesy of Getty Images

Venture fits just right in a family office portfolio

Cambridge Associates recommends family offices to have a venture allocation of 15% to 20% and believes venture offers family offices a way to make money to pass down for years to come.

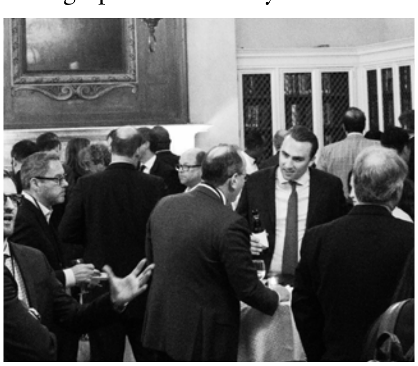
By Rebecca Szkutak

Investing in venture can help family offices make a lasting impact on their balance sheet and society.

A recent report from Cambridge Associates highlights that there is a potential suite of long-lasting benefits for family offices and institutions that invest 15 percent to 20 percent of their portfolio into venture.

The risk profile typically associated with venture has softened over the last 20 years as the market no longer is divided by strict winners and losers, the report stated. The capital loss ratio dropped from 50 percent to 20 percent over that time.

Liqian Ma, a managing director and head of impact investing research at Cambridge Associates, said that while many investors still associate venture with its former heightened risk profile, the asset class can be a strong option for family offices with proper diversification and successful partnerships.



2019 Family Office Conference in NYC

> *"How you construct a well-diversified portfolio and how you select managers is critical to success," Ma said.*

Ma said that these managers no longer have to be the top-tier names in the industry, either. He said their clients have found success across the market and have worked with smaller shops and emerging managers.

Ma said that they typically recommend working with managers that generate the majority of their revenue through carried interest, as opposed to management fees, and who differentiate themselves by focusing on a specific sector or stage of investing.

Ma said that they typically avoid the later-stage market because of the high valuations and the froth that currently resides there.

The sectors that are particularly attractive right now include manufacturing, AI, construction and software, he said. He added that while his US clients have a strong exposure to the US and China VC markets, they see successwith the managers in emerging markets, as well.

Ma: "Venture is one of those rare parts of the market where you can bet pure play exposure to innovation with a new set of that can take our society and economy."

In addition to returns, Ma said that family offices that are looking to put their money toward making a difference in the world or a positive impact on society have plenty of opportunities in the venture market.

The report concludes that with many VC funds targeting returns of up to 300 percent, venture offers family offices a way to make money to pass down for years to come.

"Venture is one of those rare parts of the market where you can get pure play exposure to innovation with a new set of opportunities that can impact our society and economy," Ma said.

Action item: Read more on Cambridge Associates at cambridgeassociates.com

Why fundraising platforms have embraced impact investing

Significant exposure to family office capital has prompted fundraising platforms to seek out impact opportunities.
By Alex Lynn

Photo courtesy of Getty Images

Online fundraising platforms and impact investing strategies have both been earmarked as future disruptors of the private equity industry. It's therefore fitting that a growing number of organisations are combining the two.

Last month, Private Equity International reported that Xen, a Singaporean fundraising startup, is in talks with the UN Development Programme to create an impact investing platform.

The partnership, slated for Q2 2020, would involve Xen raising capital for direct investments in emerging markets startups that have graduated from a UNDP incubator.

Xen's not the first of its kind to embrace impact. PrivateMarket.io, a Switzerland-headquartered platform, launched an impact strategy in mid-2019, chief executive Loic Engelhard told PEI.

Xen has already raised around $20 million for two impact funds.

iCapital Network, a New York-headquartered platform that services more than $46 billion of invested capital, is also understood to be raising capital for impact funds.

