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FAMILY OFFICE MAGAZINE

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ROLLS ROYCE SILVER GHOST

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THE EMERGING ROLE OF THE CHIEF LEARNING OFFICER

By Matthew Wesley, Director in Merrill Lynch's Center for Family Wealth Dynamics and Governance®

Historically, the primary concern of the family office's chief executive has been the management of economic risk relative to the preservation and growth of financial capital. Family dynamics have been secondary concerns – and only insofar as they threaten financial performance. Now, however, in a growing number of family offices, the personal growth and development of family members is becoming the preeminent concern, and risk management is becoming a supporting objective.

Like many corporations, these evolving family offices recognize the need to retain learning officers. The greatest threats to financial wealth often comes not from management failures, but from brittle and difficult family dynamics. More to the point, the purpose of wealth in most families is to enhance the enlightened well-being of family members individually and collectively and to generate positive impacts on society. Family offices that seek returns in human, as well as economic terms, are likely to serve their families well by serving them holistically.

The Role of the CLO

At root, the Chief Learning Officer (CLO) is responsible for curating a robust and resilient family culture. The CLO becomes the primary point person for family governance and educational processes within the family office. In addressing the family culture, the CLO seeks to build a "learning family." The strength of this learning culture becomes a bulwark against both internal and external risks to the well-being of the family.

The CLO supports the family's evolution in ways that foster resilience over generations. In practical terms, this means helping the family develop capacities and capabilities that will make the structures containing wealth work productively to enhance the lives of the family members individually and collectively.

Matthew Wesley
Merrill Lynch

In times of transition, this work is focused on developing new capacities to metabolize change in constructive ways. In times between transitions, the work is focused on curating a culture of stewardship and equipping both the incumbent and rising generations with skills and capabilities that will allow them to fulfil their individual and collective potential. In families where generational cohorts have become blurred, both tasks will be happening continuously.

Throughout the process, the CLO will be focused on the development of the human, cultural and social dimensions of wealth requisite to sustaining financial wealth over generations. Given this mandate, the family office develops a quadruple bottom line that measures familial well-being in four dimensions: individual, cultural, social and financial.

The Core Challenges Facing the CLO

Doing this work requires a rare skill set. Most importantly, the CLO embodies abilities to navigate and influence complex human systems. Families have a great deal of social complexity (arising from individual differences), dynamic complexity (arising from the number of factors affecting outcomes) and generative complexity (arising from long timelines and uncertain connections between cause and effect). Most professionals are not comfortable with these heightened levels of ambiguity. The effective CLO is at home in these amorphous webs of relationships, power, and love.

The CLO must be adept in the use of "soft power." Families and family offices rarely have explicit levers of control, and therefore must rely on personal compassion, wisdom, well-timed guidance, visioning, listening, curating, negotiating, facilitation and other forms of indirect social influence. The CLO will occasionally face the use of coercive and blocking power and will have to flow both with and around these power dynamics. Shifting family systems requires a keen eye for the emergent inflexion points and leveraged opportunities to generate cultural shifts.

Ultimately, the CLO will have to help the family forge common cause with one another. Finding this common cause requires deft patience. Beyond a vision or mission statement, this level of existential connection binds the family together in ways that serve their collective interests. Facilitating these foundational agreements creates mechanisms for collective accountability and the ability to move towards objectives through autonomous, loosely coordinated action. With respect to developing core competencies, the CLO will be focused on five core domains in equipping both the rising and incumbent generations:

- Financial Competence – the development of comprehensive skills in personal finance.
- Wealth Competence – the development of skills in productively using the structures of wealth and effectively collaborating with advisors who support the family.
- Governance Competence – the facilitation of effective decision-making skills, including negotiating conflict, establishing vision and developing intra-family agreements
- Business Competence – the development of capacities and skills to own, operate and/or oversee for-profit entities owned by the family
- Philanthropic Competence – the development of abilities to manage charitable giving for maximum effect.

Conclusion

The family office with a CLO will have as its core purpose the curation of family culture through the development of the individual and collective capacities of family members. The financial capital will have, as its core purpose, the productive enhancement, growth, and development of the human, cultural and social "capitals" of the family.

Families that lose sight of this are less likely to manage the risks to wealth well. The family – and family office - that is clear on its use of wealth and focused on its own development is likely to succeed for generations.

Matthew Wesley
Director: Merrill Lynch
Center for Family Wealth Dynamics and Governance™

matt.wesley@ml.com

SAUDI ARABIA OPEN FOR BUSINESS

Opportunities boom as Saudi Arabia opens its doors to foreign investment to reach Vision 2030

As we progress further into 2018, the world is watching Saudi Arabia.

With the largest economy in the Arab world, Saudi Arabia is seeking to diversify its oil dependent economy and become a leading global investment hub in line with its Vision 2030.

The recently reformed structural frameworks and governance strategies now allow foreign investment into the country, meaning opportunity is rife for international investors, both private and institutional. The Kingdom is positioning itself as a leading force of innovation and ambition and its strengths continue to grow across key industries from healthcare to infrastructure, renewable energy to tourism and real estate to technology.

Saudi Arabia is propelling foreign direct investment opportunities at an exponential rate, regularly announcing new impressive plans for the country's redirection and reformation. Most notably recently, announcing a $64 billion plan to invest in the entertainment industry and $500 billion to build a new mega city on the red sea coast, pioneering the 'new generation of cities'.

Five economic and investment trends to watch:

- Launch of the Aramco IPO
- Extended foreign investment licenses from one year to five
- Sustainability, renewables and ESG investing
- The transforming role of women
- Preparing portfolios for the future and looking to the market opportunities available to meet the demand of the under 30s

This year, running alongside the Middle East Investment Summit 2018, the Saudi Investment Forum will explore in greater detail the investment opportunities and assets classes in the fast-paced, growing market. Bringing together an exclusive audience of regional and global investors, as well as representatives some of Saudi Arabia's biggest companies.

Confirmed speakers include:
Martin Botha, Director of Risk Management, Public Investment Fund, Saudi Arabia (SWF)
Nicola Bettio, Managing Director, KAUST Innovation Fund, Saudi Arabia (Endowment)
Hatem Samman, CSO, General Entertainment Authority, Saudi Arabia (Government)
Tom Tull, Chief Investment Officer, Employees Retirement System of Texas, USA (Pension Fund)
Nadia Bakhurji, Investor, Mashael Capital & Board Member, Arab International Women's Forum, Saudi Arabia (Family Office)
Nabil Nazer, Chief Investment Officer, Al Sulaiman Group, Saudi Arabia (Family Office)

The Saudi Investment Forum will take place on 9 May 2018 at the Ritz Carlton, DIFC, Dubai. Hosting investment professionals from around the globe to explore investing in this emerging, untouched market.

For more information visit www.terrapinn.com/meis

DEBRETT'S

SUCCESSION AND THE NEXT GENERATION

A 20-year study of over 3,000 high net worth families revealed that 70% of family wealth is lost in the transfer from first to second generation, with more than 90% of the original family assets lost in the transfer from second to third (The Williams Group, 2013). According to Forbes, this is an international phenomenon.

What is the reason for this near-destruction of capital in three generations? Mismanagement by the elder generation, or squandering by the younger generation? And how can we prevent the loss and instead promote the proliferation of assets over generations?

The blame game

When interviewed, nearly 80% of the older generation were quick to argue that 'the next generation is not financially responsible enough to handle inheritance.' If we take this argument to be true, this implies that the younger generation is less capable of, less prepared to, or less interested in managing family wealth – or all of the above. However, 55% of the younger generation felt that their elders were not forthcoming with financial information.

And yet, the younger generation is more inclined to consider themselves stewards of their family's wealth, preserving it and helping provide for future generations. In fact, according to a study by Morgan Stanley and Campden Wealth, the younger family members (aged 30 and under) had the higher sense of duty compared with their 30-40-year-old counterparts.
That same study revealed that more than 40% of family offices expect a generational transition within the next ten years, and around 70% in the next 15 years.

Planning for success in succession

As in any business, the transfer of knowledge and decision-making powers to the next in line is a major event which requires planning and consideration. A transition should happen over a defined timeframe and with open communication amongst the entire team -- not at the moment the leader decides to leave.

Renée Kuo
Managing Director: Debrett's

Many successful companies have failed to consider CEO succession plans, leaving long-lasting, negative impacts on the business and working relations. One study calculates that large public companies with no CEO succession plan forgo $1.8 billion in shareholder value. With a family office, not only is capital at risk, but the conflict and rifts in relationships are often deeper and longer-lasting – and unavoidable at holidays and family gatherings!

Preparing your heirs

According to The Williams Group study, 25% of lost wealth between generations was attributed to failure by the older generation to prepare their heirs. Preparation can be achieved through education: teaching children at a young age how to manage money; helping teenagers with their first bank and credit card accounts; involving young adults in conversation about family wealth and gradually introducing them to the business.

The younger generation can also do their part in educating themselves. Informally, this may be done through online research, managing a personal online trading portfolio, or participating in short programmes led by investment advisors. The vast majority are pursuing university degrees, and many are going on to attain an advanced degree such as an MBA. Others pursue (and are encouraged to pursue) outside work experience to prepare themselves better for helping manage their family's assets.

The softer the skills, the higher the success rate

While financial nous and business skills are of course important to the preservation of capital, the most significant reason for the intergenerational loss of wealth is lack of communication and trust -- accounting for 60% of failures.

Soft skills such as listening, leadership, negotiation and communication are often overlooked in financial education, yet they are the key success factors to any relationship -- whether business, family or both.

Research conducted by Harvard and Stanford Universities in conjunction with the Carnegie Foundation found that 85% of job success came from well-developed soft and people skills, with only 15% of success attributable to technical skills.

With family offices, where parent-child or sibling relations can become strained, knowing how to negotiate, listen and communicate can not only lead to better business, but to maintaining household peace. Being able to recognise communication and relationship styles – including one's own – is a learnable skill. There are various frameworks to determine these social styles.

For example, are you results-oriented to the point where you will confront and correct others? Or do you prefer to let others take the initiative and wait to evaluate their decisions? Are you more intuitive and motivational, and is this at odds with your more analytical relatives? And, once you've determined your own style and that of others, how can you start putting this knowledge into practice in the workplace?

Letting their voice be heard

Communications coaching can play a vital role in establishing or re-establishing trust and positive working relationships within a family office. However, without the participation of the younger generation, a successful transition will be stymied. In short, they have to be part of the conversation and feel as though their voices are being heard in the decision-making process.

At what age younger members should be called upon to join in should be determined and agreed upon by all the older generation to remove any subjectivity or feelings of bias. And, taking a note from the recent focus on the 30% Club (the global campaign pushing for at least 30% female representation on boards), families may want to have at least 30% representation by the younger generation at their decision-making meetings. Research has shown that 30% is the necessary percentage for a minority group to reach critical mass and become heard in their own right, rather than simply representing the minority.

Renée is the Managing Director of Debrett's. Born in the United States, she is a graduate of Stanford University and the MIT Sloan School of Business, where she gained an MBA in Finance. Following a successful career in Sales & Trading at Bank of America and Citadel Securities, she moved to Napa Valley to pursue her passion for wine in 2011, first working a harvest as an intern and moving on to manage a winery. Renée moved to the UK in 2014 and joined Debrett's in October 2015 in a newly appointed role as Managing Director of new ventures before succeeding the outgoing CEO in January 2016.

reneekuo@debretts.co.uk
www.debretts.com

DEBRETT'S
LONDON 1769

FAMILY OFFICES AND THE TAX CUTS AND JOBS ACT PRIMARY CONSIDERATIONS

The U.S. Tax Cuts and Jobs Act became effective on December 22, 2018, and contains a variety of provisions which may benefit members of family offices. There are also a few pitfalls to consider. The areas of primary concern to family offices and the individuals, trusts and entities they support are highlighted below:

Tax Rates

The first provision is the reduction in rates which will apply to individuals. The maximum tax rate was reduced from 39.6% to 37% which will apply to single taxpayers with taxable income in excess of $500,000 and married taxpayers with taxable income in excess of $600,000. Capital gains tax rates remain unchanged.

2018 Tax Rates

Tax Rates on Ordinary Income	Single Taxpayers	Married Filing Joint Taxpayers
10%	$0 to $9,525	$0 to $19,050
12%	$9,526 to $38,700	$19,051 to $77,400
22%	$38,701 to $82,500	$77,401 to $165,000
24%	$82,501 to $157,500	$165,001 to $315,000
32%	$157,501 to $200,000	$315,001 to $400,000
35%	$200,001 to $500,000	$400,001 to $600,000
37%	Over $500,000	Over $600,000

Additional Taxes

Unfortunately, the 3.8% tax on investment income is still a factor as is the additional .9% FICA tax on employment earnings.

Exemptions and Deductions

The Act provides for a significant increase in the standard deduction as follows:

- $24,000 for married taxpayers filing jointly
- $12,000 for single taxpayers

In connection with this increased standard deduction, the existing personal exemptions are eliminated. However, the Act retains the additional standard deduction for the blind and elderly. Exemptions for dependants are consolidated into an expanded child tax credit and a new family tax credit. The overall limitation on itemised deductions is repealed for tax years after 2017. The following chart shows the changes to itemised deductions:

Deduction	Overall Limitation	Deductible for AMT
Medical and Dental Expenses	Amount in excess of 7.5% of AGI	Yes
State and Local Taxes	Limited to $10,000	No
Home Mortgage Interest Expense	New debt cannot exceed $750,000 and home equity debt is disallowed	Yes
Investment Interest Expense	Limited to Investment Income	Yes, as recalculated for AMT income
Charitable Contributions	Limited to 60% of AGI	Yes
Casualty or Theft Losses	Not Allowed	No
Miscellaneous Itemized Deductions (tax prep fees, investment mgt. fees)	Not Allowed	No

Taxpayers will need to pay careful attention to the timing of deductions due to the increase in the standard deduction and the loss of itemised deductions.

Alimony Payments Deduction

Another pitfall is the elimination of the deduction for alimony payments. Beginning with divorce decrees and separation agreements entered into after 2018, the payer will not be able to deduct alimony payments. Conversely, the recipient will not be required to report alimony receipts as income. These changes require careful thought in the structuring of divorce and separation settlements.

Alternative Minimum Tax

The alternative minimum tax was repealed for corporations but not for individuals. However, the exemption amounts were increased for all taxpayers and the phase-out of the exemption was increased to $500,000 for single taxpayers and $1,000,000 for married taxpayers filing jointly. In addition, many of the preference items no longer apply due to the limitations on itemized deductions discussed above. So, it is likely that even if the tax applies, it will be lower than in prior years.

Deduction for Qualified Business Income

The Tax Cuts and Jobs Act created a new Internal Revenue Code Section – 199A. This section permits a deduction of up to 20% of Qualified Business Income for owners of sole proprietorships, LLCs, partnerships and S corporations. The deduction also applies to income from REITs (Real Estate Investment Trusts), publicly traded limited partnerships and personally owned real estate investments. This provision attempts to put pass-through business interests on an equal footing to C Corporations which are now subject to a maximum tax rate of 21%. It presents the greatest opportunity for tax savings for families with pass-through business interests and direct real estate investments.

The deduction applies at the individual taxpayer level for taxpayers who are sole proprietors, partners, members or shareholders. The deduction applies to ordinary income from trades or businesses. The deduction will not reduce the adjusted gross income of an individual but will be a deduction applied to compute taxable income. The deduction may be used by taxpayers claiming the standard deduction as well as those who itemize deductions. Trusts and estates are also eligible for this deduction. The act provides that certain service businesses will not be eligible for the deduction if the individual taxpayer has taxable income in excess of certain thresholds ($207,500 for single filers and $415,000 for married filing jointly). These service businesses are specifically identified as those involving the performance of services in the following fields:

- Health
- Law
- Accounting
- Actuarial Science
- Performing Arts
- Consulting
- Athletics
- Financial Services
- Brokerage Services
- Any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners
- Any trade or business which involves the performance of services that consist of investing and investment management, trading or dealing in securities, partnership interests or commodities.

The Act excludes businesses that involve engineering and architecture from the definition of a specified service trade or business.

This deduction is extremely complicated and many of the nuances will continue to be refined over the coming year. Careful planning should be undertaken to maximize the benefits of this deduction but individuals should proceed with caution when making permanent business structuring decisions as this provision is set to expire on December 31, 2025.

Trusts

There were no specific changes to the taxation of trusts other than a reduction in the maximum tax rate from 39.6% to 37%. This maximum rate applies to taxable income in excess of $12,500. Trusts will also lose the deduction of miscellaneous itemised deductions but trustee fees remain deductible. Trusts are eligible for the Qualified Business Income deduction discussed above.

Estate and Gift Tax Planning

The Act increased the estate and gift tax exclusion amount to $11,180,000 in 2018 and maintained the current estate and gift tax rate of 40%. Transfers may also be subject to generation-skipping transfer tax which is also 40%. Careful planning should be done to minimize these taxes. One of the key considerations is the tax basis of the asset being transferred. Assets transferred during life will have a carryover basis for the donee. This means that the recipient will have the same basis in the asset that the donor had. Conversely, assets transferred upon death have a basis of fair market value at the date of death. Therefore, it is critical to examine the relevant income tax brackets of the donor and donee when making lifetime gifting decisions.

Conclusion

There are numerous planning opportunities to minimize taxes under the provisions of the Act. However, an analysis of each individual's situation is imperative.

by Kim Garcia, proofread by Mike Fisher
of Diversified Trust

www.diversifiedtrust.com

FAMILY OFFICES

AT HOME IN GUERNSEY

BY Fiona Le Poidevin

Guernsey's finance industry is well placed to provide the widest scope of family office (FO) services. It's regarded as a jurisdiction of choice for many wealth management and investment funds. The island's providers combine traditional values with modern technology to assist clients to manage their wealth more effectively, between locations and over generations.

The Island's proximity to the City of London and mainland Europe, as well as a convenient time zone, add to the Island's appeal. As does the fact that the Island boasts 150 licensed fiduciaries, ranging from multinational organisations to independent and boutique operations, all specialising in the preservation of individual and family wealth and the inherently varied nature of FO structures. FOs are equally put at ease because of Guernsey's world-leading standards of regulation. In 2011, the IMF reported Guernsey as being compliant or largely compliant with 47 out of 49 of the Financial Action Task Force (FATF) recommendations on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) – the highest standard of any jurisdiction so far assessed. Guernsey was also one of the first places in the world to regulate trust and corporate services providers.

FO services in Guernsey

Guernsey providers are well versed in the traditional single-family office (SFO) concept of providing management services in relation to household staff, travel arrangements, property, payroll, investment programmes, philanthropy coordination and succession planning, as well as some degree of involvement with a core family operating business. However, SFOs are also now expanding into Multi-Family Office (MFO) operations, an increasingly common trend being seen in Guernsey over recent years. The MFO can still offer specialised services to a given family but will do so on a non-exclusive basis and will provide services to one or more other families (who may even be connected). This arrangement can deliver economies of scale and opens up the world of the family office, which was traditionally only available to the super wealthy, to those with smaller fortunes or an appetite for more limited and cost-effective family office services.

Guernsey structures

Guernsey's corporate, trust, foundation and limited partnership structures can be utilised to hold assets of all types across the globe. In addition, legislation enabling the establishment of limited liability partnerships under Guernsey law was introduced in May 2014. Guernsey is perhaps most well-known for pioneering the Protected Cell Company (PCC) concept more than 15 years ago. The PCC is now used across investment fund platforms, captive insurance vehicles and structured products while one of the most innovative applications of the tool is in the field of family wealth planning. Along with the utilisation of Incorporated Cell Companies (ICCs), these private cell structures can be used to ring-fence different assets for different strands of a particular family or simply for segregation and risk management purposes. The end of last year saw the establishment of 2-REG, the Guernsey-based Channel Islands aircraft registry, which with the nationality mark of '2' followed by four letters, allows for particularly attractive registration names, such as 2-COOL or 2-PLAY. This development followed the creation of the world's first-image rights law and register just over 18 months ago which will allow celebrities and corporates to protect and exploit their image and brand.

These are just a few of the many advantages offered by Guernsey as it continues to demonstrate its capabilities to evolve its structures and products to the needs of international clients and to develop solution-based initiatives in partnership with the financial services industry.

Fiona Le Poidevin is the Chief Executive of Guernsey Finance – the promotional agency for the Island's finance industry.

www.guernseyfinance.com

ROLLS ROYCE

THE 'SILVER GHOST COLLECTION'

Rolls-Royce Motor Cars proudly announces the creation of a collection of 35 model year 2018 Rolls-Royce Ghosts, created in homage to the original Silver Ghost's achievement.

ROLLS ROYCE COLLECTION SILVER GHOST

Rolls-Royce Limited owned a British luxury car and aero-engine manufacturing business founded in 1904 by Charles Stewart Rolls and Frederick Henry Royce. Rolls-Royce Limited was incorporated on 15 March 1906 as a vehicle for their ownership of their Rolls-Royce business.

Their business quickly developed a reputation for superior engineering quality and for manufacturing the "best car in the world", building on F H Royce's existing standing. Rolls-Royce became a leading manufacturer of piston aero-engines after it was brought into building them by the First World War.

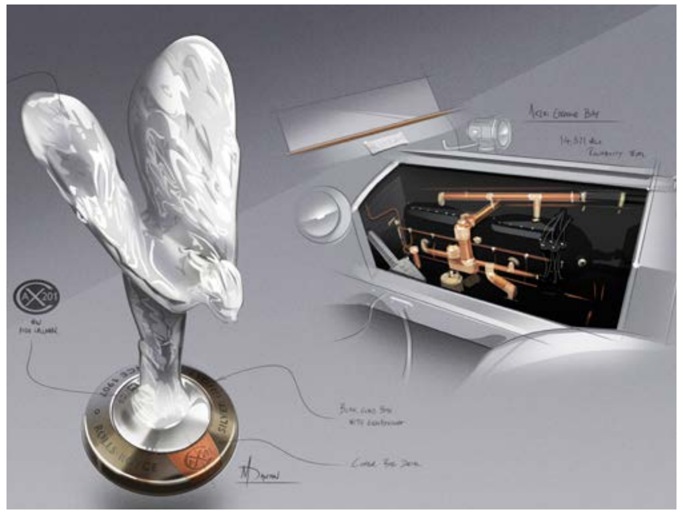
ROLLS-ROYCE MOTOR CAR IS THE ULTIMATE LUXURY, STEEPED IN NARRATIVE, VEILED IN RARITY

One motor car changed the course of automotive history. Today, the legend is re-told as Rolls-Royce Motor Cars proudly announces the creation of a collection of 35 model year 2018 Rolls-Royce Ghosts, created in homage to the original Silver Ghost's achievement.

In 1904, a pioneering motorist, a brilliant entrepreneur and an intrepid engineer were united by a desire to succeed. Three years later, this success was recognised by the world's media. An unfathomable challenge unprecedented of its time and legendary to this day, was completed by The Hon. Charles Rolls and Claude Johnson in Sir Henry Royce's 'Silver Ghost'. The car achieved a non-stop long distance endurance record of 14,371 miles. This challenge was to shape automotive and luxury history, creating a world-renowned benchmark for excellence in the process.

It was the twelfth 40/50hp chassis, completed with a Barker & Co 4/5 seater touring body, commissioned by Claude Johnson, then Managing Director of Rolls-Royce Limited that was quickly recognised for its ability to demonstrate the marque's prowess. The ethereally quiet running of this extraordinary automobile and the silver paint with silver fittings, led Johnson to select this very car for high-profile competitive trials, bestowing the name, 'Silver Ghost' upon it.
Today, a Rolls-Royce motor car is the ultimate luxury, steeped in narrative, veiled in rarity. A Rolls-Royce Collection Car showcases the extraordinary talents of the Rolls-Royce Bespoke Design team; they are born collectables. These are future classics, destined for the lawns of the great international Concours d'Élégance.

Careful consideration has been paid to the defining features of this collection. References extolling the past are skillfully hand-crafted into



Ghost's interior and exterior, creating a contemporary homage which speaks as much of today's great brand as the 'Silver Ghost' does of its day.

A solid sterling-silver Spirit of Ecstasy, the muse that has guided motor cars created by the marque since 1911, will hint at the pioneering heritage of this motor car's forebear. A specially created Hallmark of AX201, the registration plate of the original 'Silver Ghost', will be marked on the base of each muse by the British Assay office, an honour reserved for few. Alongside the AX201 Hallmark, the Metal Fineness marks and the Assay Office town mark, a second unique 'RR' Hallmark, the eponymous badge of the marque, will act as the Sponsor's Mark and authenticate its heritage.

The face of the Model Year 2018 motor car is instantly recognisable as one of 35 in this collection. Black painted grille veins mimic the distinctive black grille of the 'Silver Ghost', while the fully-polished wheel centres encircled with 'SILVER GHOST – SINCE 1907' engraved on a Cassiopeia Silver backing, echo the fine details of the original car. On opening the coach doors, accents of a specially created 'Forest Green' leather provide a nod to the original interior colour scheme.

A newly designed silver tipped leather makes its Rolls-Royce debut, being incorporated onto the front and rear door panniers. Additionally, a silver onlay has been set into the open pore wood of the fascia and door cappings, flanking a solid silver ingot, hallmarked to allow reflection of this motor car's great lineage.

THE WINE FORGER'S HANDBOOK
A BRIEF HISTORY OF FAKE WINE

November 1986. Andy Warhol's "Big Campbell's Soup Can" sells at auction for $264,000, while a case of Château Lafite Rothschild 1982 sells for the current equivalent of $520 per case. Fast-forward to November 2010, and that same Warhol sells at a New York auction for $23,882,500 (including premium), an increase of over 900%. That same year, across the world in Hong Kong, the case of Lafite sells for $109,660—21,000% over the 1986 price.

The astronomical increase in value of both fine art and fine wine, even in times of economic recession, prompts investors and entrepreneurs, legitimate and illicit alike. The surge in demand for fine wine over the last decade, particularly in Asia, has motivated fraudsters. Anything that is valuable, whether it is a painting or a bottle of wine, is in danger of being faked.

Apple stores are ubiquitous in Chinese cities but the American company has only six official shops in Mainland China. Beijing officially deplores the country's inexorable production of fakes but in practice turns a blind eye, though things are improving slowly, with the Chinese government beginning to accept denominated wine names as legally binding. On October 11, 2012, China accepted to recognize and to protect the Napa Valley denomination. It took Napa Valley vintners 14 years of trade missions and talks to achieve this. France has nearly 500 wine names to protect, which suggests that by the year 9012 every French wine's name will be protected in the Chinese market.

Fake wines allegedly flow in and out of Hong Kong like the cheap and illegal Irish reprints of books that flooded the British market in the 18th century. Part of the problem is that the concept of fakes, like the idea of copyrights or intellectual property, differs significantly in China from the strict parameters of the West. Emerging economies like China's have less dense retail structures, with many small independent retailers sourcing goods on the grey market rather than large stores with robust supply chains.

China's nonchalance results in a flood of counterfeit goods into Western markets. For many people, it is admittedly attractive to purchase a luxury good at below the market price. But if something is much less expensive than it should be then something is not right.