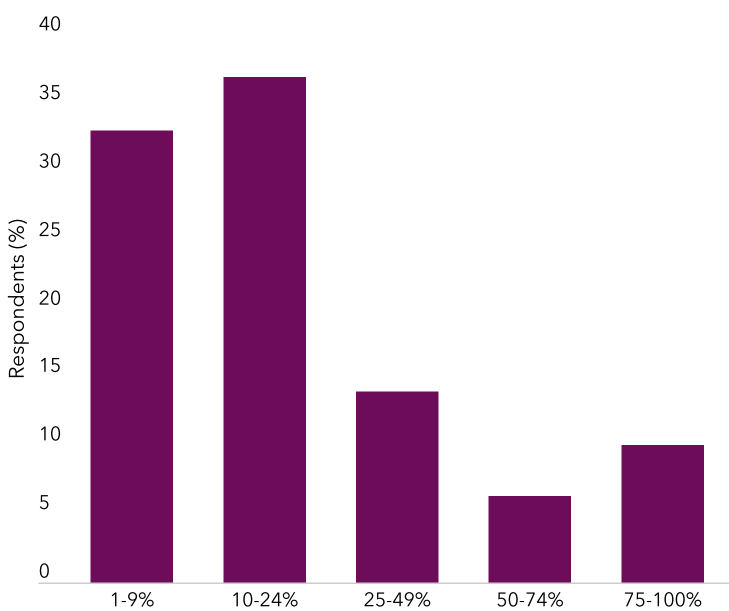
That multiple fundraising platforms have so willingly embraced impact is no coincidence; demand has been driven by significant exposure to family office capital.

Such institutions accounted for around 80 percent of the $100 million committed on Xen's platform as of January and 90 percent of the $250 million transacted via PrivateMarket.io. iCapital has raised capital from more than 300 family offices.

"We used to be heavily focused on Asia markets but Swiss family offices are very conservative and didn't have

FAMILY MATTERS

The average family office is expected to have a 25% allocation to impact investing in five years' time



Source: UBS

much experience of private equity," he added, noting that Asian private equity funds now account for less than 50 percent of its offerings, having added impact and Swiss real estate opportunities.

> **"Real estate and impact strategies are more tangible."**

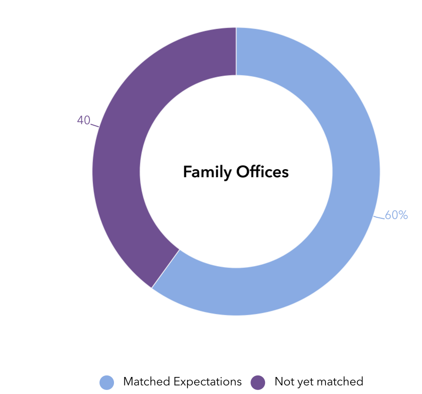
A quarter of family offices are currently engaged in impact investing, according to the UBS Global Family Office Report 2019. More than a third (37 percent) of family offices expect to increase their impact allocation to 10 to 24 percent of their total portfolios within five years and 30 percent plan to allocate 25 percent or more. Tellingly, 76 percent of family office impact investments have been via direct private equity, similar to Xen's proposed approach.

Real estate investments, such as green or affordable housing, was the next most popular at 32 percent.

60 percent of Family Offices said impact had matched expectations

Sustainable and impact investments have climbed the family office and high-net-worth agenda in recent years as a younger generation of executives take charge.

Sustainable & Impact Investments



Millennial investors have grown up with environmental challenges taking centre stage in media, UBS noted in its 2017 report.

Impact firms are also tapping this trend.

London-headquartered Bridges Fund Management, which has £926 million ($1.2 billion; €1.09 billion) of assets under management across multiple funds, appointed a family office specialist to its advisory team in late 2018 in response to rising HNW appetites for impact.

Elizabeth Burgess
Partner, Head of Growth Business

Elizabeth Burgess is a Partner and Head of the Growth Business investment strategy, where she leads on fund strategy, origination, investment and portfolio management.

Elizabeth has approximately 30 years of experience in private equity and leveraged transactions across a wide range of industries and markets.

Action item: Read more on Bridges Fund Management at bridgesfundmanagement.com

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May 13, 2020 | Harvard Club, New York

Delivering high-level insight for family office investing in the PE & VC space

Agenda produced by Buyouts, PE Hub, Private Equity International & Venture Capital Journal

4 new breakout sessions including PE Trends, Inside the FO, Leveraging Emerging Tech & Deal Flow Dynamics

Exclusive peer-to-peer networking through our proprietary ExecConnect 1-1 Meetings Program

Featured speakers announced:

Clark Cheng
Chief Executive Officer & Chief Investment Office
Merrimac Corporation
(SFO)

Timothy D. O'Hara
President, Family Office
Rockefeller Capital Management
(MFO)

Mitzi Perdue
Author, Speaker, Businesswoman, Past President of American Agri-Women
Founder of CERES Farm

Mark Sotir
President
Equity Group Investments
(SFO)

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