The art and wine markets of the 21st century would not be out of place in an Umberto Eco novel, full of fakes, forgeries, and dark conspiracies. The art of forgery is as old as the arts themselves.

Adulteration of wine adding different or inferior wine to a superior and genuine wine has a long history. The Roman philosopher Pliny the Elder complained that "genuine, unadulterated wine is not to be had now, not even by the nobility." He was referring to fraudulent examples of Falernian, the most luxurious wine of Ancient Rome. Then, as now, the most sought-after wines were most in danger of being reproduced illicitly.

In Medieval London it was illegal for tavern keepers to keep French and Spanish wines together in the same cellar with German wines, an easily circumvented attempt to prevent mixing or substitution.

"The Pardoner's Tale," one of Geoffrey Chaucer's "Canterbury Tales", relates:

Now kepe yow fro the white and fro the rede,
And namely, fro the white wyn of Lepe,
That is to selle in fysshstrete, or in Chepe.
This wyn of Spaigne crepeth subtilly
In othere wynes, growynge faste by,
Of which ther ryseth swich fumositee,
That whan a man hath dronken draughtes thre
And weneth that he be at hoom in Chepe,
He is in Spaigne, right at the toune of Lepe,
Nat at the Rochele, ne at Burdeux toun...

Chaucer, who was himself a "messenger" (sometimes described as a "spy") for King Edward III, knew a thing or two about deception. His father was a London-based vintner, so he knew a thing or two about wine as well. Chaucer warns that Bordeaux wines are being substituted with less expensive Spanish plonk. Concern that what is on your wine label is not what is inside the bottle is nothing new.

In the 19th century it was common practice for thinner Bordeaux and Burgundy wines to be "cut" or "improved" with fuller Rhône wines, leading to the informal (and strictly unofficial) wine term "Hermitagé"—"Hermitaged" by the deep-coloured red wine of that name.

In 2008 several producers of Brunello di Montalcino—one of Italy's most prestigious red wines—were accused of adding wine from Puglia—dark, intense reds not unlike Hermitage—to their supposedly pure Sangiovese wines. The "scandal" hit sales: Imports to the USA were banned for several months.

"Doctor Barolet" bottlings of Burgundies from the early- to mid-20th century were known for richness of flavour; it was alleged that the barrels were topped-up with Cognac. In Bristol, England, the famous old firm of Avery's used to ship and bottle Burgundies that to some tasters had a pronounced sweetness—due, it was claimed, to fruit liqueurs being added.

To be continued...

Stuart George is Founder and MD of Mayfair-based Vins Extraordinaires, which offers fine and rare wine events to private and corporate clients. Stuart can be contacted at www.VinsExtraordinaires.com.

SUPERYACHT INVESTOR CONFERENCE

FEBRUARY 2018

Family offices across Europe are growing and superyachts are becoming a significant part of their investment. The family office needs to manage the vessel's purchase, sale, upkeep and at times, operational management. Is the onshore team equipped to handle yacht-specific considerations and what pitfalls must staff be aware of?

Superyacht Investor and Private Jet Investor is the dual conference of these eponymous publications. Family Office Magazine reports back on some of the critical questions raised such as: Is it a good time to invest? Is a superyacht indeed an investment? What are the benefits of ownership vs. charter? Should family offices undertake their own yacht management? Can a family superyacht be used as collateral for a loan? We also explored the current 'seascape' and trends such as where vessels are travelling, which types are selling, who is buying and the evolving profile of the owner.

Trends and Destinations

Superyachts are growing in number. Vessels Value cites a fleet of 7,855 superyachts on the water or in build in 2017. However, the overall rate of growth is slowing down. There is a marked trend towards mid-sized yachts as owners desire a vessel small enough to berth in a beautiful slot on the marina, although there are, of course, some who aspire for the biggest and the most ground-breaking designs possible. Superyacht REV, currently in build at 182m is an example. It is the

Report by: Pandora Mather-Lees

latest in the trend for 'explorer' yachts that will travel to polar regions in the quest to behold new sights, often with a dual purpose of scientific experimentation to gather valuable research data. Having a Polar Bear's paw padding the bow is simply an added bonus.

Tim Soper of Eyos Expeditions explained that once you have explored one Pole, you are impelled to explore the other! The prospect of exploring the Arctic has created a demand for robust vessels and careful planning to accommodate the climate and it has precipitated another yachting trend. These destinations demand specialised on-board teams such as that offered by Insignia Crew who can boast ex-military crewing capabilities which double up to offer close protection, advanced medical training and extreme cold weather operational experience.

Extreme destinations are not for everyone. The traditional 'Milk Run' around the Mediterranean remains popular for those wanting to tick off several countries in one round trip. The Med appeals particularly to the US market and newcomers. Turkey too, is a relatively new stop for superyachts and a very popular destination for the Russian community.

Driven by the rise of young, very active guests, yachts must now accommodate submersibles, bikes, toys and activity equipment, plus the means to get all that ashore hence the requirement for a minimum of one helicopter. The trend for toys supporting extreme sports is remarkable. Submersibles such as the Triton range are now so sophisticated that they dive very deep and have features such as a Plexiglass (with the refractive index of water) rendering the walls invisible to the eye – a scary experience for the inaugural diver.

The superyacht sector is also influencing R&D spend, with a focus on more efficient propulsion, quieter engines, improved environmental performance and data analytics.

Design and Build

While technical innovation is a key factor influencing design, there are practical considerations to make at the planning stages too. For instance, deciding which flag to register under, should be made early on in the design stage. It can influence the outcome as registry requirements differ by state and can be fundamental to the build. Chaos ensues if an owner decides to switch states weeks or months into production bringing with it the consequence of costly retrofit modifications.

Owners now want to drive much of the design process too now and those who are more active want their lifestyle to be reflected in the onboard facilities. The need for swift and convenient transport is yet another factor, Luviair Aviation explained that helipad requirements influence design as two may need to be seamlessly integrated and in such a way as to carry machines up to eleven tonnes.

Is a superyacht an investment?

Why should family offices invest in yachts? Above all, it provides a flexible lifestyle, excitement, adventure and privacy. There is a commercial opportunity to recoup costs by chartering and right now it is a buyer's market with some advantageous deals to be had in the €20m bracket.

On the other hand, there are challenges. Contracts can be complex requiring specialist lawyers on both sides; - the conference devoted an entire panel to the subject of newbuild contracts. Poor decision making at an early stage can adversely affect the investment. Brexit uncertainties mean that care must be given to where and how the yacht is used so as not to trigger a tax liability. Nic Arnold, a Private Client tax adviser and Head of PwC's Luxury Asset Advisory team commented that Customs and Import VAT will become increasingly important considerations. Buyers need to know how TA (temporary admission) will apply to them and she noted that things will change due to the UK and Isle of Man leaving the EU. Furthermore, understanding the citizenship and tax residency of owners and their families is important to ensure compliance and minimise financial loss on the tax side.

Some family offices may be better placed to purchase an existing vessel and conduct a refit. Whilst many of the yards have increased costs between 18-22%, opting for a refit means adapting the interior to individual tastes and requirements and could be a better entrée for new buyers.

Panellists concurred that a yacht purchase is an emotional one compared to say, investing in a private aircraft, (deemed necessary for business) and this can also influence investment decisions.

Yacht Financing

Financing a yacht requires a sound knowledge of the industry and its players. Financiers will be influenced by the quality and reputation of the yard, the advisers involved as well as the client's history. A live poll of the delegates suggested growth in demand for financing from Western Europe although currently around 50% of the deals are from Russia.

Finance is becoming harder to obtain and there are very few banks prepared to take on the risk. Where once one would borrow 80-90% of the cost of the vessel, that figure is now closer to 50%. According to Andrew Blundell of Close Brothers, ignorance of the process amongst new buyers means that many prospective deals do not conclude, or if they do, it is only after a long education process on the part of the client. Many potential buyers simply do not understand the level of investment necessary.

Due Diligence

The due diligence around yacht finance is, as one would expect, complex as regulation and best practice drive stricter compliance on tax, creditworthiness, sanctions and KYC. Regulators perceive yachts as a potential vehicle for laundering money. Michel Buffat of Credit Suisse said that that verifying a client's tax history for compliance purposes could very often be the deal breaker. Lenders will take into account the reputation of the yards and players involved.

Bob Denison of Denison Yachting and Jim Simpson of First Republic Bank took the stage to share their experiences of the US market. Despite the lack of a marked 'Trump bump' boosting sales and despite declining shipyards over the last decade, both are bullish about the future. The rise of young billionaires (under 35) in the Pacific NW, Vancouver and Seattle have been a positive trend. Many who start with smaller vessels later upsell once they understand the sport. Florida still boasts 46% of sales in the over 50m category.

Management – should family offices manage their own yachts?

Operational management is a key consideration in the overall investment and financing of yachts. The service contract can run for 5-10 years (as in the case of Rosemont Yacht Management) and annual costs can run into millions. No broker should underplay these costs; Edmiston's Jamie Edmiston said that if a buyer is concerned about the management costs, they simply should not buy.

Some family offices prefer to handle management themselves for reasons of control and privacy. However, the quest for adventure brings an increase in risk and yacht management includes crisis management such as natural disasters and with this, the need to address the insurance implications. One panellist described receiving 52,000 calls after an incident and stressed that significant resources were needed for such situations - beyond what a family office could normally manage.

Incidents such as a technology upgrade on the bridge which failed and dangerously brought an entire operating system to a halt, need experienced and specialist assistance to remedy the situation. Mike Taylor-West of La Playa insurance contrasted the risk to human life versus the finite risk of damage to a single item. Ben Lind of AIG explained the involvement an underwriter might have in influencing operational management such as during Hurricane Katrina. AIG warned all management companies and owners in the perilous region to move away to safer waters. One yacht manager took this advice by circuiting its vessel at sea giving a wide berth to the tempest.

These examples illustrate the complexity of the yacht management in addressing risk. According to Richie Blake, Director of Dohle Yachts one client cited that their service was "the cheapest insurance policy my family has ever bought".

Richard Masters of Master Yachts summed up by saying that successful yacht management companies are those with good reputations, whom owners trust to charge fairly and transparently and who can manage the exceptionally high, sometimes unrealistic, expectations of the owner.

Conclusion

Superyacht Investor is a wide-ranging conference of critical importance to any family office involved in ownership, fractional ownership, management or charter of superyachts. The event was superbly skippered and moderated by Alasdair Whyte whose organisation, calm demeanour and sharp wit propelled and energised each day's eclectic yet relevant programme.

While the discussion and content throughout was outstanding, particular value came from chance remarks and insights from panellists' experiences. The calibre, range and number of professionals attending from both industries contributed to some valuable takeaways from discussions arising during the networking.

Superyacht Investor and Private Jet Investor took place in February at the prestigious Landmark Hotel in London's Marylebone. The main event partner was superyacht law firm HFW. Lead sponsors included Vistra, Marshall Islands Registry and Malta Registry.

by Pandora Mather-Lees runs The Practical Care of Onboard Art Collections, consultancy and crew training in handling and appreciation of fine art at sea.

DIRECT INVESTING
THE FUTURE OF FAMILY OFFICE

The Family Office trend of direct investing has been steadily increasing since the 2008 recession and is now pushing into the commercial real estate world. A study by accounting giant EY identified more than 10,000 Family Offices globally with about half of those having been established in the last 15 years.

The explosion of Family Office mirrors a dramatic global increase in billionaires. Wealth–X reports a 6.4% increase in billionaires in 2015 alone. Today, wealthy families have about $4 trillion primed for investment opportunities (according to Campden Wealth, Ltd) which is not too far off the $5.7 trillion held by Private Equity and Hedge Funds.

Of the 157 Family Offices surveyed by ICap, 66% of them have committed to increasing their direct investment strategies. In 2016, 80% of Family Offices hired staff to specifically direct invest instead of investing in Private Equity Funds. These sophisticated Family Office investment managers have proven track records in building and developing companies. Investment banks like Morgan Stanley and JP Morgan are taking notice and inviting the larger Family Offices to co-invest directly alongside them.

This is a trend that will continue to bleed into the commercial real estate sector. Family Office Exchange is predicting a dramatic increase in direct investing over the next years. The industry can expect Family Office allocation for direct investing to exceed Private Equity Fund investing in 2018. Alison Mass, co-head of investment banking at Goldman Sachs, was quoted saying that she treats Family Offices the same way she treats the larger firms such as Bain and Advent.

Why is this happening? Many Family Offices are focused on controlling their destiny. In addition to that, Private Equity fees are extremely high while returns since 2007 have been very mediocre. Many Family Offices feel stuck behind institutional funds that control the fund managers. The lack of transparency in Private Equity

John Campanella
Cushman & Wakefield

Funds prevents investors from underwriting assets or operators. If an operator wants to adjust the business plan, he or she is most likely out of luck, as the PE fund covenants are extremely restrictive.

Conversely, many Family Offices reported strong returns and significantly lower fees when direct investing. Recognizing these benefits, Family Offices are now more willing to participate in originating, underwriting, and managing their investments. The commercial real estate space provides an excellent opportunity for direct investing. Investors can choose the market, product type, and operating partners, often with the ability to create a direct relationship with the operators. These relationships are the most valuable component of direct investing.

The flexibility of Family Office capital allows operators to execute their business plans with efficiency. Family Office is not bound by timing restrictions the way Private Equity Funds tend to be. This is an enormous competitive advantage for the Family Office investor. Timing flexibility creates opportunities for longer-term business plans that require adding value by holding an asset for longer periods of time. On the flip side, Private Equity Funds' strict investment periods often jeopardize the performance of an investment by preventing Fund Managers from responding advantageously to changing market cycles.

The other competitive advantage for direct investing is the ability to mitigate risk. Each investment is in a standalone LLC without cross-collateralization. Assets can be held or sold without approval and/or restrictive fund covenants. However, the direct investment model does have challenges. It can be difficult for Family Offices to fully understand all the industry dynamics. It requires dedicated staff to underwrite investments, markets and potential partners.

After 25 years of commercial real estate Capital Markets experience, I have learned that investing with quality partners is the single most important factor when considering a direct investment. Having a partner who can offer multiple transaction opportunities is productive and efficient. Knowing your partner, hearing the business plan directly from the partner, and establishing an open collaborative dialogue, are all keys to strong performance and a successful lasting relationship.

The Private Capital Group in Washington, DC, has been launched to provide Family Office and High Net Worth Individual investors with direct access to the nation's premier operators and developers of commercial real estate. We work with Family Offices to assist in securing the appropriate operating partner, completing due diligence, as well as underwriting and managing assets.

John Campanella
Executive Managing Director
Capital Markets, Cushman & Wakefield

John.Campanella@cushwake.com
www.cushwake.com

SOVEREIGN FUNDS ACROSS THE GCC CONTINUE TO GROW IN BOTH WEALTH AND SIGNIFICANCE

The Sovereign Wealth Fund Institute states that Middle Eastern investors now account for a combined over $3 trillion in assets under management.

Governments of the GCC are using their national wealth as a strategic tool of power .and status to allocate wealth strategically while reacting to the emerging global megatrends. Because of demographic and social change, shifting global economic power, climate change, technology and urbanisation, both diversification and protection of their assets is a high priority.

To further cement the GCC countries and their economies as significant global players, their SWFs are deploying capital and diversifying their portfolios both inside and outside the region. Institutional investors are showing interest in the following emerging strategies, vehicles asset classes:

- Alternative and traditional real estate

There is a definite sentiment among UAE with regards to investing in both regional and international real estate. SWFs are modernising their methods by looking to alternative vehicles such as; healthcare, storage, malls, student assets, private rented sectors, farms, hospitality and smart buildings

- Venture Capital

With demand for technological products mounting, inflow into the entrepreneurial landscape, venture capital and startups is increasing. Institutional investors are noticing the opportunities in this somewhat under-funded asset class and beginning to act accordingly.

- Co-investment strategies

Some of the most successful global investment transactions in recent years have been co-investment deals. To adapt to changing market regimes, SWFs and institutional investors are now looking to work together to facilitate larger transactions to ensure maximum ROI.

- Equity Markets

With anticipated global economic growth, intuitional investors in this region are looking to invest directly in alternative platforms and vehicles offered by equity markets, reaching outperformers and generating maximum returns.

At the Middle East Investment Summit 2018, a host of key representatives from GCC SWFs and other institutional and private investors will come together to discuss these themes, together with wider asset allocation trends in today's turbulent, uncertain and shifting environment.

The Middle East Investment Summit will be taking place on the 7-9 May 2018 at the Ritz Carlton, DIFC, Dubai.

For more information visit

www.terrapinn.com/meis

GCC Sovereign Wealth Funds

ASSETS UNDER MANAGEMENT

BAHRAIN

Mumtalakat Holding Company
$10.6 billion
Established in 2006

KUWAIT

Kuwait Investment Authority
$524 billion
Established in 1953

SAUDI ARABIA

Public Investment Fund
$183 billion
Established in 2008

SAMA Foreign Holdings
$514 billion
Established in 1952

OMAN

Oman Investment Fund
$6 billion
Established in 2006

Oman State General Reserve Fund
$18 billion
Established in 1980

UNITED ARAB EMIRATES

Abu Dhabi Investment Authority
$821 billion
Established in 1976

Abu Dhabi Investment Council
$110 billion
Established in 2007

Emirates Investment Authority
$34 billion
Established in 2007

Investment Corporation of Dubai
$209.5 billion
Established in 2006

Mubadala Development Co
$125 billion
Established in 2002

* FYI: correct as of September 2017 and rounded to nearest tenth.

NEW OPTIONS FOR THE LEGACY-BUILDING PLAN OF THE RUSSIAN ENTREPENEUR

Traditionally, many Russian entrepreneurs are asset rich but cash poor. How will their heirs survive financially in the event of their unexpected death? 40% inheritance tax will apply to UK residential property according to the Finance Bill 2017. How will their heirs cope with paying that? Since there are no guarantees, one may have to opt for the best possible planning solution in the given circumstances. To what degree is Private Placement Life Insurance (PPLI) currently out of scope of Controlled Foreign Corporation (CFC) rules and how long will it remain out of scope? In this article, we provide an update on the CFC status of PPLI and introduce Universal Life and Term Life as new wealth assurance options.

Is PPLI compliant and effective?

If the PPLI contract has the material terms of a personal insurance contract under the Russian Civil Code, and if it falls under the category of "Life Insurance Contract with Investment Element" under Russian law, it should be recognised as an insurance contract for Russian legal and tax purposes.

Provided that the PPLI is solicited and negotiated outside of Russia, the domestic exemptions for voluntary personal insurance agreements established by the Russian Tax Code for death benefits, full surrenders and premium payments should equally apply to Russian tax-resident policyholders and beneficiaries.

In scope of CFC rules?

Russian CFC rules have been designed to target offshore holding companies, trusts, foundations, funds and partnerships but not insurance contracts. According to reputable lawyers, there are

Walter Gaya
International Security Consulting Group

substantial legal grounds to argue that qualifying PPLI contracts should not be regarded as a "form of collective investment or fiduciary management" and, therefore, should not be regarded as a "foreign unincorporated structure" for CFC rules. Until specific legislative amendments to the definition of "foreign unincorporated structure" are introduced, there should be substantial grounds for potential dispute claims in court.

Hybrid contracts

There is, however, a risk that Russian tax authorities and courts may take a different stance on CFC rules due to the investment element and the wide investor control powers of the policyholder. Following an initiative by the Russian Parliament, the Minister of Finance, the tax authorities or the internal affairs authorities, PPLI contracts could be regarded as hybrid contracts that combine features of an insurance agreement and predominant elements of collective investments or fiduciary management contracts. This would bring a PPLI contract within the scope of the CFC rules. A Russian tax-resident policyholder would likely be considered as the founder of a foreign unincorporated structure who is, by default, regarded as a controlling person liable for CFC tax payment, reporting and filing.

How to react?

If and when that happens, a Russian tax-resident policyholder must give up control, at least temporarily; for example, the right to withdraw or surrender, change the beneficiaries, pledge the policy, or influence the investment management, in order to stay outside the scope of Russian CFC rules. Adapting a PPLI contract to accommodate these requirements is not a challenge for product providers. Under the "irrevocable structure exemption", the settlor of a trust that acts as policyholder is not regarded as controlling person and is not therefore required to file the CFC notification.

As such, a PPLI that is invested in a regulated investment fund should be, and should remain, outside the scope of the CFC rules. However, the policyholder should file the "Foreign Ownership Notification"; the fine for not filing is RUB 50,000.

How does Term Life work?

Term Life provides death coverage for a specific period of time, usually 10 to 30 years, against payment of a fixed annual premium. If the insured stops paying the annual premium, the policy expires. If the insured dies during the term, the stated death benefit will be paid out to the appointed beneficiary. If the insured survives the term of the insurance coverage, no benefit is paid and the policy expires. There is no cash value component. This is what makes Term Life one of the most inexpensive life insurance policies.

How does Universal Life work?

Universal Life (UL) is a hybrid life insurance contract that combines a death benefit with a tax-deferred, interest-accumulating savings account that can be cashed out during the policyholder's lifetime. There are two types of policy: traditional Universal Life Insurance (UL) with a minimum guaranteed interest rate and Indexed Universal Life Insurance (IUL) where the earnings rate is linked to one or more financial indexes. The cash value of an IUL generally has capital protection but participation in the performance of the chosen index(es) is usually capped.

The required premium is primarily determined by: 1) the required insurance coverage; 2) the circumstances of the insured; 3) current interest rates. The premium can be financed by the bank up to 70%. IUL can be financed with a single premium, a fixed premium (e.g. for a 10-year period) or a flexible premium with variations within certain limits.

Gatsby & White as an independent broker of wealth assurance:

Country availability, product availability, capacity, ownership guidelines: navigating the life insurance landscape is complex. While there are some available options, there is no one right answer for every individual or every situation. Gatsby & White is the only independent broker that focuses exclusively on wealth assurance and offers the entire range of wealth assurance options, such as Private Placement Life Insurance, Universal Life, Term Life and others.

Gatsby & White

PLANNERS FOR LIFE

Anthony R. Moore

SUPERYACHTS

AN ALTERNATIVE "LUXURY" INVESTMENT?

by Anthony R. Moore, Executive Chairman, Momentum Superyacht Group

Many readers of this very fine magazine will have had some exposure to superyachts - whether as an owner, charterer, guest on someone else's boat, or simply by flipping through the pages of a leading publication such as Boat International. The very name superyacht conjures an image of luxury and of those who identify closely with luxury brands and enjoy a luxurious way of life. Their numbers continue to grow, as do the countless billions of dollars, euros, riyals, roubles, and yuan of discretionary spending they can lavish on luxury in its many forms. When almost every day in the media we are confronted with news of Billionaires and Ultra High Net Worth Individuals it's easy to see why many investors want luxury sector brands in their portfolio. Family Office investors have multiple choices, from major brand names like Louis Vuitton and Gucci to luxury real estate such as Ritz Carlton. And it's easy to check with any brokerage and research house what luxury sector stocks there are and which are the top analyst picks at any one time. In the private sector too, corporate finance boutiques and investment advisors consistently promote investment in this or that company that firmly, or loosely, falls into the luxury sector. However, when it comes to the superyacht business, it's not easy to identify an investment that provides a diversified exposure to, in particular, the huge yacht chartering business. And huge it most certainly is with informed projections of $50 billion of revenues from yacht chartering by 2020. But for all its size and further growth potential it's a highly fragmented industry run, particularly with regard to charter brokers, in a very traditional manner. Aside from the few large, well known players it is for the most part a cottage industry. Many small charter brokers look to match superyacht owners prepared to charter with those looking to avail themselves of some luxury time afloat - and hoping for the vacation of a lifetime. Unfortunately the needs of these two parties are not aligned. The owner is chartering for no other reason than to defray their cost of ownership expenses, imposing conditions which serve their agenda but often reduce the ability of the charter broker to make the perfect match. This in turn leaves little time and effort to give the charterer more added value than just the use of the yacht, which some can find a little boring after a few days of bobbing about doing nothing.

At first blush, this does not paint an encouraging, exciting, investment picture regarding revenue growth and profitability. But a very attractive investment opportunity should be readily available, given the fundamentals of the sector! Published data from Wealth-X consultancy, who make it their business to track the UHNW community, suggests that there are more than 200,000 UHNW's who are likely to be open to the idea of chartering a superyacht - from a universe of fewer than 5,000 superyachts in the world, less than 2,000 of which are available for charter. This potentially favourable supply and demand situation, when taken together with the projected $50bn of charter

revenues by 2020, makes an even more compelling case for there being a sound and attractive investment opportunity out there somewhere. Well, not so far! Beyond investing in one of a myriad of a small charter brokers (where middle-man margins can be squeezed) or a superyacht manufacturer of the class of Fairline and Princess (whose stock is rarely traded) there has not been a way of participating in what I believe to be emerging as the undoubted sweet spot of this sector.

This investment sweet spot is undoubtedly all about building a reputation for selling premium quality, premium priced, added value experiences to discerning charterers who are willing and able to pay for a peerless service offering from a business where every part of the value chain is 100% aligned with delivering that objective. I say this because, frankly, the opportunity is too significant to risk being built on the crumbs from the table of existing owners, access to whose yacht downtime can evaporate when their own needs change on a whim.

What's needed is a fleet of superyachts 100% focused on delivering a peerless experience - not on defraying an individual owner's expense. A fleet that is owned chartered and managed in order to have total control over its deployment in terms of timing and geography. All possible ancillary and additional revenue streams need to be able to be taken advantage of too, with a view to building a high growth, attractively profitable and very valuable luxury brand that should produce a handsome return for shareholders in the coming few years. This is the challenge that attracted me to the chairmanship of Momentum Superyacht Group and what drives us every day.

Sure, this approach has a far steeper entry cost to the market than by being a 'middleman', but successful engagement with a discerning customer base who've already experienced such alternative offerings will pay dividends in terms of loyalty and word of mouth endorsement. These are both highly prized attributes by UHNWs the world over, who already know that a superyacht vacation beats a luxury cruise or luxury resort for privacy, security, personal service, mobility...and sole use of all the toys. Toys, I might add that extend beyond jet skis and waterslides to whatever can provide a real and memorable vacation experience - personalised lessons from a master chef, yoga, a mini-opera on a secluded sandy beach - ''Memorable Momentum'' if you like.

Momentum Superyacht Group aside, there are investment opportunities with other players who also have real 'skin in the game' in the vacation afloat sector, especially luxury cruise lines looking to downsize to much smaller ships in an attempt to offer an even more luxurious experience. Sounds good but not the same as chartering a superyacht for family and friends! And from my experience, the earnings produced by the cruise ship operators have not been inspiring. And 'inspiring' is precisely what investors will be looking for as they place more of their assets in the luxury sector - and that is exactly what we are looking to provide them with.

THOMAS SCHLAUS APPOINTED TEAM LEADER FOR CITI PRIVATE BANK ZURICH

Thomas Schlaus
CITI PRIVATE BANK

Switzerland remains the world's leading offshore financial centre, managing one-third of the global offshore wealth under management. Citi has long been committed to the Swiss market and has had a local presence since 1963. To further build on our award-winning franchise as the leading international private bank in Switzerland we are delighted to announce the expansion of our Zurich-based team covering Family Offices.

Thomas Schlaus has been appointed as Team Leader for Citi Private Bank Zurich and will join the Northern European Leadership team. Thomas has over 20 years of experience structuring, executing and managing institutional family office relationships. Thomas joins from Deutsche Bank where he was most recently the Global COO for key client partners, based in Zurich. His prior experience includes portfolio management and running investment solutions across wealth management and institutional platforms.

Chris Braendli, currently our senior Family Office coverage banker in Zurich, will merge his existing business with the new team and report to Thomas Schlaus. Chris has done an outstanding job building our presence in the Zurich market, winning a number of key mandates with family offices and financial sponsors. His insight, experience and senior input will be key to the success of the wider team.

Markus von Wallenberg, managing director, based in Frankfurt, will continue as head of our German-speaking Europe Team and remains responsible for originating and managing business with our largest German-speaking Family Office clients. Markus has been central to planning this transformation of our Zurich franchise, and given the strong commercial links between Zurich and Frankfurt, especially for German families, Thomas Schlaus will have a dotted line reporting into Markus for the German-speaking business development.

ARE THERE ETHICAL LIMITS FOR AGGRESSIVE TAX PLANNING?

The prominent encouragement of Judge Learned Hand in Gregory v. Helvering does not have the same effectiveness as before. He said: "One may so arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes... there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands."

Indeed, recently, more and more questions have contended with the issue whether tax planning should follow ethical limits, especially aggressive tax planning. That is one of the reasons why, to address tax avoidance, the OECD/G20 developed the BEPS Project (Base Erosion and Profit Shifting), consisting of 15 actions that equip governments with domestic and international instruments to ensure that profits are taxed where economic activities generating the profits are performed and where the value is created.

To illustrate one of the contemporary news on this subject, the Financial Times reported on March 7, 2018, that the European Commission is pointing the finger at Ireland over tax avoidance, because the scale of the net royalty payments conducted through that country contrasts abruptly with the average in the European Union as a whole. The commission report examines economic data from EU member states to pinpoint rules that could facilitate aggressive tax avoidance by companies.

That is only part of an important paper released on the same date – March 7, 2018 – by the European Commission designated "Aggressive Tax Planning Indicators – Final Report" (Taxation Paper – Working Paper No 71 – 2017). The purpose of the study is to deliver economic evidence of the relevance of aggressive tax planning structures for all EU Member States.

By Dalton Luiz Dallazem
CEO of Nomadx Solutions,

Turning to the head question, are there ethical limits for aggressive tax planning? If so, who has the power to dictate them? What is the meaning of "ethical limits"? Well, the answers are not simple, and so far, we do not have concordant voices on this topic.

In general, tax planning is understood as a tax compliant behaviour, and there is a grey boundary between tax planning and tax avoidance, which is commonly labelled as aggressive, but still legal. What is undoubtedly unlawful is tax evasion.

However, saying that tax avoidance is legal does not mean it is acceptable or unquestionable. For example, Mrs Margaret Hodge, chair of the UK Commons Public Accounts Committee, powerfully conveyed the following statement throughout the public hearing inquiring Google, Starbucks, and Amazon some years ago: "We're not accusing you of being illegal; we are accusing you of being immoral."

That brings us to the field of tax morality, a minefield topic whose answers are not as precise as the answers we can obtain when we structure conducts from the legal known boundaries, either in common law or civil law.

Another interesting point is that, for justifying tax planning, many companies directors contend they must maximize the value of the company they manage, for the benefit of the shareholders. That includes minimizing tax costs within the boundaries of the law, but it is interesting to know that perhaps not always tax planning brings advantages to the shareholders.

We can go even further with another question. If between tax planning and tax evasion we have tax avoidance, which is, as said before, commonly aggressive but, again, still legal, do the companies, shareholders, partnerships, partners and sole proprietors have the moral duty to not devising aggressive strategies since tax can be viewed as a "social responsibility"?

Well, even though corporate social responsibility and tax are yet somewhat uncomfortable and considerably unfamiliar with one another, they will have to consent that the other one is there to stay. Perhaps in the future, they will find a way to live together and appreciate each other and perhaps the OECD efforts will thrive with BEPS Action 12, whose final report recently adopted is entitled "Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures."

After all, as Benjamin Franklin stated, "in this world, nothing can be said to be certain, except death and taxes."

PERIN&DALLAZEM
ADVOGADOS ASSOCIADOS

The Cambridge Judge Business School's New Responsible Family Business and Wealth Ownership Programme

The Executive Education unit of Cambridge Judge Business School has launched a new Responsible Family Business and Wealth Ownership Programme, with the inaugural session for families taking place in Cambridge, England, in October of 2018. See https://www.jbs.cam.ac.uk/execed/open-programmes/family-business/ for more on the programme and its objectives.

The 3½ day programme is designed to address the needs of a broad range of global participants, and specifically approaches topics relevant to business and wealth owning families in a way that recognises that families, family businesses and family wealth are part of an ecosystem that includes not only the family, but all stakeholders, including employees, the communities in which we live and much more. As a theme, the inaugural programme will focus on de-risking and the steps families can take to help ensure that their family, family business and family wealth thrive in uncertain times.

With this approach to developing a risk management lens, the programme will explore this theme from all angles relevant to families and family businesses: How can risk be reduced by taking advantage of the unique opportunities that family resilience offers? How to identify and manage risks within the family, the business and the external world, including political and other risk? How do we understand and manage conflicts of interest and the related risks that arise? Risk, if well identified and managed, represents opportunity, particularly for family business and wealth, and for families generally. There are also, of course, some risks which cannot be mitigated – but these need to be well understood and managed.

The Executive Education unit of Cambridge Judge, with the input of founding advisors Iraj Ispahani and Philip Marcovici, has designed a programme which specifically addresses the needs of not only those who become part of the management structure of a family business, but of the family as a whole, which includes the need that all family members understand how they can contribute to a successful family and to the preservation and development of family businesses and wealth. Preparing not only those who manage the family business, but also those who will be owners of the family business or of more passive assets is part of the Cambridge Judge mission. The mission of the University of Cambridge, from its foundation 800 years ago, is to contribute to society through the pursuit of education, learning, and research at the highest international levels of excellence.

A number of business schools and other providers offer executive and other education oriented to family owned businesses. Many, however, focus on the next generation and on business succession rather than on the ownership and application of more passive wealth, and neglect the importance of each family member being prepared for their specific future role. A family member not managing the family business needs to be prepared as an effective owner of the family business, and can be of huge importance in providing support for siblings or others who may be involved in active management. A discretionary beneficiary of a trust needs to understand his or her rights and be in a position to understand enough about the trust and the investments being made to ask the right questions and adequately provide a "check" over the power of third parties, such as trustees and protectors.

One of the key aims of the Cambridge programme is to expose families to the Cambridge experience – lunches, dinners and lectures held in unique Cambridge locations and affording a look at the past and the many traditions of the university. In this safe, academic environment, peers can exchange views and experiences, learn from each other as well as from those teaching in the programme. A key objective of the programme is to afford family business and wealth owners the opportunity to meet their counterparts, not only from the UK and Europe but from around the world.

The inaugural Responsible Family Business and Wealth Ownership programme will offer participants a learning experience that reflects the quality and reputation of Cambridge University. The curriculum focuses on areas in which the inter-faculty resources of Cambridge University can be fully employed to achieve outstanding leadership in the area of family business and wealth ownership, and this through research and the building of a global community of those interested in addressing some of the most important issues facing our societies today and in the years to come.

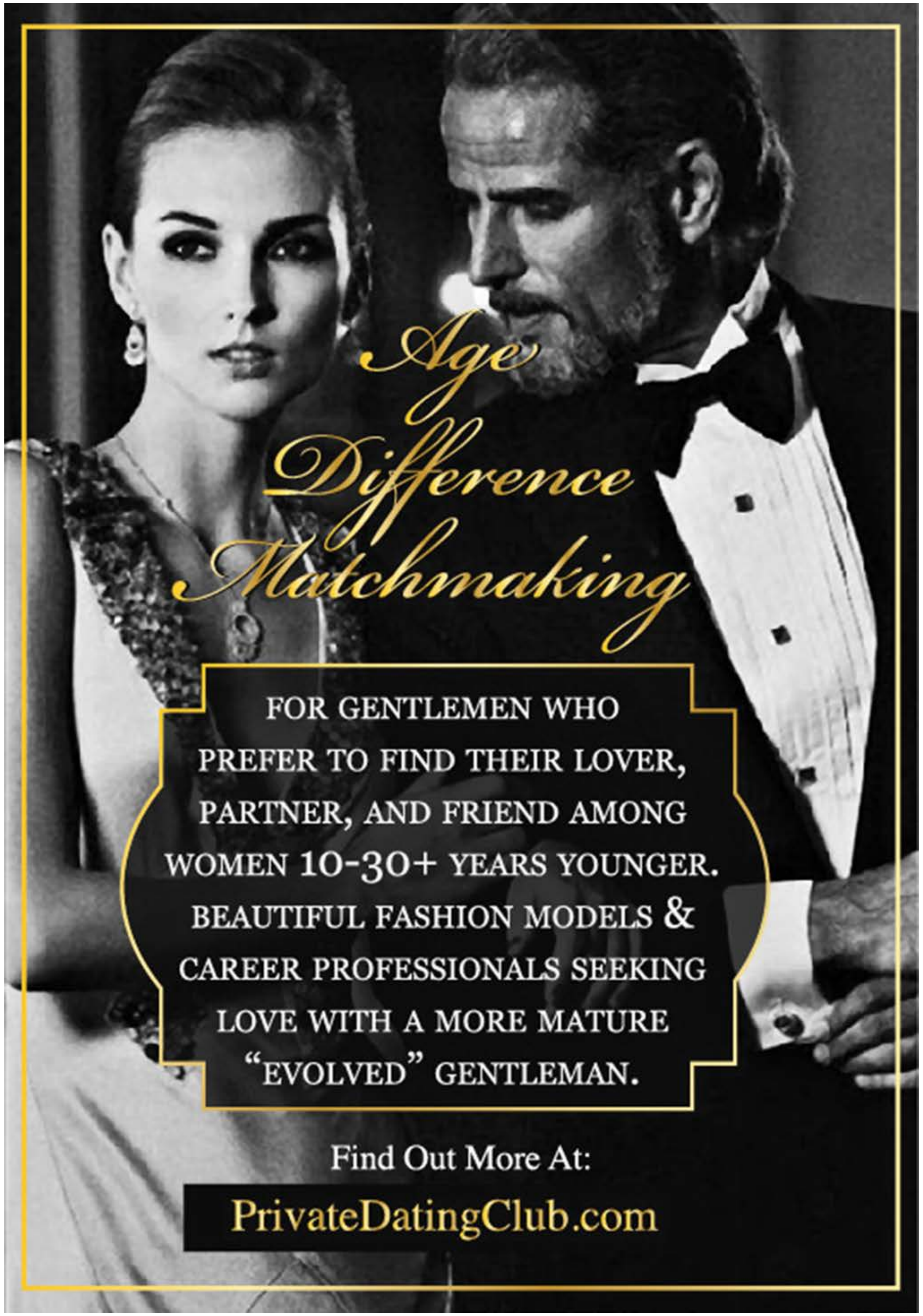
Other medium and longer-term objectives are to establish the Cambridge Judge Business School as a centre of competence and leadership on issues in and around family-owned businesses and wealth, using its research led faculty and a community of global business and wealth owners, governments, advisors and others to lead and to provide a voice in relation to the role of family businesses and wealth in improving the world for all.

The programme director and overall academic sponsor are Dr Khal Soufani, senior faculty in Management Practice and Director of the Executive MBA programme at Cambridge Judge, with support from Professor Panikkos Poutziouris and the Dean of Cambridge Judge, Dr Christoph Loch. Allison Wheeler-Heau, Director of Open Programmes within the Executive Education unit, and Isabelle Geisthardt, Director of Custom Programmes, are closely involved in the design and delivery of the programme, which can also be combined with subsequent private customised elements for individual families. On the latter, this can include the Cambridge Judge team working with families on the development of governance and succession strategies, as well as the drafting of family constitutions and charters. Other private customised elements can be tailored to helping family members work more effectively with the professional staff leading their family business or family office, combining family business and wealth succession objectives with strategy and innovation.

The programme also benefits from external contributors, both in the design of the structure and agenda and in its delivery. While the majority of teaching will be undertaken by Cambridge faculty, involving external industry and other experts will ensure the programme is relevant, dynamic and allows for a well-informed exchange of ideas and cooperation between industry and academia. The speaker at the first evening's dinner in October 2018 is Andy Rubin, the Chairman of Pentland Brands, who will be sharing his views on how a third generation family business is making itself fit for the future by using family as a competitive advantage. Pentland Brands owns and operates sports shoe and fashion brands including Speedo, Berghaus, Ellesse and Mitre.

In the design and launch of the programme, founding advisors Iraj Ispahani and Philip Marcovici have sought to bring their understanding of the needs of global wealth and business owners to the process. Iraj is a graduate of Cambridge University, a 10th generation member of a business-owning family, a Board Director of the Ispahani Group in Bangladesh, and the CEO of Ispahani Advisory, a London based firm helping families and family offices, among others, achieve their objectives; Philip Marcovici is a graduate of the law schools of the University of Ottawa and of Harvard University, teaching and consulting globally on issues relevant to wealth planning, international taxation and family business and wealth. The author of The Destructive Power of Family Wealth, Philip is based in Hong Kong.

www.jbs.cam.ac.uk



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1031 EXCHANGES

A POWERFUL PLANNING TOOL TO CREATE GENERATIONAL WEALTH

1031 Exchanges, also referred to as a Starker Exchange, can provide powerful tax deferment tools for estate and generational planning for Family Offices. In this article, we are going to break down 1031 Exchanges to clear up any confusion regarding how they work, and to show how this powerful tool is used by family offices to help maximize the return on their real estate assets to create wealth for future generations.

Using 1031 Exchanges to Defer Taxes

1031 Exchanges get their name from Section 1031 of the IRS Tax Code. Section 1031 gives taxpayers the ability to sell an investment, business, and revenue-generating properties and replace them with properties of a similar nature, regardless of quality or grade. When this happens, all taxes on capital from the property transaction are deferred.

While 1031 Exchanges are primarily used to defer taxes on investment properties, savvy investors are incorporating them into their generational wealth planning. Typically, when appreciated real estate is sold, taxes are levied on the gains. With capital gains rates being as high as 20 percent, along with state and local taxes, this leaves much less to pass onto heirs, By using 1031 Exchanges to sell properties and replace them with a like-kind real estate, the capital gains are deferred, and remain untouched by taxes. Regarding estate planning, this creates a "stepped-up basis" for the value of properties, which eliminates previous appreciation and allows real estate to be sold without taxation on gains. The value of the appreciated property is readjusted for the sake of taxes upon inheritance. Essentially, beneficiaries will not have to pay taxes on investment properties upon inheritance, regardless of an increase in value over time.

Real Estate Investments and 1031 Exchanges

DJ Van Keuren
Vice President: Hayman Family Office

When utilizing 1031 Exchanges, the term "like-kind" can often be misleading. Many investors take the term to mean investment real estate must be replaced with the exact grade and type of property. Section 1031 of the IRS Tax Code reveals that "like-kind" replacements have a very broad definition. Investors can use 1031 Exchanges for both unimproved and improved properties, vacant land, single and multifamily rentals, industrial properties, and even vacation rentals. The key is that the exchange is used for the same type of property; the grade of the property is not considered. For the purposes of real estate transactions to build generational wealth, smart investors can constantly replace properties with those of greater value, and the gains will be deferred to build up an inheritance without worrying about taxes. Based on today's tax laws, this would allow the property to have a step-up basis at the time of death, allowing the asset value to be transferred tax-free.

1031 Exchange Requirements

While the requirements for 1031 Exchanges are stringent, and must follow the IRS Tax Code to the letter, they are also fairly easy to meet:

- Property exchanged must be like-kind, regardless of grade.
- The property holder and the taxpayer in the exchange must be one and the same.
- Exchanges have a 45-day window in which to identify new properties.
- Within 180 days of closing, the replacement property must be purchased.
- Exchanges must be of equal or greater value to the original property.
- Only business and investment properties are allowed. Personal property is excluded.
- Any money received from a partial exchange is not tax-free. Partial 1031 Exchanges are allowed, but any "boot" received is subject to taxes, as it is considered an accessible gain.

Many families have created their wealth in real estate. Those who see the larger picture and are looking forward have created secondary rounds with real estate, as well. By using a 1031 exchange wisely, the wealth created from real estate can end up being significantly more for future generations.

Mr Van Keuren is a seasoned family office executive, successful author & a family office real estate subject matter expert. With over 25 years of combined experience in family offices, real estate, fund management, finance, and investment banking, Mr Van Keuren is currently a Vice President the Hayman Family Office, for a 2nd Generation Single Family Office, and works directly with the Patriarch. Before his current position, DJ was the Director of the Arsenal Family Office (SFO). Mr Van Keuren is a graduate of Harvard University.

MAJOR INCIDENT MANAGEMENT PLANNING

When people think of Major Incident Management Planning (MIMP), they automatically think of large-scale, well-attended events, such as Sporting and Political Events and they often interpret the 'major incident' itself as terrorism.

Whilst this isn't incorrect, they don't necessarily associate the MIMP with small, medium and large-scale businesses and the other associated and perhaps, more likely, risks within.

Sure, terrorism is certainly a hot topic on an international scale, especially for now and no doubt for many years to come, but what about the things that are less attractive to the media? What about a bust fire sprinkler pipe in your premises for instance? It's very unlikely you'll hear or read about it in the news, but I can assure you, this is a major incident for your business that can cause untold damage and will undoubtedly come under intense scrutiny from someone out there.

A MIMP is usually derived from a Risk Assessment as a 'control measure', or at least it should be. This in-depth risk assessment will help to identify the areas where your business or organisation is vulnerable and what is mission critical.

"What is a Major Incident Management Plan?"
A Major Incident Management Plan, or MIMP, as it is occasionally referred to as, is a set of bespoke instructions and guidelines which help improve the overall management of major incidents that are foreseeable risks to your business.

The definition I frequently use is: "Any situation arising with little or no warning, causing or threatening death, injury or serious disruption to normal life or contamination of the environment, on a scale more than that which can be dealt with by the emergency services and which may require local authority assistance."

A situation could quite literally be any of the following:
- Fatality
- Bomb Threat
- Gas Leak
- Fall from Height
- Collapse of Building
- Total Electricity Failure

Relating this specifically to VIPs being managed by a Private Family Offices, a MIMP may be put into action following or during a medical emergency.

Overall, the MIMP is one of the single most important documents you can implement within your family office in order to reduce any potential damage to your property and harm to your customers, your staff, and your business or assets.

"Where do you start with a Major Incident Management Plan?"
Most businesses and organisations grow organically, so many family offices or businesses may not have a MIMP in place, or the internal capability to produce one, so, where would you start?

Well, firstly, you need someone who knows exactly what they are talking about. It's crucial to have someone brought in, providing you don't have a 'competent person/s' already in the business, who has the relevant qualifications, knowledge and experience to carry out the design and implementation of such a plan in the first instance.

Many security consultants claim to be 'experts' in this field, but I would urge you to carry out the necessary due diligence before the appointing or employing of any persons or company to carry out this scope of work. It goes without saying that given the nature of the MIMP, the contents and its function – you need someone who is very well versed in this field.

All departments should have input into the MIMP from the off. There is a tendency at the moment to focus on cyber threats and while this is, of course, an important area that will need review, it's as mission critical as loss of power or loss of an area due to a fire or flood.

Even if you have a MIMP in place, unless it is treated as a working document and reviewed regularly, then it is of little use. Regular review is paramount and things such as debrief notes, learning outcomes or any significant changes should always be included.

Once the document has been implemented, one of the main fundamentals is training. It's all good and well having a terrific document in place, but again, what use is the MIMP if personnel have no idea what's contained within and also how to put it into practice? Train, train and train again.

Tabletop exercises are highly important and will flush out areas of weakness early on – they will of course help to ready your team for any incident and will also go a long way to enhance team building, management training and morale.

Remember – not everyone can work well under pressure when taken out of their comfort zones. Sometimes the only way to conquer this is to completely immerse yourself in this sort of training. You will quickly learn a lot about yourself by partaking in this sort of training and soon your confidence builds. This is in large due to learning a system that allows your body to cope with the associated stresses, in turn, significantly improving your decision making at crucial times.

"How does the Major Incident Management Plan fit in and aid Business Continuity?"
A MIMP is an important component of business continuity but it is invariably an area which is often overlooked.

Whether you manage or own a family office, an arena, an airport or any other small, medium or large, high-profile asset anywhere in the world, it's essential that you and your team know how to react to any major crisis or incident to align with business continuity.
It's not just about developing the state of mind where you and your staff are ready for anything, at all levels. It's also about having the information, which in turn, gives you the knowledge to be able to put that state of mind and your plans into action - fast.

The plans themselves should provide a comprehensive strategy, or contingency plan, which can be the difference between getting your asset or office functioning again quickly – or indeed not at all!

"What should be included in a Major Incident Management Plan?"
The most important thing for me when designing the MIMP, is that it should be entirely unique to your business. Generic 'templates' are not the way forward and truth be told, they have been known to cause more damage than not having a MIMP at all, in fact, I have heard of instances where a business's

plans have accelerated the incident, for the worse. The importance of this should never be underestimated and if I can get you to take one thing from this article, it would be exactly that.

There should literally be no stone left unturned. Every foreseeable risk should have a section within which has prompting information and guidance notes so that it can jog your memory while allowing you to be dynamic in your decision making. The reason for this is simple – there are no two incidents the same.

Some of the areas for consideration, to give you a flavour of what's contained within the MIMP, may be:

- In-depth and individual plans and descriptions for the Office Building, including: A Site Search Plan and Evacuation Plans
- Contact Information for: First Line Contacts, Senior Management, Utility Management Companies, Media and Communications Team, Local Emergency Services, etc.
- Command & Control – Hierarchy & Key Duties
- Roles & Responsibilities
- The Process for Handovers and Closing Down Actions

"Who should be responsible for the Major Incident Management Plan?"
Some would say a Security Manager, or Health and Safety Manager. Some may even say the CEO, or Head of the company or office. Well, the answer is simple – you must be deemed a 'competent person', and by competent, I mean being able to justify that level of competence in a Court of Law. If you cannot do this and heaven forbid the worst was to happen, that person would, without doubt, be in trouble and believe me, when things go wrong, people love to point the dreaded finger of blame.

"Dealing with an incident and implementing your Major Incident Management Plan."
The 'trigger' for your MIMP to be put into practice is, of course, the incident itself. The MIMP will offer you guidance through every phase of a major incident, from start to finish, covering areas like who is in charge on the ground and who should be called in or contacted.
Larger organisations might employ a command structure, but in many cases, the person in charge may turn out to be the most senior person present. Of course, this is subject to change if the incident were to escalate or should a more senior or qualified person arrive at the scene.

Another important aspect of dealing with a major incident or crisis is how you and your team handle the media. It's often the case that the media ends up managing the crisis team when it should be the complete opposite! Keep your statements short, concise, relevant and never divulge more information than you need to. Always be polite but firm with the media because they have a real knack for detecting an opening with someone who is weak or ill-prepared.

Post-Incident Review or Debrief:
It is highly important that your organisation learns lessons from ANY incident. For example, how did the MIMP perform? How did the staff perform during the incident? And in dealing with its aftermath were all necessary actions carried out in a swift and seamless manner?

The above should all form part of a review that will, in turn, enable the strengthening of the MIMP and contribute to the improvement of your teams dealing with major incidents.

Intelligent Protection International Limited have provided family offices with a broad range of bespoke security services to family offices for many years now and continue to do so with their ever-expanding portfolio. Since the conception of the 'Intelligent' brand in 2002, the have provided services from international Executive Protection to Security Consultancy Services.

by George R. Foster
George is the Group Managing Director for Intelligent Protection International Limited, which is part of Intelligent (UK Holdings) Limited group of companies. He is also an elected member of both The Security Institute and The International Institute of Strategic Studies.

www.intelligent-protection.co.uk

WEALTH TRANSMISSION

by Alain Zell

HOW TO PREPARE THE NEXT GENERATION

Each stage of wealth transmission is risky, and studies have even found that fortunes seldom last more than three generations. It is mainly up to the generation currently in charge to initiate the process of wealth transmission. With this in mind, it is easy to see how many pitfalls are mainly due to family relationships, including difficulties in surrendering control, a lack of trust, and inter-generational communication problems. No wonder this is the top concern of persons in charge of family fortunes.

To achieve the targeted "continuity", the most important thing is that the family share the same vision on how to keep the estate going, on the values that inform it, and on how to achieve the greatest returns from it. For, what the new generation may consider being a necessary evolution is sometimes perceived as a revolution by the older generation. This comes down to what is called "family governance" – governance in the form of a clear decision-making process and delegation of responsibilities for the purpose of reconciling all the diverging interests that often emerge. There is no cut-and-dried formula for doing so. This stage must reflect each family's own DNA, to keep the family treasure from turning into a burden.

There are two key challenges: 1/ Determining if the new generation possesses the skills needed to take over. Has it been properly trained? Is the timing right? And, most importantly, has it shown the inclination and desire to embrace this new task? Two/ How was the wealth built up? Was it inherited or built up from scratch? This is crucial for determining the course to take in managing the assets. The challenge here is to decide whether the estate should be kept intact or should serve as a base for heirs to develop their own entrepreneurial projects.

On top of these relatively traditional challenges, there may be a wide discrepancy in opinions on the day-to-day management of the assets. Many factors, such as mobility, the entrepreneurial model, new technologies, and developments in family structures affect the general context in which transmission plays out. This is where a real divergence can occur between the choices of the new and older generations.

The new generation may prefer to move from a traditional model based on trust and delegation to an ecosystem that can evolve in response to the changing issues of each situation. Unlike the older generation, the new generation now possesses tools for grasping the issues better (by focusing only on relevant information), for retaining control (even when some or all management is delegated or when the heirs settle for merely keeping an eye on things), and for having all the information necessary for making decisions. Nowadays, wealth management services are based on guidance and partnerships.

Many of the errors committed to managing wealth are due to insufficiently detailed information. While a family may have a clear overall view of their fortune, they may have a hard time grasping the real challenges involved – the risks, how those risks are concentrated, and issues of liquidity – that are both intrinsic to the assets held and the cash flows that they generate. At this stage, a multi-level consolidation system has become a necessity for efficient decision-making. This doesn't just provide information; it is an essential tool in setting objectives and, ultimately, determining the right strategy for achieving those objectives.

If a general overview is not enough, there are other ways of obtaining greater detail in analysing each component of family assets. Take portfolio management, for example. There are now tools for determining whether a particular management model is the right one and, ultimately, helping the client assess risk-adjusted returns. This helps users determine how identical returns can be achieved at different levels of risk and thus see clearly any gap between the portfolio management objectives and actual performance.

This is a unique opportunity for the new generation to learn its wealth-management responsibilities differently. While respecting the values of the family estate, the new generation can use modern tools properly to manage its wealth even more effectively. So maybe it's not a good idea to let "good enough" alone!

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FROM FAMOUS LONDON GUNMAKER

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EXPLORE THE WORLD OF ANTIQUE WEAPONS

HOLLAND & HOLLAND

EVER THOUGHT OF INVESTING IN ANTIQUE GUNS?

Learn what the expert gunmakers have to say!

Holland & Holland guns are celebrated throughout the world as the perfect combination of artistry and craftsmanship. To understand why, you need simply pick one up, balance it in your hands, and allow your eyes to take in every detail of its lines.

Such an achievement does not come into being by evolution alone, even though Holland & Holland guns and rifles trace their lineage back to the year 1835. Its other parent is curiosity, the desire of the craftsman and gunmaker to see whether an improvement can be made on accepted methods. The company was founded by Harris Holland in London in 1835 and by the turn of the 19th century had become one of the best known and highly regarded London gun and rifle makers. Taken forward by his nephew, Henry, who became a partner in 1867 (from then on the company was known as Holland & Holland), the company built a gun factory in Kensal Green in 1898 which has since been in continuous use.

To consider an antique or vintage weapons as an investment may not be as daft as it would first seem. Like all collectables, fashions come and go so not everything is going to be desirable all the time. The one certainty is that, if carefully purchased, values never appear to go down but generally increase on a regular basis of around 3 - 5% per year. There are many specific areas of the market, but the most popular to delve into is classic sporting shotguns and rifles. It is generally recognised that the epitome and benchmark of excellent sporting guns and rifles that are produced in the UK, so this is where our search begins. We must first take into consideration that condition is key. Although you may pay a little more for something unique, totally original, unaltered and in excellent condition, you will not normally not have a problem selling it on. When looking for a good investment, one likely to make reasonable return in the years to come, the sound advice would to be to first look for something with fairly standard specifications. By doing this it means that when you come to sell you will appeal to a wider market, rather than just a few collectors. A second consideration should perhaps be the name. Holland & Holland, Boss and Purdey will always command a higher price as the original standard of workmanship is higher than the majority. However, a poor condition best gun or rifle will not hold or increase its value anything like one in mint condition of a lesser make. Your third consideration must be what as an individual, are you looking to achieve? If it's just pure investment then it's down to condition, originality and purchase price, but to enjoy and make use of the guns and rifles whilst you own them, to me, is a bonus.

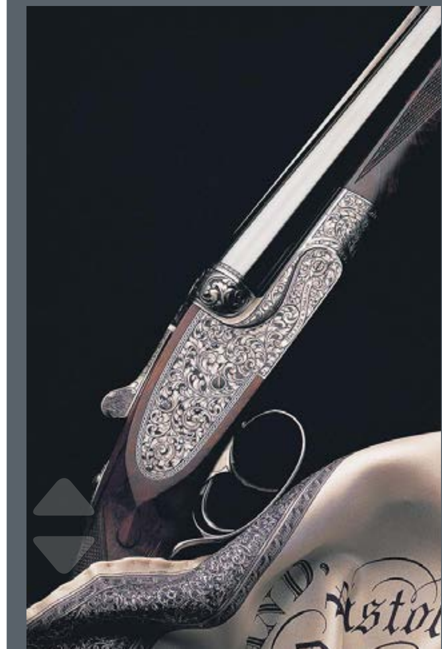
CONSIDERATIONS

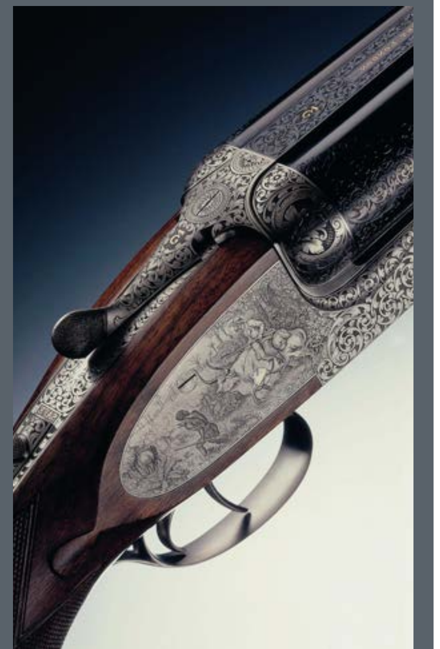
1. Condition

2. Best gunmakers

3. Purchase price/future value

4. Enjoyment factor





A great number of owners use these collectables week after week but take care to maintain their condition. We must remember that although considered 'antiques' these are working guns that were made to be shot. It is not uncommon for someone to turn up to a shoot with their one-hundred year old Holland & Holland still in perfect working order. So where should we look to start with all this? Are you a rifle or a shotgun man? Do you have a passion for old rather than new? Maybe you like them all. Decide what would benefit you the most by looking what you can use and enjoy, decide how much you wish to invest and then look on the internet, at auction sites and in the shooting press to see what others are showing interest in. When looking at shotguns, a hammerless sidelock is popular, but if you want a rifle, the big calibre's are in demand. 'New or Old?' A very common question indeed and something that splits opinion, with some suggesting 'they don't make them like they used to.' The plus side of buying new is that the quality of today's materials, manufacturing and craftsmanship is as high as it ever has been. The standard perceived gets better year after year and having a bespoke gun made to your measurements cannot be bettered. If it's old you decide on every maker at various times through time purports to be better than the next. The major advantage of buying old as an investment is that you can see an immediate return if you paid the right price. Remember to keep the following in mind, and you will not go far wrong: 1.Condition, 2. Best gunmakers, 3. Purchase price and future value and 4. Enjoyment factor now.

VERTEX WATCHES

HOW VERTEX WAS ORIGINALLY FOUNDED AND THE STORY BEHIND ITS BEGINNINGS

by Caroline Kemp

About Vertex
Founded in London1916

Vertex were part of the 'Dirty Dozen' group of watches that were so important to watchmaking


"I am incredibly proud that Vertex is once again mentioned when people talk about the Brit-ish watch industry, I know my Great Grandfather and Grandfather would be very pleased", comments Don Cochrane about Vertex Watches, the brand that he set about to bring back to life, and which he relaunched last year.

Vertex was founded in Hatton Gardens London in 1916 by his Great Grandfather Claude Lyons. He had previously founded Dreadnought watches selling mainly Gentlemen's pocket watches but saw the opportunity for a more diverse company with a greater range. Almost immediately they started supplying officers in the British army and then won a bigger contract after the war supplying watches under the ATP brand to the military.

Vertex was part of the 'Dirty Dozen' group of watches that were so important to watchmaking history (others include IWC, Jaeger-Le Coultre, Omega and Longines). In 1943 the war office decided they needed to create a standard watch for the military that ticked some boxes. Black dial, clear Arabic numerals, shatterproof Perspex glass, clear sub-second, large crown and waterproof case. The watches are not only important for what they did, (timing battles, bombing missions, naval encounters and visits to the pub), they also became the blue print for all the military watches that followed them. The features that defined the early Vertex watches were respect from the retail market built around reliable, robust movements, beautify finished cases and unrivalled customer service.

Don wanted to bring back the brand as he felt it was part of his heritage. He also knew that it had an amazing story, and having always worked for other brands, it was suddenly clear that this was his turn and chance to build something special. Don says that "It's been an amazing journey so far and I feel very lucky to have been able to take it". He first went about creating the new watch by asking for advice from a few people that know far more about watches than he did. He then secured all the trademarks and IP before finding an amazing manufacturing partner in Biel, Switzerland to build it.

The new watch, the M100 has a vintage feel but at the same time closely echoes that of the original. It is inspired by its wartime forerunner, the W.W.W. (the MoD's abbreviation for "watch, wristlet, waterproof").

Don tried to stay as close as possible to the form of the original watch. He introduced the best materials of today with new technology, like the moulded SuperLuminova dial. The movement in the M100 is a custom ETA 7001 hand wound movement. He wanted a hand wound movement as per the original, and also needed a sub seconds counter. It also features a "broad arrow" government property mark.

The watches are sold on a referral system basis, as Don wanted to build Vertex around his customers and let them take an active role in how the Vertex brand grows. "I wanted the most diverse group as possible and although there are some people that you would have heard of, there are far more than you would not. The main rule at the start was that you had to want to sit next to someone at dinner to put them on the list". He feels that too many brands are all about the money, and says that "Vertex is about community and a shared passion".

Cochrane decided to "invite" an initial 60 people to buy one of the watches, on the basis that each of them could then invite five others who, in turn, could recommend further owners – thus accounting for the 600 examples to which the M100 is strictly limited. Also, anybody who already owns an original and historic Vertex second-world-war watch may also buy a new one. This gets you on the list, after that if you contact the brand via their website they will do their best to introduce you to an owner that can then refer you.

Don concludes that "the reaction to the brand so far has been great, and that the watch industry has been very supportive". The Vertex M100 is available in a limited series of 600 pieces. Delivered in a Pelican-pressurised, and waterproof case with two straps - a black leather two-piece strap with contrasting red lining, and a bespoke nylon NATO-style strap in Admiralty Grey. Price: £2,500.

News of further Vertex models, a collection of new straps, and the launch of their first store/owners club is expected later this year.

www.vertex-watches.com

THE ULTIMATE ROCK EXPERIENCE

launches for Family Offices at the World Famous Abbey Road Studios

by Pandora Mather-Lees

Family Offices are continually seeking new novel and exciting experiences for members of all generations that can engage the entire family and friends. It can be particularly rewarding when participating in the experience also brings with it learning and personal or professional development as well as lifelong memories. London based business growth strategist, Ramona da Gama, is now bringing her leadership and coaching experience to bear at a bespoke music programme at Abbey Road Studios.

Through a carefully crafted programme, Family office members will gain special access, depending on availability, to a once in a lifetime opportunity using music as a catalyst for creativity and development at the highest level. The group will have the chance to spend time creating, composing, recording and performing with professional musicians, famous producers and secret guests at what is recognised globally as an iconic yet very private space in the exclusive St John's Wood location. As well as being a unique, money-can't-buy occasion, participants will explore the point where teamwork, creativity and the competitive spirit converge, The Ultimate Rock Experience encourages new ways of learning how to solve problems and work closely together in a fresh and unfamiliar environment, using the recording process to enable both personal and group development. A unique and unforgettable musical journey, it is also the definitive relationship building programme.

Supported on the personal coaching side by Ramona da Gama, the activity is led by musical director and coach, Mo Pleasure, a musician who has played and been Musical Director with countless artists including Earth, Wind & Fire and Michael Jackson. The three-day programme is designed to push the creative boundaries, both individually and within the group environment of a working recording studio.
Abbey Road Studios has a phenomenal history spanning over 85 years, encompassing celebrated work by many of the world's most famous recording artists including The Beatles, Pink Floyd, Frank Ocean, Sam Smith, Kate Bush, Florence + The Machine, Ed Sheeran, Radiohead, Oasis, Kanye West, Amy Winehouse Lady Gaga and Adele. Abbey Road will host The Ultimate Rock Experience at its two new studios, The Front Room and The Gatehouse, as well as the iconic Studio Three, where some of the world's most famous albums have been recorded, including Pink Floyd's Dark Side of the Moon and The Beatles' Revolver as well as Amy Winehouse's final recording.

Families will be able to meet and play with favourite rock, blues or jazz musicians to learn in a unique way, from the best of the best in the music world, whilst engaging with peers to fulfil the lifelong ambition of having their collaborative musical composition created, produced and mastered at Abbey Road Studios.

As one of the most memorable experiences possible, there will be a professionally-produced video souvenir of the participants' incredible journey together with their song mastered at Abbey Road Studios and produced on vinyl, launched in the year that celebrates the 50th Anniversary of The Beatles' White Album recorded at the studios.

https://www.ramonadagama.com/the-ultimate-rock-experience/

START MANAGING YOUR FAMILY BUSINESS AS AN INVESTMENT

George A. Isaac
President: GAI Capital Ltd

While intentions are excellent, most families including "conservatively managed" multi-generational family businesses unwittingly destroy shareholder wealth every year! Unfortunately, the wealth evaporation doesn't show up as a line item on your company's financial statements, so it is both unrecognised and perpetuated for years in many family businesses.

Three issues need to be understood to detect and correct this common practice of destroying multi-generational family business wealth:

1. Family leaders need to look at the business as more than an "operating entity." It is a "financial investment", most often the family's largest one.
2. Leaders need to recognise the critical difference between company return on equity and shareholder realised returns on equity.
3. Leaders need to recognise that their history of "conservative" financial management typically results in poor stewardship of the family's wealth by exposing family members to unrecognised risks, lower long-term investment returns and diminished liquidity.

These flaws not only destroy multi-generational wealth but understandably create problematic family dynamics when the financial results don't meet business and family shareholder needs.

The solution requires changing your family's historical paradigms by reorienting company management and your board of directors to focus beyond solely "creating" shareholder value to include " realising" and "preserving" shareholder value.

Shareholder Wealth Evaporation
Shareholder wealth evaporates in privately held family businesses in many ways:

1. Time value of money – delay in distributing cash returns to shareholders; this reduces overall profits due to the time value of money and inflation.
2. Working capital management –failure to adequately finance and manage working capital; using family equity capital versus a 4% line of credit to finance receivables and inventories results in a 4% return on family equity capital! This misappropriation of equity capital also impacts the number of funds available for business reinvestment, thus hurting future growth.
3. Capital structure – the common aversion to a modest amount of business debt. Results in substandard shareholder returns due to the lack of financial leverage on the balance sheet.
4. Business management – a singular focus on profits; misses the important point of also focusing on cash generation, so funds are produced for re-investment and return to shareholders.
5. Risk management– excessive shareholder equity retained in the business is exposed to many tail-risks often not recognized by family leadership such as declining future business prospects; new competition/products; loss of key customers, suppliers or executives; new governmental regulation; product liability claims; and family ownership dysfunction.

Realizing Shareholder Returns
Since realising shareholder value requires cash or other asset distributions, private company CEOs and their boards need to implement strategies that generate current and future cash flow for their shareholders. There are three primary strategies to consider:

- Recurring cash distributions - from ongoing operating profits plus depreciation, less current or planned capital expenditures and tax distributions.
- One-time or periodic cash distributions – from improvements in working capital management, restructuring of the business' capital structure and efficient tax distributions of assets (for example, sale and leaseback of real estate used by the business).
- Cash distribution from the sale of the business - seldom a good choice when considering taxes and expected returns on remaining business sales proceeds; can be the right strategy if sale made for business strategic reasons.

Creating a Family Business Wealth Management Plan
A carefully crafted family business wealth management plan should have input from your family stakeholders and business leadership as well as from your team of business, tax, legal, and financial advisors. Remember, your plan needs to be crafted to meet both business and individual stakeholder short and longer-term needs.

The key steps are:
1. Business operational and financial review - evaluating the business' future cash flow generation capability, sustainability, volatility and capital needs.
2. A family needs assessment and wealth management review – understanding the individual and overall family's financial objectives, needs, and satisfaction.
3. Capital structure review – rationalising current working capital, overall business capital structures and existing shareholder distribution strategies.
4. Shareholder distributions and wealth management planning – preparing alternative 5-year financial plans for the business and for the family's wealth portfolio to identify the best go-forward strategy.
5. Wealth transfer and asset protection planning – projects of this nature often lead to a separate gift and estate planning; part of the plan should focus on wealth transfer opportunities for multi-generational businesses.

When completed properly, the plan should achieve the following family benefits:

- Increased shareholder returns and family member liquidity;
- Increased family wealth investment diversification;
- Improved family wealth asset protection;
- improved family stakeholder satisfaction and family dynamics;
- Better financial management disciplines in the business;
- Development of alternative investment entities to house individual family member distributions that better meet individual investment objectives and tolerance for risk; and;
- Tax efficient business wealth transfer and estate planning.

In summary, private companies have the benefit of longer time horizons for performance measurement than public companies. Public companies have a keen focus on realising shareholder value – easily generated by selling one's stock in the markets. Once private companies address protecting and delivering shareholder value with a longer-term focus, family businesses will have the best of both worlds!

George A. Isaac, a prior Deloitte Consulting Partner and past Gen 3 family business CEO, is Founder & President of GAI Capital Ltd. (www.GeorgeIsaac.com), a twenty-year-old family business consulting firm specializing in succession planning, governance, problematic family dynamics, operating improvements, and business wealth realization and asset protection strategies.
Photo by Ben Jamieson
www.GeorgeIsaac.com

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SECURITY ADVICE FOR THE WEALTHY THE HARD FACTS

by Ed Hill, Managing Director of Intrepid Risk Management

The lifestyles of celebrities and the super-rich is always guaranteed to arouse our curiosity. However, this presents a curiosity that is sometimes tinged with a hint of envy. The glossy magazines that publicise their lifestyle seldom reveal the jealousy, resentment and for some, the devilish motivation to try to take some of that wealth by whatever means necessary.

A lifestyle filled with beautiful homes, designer clothes and expensive cars is what most of us dream of but this ostentatious lifestyle can have a somewhat sinister downside. The super-wealthy may be the subject of envy are usually high on the criminals' radar.

A series of well-publicised incidents involving high profile celebrities prove that no one is immune from attack. Simon Cowell was the victim of a burglary at his home in Holland Park; singer Rita Ora was targeted at her London home by intruders who made off with £200,000 of her possessions and an audacious attack on Kim Kardashian at her hotel in Paris made global headlines that further reinforces this point.

Sadly, security is an area that is often overlooked. All too often, wealthy individuals fail to grasp the importance of security and invest in the cheapest option. Though more cost-effective in the short term, it is not uncommon for these individuals to later invest in their security with an open chequebook when they or their loved ones become the unfortunate victim. Despite the continued cutbacks to the police and the subsequent upsurge in crime, most people are not situationally aware or security conscious. For whatever reason, considerations for their security don't seem to come naturally to them.

\here are a few basic considerations to keep in mind:

House staff - the enemy within?

Arrests conducted by French police in the aftermath of the Kim Kardashian robbery in Paris revealed that one of the suspects was her chauffeur. Taking on household staff can be problematic as we would advise that the following should be a consideration:

• Conduct regular background checks – all staff should have their background and employment history thoroughly checked before employment. However, those checks should be continued at least every six months. The individual circumstances of a staff member may change where they may fall into debt, attain a criminal record or develop an addiction that could question their trust and integrity. This may also be true for friends and family members too!

• Confidentiality agreements – as above, thorough background checks should be conducted on everyone who visits your house. Also, everyone should be asked to sign a confidentiality agreement. This provides a written commitment that no information will be shared outside of your house and also sets the tone that you mean business.

• Strict social media policy for all staff – social media has rapidly become a way of life for most people. However, information shared on social media platforms may leave you wide open to attack. When former England footballer John Terry had £400,000 worth of personal belongings stolen from his Surrey home in a burglary, police later linked the raids to a series of photographs of him on holiday that he'd posted on his Instagram account.

General tips

• Stay under the radar – this may be difficult for some but when out of the home, try not to draw attention to yourself. You don't have to become a recluse but consider dressing down and leaving the expensive jewellery at home. The aim is to blend in with the crowd and go unnoticed as opposed to standing out.

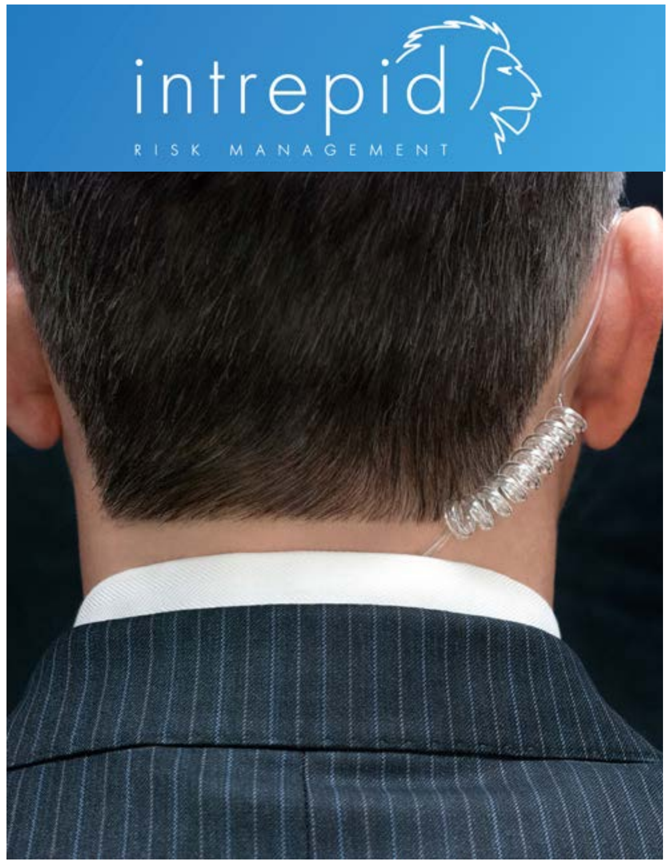
• Don't skimp on security – it can often be overlooked but is appreciated when it succeeds in protecting prized assets. Seek expert advice, continue to review your procedures and view it as being a sound investment as opposed to an unwanted cost. Security must be taken seriously and if you want to deter the bad guys, then you must be prepared to pay for it. Period.

• Do not set patterns – in addition to the points briefly highlighted in this article, setting patterns is one definite way of presenting an easy target. If you head out to the gym or hairdressers at the same time every week, then you're making your habits and routines predictable, thereby making it easy for someone to plan and prepare an attack.

Being wealthy is what many people aspire to be however the reality is that wealthy individuals are always at risk of being targeted. Criminals are becoming increasingly more sophisticated and violent crime is more commonplace. Continued government cuts to police manpower levels may mean investing your own funds into the safety and security of you and your family but surely you can't put a price on that?

Ed Hill is Managing Director of Intrepid Risk Management. Based in London with a global reach, Intrepid provides specialist security services to UHNWI's, VIP's and celebrities. A former Royal Marines Commando, Ed has been at the forefront of personal protection since 2005 and regularly writes for magazines on security matters, speaks at events and has appeared on television.

www.intrepid-risk.com



SEVEN REASONS TO CHOOSE MALTA FOR ESTATE PLANNING

Dr Priscilla Mifsud Parker
Chetcuti Cauchi Advocates

Although Malta law is based on civil law, the regulator for financial services, the MFSA, has successfully managed to accommodate trust law, which is more typical of common law jurisdictions. When this is coupled with Malta's highly efficient tax regime, both in estate planning and beyond, it is no surprise that this sector continues to attract Maltese citizens and foreign investors, who seek secure and beneficial mechanisms for managing and preserving their assets. There are at least 7 prominent reasons – among which may be mentioned flexibility, cost efficiency and security – that explain Malta's attractiveness for estate planning.

1. Sound legal basis

Compliant with the Hague Convention, Malta's Trusts and Trustees Act lays down strict regulations with regards to authorising and supervising trustees, giving beneficiaries peace of mind that their assets will be properly administered. This is ensured by a thorough examination of the trustees' activities provided by the Malta Financial Services Authority (MFSA), the supervisory body. Those clients that are reluctant to hand over control of their assets to a trustee may further appoint a trusted party as protector, an additional oversight role.

2. Time-efficient trust set up

Trust creation can be as efficient, as one may determine, with drafting being at the core of the initial phase. It can be set up upon the settlement and signing of a deed, which can be achieved within just four working days. Contrary to the practice in other jurisdictions, Maltese trusts do not need to be registered, and therefore do not incur any registration fees or bureaucratic delays.

3. Flexible trust management

If the terms of the trust so allow, additional beneficiaries may be added at any time, provided that they are clearly identifiable. The beneficiary may also, via a written instrument, manage his/her interest in any manner, including the appointment of managers for different assets. Establishing a private trust company can further help reach more flexibility in exercising control over a family trust.

4. Thoughtful succession planning

Malta trusts may be set up during the settlor's life or upon his/her death, and allow a completely organised manner, amount and timing of the distribution of a legacy. Given that, they have been used extensively for the purposes of education, maintenance and care of the family members, as well as for preserving family holdings in businesses and art collections.

5. Asset protection through foundations

A foundation under Maltese law is a legal person that may be considered as a combination of elements of both companies and trusts. Foundations may be set up either for a specific purpose, including profit-seeking ventures, or for the benefit of a named person or group of persons. Notably, a foundation possesses a separate legal personality and is thus ideal for asset protection, particularly for real estate

holding. Maltese foundations may also constitute an alternative to trusts, especially when involving jurisdictions that do not recognise trust laws.

6. Favourable tax treatment

Both trusts and foundations can apply to be treated as a Maltese company for taxation purposes. From a tax perspective, such a trust or foundation would be taxed as though it were a Malta-based company, thus qualifying for certain benefits, including tax exemptions based on participating holdings in subsidiaries both in Malta and overseas, as well as tax refunds. A trust can also be a transparent vehicle for tax purposes and is not liable to tax, where the beneficiaries are not Malta tax residents and the assets are not located in Malta.

7. Safe jurisdiction

The Maltese trust law, while being straightforward and beneficial in its set up, is founded upon mechanisms that ensure the safety and security of assets held in trust. In the unlikely event of a trustee facing bankruptcy or creditor claims, client assets are by law protected from the asset valuation of the trustee itself. Trustees are bound by law to keep accurate accounts and records of their trusteeship and shall disclose these records to the beneficiary at his/her request. Fraudulent or grossly negligent acts by the trustee are also specific offences in the Trusts and Trustees Act resulting in hefty financial penalties and/or loss of license.

To sum up, the hybrid nature of the Maltese legal system allows Maltese trusts and foundations to facilitate estate planning, enabling flexible organisation of wealth and beneficial tax planning.

Dr Priscilla Mifsud Parker is the Technical Committee Chairperson of STEP Malta, Director of Claris Capital Ltd and Senior Partner in charge of corporate & trust services of Chetcuti Cauchi Advocates.

Chetcuti Cauchi Advocates is a European law and professional services firm, with offices in Malta, Cyprus, London, Zurich and Hong Kong, advising high net worth international families and their businesses on residency & citizenship, wealth management, corporate structures, acquisition of property, financial services and fintech.

Contact: pmp@cclex.com
www.cclex.com/priscilla-mifsud-parker

Agecroft Partners

Wins Hedgeweek's Global award

Agecroft Partners wins Hedgeweek's Global award as the top hedge fund marketing firm for the 7th time in 8 years and its 35th industry award since 2009.

Agecroft Partners received, for the 7th time in 8 years, Hedgeweek's Global award as the top hedge fund marketing firm and 35th industry award since 2009. Agecroft Partners is a hedge fund consulting and marketing firm that distinguishes itself and adds value to investors globally in three ways:

1. Thought leadership in the hedge fund industry. Agecroft's contact with over 2,000 hedge fund investors each month has given the firm extensive insight into trends in the industry. From these interactions, they gather feedback on which strategies investors believe are best positioned to perform well based on current market valuations and economic forecasts. They gather market feedback on what is happening to hedge fund terms, which strategies are gaining and losing the most money, which type of investors are increasing or decreasing their allocation to hedge funds and what is happening on the macro level to the industry. Agecroft leverages this information to frequently write and publish white papers highlighting the issues they see as timely and relevant to the hedge fund marketplace. Agecroft's deep understanding of the industry has led the firm to be invited to share its insights and experience, with regular appearances on major business news networks, quotes in hundreds of hedge fund articles, and invitations to speak at over 120 industry conferences.

2. Complimentary educational conferences for investors. Each year Agecroft sets aside 300 complimentary tickets for qualified hedge fund investors to attend its annual conference, Gaining the Edge - Hedge Fund Investor Leadership Summit. The event is considered one of the top in the industry, selling out each of the past three years with over 600 attendees. Gaining the Edge features more than 50 of the world's most influential investors in hedge funds where the objective is to have candid, robust commentary and debate about the various ways to use hedge funds to enhance the risk-adjusted returns of a diversified portfolio.

100% of the profits from Gaining the Edge are donated to non-profit organizations that benefit children. Agecroft and its partners are proudly two-thirds of the way toward their goal of donating over a million dollars from these events.

3. Quality of the hedge funds Agecroft represents. Agecroft applies an institutional due diligence process to narrow the broad universe of funds down to a select few high-quality funds. The many evaluation factors they focus on include a firm's institutional infrastructure, high-quality investment teams, clearly defined investment processes, appropriate risk controls, strong historical performances and high-quality service providers. Agecroft is proud to note that:

- Three of its hedge fund clients made Barron's 2017 list of the top 100 highest performing hedge funds.

- Two of its clients also won awards at Hedgeweek's 2018 global award ceremonies event last week as the top fund in their strategy.

Agecroft is proud of its designation as the leading hedge fund marketing firm and seeks to use its position to be an advocate for the industry and a voice to help educate the investment community of the role hedge funds can play in enhancing the risk-adjusted returns of an institutional portfolio.

Donald A. Steinbrugge, CFA
Managing Partner
Agecroft Partners, LLC
donsteinbrugge@agecroftpartners.com
www.agecroftpartners.com

FAMILY OFFICES - ALTERNATIVE INVESTMENTS HAVE NEVER BEEN UNCONVENTIONAL

One definition of the word alternative is "relating to behaviour that is considered unconventional and is often seen as a challenge to traditional norms." With regards to the family office industry, an alternative investment is a term used to describe investment opportunities that are outside of the conventional investment options of long-only publicly traded stocks and bonds. "Alternative investment" is a general term that is not extremely useful or descriptive when it comes to describing what these investments are or what type of role they play in a family office investment portfolio. Very similar in nature is the term "single family office". The definition of a single family office is "a private company that manages investments and trusts for a single family." While this definition is, by all means, correct, it does not begin to describe the myriad of different structures, sizes, and complexities that make up each unique single family office in our industry.

Antonios Kypreos

Axion Single Family Office

While the mass affluent and retail investment market has used primarily stocks and bonds to manage their investment portfolios for the past few decades, I would argue that the family office industry has been using alternative investments for a much longer period and thus the term "alternative investments" with regards to family offices and their investment portfolios are not really that alternative at all and are actually the conventional norm in our industry!

I speak to family offices often at industry conferences and in my investment network and have never met a family office that does not use at least a few alternative investments in their portfolios. The reasoning is that in order to truly diversify an investment portfolio, publicly-traded stocks and bonds just do not give a family office enough options to diversify their portfolios in a truly panoramic manner! How could a portfolio truly be panoramic if public stocks and bonds only constitute less than 2% of the total global investment opportunities? Historically, there are many examples of "alternative investments" that have been around since the beginning of humanity. The ancient Greeks wrote about a form of structured product in which an individual is paid for the right to use olive presses at a fixed price. The father of the hedge fund industry Alfred Winslow Jones started the first hedge fund in 1949 as a way to invest money by using leverage and at the same time by "shorting stocks" to hedge out risk and benefit on the decrease of stock prices. The majority of his initial fund capital was invested in by other family offices as well as by his own.

What roles do alternative investments play in a family office portfolio?
From my experience as a co-partner in a Single Family Office, we use alternative investments for four main reasons in our family investment portfolios:
1) To generate greater current income than the traditional fixed income options in our current low-interest rate environment and to act as an inflation hedge as inflation rises.
2) To reduce overall portfolio risk by investing in alternative investment strategies that are uncorrelated to our long-only stock and bond portfolios. This allows for consistent portfolio returns that help mitigate against large stock market downturns.
3) To greatly enhance our return profile by investing in opportunities that can provide significantly more upside than traditional investments.
4) To act as purchasing power protection against currency devaluation, inflation and political crisis.
What type of example investments can be considered an alternative investment?

The definition of an alternative investment includes basically anything that is not long-only publicly-traded stocks and bonds. This can be anything from global timber forest investments (inflation hedge), private pre-IPO companies (outsized returns), shipping derivative trading (uncorrelated returns), and marketplace lending strategies (current income generation), to name just a few examples.

Contrary to the meaning that an alternative investment would imply, I have found that most family offices in our industry consider the plethora of options captured under the umbrella term of alternative investments as a mainstay of their investment portfolios and have done so long before they were considered an alternative. In fact, for family offices, there may be nothing unconventional or alternative about them!

PHILANTHROPIC CAUSES

UNIVERSAL FILM AND FESTIVAL ORGANISATION

The Universal Film & Festival Organisation (UFFO) was founded to support and implement a code of practice for film festivals throughout the world. It is now dubbed 'FEST-COP', and its logo is now a familiar sight at many film festivals. The UFFO is a global not-for-profit voluntary organisation, and it created a "best business code of practice" for film festivals to combat the high level of corruption that blights the industry.

Its former president was the legendary actress Maureen O'Hara, and the organisation now has at least 240 film festival members.

UFFO's FEST-COP is entirely voluntary, free and easy to implement. Also, it is a blueprint for filmmakers in deciding which film festivals to do business with. Only film festivals that have subscribed to the UFFO best business code of practice are entitled to use the UFFO logo.

The organisation is now seeking a benefactor to help it move forward with its plans to further its remit and to create an online porthole to ensure filmmakers can deal with film festivals via a trusted source. The porthole will also act as a distribution platform and as an online TV channel for filmmakers to show their work.

UFFO is now planning the 'Best of Festivals' event and bringing the member festivals, their best films, actors, directors and producers to one event that will rival the biggest events in the world.

Email info@uffo.org. - www.uffo.org

FOREST CONSERVATION OFFERS HOPE FOR CLIMATE CHANGE MITIGATION

by Gerald Prolman, President Everland LLC

The destruction of forests is the second largest source of greenhouse gas emissions and accounts for over 7B tonnes of CO2 released each year, more than the entire global transportation sector.

Three main economic drivers cause deforestation: 1) slash and burn for commercial agriculture (palm oil, soy, cattle) or from subsistence farming (poor communities destroying their forests to survive), 2) logging and the cascade effect that happens once timber companies open impermeable forests with bulldozers and build roads to enable the efficient transport of harvested logs which then allows local people to access the forest and degrade it over time and 3) charcoal production, which is how much of the developing world heats their homes and cooks their meals.

As deforestation is caused by economic drivers, the solution to keep forests standing exists with the introduction of economic alternatives that are more favourable to local landowners and the community.

The avoidance of deforestation can be achieved through REDD+, an innovative climate change mitigation strategy envisioned by the United Nations. REDD+ is an acronym for Reducing Emissions from Deforestation and Forest Degradation and is the fastest, most effective and lowest cost initiative that can be implemented right now to combat climate change.

The Paris Climate Agreement, signed by 196 countries in December 2015, aims to keep a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The Paris Climate Agreement recognizes REDD+ as a viable mitigation mechanism.

REDD+ places a value on a standing forest as a key element in a conservation plan to prevent continued deforestation. By making forests more valuable standing than cut down, REDD+ provides forest communities and countries with a model for economic development where both people and the planet can benefit.

"Communities generally want to protect their forests but in many cases, outside threats are driving deforestation. REDD+ provides equal or better financial benefits to the community than the outsiders are paying to destroy the forest. This makes the forest worth more alive than dead," said Mike Korchinsky, founder and president of Wildlife Works, a leading REDD+ project developer.

The value of stopping deforestation is represented by Verified Emission Reduction (VER) units, which are also known as offsets or carbon credits. Each VER equals one tonne of carbon dioxide that was prevented from being released into the atmosphere as a result of a REDD+ project's sustainable development plan.

REDD+ project developers quantify the amount of greenhouse gas emissions reduced through their activities. Under rigorous environmental and social standards their work is independently verified by international auditors, and upon a successful verification, one VER is issued for every tonne of emissions reduced. VERs are then purchased by progressive corporations who voluntarily elect to reduce their unavoidable emissions, and proceeds from VER sales are reinvested in green economic development for the forest communities. REDD+ projects deliver unprecedented environmental and social benefits to seriously impoverished forest communities that are in desperate need of change.

Wildlife Works, a pioneer in bringing marketplace initiatives into the fight to protect the planet's threatened forests and the magnificent species that call them home, became the recognized leader in the REDD+ sector for being the first company in the world to achieve verification of a REDD+ project in 2011, under the Verified Carbon Standard (VCS) and the Climate Community and Biodiversity Standard (CCB).

Wildlife Works develops and manages REDD+ projects in Kenya and the Democratic Republic of the Congo that protect 1.24M acres of forest, reducing over four million tonnes of carbon dioxide emissions annually or 120 million tonnes over the 30-year life of the projects.

Today there are more than 30 REDD+ projects across the globe that have achieved verification and generate more than 60m tonnes of annual emission reductions.

Corporate leaders such as BNP Paribas, La Poste, Kering, Barclays, Nedbank and Allianz are already offsetting the impact of their unavoidable emissions by supporting REDD+ projects. They realise that protecting standing forests under the REDD+ model provides a practical climate change solution in a way that also preserves habitat for vital biodiversity and at the same time uplifts impoverished rural communities.

REDD+ project developers like Wildlife Works have paved the way for forest country governments to build upon successful examples that will be incorporated into regional and national REDD+ programs designed to protect threatened forests at scale.

"It's all hands on deck to win the battle against climate change. We have one proven solution in REDD+. The challenge now is for policymakers, corporations and investors to accelerate the progress that has been made," said Mike Korchinsky.

Everland, established by Wildlife Works, is a specialised marketing company in the climate change mitigation business exclusively representing a portfolio of pioneering, large-scale, forest conservation projects across the globe that protect wildlife and enhance the well-being of local forest communities.

Wildlife Works ranger scouts the Kasigau Corridor REDD+ project in Kenya that protects 500k acres of threatened forest .
Photo copyright Lisa Kristine

THE RISE AND THE RISE OF THE FAMILY OFFICE

The number of extant Single Family Offices rather seems to depend on what report you read. I have seen reports of 3,000 and reports of 10,000, but it seems reasonable to assume that the actual number is somewhere in between. However, where there does seem to be agreement is in the idea that the number will continue to grow as wealth continues to grow. This is, perhaps, a good thing for the entire industry but it does bring with it some issues.

Dudley Edmunds
Culliford Edmunds Associates

First and foremost are people. As the number of single-family offices increases the requirement for high calibre staff increases. Theoretically, this should not be an issue as there are many private bankers and wealth managers, at various stages of a career, who are looking to make the switch into a family office. Conversations I have held suggest the reasons for the switch are various. It may be that the person sees the FO as a more individual orientated organisation where there is greater opportunity to be noted and rewarded. Some want to get away from the 'you are a number' concept of a global tier one bank while others, often alas the more misguided, see it as the ideal place to rest before retirement! Possibly the latter was true some years back but with the continual increase in FO comes an allied increase in sophistication and ambition from the owners.

It is quite widely reported that FOs are taking a greater interest in direct investment and accordingly, this is requiring a greater level of sophistication and breadth and depth of asset class knowledge. I recently read that in a Global Investment Survey by Family Office Exchange it discovered that some 81% of FOs had at least one person working on direct investments. With the potential of greater returns and the advantage of increased flexibility, it seems likely that the interest in direct investment will increase during 2018 and the call for wider and deeper knowledge will go hand-in-hand with this.

Then we have the geographic widening of the Family Office concept. While the USA is reckoned to lead the way, there is expansion in Europe, the Middle East and China. It should, of course, be noted that the FO does not necessarily have to be based in the 'home' country of the family. There are various rumours of non-UK families contemplating establishing an office in London although reports also note that the uncertainty regarding the UK's relationships with Europe may be delaying matters.

China is considered to be a country that is developing a very healthy interest in the idea of family offices but, equally, it is reported that there are substantial issues. The South China Morning Post suggests, in an article from mid-2017, that the Family Office concept is misunderstood and mismanaged by Chinese clients. It is also suggested that bankers from the USA and Europe may not necessarily understand the way that Chinese families think of an investment enterprise. However, the cultural issues are not just specific to the China market. For this reason, I have formed an association with a specialist in cross-cultural management and relationships and also a psychologist who uses sophisticated psychometric and associated analysis to help clients ensure, as far as is ever possible, that there is not just a fit regarding skills but also regarding culture.

The multi-cultural aspect can also come into play as FOs widen out the global reach whether that be in finding partners to do business with or when forming an alliance with other FOs with an idea towards club type deals. Cultural understanding plays a highly important role in ensuring the best result.
So, will 2018 bring an explosion in the number of FOs worldwide? Well, I doubt it, but certainly it seems to be very much in line with an increase in numbers, an increase in sophistication and an increase in the need to find the 'right ' people to take the family's wealth forward.

Dudley Edmunds is a veteran of the wealth management/private banking sector advising Banks, Investment Companies and Family Offices from the start up to the successful hiring of senior executives.

www.culliford-edmunds.com
dudley@searchint.co.uk

DIFC-BASED REITS

STATUS QUO AND FUTURE DEVELOPMENTS

Since the enactment of the Dubai International Financial Centre`s (DIFC) pertinent REIT regulations in 2006 the DIFC has allowed the creation of REIT trusts or corporations within its perimeter. As DIFC-based property funds and REITs are now considerably gaining in investors' interest, it is time to take a closer look at the determining factors and available options.

Dubai`s DIFC has established itself as the region's prime financial jurisdiction, offering a robust common law legal framework and thus becoming the domicile of choice for many property fund structures. As per the DIFC`s regulations, REIT entities are a subset of property funds, defined by the DFSA`s collective investment rules and characterised by the following features:

- The requirement to distribute 80% of the annual income
- Diversified real estate investment
- Closed-ended structure (no redemption)
- Property under development must not exceed 30% of the fund`s NAV
- Limited leverage (max 50% of Gross Asset Value)
- Mandatory listing
- The fund manager must be regulated by the DFSA (or equivalent)
- Usage of corporate or trust fund structure possible.

It is only recently that REITs have gained traction in the region, with „Emirates REIT" being the first of its kind to go public on Dubai`s NASDAQ marketplace in 2014. In early 2017, Emirates NBD bank listed its ENBD REIT, just as the former also domiciled in Dubai`s International Financial Centre (DIFC).

Taxes, Fees, Regulations

With the absence of withholding or corporate tax in the UAE, a property investment through a REIT is to be considered neutral compared to a direct investment.

Christian Atzert
www.property-blog-dubai.com

Regarding the newly adopted Value Added Tax (5%), levied on the sale of commercial properties and rents, individual and corporate investors alike have the option to distribute the VAT amount incurred on the property acquisition over the property`s lifespan (10 years) by off-setting it on a yearly basis against invoiced output VAT on commercial rents or other output VAT from applicable revenue streams.

A transfer of title bears a price tag of 4% of the acquisition price within the Emirate of Dubai. In order to prevent charges to be levied a second time on shareholder level, the Dubai Land Department has signed an agreement with NASDAQ Dubai, effectively relieving DFSA-regulated or NASDAQ Dubai-listed property funds from the requirement to charge transfer fees on unit (share) transfer. As per the local property laws, districts and comprised buildings are categorised into designated (freehold) and non-designated areas, whereas within the latter only GCC nationals are allowed to acquire properties. It is noteworthy that REITs can be relieved from this restriction, effectively opening the door for foreign (Non-GCC) investors to acquire property anywhere in Dubai and other Emirates.

Performance Measurement and other Challenges

Operating in a market environment which is known for fairly high fluctuations of asset valuations, it comes as no surprise that substantial parts of the earnings of UAE REITs stem from non-cash accounting entries associated with property revaluations. Combined with the obligation to distribute the majority of the fund`s profits, this can lead to a situation in which the fund de facto distributes equity back to its unitholders. If the management`s performance fee is linked to the growth in NAV (often without a hurdle rate), substantial remunerations are paid to the management for unrealised profits.

Given the long-lived property cycles, this appears to be somewhat problematic even assuming a high watermark clause has been adopted.

As REITs` and other property funds` earnings are greatly determined by non-cash positions for revaluation, depreciation and amortization, the property fund industry has widely adopted the performance ratio „Adjusted Funds from Operations" (AFFO). Being a cash flow metric, AFFO measures the ability of a business to generate viable returns from its ongoing property operations. In eliminating revaluation gains, however, the figures for some of the existing REITs boil down to AFFO yields of less than two percent at times, unmasking a problematic relation between revenues, overall costs and notably management remunerations.

Synopsis

With a competent management and appropriate fee structure, the proposition of a REIT as a liquid vehicle for investment into tangible, income-generating property assets is undeniably strong. Nevertheless, the UAE`s property market – exhibiting higher volatility in comparison to more mature regions - indispensably demands an appropriate timing strategy and diligent execution.

With the first local REIT listing on Dubai`s NASDAQ only in 2014, the sector for public real estate fund offerings is without any doubt still in a juvenile stage, therefore lacking sufficiently meaningful track records as well as competitive pressure. With a host of new REITs now incubating for a forthcoming market listing, it is highly likely that investment scope, quality and pricing of the available options will significantly diversify in the near future, ultimately spawning leaders for quality and price. Likewise, this trend will see sector specialists rise, implementing specified strategies to selectively invest in industries like education, hospitality, healthcare, student housing et cetera.

The advent of REITs in the UAE indicates a maturing of the property market while simultaneously nurturing its evolution, leading to increased liquidity especially in niche segments and for large, institutional-dominated assets. I am convinced that the UAE`s market peculiarities, notably attractive rental yields and elevated volatility, represent a solid breeding ground for skilled managers, applying sound investment strategies and fair remuneration principles, to create highly attractive REIT structures. Those products, however, are yet to evolve.

The author advises institutional investors about property transactions and handles property portfolios in Dubai since the year 2007. Should you have comments or inquiries, please contact the author.

author@property-blog-dubai.com
www.property-blog-dubai.com

WINCH DESIGN HOMES IN THE SKY

by Jim Dixon, Head of Aviation at Winch Design

With the focus on extremely high-end bespoke, dynamic design for a worldwide client base, Winch Design is now recognised as one of the leading International design and architectural studios, having added Aviation, Architecture and Interiors teams to the core yacht business.

Now more than ever, clients favour having a private jet with an environment that comes as close as possible to the comfort and style available in homes or hotels. Aircraft shouldn't be seen as simply a means of transportation, but rather a sophisticated home to enjoy and to be inspired by. As a result, we are seeing spaces that offer vast amounts of customisation compared to older, more formulaic business focused designs that have been the norm for years. Furniture that appears free-standing, more creative surface textures and the use of mood lighting are all relatively new design trends that help develop a residential feel. The interior design of an ACJ319 Winch Design delivered in 2013 features smooth leather floors, soft, buttery leather furnishings, ambient lighting and a library of books – the shelving cleverly doubles up as concealed doors. The resulting experience feels more like relaxing in a comfortable library than flying in a private plane.

Much of our interior inspiration comes from the luxury hotels that our clients so often frequent. Project Mayfair, as the name suggests, is based on the finest hotels in London, with the intention of creating a 'penthouse in the sky'. It is a dynamic, arresting concept. Think the elegance of Mount Street combined with the technical excellence of Savile Row. One of the main considerations when designing a private jet interior with a focus on comfort is the space arrangement. Working with such a relatively confined space, every inch counts to ensure that optimum levels of enjoyment and relaxation can be achieved during every flight.

The correct choice of textures and materials is also crucial to the design process. Wood veneers and fabrics have to be carefully selected and include materials such as heavy linens, classic mohair and glove-soft leather, all of which capture a 'living room' ambience. The introduction of quality micro-perforated fabrics and panels that have considerable soundproofing properties can also lower the decibels in the cabin and therefore heighten the residential feel.

In our latest BBJ, we used a combination of exotic shell materials from the East, hand-stitched motifs to seats, valance panels and carpets, and mother-of-pearl accessories throughout. The master suite has a 64in TV (currently the largest in a certified aircraft interior), and the vibrant bathroom features a custom-made blue glass washbasin and mirror-faced TV built into the marble vanity area. A carefully selected collection of artwork is the finishing touch to create a residential feel which goes miles beyond any typical private jet.

The environment of an aircraft is unique however, due to the limited space on offer and fixed cylinder shape with a lack of natural light. As a consequence, the initial design requirements for an aircraft are very demanding because at the end of the design process the passenger has to feel good within the cabin environment and forget about the very nature of its limitations.

These new interiors need to be comfortable for family use as well as business meetings. Consequently, the layout of the aircraft allows both to happen at the same time without compromising the overall look and comfort of the cabins. The client may enjoy all the creature comforts one would expect to have at home while retaining an open feel that does not feel cramped or confined.

We are seeing that the top end of the business jet sector is increasingly aspiring to the same level of individuality and customisation typical to larger private bizliners. They may be smaller 'vehicles' but there's no reason why the environment should be any less appealing.

Compared to a superyacht, however, the interior of a private jet is at least five times more costly per square metre, therefore making the most of the space on offer is something that has to be considered when making every decision. Stowable dining tables for example, often seating up to 6 guests, can be folded away when not in use to allow for more flexibility for entertaining.

In a BBJ we delivered earlier this year, there is a stately desk area where the owner can continue his formal business in one of the bespoke, finely-upholstered butter-soft leather seats, with the most wonderful hand-stitched details.

Private jet interior design has started to follow the evolution we see in other industries, most notably cars and yachts, as private jet owners are ultimately looking for a seamless transition between the house, the office and the aircraft. They want a consistency of design quality and elegance throughout their fleet, so as to maintain a luxurious experience for the duration of their journey. By creating a bespoke interior rather than using the standard 'private jet' model, and by using a colour palette and materials normally found in a residence rather than in the sky, we are able to fulfil this 'home from home' dream.

AN APPLE A DAY KEEPS THE DOCTOR AWAY WHAT HAPPENS WHEN YOU NEED THE BEST

by: Steven Abernathy

The Notorious BIG famously wrote, "Mo' money, mo' problems." The same can be said for longer lifespans: the older we get the more likely medical intervention is.

The American Cancer Society's most recent statistics indicate one in three people will get cancer in their lifetime. Preventative measures may be taken. However, nothing regarding health and wellness creates 100% certainty. Assuring access to world-class healthcare—before its needed—is the latest component intelligent investors are adding to their estate planning strategy.

The world's wealthiest families, in addition to top-tier attorneys, professional investors, accountants, and legal counsel, today also have access to top-flight medical experts. Family offices, the institutions employed first among royalty, work exclusively for the benefit of the families they serve. Their interests align with the families' interests. What began in the 6th century as legal advice evolved into counsel from a team of experts; today this includes medical concierge services.

Savvy family offices are poised to serve the needs of all clients, no matter what their age, no matter their health status. These family offices have relationships with major medical facilities and specialists. This allows clients to have white-glove access to the best doctors, specialists, and facilities in the world should they be required.

No one looks forward to estate planning as it involves evaluating one's assets—and one's life—and considering what will happen once the mortal coil is left behind. However, failure to get clarity on the medical contingency plan you want could mean leaving your family to play a guessing game with your health.

It is far better to have a frank conversation with your family office representative and discuss not only what

Steven Abernathy
The Abernathy Group II

you would want to do, which will be in writing in a comprehensive healthcare proxy, but where you would prefer to go should a major health crisis occur. As the medical, pharmaceutical, and health insurance industries continue cost-saving measures, assuring the best possible care that money can buy, for those who can afford to do it, is vital.

"It's extremely difficult, if not impossible, for a layperson to be aware of the totality of medical management of any given condition, says Bernard F. Morrey, M.D., emeritus chair of the Department of Orthopedics at Mayo Clinic. "Patients often rely on social connections or internet searches. But we can't rely on the web to provide top-flight information for everything.

Patients often do. The immediacy of information patients can access may be grossly misleading and not offer the best and most efficient road to accurate medical opinions. It's sad so much reputational inaccuracy has crept into our profession. The service to objectively offer information regarding a clinician's experience and reputation is truly an added value of the family office structure."

A family member's well-being, in addition to their health, is considered. Concierge medical services can arrange private rooms, 24/7 nursing, and other amenities not usually offered—even in a top tier private hospital setting. This soup-to-nuts approach to care, in addition to access, eliminates a lot of guesswork around who to seek out for treatment. If there are top-tier specialists who can address the patient's problem, we go to the head of the line to get these experts to the patient in an expeditious manner.

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Steven Abernathy counsels affluent families on multi-generational wealth management strategies and corporate retirement plans. He contributes articles and commentary to a variety of publications. For more information, contact him at sabernathy@abbygroup.com or 212-293-3469.

The Abernathy Group II
Family Office

TAKING A "SUGGESTIVIST" APPROACH TO VALUE INVESTING

by Talbot Babineau, CFA, President & CEO, IBV Capital

As an investor, it can be challenging to find the right balance when it comes to influencing a company's management and board to take a particular approach or direction that will benefit shareholders. Taking a passive role can mean not having ideas or strategies implemented, and losing out on potential opportunities to boost value.

Taking a more traditional activist approach can be met with resistance – as well as accusations of only being concerned with making short-sighted changes for your financial benefit at the expense of the company's long-term goals.

There are of course advantages and disadvantages to either approach. Finding a comfortable middle-ground between passivity and activism can compliment an investment strategy and help build value without stepping on any toes in the boardroom or elsewhere. We call this approach "suggestivism."

Suggestivism is an extremely valuable tool in our toolbox because it allows us to actively partner with companies that we believe have exceptional long-term potential – and turn that long-term potential into value, not only for our investors but for other stakeholders.

Indeed, as value investors, we look for companies with long-term potential for growth which for any number of reasons are currently undervalued. Having identified a company that appeals to us, we analyze the business, considering the needs of our investors as well as the company and its stakeholders, identifying impediments that are blocking it from unlocking value. With stock market valuations stretched and with investors increasingly wrestling with volatility, it's more important than ever to have an extensive toolbox, as well as uncompromising persistence in efforts to optimize each investment's full potential. No two investments are alike, and effective investors need to know when to use each tool at their disposal.

The suggestivist approach is the perfect balance between active and passive investing. It is still by all accounts active in nature, but as the name implies it hinges on suggestion, and collaboration with management and the board of the companies we invest in. We take our responsibility as shareholders very seriously and recognize the value that can be created by working together with management and other shareholders to guide the company in the right direction.

It's an inherently collaborative approach to extracting value, as it relies heavily on the building and nurturing of strong relationships with management and the board. It's precisely this collaborative nature that differentiates it from an activist or passive approach. It requires a long-term commitment to the company and its future; it's an investment not just in capital, but also in time.

We work with the management team and the board to devise creative solutions to overcome impediments to value creation in both the short- and long-term. Suggestivism is about providing the tools and support to execute these solutions so the company can focus on realizing it's true potential and value.

We have applied our suggestivist approach in select scenario's that we believed would be most effective in unlocking shareholder value. Our range of suggestions to management teams and boards have included expansive operational and financial restructuring measures, regulatory guidance, exchange re-listing, initiating share repurchase programs, and cancelling dividends so the company can re-invest the cash proceeds at more attractive rates of return relative to what their shareholders could earn on their own.

To be sure, suggestivism is not the only tool in our toolbox. Indeed, with our focus on long-term value investing, we take a variety of different approaches to investing in companies, sectors and industries, ranging from utilities to financials in North America and globally. Suggestivism is simply the perfect partner to our value-based investment strategy because it allows us to play an active role in the growth of value for the long-term. When management thinks regarding years or even decades as opposed to the next quarter or two, they are able to accomplish so much more for their companies and shareholders.

Indeed, with stock market valuations stretched and with investors increasingly wrestling with volatility, it's more important than ever to have an extensive toolbox, as well as uncompromising persistence in efforts to optimize each investment's full potential. No two investments are alike, and effective value investors need to know when to use each tool at their disposal.

However, in today's investing climate, where the drive for short-term financial gain frequently proves more powerful than right, irrespective of a company's long-term prospects, the suggestive partnership approach is one that we see as more beneficial all around towards a goal of long-term value creation.

Bio: Talbot is co-founder and CEO of IBV Capital where he is responsible for portfolio management and setting the firm's strategic vision. He is a CFA Charterholder and earned an Honours Economics and Financial Management degree from Wilfrid Laurier University.

UAE DEVELOPERS SHOWCASE FLAGSHIP PROJECTS AT CITYSCAPE ABU DHABI

Abu Dhabi, UAE, 18 March 2018: MAG Lifestyle Development, the development arm of MAG Group is preparing to launch its AED4.7 billion project MAG EYE at Cityscape Abu Dhabi next month.

A fully gated townhouse and villa community situated in Meydan District Seven in Mohammed Bin Rashid City, MAG EYE will be one of five major flagship projects showcased by the MAG Lifestyle Development. MAG Creek Wellbeing, MBL Residence, MAG 230 and MAG 318 will share the spotlight which will be available for sale at the exhibition.

Talal Moafaq Al Gaddah, CEO of MAG Lifestyle Development said: "We always partner with the best exhibitions to promote our projects, so we are looking forward to taking part in Cityscape Abu Dhabi as it will provide us with a valuable opportunity to reach the local, regional and international investors. "Anyone working in the UAE property market is aware that the sector has reached its maturity and that sustainable growth is now being achieved.

The question now is how to remain on this upward trajectory, which is an endeavour that will require developers to go beyond merely constructing buildings. It is now time to do more, to think more significantly, and to outdo ourselves by gearing every single aspect of our projects toward enhancing peoples' lives.

Taking place from the 17-19 April at the Abu Dhabi National Exhibition Centre, the 12th edition of Cityscape Abu Dhabi is held under the patronage of His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces.

The three-day event will display hundreds of real estate developments from the UAE, GCC and international businesses and acts as the annual property barometer for the UAE capital.

Showcasing their recently launched project, Millennium Binghatti Residences, UAE-based Binghatti, will also be offering exclusive deals for real estate brokers on Binghatti Stars and Millennium Binghatti Residences developments throughout the show.

Muhammed Binghatti, CEO and Head of Architecture of Binghatti Holding said: "Cityscape Abu Dhabi is a must-attend event for any serious and ambitious property developer in the UAE. It is one of the key barometers for the region's property sector as it acts as a platform for developers, investors, real estate professionals and government entities to meet, exchange expertise and explore new business opportunities".

"The event brings together every aspect of the real estate industry and it constitutes a good opportunity to expand professional networks, build brand awareness, and engage with potential investors. The footfall at the event is excellent and the organisers always do a great job by ensuring all preparations are done properly without cutting any corners."

ECNO, a newly established consulting firm in the UAE capital, is taking part in Cityscape Abu Dhabi for the first time to launch three fresh projects: a new concept of water entertainment fixture, a geology museum, and a Speed Reduction Zone Improvement, the names and further details of which will all be announced at the event.

Faisal Al Hosani, Owner & Founder of ECNO Consulting & Feasibility Studies said: "As a new firm in real estate, we aim to enhance the investment and tourism sectors in the Emirate of Abu Dhabi through implementing innovative and sustainable solutions.

"Cityscape Abu Dhabi provides us with the ideal platform to introduce ourselves, our products and services to the main local and regional players."

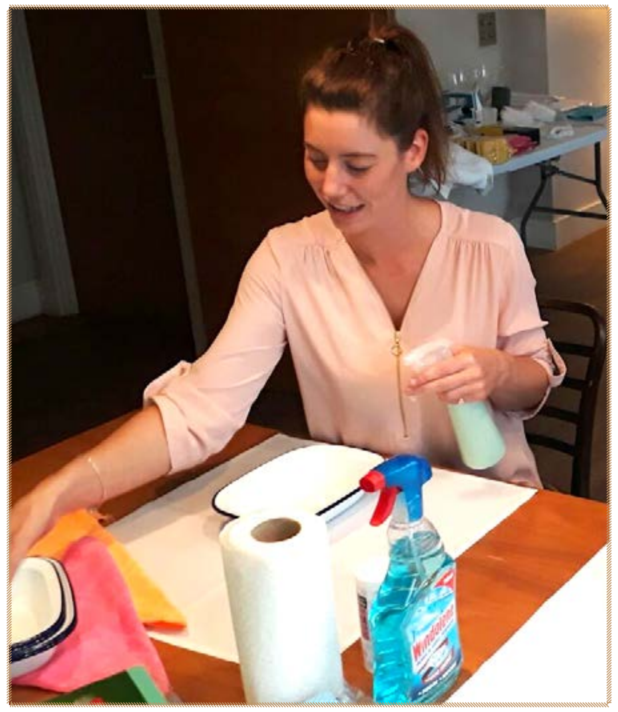
www.cityscapeabudhabi.com
+9714 336 5161

TRAIN YOUR HOUSEKEEPER AND TRANSFORM YOUR PROPERTY

"A new broom sweeps clean, but an old broom knows the corners" Proverb.

Is my private housekeeper ready for training?
Having a housekeeper, be it part time or full time is perhaps one of the most essential staff members in the home, yacht, hotel or chalet. The very essence of the space relies on the right touch and approach, the eye for detail, and the finesse to make sure that the finish and feel for each room is outstanding.

It may well be that the property already has a team of Housekeepers or just a long-standing Housekeeper who has been working in the space for many years. It may be that a new housekeeper has just joined the team, and after a lengthy recruitment process, you have selected the best candidate. However, to get the very best from your existing housekeeping, it is important to consider private housekeeper training.



Common Shortcomings
There are some common shortcomings that suggest your private housekeeper may be ready for a little training. Look for these signs to determine if training is necessary.

The most regularly mentioned gripe for housekeepers is that the work takes too long. If the work is being done to the very highest of standards, it may well be that the housekeeper needs this time, or (and more likely) it may be that their flow and organisation of how they approach the work may need a little fine-tuning.

Does your Housekeeper work room to room, or do they do the same job around the venue and then repeat accordingly? Depending on the exact location will depend on how the 'flow' of work should be undertaken, but especially for new members of staff, private housekeeping training can help create a good flow and 'iron out' any organisational and time issues.

Another common shortcoming is attention to detail. Attention to detail is a personal opinion and each client, home, and property will vary in what they consider 'detail' to be. Perhaps you've already identified some areas where the detail has not been met and the housekeeper is still struggling to achieve it. This is another area where private housekeeping training can help.

Specialist care is a third common shortcoming. Principals and wealthy families are constantly updating, renovating and moving home and it might be for the new features (perhaps a large walk-in wardrobe) your current housekeeper hasn't quite got on top of wardrobe management or care of fine linen. Instead of recruiting a new housekeeper, private housekeeper training can give them all the necessary skills to understand detailed wardrobe management and ensure that the silk or lace pieces are treated with the care and consideration they require.

How does housekeeper training work?
Private housekeeper training is precisely what it says on the tin, private, bespoke, and tailor-made. You decide the days/hours/location (often in-situ when the principal is not at home) and the trainer is chosen depending on the areas of expertise that are required to be improved.

A trainer will typically turn up on the chosen day to work with the individual (or group) and work through the specific aspects that require improvement. This is hands-on and practical training. Trainers understand that English may not be the first spoken language of their trainees and will be open to different styles and approaches to learning.

In-situ training gives the Housekeeper(s) a safe space to ask questions that they might have felt otherwise embarrassed to ask their employer or estate manager. You'd be surprised how many questions get asked and how skills develop in turn. A good trainer will leave the staff feeling confident and happy, with the knowledge they have developed both in skill and acumen.

What are the benefits?
When you invest in private housekeeper training, you are investing in the future of the staff in your employ. By training your staff (instead of giving them the boot) you give them more confidence and skills. They will feel that you are investing in their future and this sentiment will be reflected in their quality of work.

It can breathe life into an old member of staff (quite literally) and give them new skills and techniques to apply to their daily work. Training will show to your staff that you are serious about their future with the household and that you believe they have the potential to be even better than they are already. Ultimately, it will give the principal precisely what they want in the attention to detail and finishing touches, and you can rest at night knowing that the job has been done to the very highest standard. After all, a happy principal will mean a happy team of staff, and that is exactly what private housekeeper training can provide.

Polo & Tweed
Private housekeeper training is a skill and subject that is incredibly specialist, especially at the very highest standard and level. At Polo & Tweed, we use only the highest standard of trainers who have worked for many years in the profession. They have time and time again showed what a good investment it is to train your staff, and they visit multiple clients homes, yachts, chalets and hotels to continue education and ensure that the highest level of housekeeping is met around the world. If you have any questions, drop us a line today and tell us how we can help you further. www.poloandtweed.com

Lucy Challenger- Polo & Tweed

THE BLOCKCHAIN REVOLUTION INNOVATION NEEDS NO LICENSE TO DISRUPT

by. G. Patrick Gruhn, Partner at Good Life Family Office AG

Blockchain technology is probably one of the most important advancement of the 21st century and I'd like to take you through some topics and answer some key questions related to this new innovation. Let me begin with the essential question: What is the Blockchain?

Blockchain technology is the ability to share information on a network where transactions or data are recorded in a decentralised manner, not controlled by one or a limited group of individuals, like governments or corporations. It is a ledger whose content is checked and confirmed by thousands of independent devices, making it viable, safe and trustworthy. Why is this so important? A decentralised way of payment or transmitting data opens that gateway for the internet to blossom and increase the efficiency of global business multifold. It allows users to transact without middlemen or hurdles all around the globe within fractions of a second. It is the key to the next level of human and economic efficiency.

The first and most dominant application for the blockchain is money, hence cryptocurrency (not to be mistaken for digital currency). There are countless applications for this technology and the transmission of data. New ventures are sprouting all over the world in an attempt to disrupt and improve existing models for example in public record-keeping, shipping, travel and more. We could, for example, have our medical records on a blockchain and grant access to doctors of our choice. We can keep the history of our cars on a blockchain and nobody could tamper with it, change the mileage or hide accident reports.

The IoT (internet of things) will go to the next level, allowing machines to interact with each other more autonomously. The advantage is that the information stored in the blockchain cannot be altered without permission or even corrupted and it is virtually impossible to hack. Why is it impossible to hack? Because you'd need 51% of the entire network's computing power to make any changes to it. This would require thousands of computers and it is simply not imaginable.

Cryptocurrencies, Bitcoin in particular, have existed for nearly a decade. One of the first transactions ever recorded was the purchase of two pizzas for 10'000 Bitcoin, these coins are now worth over $100 million. Probably the worst and the best deal ever made in the history of transactions. In 1999, ten years ahead of the creation of cryptocurrency, the famous economist Milton Friedman predicted in an interview, that the world would find a way to give the internet its own money and that would then result in exponential growth.

At the time of writing, the market capitalisation of cryptocurrencies is fluctuating between $450 - 500 billion. This has surged aggressively in the last 12-18 months, creating a financial euphoria and also making people believe in overnight riches. In a market where 1'000% or 10'000% gains are just as common as 50% corrections, a lot of money is made and lost every day. Naturally, this attracts a wide variety of investors but the majority is made up of amateurs who have no discipline and are only entering the market for quick profits. Many don't even take the time to understand the technology or to study the future potential. Then, if the promise of becoming a millionaire overnight doesn't pan out, they pull out of the market at the first sign of adversity and this herd behaviour creates strong market swings.

Between December 2017 and January 2018 the market capitalisation saw a 50% correction because of the fear of regulation. The price of Bitcoin went from $20'000 all the way down to $6'000 to then recover to $11'000 at the time of writing. That's a 70% correction and an 80% surge within a month. Imagine the DJIA going from 24'000 points to 7'500 points in a matter of days. The world as we know it would be over and we'd be plunged into an unprecedented depression. There is a lot of push and pull from different interest groups such as the crypto-investors, opinion leaders and entrepreneurs who are already established in the market and want to build prosperity for themselves and their organisations. The interest group that is trying to pull or tare down the credibility of cryptocurrencies are those whose business models and livelihoods are threatened by the change that the blockchain technology will bring to the market. As the push and pull goes on, the market experiences substantial swings in price.

Today we distinguish between three different types of tokens or coins, a differentiation which is also visible in the latest guidelines published by the Swiss FINMA in February 2018.

1. Cryptocurrency, the prime examples are Bitcoin (BTC) and Ethereum (ETH) often referred to as the gold and silver of cryptocurrencies. These are forms of payment that can be exchanged for goods and services.

2. Utility Tokens: These are tokens or coins that allow the owner to access a particular set of products and services within the eco-system of the issuer. This kind of token is becoming a popular tool to raise funds for new ideas. The poster child of utility tokens is Ripple (XRP), which is used for financial transaction protocols, a modern alternative to SWIFT wire transfers.

3. Asset-Backed or Equity Tokens: These coins are very much comparable to shares or securities as they are sold with the promise to represent some other form of equity and the token itself was just created to simplify the transmission of ownership. For example, the coin TETHER promises to hold one USD per coin in its reserve. Others will hold equity-like real estate (e.g. ATLANT, SwissRealCoin), gold (GoldCrypto, Gold or BaselBit), or automobiles (HYPER RIDE). More alternative coins for numerous different assets are in the making as we speak.

Potential & Risks

People have been talking about the tulip bubble with regards to the price evolution of Bitcoin, comparing graphs and statistics. I believe that this comparison is rather cynical because apart from the sudden rise in popularity, there is no correlation. Tulips had no disruptive power whatsoever and in that sense, it is much more relevant to compare cryptocurrencies to the rise of the dot-com era, which was also highly speculative but as we all know, the technology is here to stay. Therefore, the main risk lies in the fluctuation of the market and the absence of some form of common sense regulation. I'm not talking about suffocating the market based on the government's fears they may lose their iron grip on society but rather a provision that prevents abuse and protects the consumer rather than the corporation or institutions of our world.

What we see at the moment is "herd behaviour" at its finest, with big swings in the market as the masses are easily influenced to run one way or another. There is a big risk in these swings for the short term profits of any investor. This goes hand in hand with the theory of "weak hands" who have little to no experience in the financial markets and who virtually gamble with their life saving and their rent money. As history repeats itself, another risk that needs to be taken into consideration in the medium-long term is the fact that any young market usually undergoes several consolidation periods before reaching a stable, mature state of growth. I'm making this point especially because (and this is not a joke): there are coins like "BoobCoin", "PonziCoin" and "JesusCoin". I believe that for every coin or token that will prevail, a hundred will fail. There is already a website that records failed coins, with the fitting name www.deadcoins.com and there are already 600 dead coins listed.

Another big risk for a market that is easily manipulated, it's the classic "pump & dump" where influencers and market makers pump a coin to a much higher price level through social media and organised pump & dump groups and then sell their initial stake at a substantial profit. However, there already is a strong effort underway from authorities to put an end to this technique and make it punishable by law. This is the kind of regulation that is very welcome and will help with the stability of the market.

Ignorance is a great problem for this market, as the technology is new and complex, many people don't know what they are buying or selling. Ripple is a great example as it saw its price soar past $3.50 and then crash hard when it became clear that it was not a currency but a utility token. Despite the powerful backing of Ripple and the fact that it is quickly implemented as a banking tool by big-name institutions, the price still plummeted by 80% in a month.

Crime, Money Laundry & Scams

Bitcoin first rose to major public attention when it was used for illegal transactions on the dark web and it does open the door to criminals to hide and launder their ill-gotten funds. Today, however, other so-called "privacy coins" have emerged, that are untraceable such as Monero and ZCash. These seem to be even more relevant for criminal activity and I anticipate that they will be subject to great scrutiny and regulation at some point. That said, the majority of financial crimes and money laundering is carried out with traditional money and I would neglect this side of the story because it is fractional and will most likely always exist, regardless of the form of payment used in this sombre world. It is a myth that Bitcoin cannot be traced, because every user leaves a footprint in the open ledger and there are ways to identify funds and their owners.

The Community

When it comes to the community of early adopters, we can split them into two camps. There are those who are firm believers in the blockchain and who have joined the industry to be instrumental in the technological revolution. They are not primarily interested in money or making a profit; they are here to change the world with their contribution.

The other half of the community is purely profit oriented. They see the financial upside potential of the technology and they want to invest, build projects, release coins and profit from them both in the short term through speculation and long-term through building value. You could compare it to a clash between capitalism and socialism, especially since the technology was released as open source intentionally, as a gift to the world. Given the power of capitalism, I believe that the latter camp will have the upper hand of this clash in due course.

Markets

At the time of writing, there are around 1500 different coins and they are actively traded on nearly 200 exchanges, 24 hours a day, seven days a week. Some exchanges serve to trade traditional money (FIAT) for a limited number of cryptocurrencies like Bitcoin, Bitcoin Cash, Litecoin or Ethereum. The prime example for those are Coinbase or BitPanda. Then there are exchanges where you can trade crypto against crypto. The pairs trade either BTC or ETH against a wide range of altcoins. There are two very helpful resources when following the market: www.coinmarketcap.com and www.coincheckup.com and it's very interesting to see the price discrepancies in prices from one exchange to another, sometimes it can be as much as 10% difference. Anyone who's interested in arbitrage will consider this aspect as a gold mine of its own. I'm convinced that these price variations will soon disappear as the markets evolve and consolidate.

Adoption & Growth

Cryptocurrencies are clawing their way into mainstream use and continued adoption. While the older generations tend to call it "fake internet money", the younger generations and millennials are embracing the potential and the promise of democratisation of money. That said, today there is a global adoption percentage of around 3-4% of the world population using cryptocurrencies in one way or another. That's comparable to the 3% of adoption of the email technology in 1997. Where would we be today without emails? Maybe we can compare paper money to the telegram, telex and fax machine to put it into perspective and like those technologies, paper money will become obsolete. One obstacle that first generation coins are struggling with at the moment is scalability. Transactions can't be broadcast and confirmed fast enough to live up to the standard or exceed our expectations, for example in consumer retail. The technology currently used by Visa can process 24'000 transactions per second, which is the speed we are accustomed to and the fastest cryptos reach 1'500-2'000 transactions per second. It is not essential to exceed the current speed of 24'000 but it is important to match it.

If the financial world adopts Bitcoin as the new gold, the price of one coin would be in the region of $350'000 each, that's 30+ times more than it is today. I'm not suggesting that this will be the case but I do think that Bitcoin still has a long way to go from its current price level. I also believe that BTC can easily co-exist with precious metals and will be more of a store of value rather than an actual form of payment, as the blockchain technology is evolving quickly and better and faster coins are coming along that will allow for real day to day transactions.

At the end of the day, we simultaneously have to take a Darwinistic and cartesian approach to the subject of cryptocurrencies. It is an extremely competitive environment where only those coins can survive that will quickly adapt to change. At the same time, all of these coins require substantial analysis and you have to be ready to question everything. Hence the combination of the teaching of Darwin and Descartes.

The value proposition of each coin is fairly easy to identify because this market is based on transparency and a lot of information is made available to educate potential buyers or investors. Therefore, if we open our eyes and study cryptocurrencies with logic and reason, and take an unemotional stance towards the overall market, there is a great opportunity for this new asset class to add sustainable value to a portfolio and it certainly mustn't be ignored.

G. Patrick Gruhn,
Partner at Good Life Family Office AG

Amaze Expo
Breaking All Barriers Of Innovation

Amaze Expo (Formerly known as Big Boys Toys), is the Middle East's premier innovation and luxury lifestyle exhibition. The show displays the world's most unique and luxurious products and services from an amazing lineup of the most innovative manufacturers.

Dubai, United Arab Emirates, March 06, 2018 – The 8th edition of Big Boys Toys now known as AMAZE Expo, is the Middle East's premier innovation and luxury lifestyle exhibition. The exhibition will open its doors from the 22nd - 24th of March 2018 at Dubai International Financial Center. The event will witness high-end innovative products such as an autonomous suitcase, earphones with a top-shelf sound experience characterized by powerful bass and super clear crispy mid-highs, unique bronze sculptures made in a powerful and dynamic way, jewellery from famous Hollywood designer, a ready to fly off road car and many more products.

Speaking about the event, Mr. Biju Jayaraaj, Chief Executive Officer of Amartze Events, the organizer of the exhibition said, "We are thrilled to host the Amaze Expo (Formerly known as Big Boys Toys) back in Dubai, a city that has gained popularity as one of the top innovative design and fashion destinations in the world and home to one of the world's largest shopping malls. Tourists from around the globe come to Dubai to shop haute couture and luxury fashion brands and hence Dubai is a favourite city for acclaimed designers and innovative luxury lifestyle brands to reach buyers in the Middle East."

Visitors at the show will be able to view an exclusive collection of featured 14 categories Art, Adventure, Aviation, Digital, Drive, Fashion, Lifestyle, Marine, Off-Road, Ride, Wellness, Kids Lifestyle, Pets Zone and

Woman's World will be an area dedicated solely to women luxury lifestyle providing an unparalleled shopping experience catering to all their needs across an array of selections like Fashion, Jewelry, Lifestyle, Travel, Beauty, Wellness, Consumer Electronics, Interiors and Financial Services.

The exhibition is a platform for the world's newest, rarest and unique bespoke innovations and state of the art creations. It is a must visit the exhibition to experience products & services you never knew existed, Witness latest cutting-edge technology and experience jaw-dropping Innovations.

Amaze will open its door for an exclusive preview of the exhibition for privileged customers of Emirates NBD, Trade and Media on 22nd March - day one (invitation only day) of the exhibition. The succeeding days will be at an entry fee of 20 AED to the general public. The exhibition is open from 3:00 pm to 10:00 pm on all three days.

For additional details on this exhibition, media appointments or corporate inquiries
press@amaze-expo.com

www.amaze-expo.com
www.thewomansworldexpo.com

INFLATION

OBSOLESCENT OR TOMORROW'S MENACE

by Caroline Butler: CIO of Walcot Partners

When we talk about asset allocation, we tend to think about an efficient mix of bonds, public or private equities, hedge funds etc. But there is nothing sacred about today's mix of asset classes. Over the centuries wealthy families have invested in whatever assets were available to them at the time. Sometimes enriching, sometimes not. In Dickens' time, lots of wealthy heroes lost all by investing in highly speculative railway bonds. Bismark apparently invested only in forests and government bonds. Oxford and Cambridge Colleges "invested" in land and are still going 500 or 600 years later.

In today's world, wealthy families seeking to run balanced portfolios have benefited from a massive increase in types of asset class. Balanced or diversified portfolios avoid the concentration syndrome. Equity falls are offset by bond returns. The reach of listed equities has become truly global and this also provides country diversification. Private equity funds have proliferated. Fixed income, hedge funds, structured products, commodities, gold are all part of the wealthy family's allocation arsenal.

Can we take this diversity for granted? Or should we be looking at useful asset classes today with a more critical eye. One that focuses on the enormous distortions created by Quantitative Easing (QE), namely the dark side of the massive liquidity injected to save us from financial Armageddon.

We know the positives of QE. What are the dangers? The crisis of 2008 dealt an enormous blow to financial markets. Families invested in equities saw portfolios drop 40% or 50% over a few months. Those that panicked and sold, lost half their capital. Because of the asymmetry of loss, funds must grow 100% to recover from a 50% decline. Families that had invested in some hedge funds found their capital frozen. I know of portfolios even today where "side pockets" stand silently witness to the risks of investing in funds where the contents are shrouded in a black box of derivatives.

But the equity gyrations masked a revolutionary trend. A massive bull market in bonds and over two decades of falling interest rates. As markets recovered from the inflationary shock of the 1970s oil crisis, emerging markets brought miraculous deflation to the West as prices fell for clothes, food, toys, cars parts etc. etc. Global interest rates fell. By mid-2016, some 500 million people in a quarter of the world's economies were living with negative interest rates.

QE hugely distorts the efficient allocation of capital. It keeps Zombie companies alive that should have gone to the wall and slices interest rates to levels that encourage inefficient investments reducing productivity. Such artificially low rates play havoc with investment discount rates and the assessment of pension and insurance liabilities. Most importantly if you inject that amount of liquidity into the system, you will create hyperinflation unless productivity can outrun the excess cash.

However, the argument that we are on the verge of an inflationary surge is much resisted. After all, we have had a huge increase in liquidity over the last nine years and what do we have? NO inflation.

This is true but as usual, the past is not a guide to the future. One of the clearest explanations of this conundrum has been given by Professor Richard Koo (ex NY Fed and Nomura Institute). Traditional economic theory is that an increase in a central bank's balance sheet leads to an increase in the monetary base which leads to an increase in inflation. This is because the central bank buys bonds from banks in exchange for cash, which the banks then lend out to corporations, who then invest in projects which in turn generate revenues and which through salaries and dividends etc. feeds into consumption. Unless productivity growth is above the liquidity increase, the surplus cash gives rise to inflation.

Given that the Fed has increased the monetary base 4.5x since 2008, the money supply with a small lag should have been up by 350%. In fact, over the period it has only risen by just over 60%, i.e. hardly at all. In the rest of Europe where despite an increase in the monetary base of 109%, loans to residents fell over the last decade.

The picture in Japan is the same. There QE started in 2001, took off in 2011 leading to a stunning 10x increase in the monetary base since 1990 while bank lending only rose 14% since 1990!

So why is there no inflation now and will this continue?
Professor Koo believes that sitting within the banking system is a massive amount of liquidity, a time bomb waiting to explode into very high inflation. There are already asset bubbles. To avoid this inflationary menace, central banks need to increase interest rates and suck out the liquidity without destroying their fragile rates of GDP growth.

A very tall order. At the same time, it is not too cynical to recognise that higher inflation reduces debt with which western governments are overburdened. John Maynard Keynes wrote that inflation is a way for governments to "confiscate, secretly and unobserved, an important part of the wealth of their citizens".

So what are some investment ideas to preserve wealth if inflation takes off?

1. Invest and hold the shares of companies that make and distribute essential staples whether it is well-known brands of drink, food, clothes or household goods where consumer demand is relatively inelastic or companies whose market leadership, technology and quality of product protect their ability to raise prices.

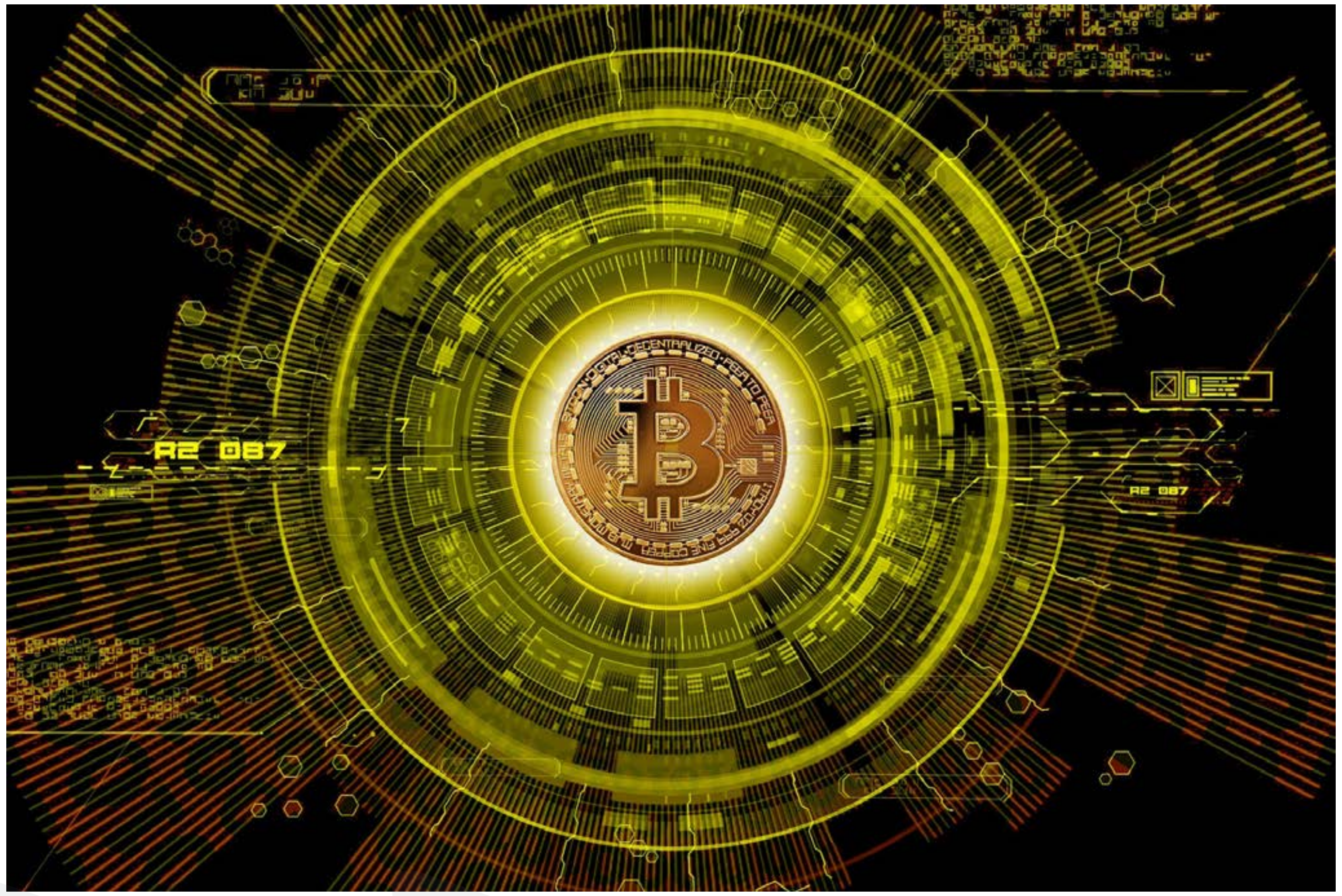
2. The majority of listed stocks may not fare well so passive investing which buys the whole index blindly will be painful. Move to active fund managers, get rid of your ETFs.

3. Bonds will deliver negative returns. Keep positions short. But if you leverage assets, the real value of the loan falls as inflation increases. Leveraged solid property assets will thus look good. Three years inflation at 10% and your loan is worth 30% less while the property is stable or even rising in real terms. BUT be careful: you have to be able to fund all your interest payments.

4. The specialist property will also do well. Perhaps it might even be worth looking at some of Bismark's forests: at least they are absorbing the world's harmful carbon.

Caroline Butler is a CIO of Walcot Partners advising a HNW family and a number of university endowments.

cb@walcotpartners.co.uk



MURKY WATERS OR VIRGIN SEAS?

INVESTING IN BLOCKCHAIN AND CRYPTOCURRENCIES IN 2018

Why is everybody talking about Blockchain?

Pivotal technologies like the wheel, the printing press, gunpowder, the internal combustion engine and the internet have been key drivers of social change. The Blockchain evangelists would have us believe that is humanity is now at such a milestone. Predictions range from 'cheaper transaction fees' to the 'end of central governance'. Only time will tell. The technology remains in its infancy but is advancing rapidly as organisations the world over scramble to figure out the implications for their existing business models.

What is it?

A now famous 2008 whitepaper titled "Bitcoin; a peer to peer electronic cash system" solved a complex problem: if you don't have a central regulator, how does everyone agree who owns what and where is that recorded? Through a mixture of encryption, consensus algorithms, a careful balance of financial incentives and the distribution of that record on multiple computers simultaneously, the writer(s) proposed a way to maintain a ledger (like an excel spreadsheet) that was immutable and accountable. Each time the state of that ledger was agreed a 'block' was created, hence the term 'blockchain'.

In 2015, a young Canadian programmer named Vitalik Buterin took the blockchain concept a step further. Etherium introduced a programming language which meant that, rather than just keeping a ledger of transactions, the Etherium blockchain could be used to create applications which did more things. This is where it gets interesting. The Etherium project arguably created the first decentralised computer, thereby opening up a new door of possibilities and begging the question: If we can have a currency without a central bank, what else does it make sense to decentralise?

Etherium also introduced the means for third parties to create and manage secondary digital tokens (built on top of the Etherium network) efficiently and without the need to build their own blockchains, and so created a means to raise capital efficiently and seemingly free from regulation: The ICO.

Secondary Tokens and The ICO boom

Start-up projects of varying quality jumped on this as a means of raising capital in 2016 and 2017. In an ICO, the issuer typically sells tokens whose function is theoretically to access some future product or service that the issuer is building, the idea is that the value of the tokens will increase as the product is launched and its usage increases, benefiting those early adopters (ICO participants).

These tokens do not typically carry voting nor dividend nor rights of recourse against the issuer. From a regulatory perspective, the objective of token sales has historically been to avoid classification as security. This is a fluid space and regulators the world over are wading in, taking varied positions on the balance between consumer protection and stifling innovation. Expect to see more security tokens in 2018, tradeable on regulated exchanges, as entrepreneurs look to tokenise everything from property interests to royalty income.

Investing in the future of Blockchain Cryptocurrencies and Bitcoin. Firstly, let's distinguish between crypto-currencies and tokens both regarding utility and regulation. Currencies such as Bitcoin seek to be a store of value in their bid for adoption. Eye-watering volatility aside, the long-term, widespread adoption of one or more of these currencies now seems inevitable.

There are some established exchanges that allow you to buy major cryptocurrencies. They are subject to daily limits and larger trades can move the market price quite significantly. Large buyers and sellers tend to operate via "over the counter" brokers, who can help investors navigate the complexities of this new asset class, de-risk the transaction and provide access to the otherwise anonymous large holders of these assets.

ICOs. You may come across an opportunity to invest early stage before tokens are issued. These are start-ups in an uncertain space, so all the usual investment warnings apply and then some. The difference between a blockchain project pre-ICO and the traditional start-up model, however, is increased liquidity. Increased regulation is putting more pressure on this early stage of investment as pre-selling tokens before the ICO to raise money is more likely to result in the token being categorised as a security. This is leading a trend back towards more traditional models, including restricted exempt security issues and convertible debt, in the pre-ICO investment stages. Accredited investors and VC's have therefore regained their advantage over retail investors, attracting a new class of investor to the space.

Conclusion

This genie is not going back in the bottle and both Blockchain and crypto-currencies are here to stay. As decentralized computing systems become more advanced, we can expect their use to spread and the landscape to change. Investing in this emergent asset class carries substantial new risks, however, and should be approached with due caution.

Gavin Cunningham is a former UK corporate lawyer, has managed family offices in the UK and North America and is now a principal at Constellation, a bespoke advisory and OTC brokerage service for family offices and high net worth investors in the crypto space.

gsc@constellationgroup.io

Société Civile Immobilière

THE PREPARATION OF ANNUAL ACCOUNTS FOR A FRENCH SCI IS REQUIRED FOR TAX REASONS

The question of preparing annual accounts for an SCI (Société Civile Immobilière) appears to be clear under French domestic tax law. Some foreign and French resident clients contacted us wondering whether accounting should be held for a French SCI. These clients have had different replies from different practitioners. The purpose of this article is to show the necessity for tax purposes to hold annual accounts.

Robert Anthony
Anthony & Cie MFO

Over recent years an increasing number of people have purchased properties in France. Many clients have purchased French real estate through a French SCI. The question that arises is whether the SCI must hold a French accounting and prepare annual returns.

If accounts and returns for an SCI are prepared, the Company has substance and questions from the French tax authorities on the SCIs real existence are compromised, whereas if accounts and statutory books are not maintained, this may lead to an audit from the tax authorities who will consider the SCI is non-existent with resulting consequences.

The risk would be the application of the abuse of law's theory (abus de droit), based on section L64 of the French General Tax Code. This article is used to cancel a legal scheme that has been established solely for tax purposes. Under these circumstances, the French tax authorities are entitled to ignore the legal framework of the scheme completely. This also may include any normally allowable expenses.

One has to keep in mind that the abuse of law legislation is based on material facts. An SCI can be considered as a sham company under certain circumstances.

For example, an abuse of law case was proved involving an SCI that transferred all its benefits to one shareholder and had not held annual general meetings nor drafted any annual accounts (Conseil d'Etat March 23th, 1984). One has to underline that the lack of annual accounts was one of the indicative reasons for the abuse of law.

In another case, an SCI was considered as a sham company due to the lack of annual accounts, general meeting minutes and annual reports (Conseil d'Etat February 25th, 1981).

In a third case law, an SCI did not prepare any balance sheet. The income received by the SCI was credited to the shareholders' current account. However, only the SCI's general meeting could authorize this transfer (Cour Administrative d'Appel Nancy December 27th, 1990). As there was neither correct annual accounts nor any general meetings, the abuse of law's theory was applied by French tax courts.

Many advisors are not tax specialists and do not consider the consequences of the SCI to prepare annual accounts. This is despite the fact that the real estate is owned by the SCI and used by the SCI's shareholders. However, given the above case laws as well as tax obligations, it is essential that the annual accounts are prepared with the filing of appropriate tax declarations. This is necessary to avoid any potential tax audit with further consequences. The non-filing of returns can result in an annual tax of 3 percent of the value of the property as well as late interest.
Over and above the 3 percent tax shares of an SCI allow the will in a foreign jurisdiction to apply to the wishes of the deceased. Direct ownership may follow FRENCH forced heir ship rules. An illustration is the creation by the nonexistence of the company whereby the problem of forced heirship rules for estate planning becomes an issue defeating the purpose of the company. The director's loan account will no longer exist and therefore the debt is not deductible as there is no company and duty will accordingly be assessed on the demise and on the market value.

Others tax reasons can also be developed regarding tax audits.

Firstly, French SCIs are registered companies and must file specific tax forms. According to the French General Tax Code (Section 46 D of the 3rd part of the French General Tax Code), an SCI must provide the tax authorities with any accounting documents proving the reality of the figures mentioned in the annual tax forms filed by the SCI. Therefore, it is necessary to prepare annual accounts from a tax standpoint.

Secondly, in case of a tax audit, it is crucial that the SCI's annual accounts be held. In a case law (Conseil d'Etat June 1st, 1984), the tax authorities audited the accounts of an SCI. They tried to prove that the taxpayer hid some income. To prove this tax evasion, the tax authorities reassessed the taxpayer's personal income tax return and the income declared in the SCI's annual accounts.

An SCI's director's sole obligation is to present a report to the SCI's shareholders during the annual general meeting. However, it is not that simple. How does one prepare an adequate report without the supporting documents? Advisors need to reflect further as to the reality of case law. Unfortunately, many professionals don't consider adequately the ramifications to their clients on non-compliance of not preparing tax accounts, filing and the tax implications as it is not their speciality.

"Directors of civil companies must, at least once per year, inform the company's shareholders of their management. A report has to be drafted, including the company's activity during the previous year, the gains and losses realized or forecasted".

Tax law and prudence recommend that formalities are carried out. Annual tax filing is obligatory. There is a new beneficial owner declaration which must be filed before March 31st, 2018 (for all French companies). Non-compliance with this new declaration will be subject to a fine of €7,500. Wealth tax declarations now known as IFI are also obligatory for market value assessed over €1,300,000. If the company is not recognised neither will the debt be deductible? It is impossible for a sale to calculate correctly capital gains tax without proper accounting. Finally, the non-filing of returns can result in a 3 percent annual tax on the market value of the property plus penalties and interest.

FOCUS - Interest to hold accountancy in an SCI

- Incomes justification and the benefit of the declaration 2072 for example

- Presentation of the annual accounts to the partners: need to draw up a balance sheet and an income statement

- Entry or exit of a shareholder and valuation of the shares (valuation of his current account, his debts, his claims in respect of the SCI)

It is clear that accounting in an SCI is useful in more than one way. This allows associates to keep themselves informed of the follow-up of their respective rights, to make it easier to bring in a partner and to answer questions from the tax authorities as well as future estate planning.

ra@antco.com
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THE NEXT TECHNOLOGY GOLD RUSH

BIO-PRINTING

BIOPRINTING BODY PARTS FOR TRANSPLANTS

Bioprinting involves the use of advanced printing technology to print live cells for use as human organs for transplants; the cells then seem to be able to rearrange themselves after printing.

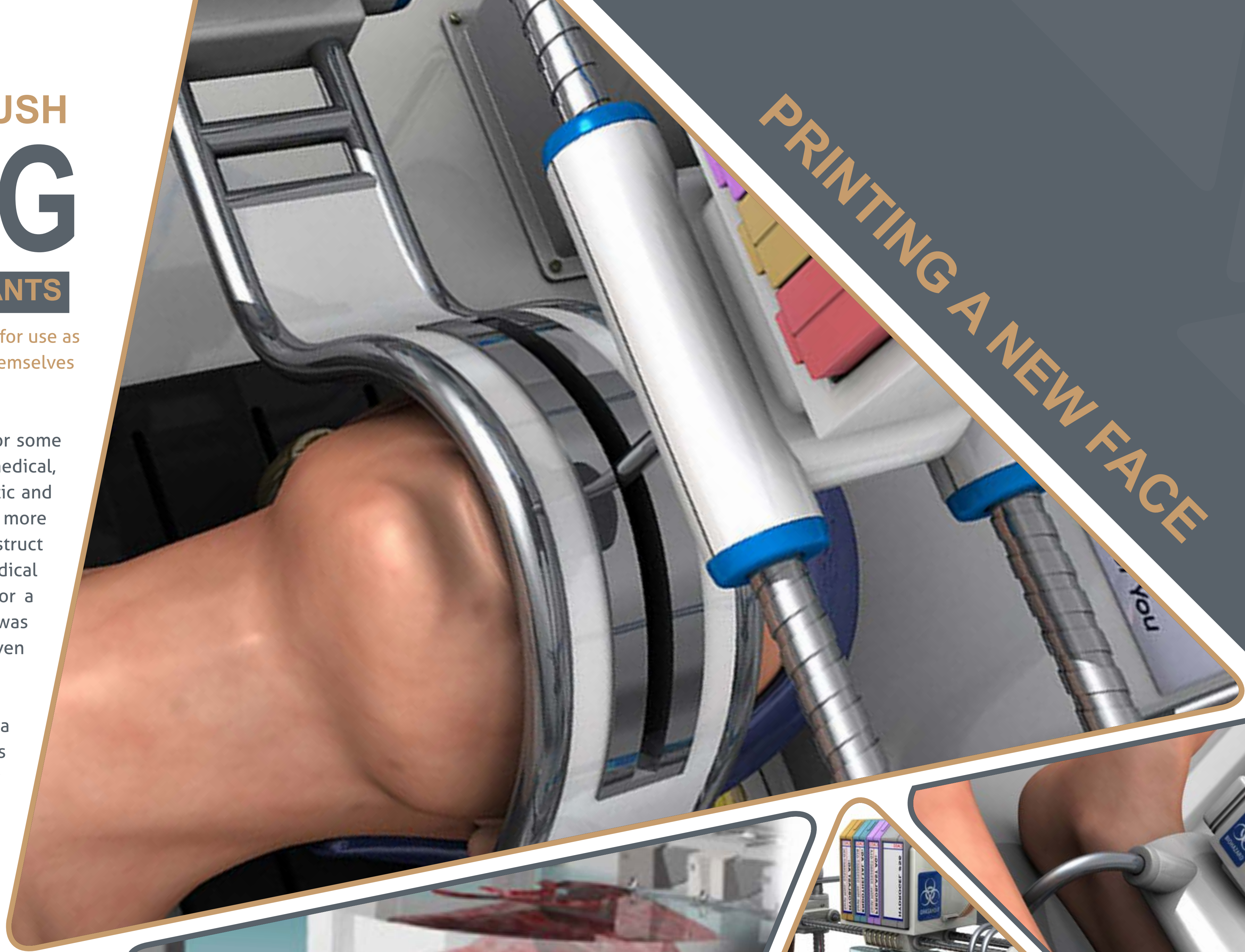
The 3D printing industry has come a long way in the last few years and has for some time been printing a diverse selection of objects in areas such as automotive, medical, business, industrial equipment, education, architecture, consumer products, plastic and metal items. However, while this seems like an incredible achievement, even more incredible is the recent development of bioprinters. This technology that can construct living tissue by outputting layer-after-layer of living cells will revolutionize the medical field. 3D printed prosthetics and implants have already been on the market for a number of years. Recently in the news, the first customized 3D-printed lower jaw was created for an 83-year-old patient with a serious jaw infection. The FDA has also given approval for a 3D printed implant that replaced 75% of a man's skull.

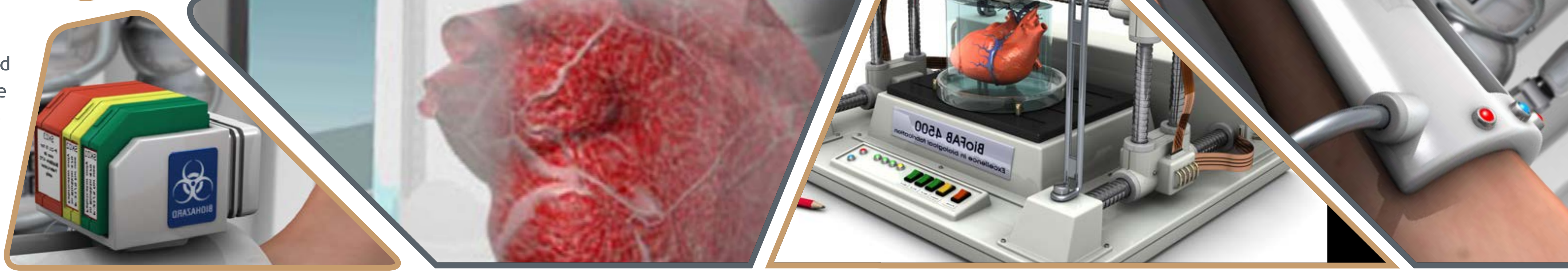
Future developments include keyhole bioprinters that can repair organs inside a patient's body during an operation; other developments have cosmetic applications such as face printers that could evaporate existing cells while simultaneously replacing them with new cells. Future technology could also give people the ability to download a face template from the Internet and have it printed onto their own face or have a saved template of their own younger face and have it reprinted back on, later on in life. As bioprinting interacts more and more with the medical fraternity, replacement body parts and organs will be a relatively simple and routine task. In addition, as every organ printed will be from a patient's own cells, the risk of transplant organ rejection would be negligible.

According to Christopher Barnatt, the Associate Professor of Strategy and Future Studies at Nottingham University Business School in the UK, 'I believe that bioprinting will become a mass-use medical technology, largely because it will be readily scalable, unlike current transplant techniques that are limited by donor tissue availability. I expect bioprinting to enter an application in the early 2020s for things like nerve and arterial graft transplants. Kidneys will probably follow by the late 2020s, and more complex organs, plus in situ bioprinting in the 2030s.

- REPRINT DAMAGED BODY PARTS AND SKIN
- REPRINT YOUR YOUNGER FACE AT ANY AGE
- POSSIBILITIES FOR MEDICINE ARE ENDLESS

PRINTING A NEW FACE





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SECURING YOUR MOST PRECIOUS ASSET CHILDREN STUDYING ABROAD

by Michael O'Rourke

Unique to the Family Office business model is succession planning. Preparing the next generation to take the helm begins early, and a quality education remains a foundational cornerstone. Family heads frequently view an international component to education as vital with heirs attending one or more semesters, or even an entire program of foreign study. Quality and reputation carry significant weight when selecting a foreign university, but what of security? The safety abroad of your most precious asset deserves your utmost consideration.

Determining risk for your children before sending them abroad must begin with a comprehensive threat and risk assessment at home. Is there an existing record of threats against the Family Office? Carefully review the public perception of industries in which the family is a known stakeholder and the nations within which the family does business. Negative press previously ignored must now receive proper scrutiny for threats. Perhaps some view the family head as polarising but feel powerless to act. Might radical groups be moved to violence against a vulnerable student alone in a foreign land?

University selection requires a holistic, macro to micro examination from a security perspective. Start with a national level assessment with an eye towards governance and political violence, terrorism, crime, and kidnapping. British citizens should begin research at gov.uk/browse/abroad, while Americans should check state.gov/travel. These government sites are not exclusive to their citizenry; anyone may utilise these resources. Many nations have similar sites, so search beyond the obvious

Scouring international media sources is likely a familiar routine for your Family Office's business and investment activities. Now consider them a key to your security research. Read the online versions of national papers and take a deep dive into local editions that fly beneath the international radar. Here you will often find news of disturbing trends and incidents that go unreported outside that country's borders.

Working inward, examine those same factors at the provincial or state level, followed by the city. Have terrorists struck previously? Is civil unrest or the targeting of foreigners an issue? Where are the high crime areas, and are there no-go sections that even the police avoid? Is the social climate hostile to a demographic or group to which your child belongs? The answers are relevant because it is unlikely your child will be confined to campus, mainly if the university's buildings are scattered in urban landscape.

Examine security on university grounds. Are there a dedicated security staff? As an example, the security services at Oxford and Cambridge are easy to locate via their respective school websites. In America, most large state universities and some private institutions, including Harvard and Yale, have their own accredited and armed police departments. Are emergency response plans well-rehearsed, and the technology to communicate critical information to the student body in place?

University security in many other countries is more difficult to ascertain from afar. In these instances, a parental visitor, perhaps better, a proper assessment by a private security consultant is in order. Student accommodations at a university or in off-campus apartments must also withstand scrutiny, preferably by a trained professional. Besides overall building and individual living quarters security, vulnerability, when exiting and entering, is considered. Is street and walkway lighting in the area adequate for safe passage after dark? Human traffic patterns at all times of day and days of the week must be known.

Most children of high net worth families studying abroad travel without a security detail. Therefore a solid grounding in personal security becomes mandatory. Accepting responsibility for such pressing matters can be difficult for young adults. They must commit to maintaining a high level of situational awareness, as we discussed on page 81 in the Autumn 2017 issue.

Varying routes, travel times, and understanding the basics of detecting the surveillance that often precedes a terrorist attack or kidnapping attempt are among the active measures that can disrupt evil plans and put an adversary on the back foot. Taking the proper low-key actions if surveillance is suspected is vital to reaching safety while not forcing a criminal to act precipitously. One needs a mental map of previously verified safe havens, with security services locations at the top of the list. Consider these as islands of sanctuary in a suddenly hostile urban sea.

Recognizing when innocent small talk becomes elicitation designed to reveal privileged information or uncover vulnerabilities is a valuable personal security skill. When out for an evening, female students must maintain the awareness required to protect drinks from drugging attempts, and they will have additional security concerns beyond those of young men.

Imparting personal security skills, and mitigating threats through careful university selection will serve to reduce vulnerability to a variety of dangers. The goal is to make your child a harder target and convince bad actors to seek more vulnerable prey elsewhere.

Michael O'Rourke, CEO of Advanced Operational Concepts, provides security advice for exclusive clientele around the world.

mike.orourke@adopcon.com
www.adopcon.com.

THE ORIGIN OF THE LEVERAGED ASSET MANAGEMENT PROGRAM ("LAMP") PROJECT FUNDING SYSTEM

by Michael J. Weiner

Decades ago, at the end of World War II, the financial underpinnings of most of the countries in the world were devastated by the costs of fighting and then rebuilding infrastructures and other critical projects needed for reviving and sustaining humanity.

After World War II, the U.S. had the most significant gold reserves in the world. Along with winning the war, this lets the U.S. reconstruct the global monetary system around the dollar. The new system, created at the Bretton Woods Conference in 1947, tied the currencies of virtually every country in the world to the U.S. dollar through a fixed exchange rate. It also tied the U.S. dollar to gold at a fixed rate of $35 an ounce. The dollar was said to be "as good as gold." The Bretton Woods system made the U.S. dollar the world's premier reserve currency. It effectively forced other countries to store dollars for international trade or to exchange with the U.S. government for gold.

However, this pseudo gold standard was doomed to fail. A plan was devised that encompassed various strategies to create funding for these projects which, by their nature, were not meant to create business ventures that would be profitable in the purest sense of the capitalist world. Reconstructed roads, bridges, hospitals, and other infrastructure needs are not the best investment when a capitalist is seeking a return on his or her investment from ordinary startup and operation.

To help entice private money to create funding for desperately needed projects, the financial and political engineers of this plan created a way for wealthy families and corporations holding enormous sums of cash and certain other assets to invest and achieve profits from buying and selling bank paper, profiting handsomely, and dedicating the bulk of the profits into needed projects. The system is designed such that no risk to the investor's participation.

This article is not meant to go into granular details of how all this transpired, nor is it meant to be a complete education in this tight, niche financing scheme.

It is, however, helpful to understand how things got started and have evolved into the ongoing buying, selling or trading of bank debentures (medium-term notes, guarantees, etc.) as a method of generating profits which would be mostly used to fund the reconstruction and rebuilding around the globe, with a very generous return to the investor.

By the late 1960s, the number of dollars circulating had drastically increased relative to the amount of gold backing them. This encouraged foreign countries to exchange their dollars for gold, draining the U.S. gold supply. It dropped from 574 million ounces at the end of World War II to around 261 million ounces in 1971. To plug the drain, President Nixon "temporarily" suspended the dollar's convertibility into gold in 1971. This ended the Bretton Woods system and severed the dollar's last tie to gold. The "temporary" suspension is still in effect today. Therefore, the Federal Reserve can print as much paper money as it pleases.

The death of the Bretton Woods system had profound geopolitical consequences. Most critically, it eliminated the main reason foreign countries stored substantial amounts of U.S. dollars and used the U.S. dollar for international trade. So, the U.S. government developed a new system — the petrodollar system. It gave foreign countries another compelling reason to hold and use the dollar. The new arrangement preserved the dollar's special status as the world's top reserve currency.

For President Nixon and Secretary of State Henry Kissinger, it was a geopolitical and financial masterstroke. There is indeed, a tremendous amount more detail than can be discussed here.

To repatriate the US Petrodollar, Kissinger created a system of trading that is in use even today. It is this system that forms the foundation for Project Funding through our mechanism, which we call the Leveraged Asset Management Program or LAMP. Today, it is highly regulated and falls under the purview of the international monetary powers.

The purpose of this document is to help you, as a possible investor, become aware of the opportunity today and the reasons why it is in existence.

Today's financial and economic needs have grown in orders of magnitude over the last 70+ years, with increasing worldwide poverty, starvation, and illiteracy, plus the continuing needs of a government to provide basic services for its citizens. The LAMP system of funding still supports the reasons for providing very handsome profits to the client, while at the same time designating most of those profits to pay for these needed projects. Times have changed, the names of the instruments are different, and the manners in which they generate funding profits have changed, but the core objective is still the same: To create funds for infrastructure, environmental and humanitarian projects around the globe through a risk-less proprietary managed buy/sell program.

To repatriate the US Petrodollar, Kissinger created the system of trading that is in use even today. It is this system that forms the foundation for Project Funding through this mechanism. These are considered Private Placements. They also require new money to expand the project funding mechanism to support the worldwide projects funded by IMF and World Bank. This is where ultra-high-net-worth companies are invited to participate with the guaranteed promise of excellent returns in exchange for the use of an investor's money, which acts as underlying collateral to a central bank credit line.

This article was designed to help familiarise a prospective Client who is unfamiliar with the LAMP Project Funding Trade Program world. We present this to you as a means of clearing up the many misunderstandings that people around the globe have had about this method of funding, and to provide some insight into the ongoing funding of major infrastructure, humanitarian and environmental projects that benefit humanity, the environment and nation's infrastructure needs.

Michael J. Weiner
INTAKE OFFICER – LAMP
Michael.w@bankusassociation.com

VOLATILITY, CORRELATION AND RETURN ADVANTAGES IN PRIVATE DEBT

OLD HILL PARTNERS

Jeffrey Haas is the chief operating officer of Darien, CT-based Old Hill Partners Inc., an SEC-registered investment adviser focused on asset-backed lending and alternative investment management. In this Q&A, Haas describes the volatility, correlation and return advantages that can be found in properly structured private debt transactions.

Jeffrey Haas
Old Hill Partners

Can you describe the private debt space?

Private debt transactions are custom structures in which an alternative lender provides capital, generally not available from traditional lenders due to post-crisis regulatory constraints, to businesses which need growth and expansionary funding the most. Often described as direct lending, these transactions are secured against either assets or the company's future cash flows and have become very popular with a wide range of investors since the financial crisis primarily because they tend to yield several hundred basis points higher than comparable traded credit instruments. In light of the low-yield environment in place for nearly a decade, they can be an important source of attractive risk-adjusted returns.

Aren't there liquidity concerns with such transactions?

The lack of liquidity has some advantages. Provided the lender has done its homework on the borrower and is comfortable with the business risk, we think approximately 400-700 basis points of excess spread can be earned over a comparable publicly traded security by accepting and managing the illiquidity of a private credit transaction. It comes down to risk management; liquidity is most useful when an investor needs to exit to match their assets and liabilities. In many instances, investors overstate their need for liquidity and most can afford some illiquidity in their portfolios, especially if it can provide a good return, has low volatility and is uncorrelated with other investments.

If the manager has done proper due diligence, remains in close contact with the borrower, and has structured the transaction to emphasise capital preservation and minimised risk, then the disadvantage of illiquidity is amply absorbed by a significant pickup in risk-adjusted yield.

The illiquidity premium you mentioned compensates the lender for a range of risks, including interest rate and default risk.

How are these handled?

Every transaction is unique because every borrower is unique, but there are some prudent rules private debt lenders can take to adequately mitigate such concerns. For instance, to address the advent of a rising interest rate environment, many asset-based transactions are structured using floating-rate coupons pegged to a benchmark and a floor under which the coupons never go. As rates rise, so do the coupons, keeping the lender's cash model on an even keel. As for default risk, private lending yields above-traded credit instruments because of the illiquidity of the loans and the size of the transactions, not necessarily because of materially higher credit risk.

Where liquidity does come into play, though, is with the assets securing a loan; understanding the value and the potential liquidity of a transaction's underlying collateral is key to the private debt calculus, as is lending conservatively against it, so the lender's capital is likely recoverable should a problem arise. The irony is that private debt lenders are usually far more familiar with the business health of their borrowers than they would be if they were to invest the same capital in a comparable corporate bond issue. They can work with the borrower to restructure long before a crisis ensues, an advantage not necessarily available to a corporate bondholder.

You also mentioned low volatility and correlations. Can you explain?

The market swoon in February was a perfect reminder of the interconnected, volatile nature of modern traded markets. Both equities and bonds tanked, illustrating that at least in the current environment, high relative prices in both means they move in lockstep when a correction arrives. By nature, private debt transactions are isolated from the volatility inherent in other markets because they don't trade in a public forum, and they are uncorrelated against those markets for the same reason. Indeed, when set against the S&P 500 and a range of credit benchmarks, Old Hill's asset-based lending transactions exhibit very minimal standard deviations, slightly negative correlations against blue-chip equities and slightly positive ones against aggregate bond indexes.

Why is private debt attractive for family offices?

Since asset-based lending transactions can result in both uncorrelated absolute returns and low volatility, the space is ideal for two groups of investors. First, those with longer time horizons or long-dated liabilities, such as insurance companies, pensions and foundations, are more willing to incorporate illiquid assets into their portfolios because they have a mandate to be patient.

The second group tends to be investors for whom capital preservation, low volatility and uncorrelated absolute returns are an important part of their overall strategy – such as family offices, high net worth individuals, some hedge funds and other institutional investors.

For this latter group, asset-based private debt can be a compelling adjunct to their existing fixed-income allocations. It's the best of both worlds – attractive risk-adjusted yields that are not joined to this or that asset class and can't be yanked around by increasingly fickle public markets.

TODAY'S TOOLS FOR TOMORROW'S OUTCOMES: PREPARING YOUR CHILDREN FOR FINANCIAL INDEPENDENCE AND INHERITANCE

by: Danielle M. Paganuzzi, Director, GM Advisory Group

You want your family's values and wealth to survive for generations. Ideally, family members should share the same values and work toward shared goals. The best way to ensure that is to hold meaningful conversations with your children from a young age. But don't panic if they are already adults. It's never too late to start talking with them.

The right conversations will educate your children about your family's values and prepare them to become financially responsible, independent adults. Such conversations can ensure that your children understand what is important to you so your legacy will continue for generations under their stewardship. Conversations can lay the foundation for children to lead enjoyable, productive, and successful lives.

Teachable moments are everywhere. We see teachable moments as young as age five or six when children can understand counting, the concept of money, and the concept of want versus need. Do they need that candy bar, or do they simply want it?
A conversation starter we use with children of all ages, especially with young children, is a digital coin bank. At all ages, people have loose change, and watching the coins pile up in the bank reminds them of the value of saving, whether it is for a toy or an iPad.

These conversations can be held in a family circle or one-on-one, but we recommend using both settings. In a family circle, we suggest that individuals talk about topics such as their family values (what they are, why they are important, and how family members reflect those values in their lives) and the story of their wealth (how they acquired it, their experiences with investments and business, and their financial missteps and successes). Discussing how you overcame obstacles or failures can offer powerful examples of your family's values. The family circle is not a one-way conversation. Offer opportunities for your children to express their views on finances, financial success, and philanthropy. Encourage them to discuss their goals. It is important that your actions line up with your words. For example, you will be more persuasive speaking about philanthropy if your children see that you are involved in a family foundation or volunteer at your favourite charity.

We find that our clients benefit from meetings in our office that evolve into family circle meetings. That is because we make an effort to meet with every family member and offer a safe forum for discussion as well as resources to help clients create desired outcomes. We engage with children at a young age to assist with their financial education, and we can even develop a curriculum. We understand that each generation's response may differ from their parents' responses, and these may also differ by life stage. Our clients benefit from our deep understanding of what they want to achieve with their legacy and what matters most to them.

The complexity of the concepts addressed will evolve with age and education. We can address and assist in the education of the youngest of children through the oldest adults by covering topics ranging from the idea of money, wants versus needs, and spending versus saving to philanthropy and investment accounts, followed by debit, credit, bank statements, and interest and dividends. We find it especially important that high school and college students learn about compounding, budgeting, and financial markets.

Being a high school student today is more complex than ever. This is when children learn to drive, begin the college application process, and develop the idea of "adulting." This is a good time to focus on commitment to saving, shopping smart not impulsively, and introducing the anatomy of a paycheck. Preparing for the SAT and ACT also puts a lot of pressure on this age group, so we recommend that these young adults engage in our Next Gen program, which provides resources and tools on numerous topics to support their testing success, including how to establish a realistic plan, tips for studying, practice tests, and tips for test day.

Choosing and preparing for college is not an easy task for parents or students. We encourage our families to weigh in on several factors when researching schools, including location, campus setting, cost, major selection, and learning environment. We take pride in having extensive resources to help our clients' children with resume writing, internships, volunteer opportunities, and recommendations to college advisors.

We find that a good time to address financial planning and career plans is when graduation is near. As members of our clients' family circles, we meet with new graduates to discuss budgeting, credit cards, retirement savings, and other topics tailored to that individual's needs. As your children marry, have babies, and enter new stages of their lives, new topics will appear for which we have resources to draw upon to continue to educate and support these young adults.
At GMAG we believe the greatest investment we can make is in the time and education we provide our children. Your children are an essential part of your legacy. Prepare them to make the most of their lives and their inheritance. Their success will be your greatest reward.

Disclosure:
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ASSETS UNDER MANAGEMENT (AUM) WHEN TAKING OUT MORTGAGE

They say that buying a home ranks number one as one of the ten most stressful experiences in modern life. Statistics show that the stress associated with a home purchase ranks higher than divorce, becoming a parent for the first time, planning a wedding or even declaring bankruptcy.

Notwithstanding this stress and emotion, buying a home is also one of the most expensive purchases that we make in our life and this is no different for the very wealthy. Despite there being more zeros on their bank balances, there are also more zeros on their mortgages with the emotion and stress just as great, and the associated costs even greater.

Due to the financial complexities of the very rich, purchasing a home, a second home or even an investment property can often prove more difficult. This can be due to many factors including periods of being asset rich and cash poor, irregular or complicated sources of income, purchasing through offshore corporations and trusts and even the nationality and residency status of the purchaser.

Traditionally speaking it has been the private banks or private arms of the large high street banks that have had a greater desire and understanding of HNWI and UHNWI when it comes to buying or refinancing a property. In London alone, the very wealthy have their choice of literally dozens of these banks ready, willing and able to assist. The only issue being is that if the bank agrees to the mortgage, also the borrower must place Assets Under Management (AUM) with the bank. In other words, no AUM means no mortgage.

Whilst in the past wealthy purchasers have often begrudgingly agreed to place AUM, things are beginning to change, especially in the U.K. Wealthy purchasers are now taking a stand and no longer want a financial gun held to their heads and forced to place AUM as a condition of a mortgage offer....especially when the loan to value (LTV) often averages around 60% only. The net effect of placing AUM can be the same as obtaining a 30% mortgage facility. Combine these costs with the U.K. governments new tax regime introduced by George Osbourne in 2016 targeting the national and international elite, the costs of purchasing a property in the U.K. are becoming less attractive.

Indeed the private banks will state a wealthy client can take out a Lombard loan against the newly created AUM portfolio that sits alongside the mortgage facility, but the loan to value again can vary significantly depending on the type and mix of shares and/or bonds under management. Borrowers just do not want to be strong-armed into investing their hard earned cash with the bank.....when all they require is a mortgage. The private banks call these mortgages without AUM dry loans and these banks certainly do not like dry loans.

The U.K. as often is the case is now at the forefront of alternative options for wealthy national and international clients purchasing or refinancing UK property, irrelevant of whether they are resident or non-resident. New Challenger banks and boutique lenders are beginning to wake up and realise that there is a huge gap in the market for HNWI and UHNWI who require a mortgage or remortgage without placing AUM, in other words a dry loan. Interest rates can sometimes be slightly higher, but this is easily offset against being offered higher loan to values (often up to 75% to 80% in some cases) and with no AUM.

These new kids on the block are proving their worth. They are comfortable lending to wealthy clients with complex financial arrangements. They will lend to individuals, they will lend to offshore corporations or limited onshore companies and they will lend to offshore or onshore trusts. They understand and appreciate how the very wealthy live their lives and their needs and wants regarding financing property. They often offer mortgages to clients that other lenders will not entertain due to geopolitical risk at higher loan to values and certainly with no AUM.

Article By Matthew Van Lorson

Sanova Private Office Ltd are independent mortgage and finance experts, specialising in working with HNWI and UHNWI. We are directly and authorised and regulated by the U.K. FCA. We have a deep understanding of the needs of the very wealthy when seeking property finance both in the U.K. and overseas. Our knowledge of complex offshore structures that are used to purchase or refinance the property in the U.K. is amongst the best in the market. We work with national and international clients whether they are resident or non resident in the U.K. who wish to purchase or refinance U.K. property ideally without AUM. We also work with wealth advisers, family offices, trustees, accountants and tax advisers and lawyers regarding property finance.

www.sanovaprivateoffice.com
email: info@sanovaprivate.com

SANOVA PRIVATE OFFICE

THE 7 TOP PRIORITIES
OF REAL WEALTH MANAGEMENT

Although most HNW and UHNW families create or retain, a family office to handle their wealth management needs, too often the sole focus of their family office is money allocation and asset management. To be fair to family offices, it is important to remember that it takes a lot of work to oversee these numerous projects and manage the family's investments.

However, we all know that real wealth management is so much more than just money. True family wealth encompasses legacy planning, intergenerational wealth transfer, estate planning, risk management, family dynamics, relationship management, family governance, education, succession planning, tax planning, etc. As no one person can ever be an expert in all these areas, a collaborative virtual team needs to be created through the family office that consists of team members from the family office, family members with the knowledge or interest to participate in a particular area, plus bringing together the right external experts to handle the necessary challenge.

The key question that I am often asked is how does a family office, and the family, allocate their time, energy, and money to meet all these various objectives in life.

Being a recent cancer survivor, and having faced death several times over the past five years, I can honestly say that I have radically changed the way that I would answer the above question about real wealth management to my clients today. I will verify upfront that facing death does put what is important in life into perspective. In this article, I would like to share a few of the life lessons that I learned in my crisis on how a family office should prioritize real wealth management. The following is how I recommend prioritizing real wealth management for my family office clients today:

Enzo Calamo,
CEO, Lugen Family Office

1) Health Management: Although we often overlook our health, since we take our bodies and mind for granted when we are feeling good, any critical illness quickly puts the importance of health into perspective. You don't even need to be seriously ill to see why your health should be your number one priority. Just hold your breath right now for as long as you can! Observe how the importance of everything else in your life will disappear as you gasp for oxygen. Your health and the health of your loved ones must always be your number one priority. If you doubt me, remember that the apparent last spoken words of Queen Elizabeth 1st of England as she lay dying were, "all my possessions for a moment of time."

2) Time Management: When you are not sure if you will survive the next hour of your life, time becomes very precious. Although it is fine to have different timeframes to achieve our various goals, it is an illusion to believe that we have more than the 24 hours in the present day. Yesterday is history so there is nothing that we can do to change what happened in the past. Tomorrow is only a promise that is not guaranteed. Therefore, the present is all that is real. As time is a limited resource for each of us, how we use our time each day must be our number two priority for real wealth management.

3) Relationship Management: There is no doubt in my mind that relationships are essential to our wellbeing and happiness. This is why I believe that relationship management must be a key focus of any family office. I can honestly say that when I was facing death, the memories that crossed my mind were all about my most important relationships and the special moments spent with my loved ones. All my achievements in life, my expensive toys, my nice homes, etc. never even crossed my mind once. I cannot say with any certainty that you will have a similar experience to mine but I do believe that your relationships will always be one the most important aspects of your life. If you have any doubts about why I make relationship management the third top priority in real wealth management, just think about losing a loved one today and feel the tremendous amount of anxiety and grief that you will experience immediately.

4) Financial Management: Although money should never be your number one priority in real wealth management, your financial capital will have a significant impact on your life journey. As most family offices specialize in this area, I will not spend a lot of time reviewing why financial management is ranked as my number four priority. However, I will make one observation that I hope will help family offices better understand their client's wealth. Money management does not lie! How a person spends his or her money will always reflect what is important to them in their heart. Therefore, although budgeting is important, tracking where the cash flow is going is critical. There is truth to the saying, "follow the money," especially in financial management.

5) Structural Management: A dream is just a dream unless you do something to make it happen. This is why structural management is vital to the achievement of any endeavour. Whether it is people, process, products, legal structures, accounting and tax planning, finances, sales, etc., you need the right infrastructure to achieve your life goals. In my opinion, family offices are probably the best fiduciary vehicle in the world to help individuals achieve their life purpose and assist families fulfil their life mission!

6) Experiential Management: Life is not a trial run. Your life is at the very core of REAL wealth management. Therefore, achieving your dreams and experiencing your bucket list must be one of the top priorities in your life. Family offices need to align with family member passions and ensure that the proper resources are allocated to make each family member's life a masterpiece. My only word of advice here is to remember that everyone has different talents and aspirations in life so real wealth management within a family office must be allocated fairly, not necessarily equally.

Finally, I left the most important real wealth management priority to the very end. It is by no means the least of priorities and many people will place this priority first above. However, as this priority is unique to everyone's life, I will let you decide where you will rank this priority in your own life. Spiritual Management is at the core of who we are. Therefore, to conclude this article, let me ask you a few simple questions that I asked myself while facing death:

1) Are you a spiritual being having a human experience or are you a human being trying to have a spiritual experience?
2) If you believe in a higher power, and if God owns everything and has blessed you with the successes in your life, how did you use your talents to fulfil your life purpose?
3) Are achieving worldly achievements and gaining possessions the most important aspects of your life or is fulfilling a more significant cause or doing the will of a higher power your goal for eternal treasures?

Although I could add many more observations under each of the above real wealth management priorities, I hope that my insights will help refocus family offices, and their clients, to pursue real wealth, live with passion, and make a difference in the world.

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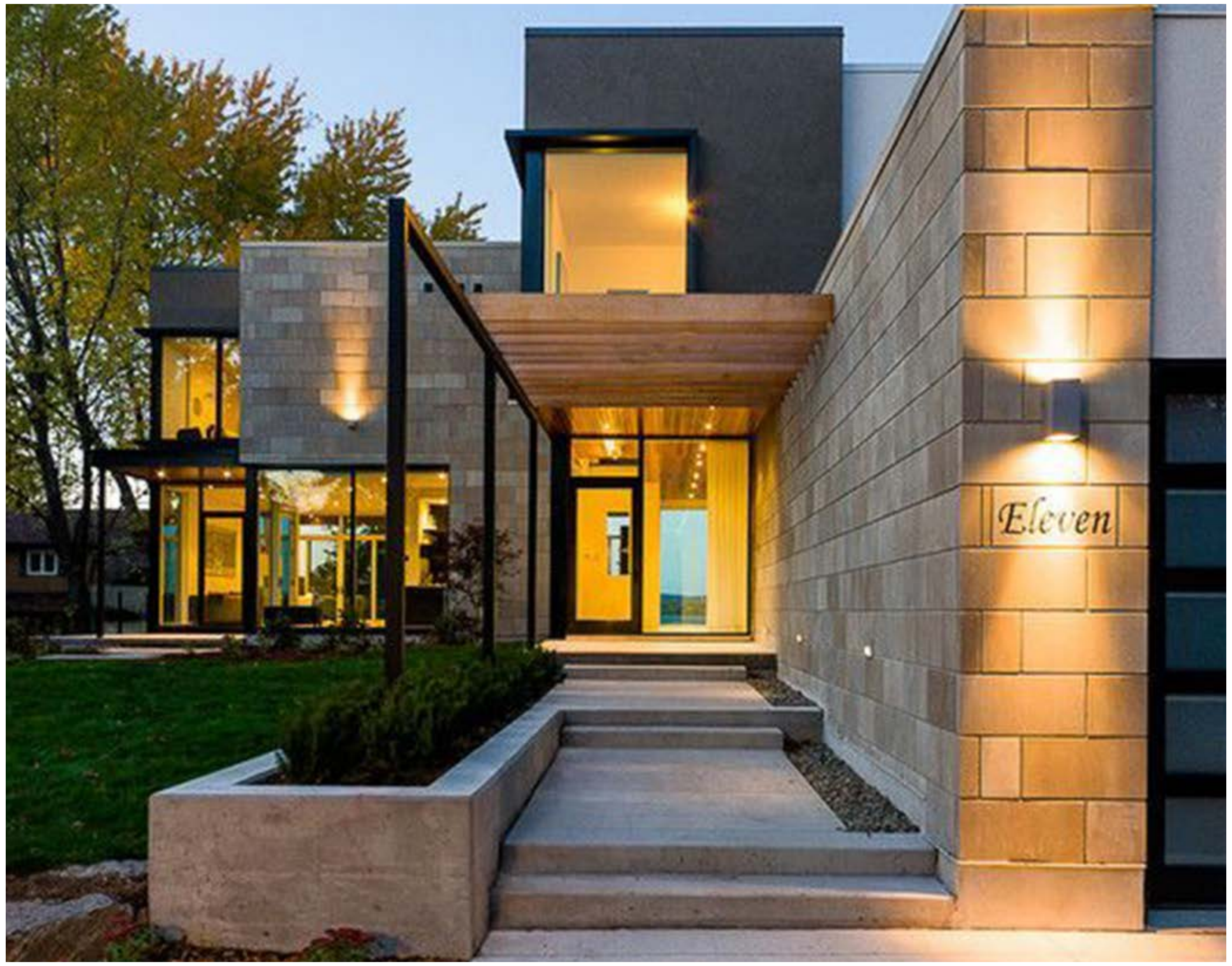

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GIVING GLOBALLY
FIVE WAYS TO GET STARTED

by Suzanne Hammer

As the world becomes increasingly interconnected, more families of wealth want to make an impact globally through their philanthropy and investments. This is greatly needed, as we humans and our planet are facing some of the most complex humanitarian crises of our time. These challenges transcend our borders and go beyond what any government, enterprise, or philanthropist alone can fix.

There are many reasons to give internationally, and perhaps the most compelling is this: international giving allows donors to achieve more with less. Small grants and individual donations can have a proportionately more significant impact when given overseas rather than at home. (For statistics on this, see TheLifeYouCanSave.org or GiveWell.org.) Charitable donations go a long way in the developing world, where services and goods are typically much cheaper than they are in developed countries.
Some family offices and funders shy away from international philanthropy.

Giving across borders can feel uncertain and even risky. In the back of your mind, you might wonder: how can I make sure the money is really going to the people and communities I want to help? Perhaps you've heard stories of supplies and funds lining the pockets of a few corrupt people, versus reaching those that are actually in need.

While corruption can and does occasionally happen, it's no reason to scare you away from the incredible impact you can make through international philanthropy and impact investing.

In fact, family offices and individual donors are incredibly well positioned to give overseas. Family offices and donors have considerable freedom and flexibility to give and invest internationally based on their passions and concerns. Many become deeply, personally engaged in the projects and organisations they choose to fund. Family offices are also well poised to respond quickly to international events and disasters.

In my work with family offices, I've seen first-hand how family offices manage their global grantmaking and investing in different ways. Some donate directly to organisations working abroad, while others give to organisations in their home country that are working on international issues.

For U.K. and U.S. donors, giving to intermediary organisations based in the donor's home country is the easiest way to get money overseas. You can verify an organization's charitable status (on guidestar.org.uk or guidestar.org), you can research their track record and ability to actually help in an affected location, and, if your family has a private foundation, you can avoid the legal procedures of expenditure responsibility and equivalency determination that's required when giving to international organizations.

Because laws vary among countries, be sure to review relevant local laws and regulations before giving to an entity outside of your home country. Many countries require organisations to register with one or more government agencies before receiving international funding, and some have established offices that serve as liaisons or registration centres for nonprofits and donors. Consult with your lawyer or philanthropic advisor before giving internationally.
Here are some of the most common ways donors get their charitable dollars overseas:

1. Give directly to an organisation outside of your home country. This option empowers donors to form deeper, meaningful relationships with their international partners. However it may or may not allow a donor to take a tax deduction, and it does require additional administrative steps. Note: The safest, most efficient way to send money directly overseas is by wire transfer.

2. Donate or make a grant to an in-country non-governmental organisation (NGO), also called a nonprofit intermediary organisation, to support its international programs or activities. Giving to an intermediary organisation is typically the easiest way to get money overseas, and typically would allow donors to claim income tax deductions on the gift.

3. Some NGOs will establish a "friends of"organisation that raises funds for a specific charitable program or activity outside of the home country, such as a school, hospital, or place of worship.

4. In the U.K. and U.S. (and the idea is growing in other countries), donors can establish or donate to a donor-advised fund (DAF), a public charity that can, for a fee, provide a range of legal and monitoring services to donors wishing to support organisations overseas. Donors set up donor-advised funds with sponsoring organisations such as a community foundation, an independent public charity, a religious organisation, or a financial institution.

5. Give via the web. E-philanthropy sites (one example is GlobalGiving.org) allow donors to identify, review, and select specific projects and organisations to fund, based on their interests. These sites share details project's leadership, budget requirements, and expected outcomes.

While cross-border giving may come with a few challenges, the impact you can make for people and communities in developing countries is well worth the effort. If your family office is looking to make the most impact for people and the planet, your dollars will go farther when you give to reputable international organisations or the intermediaries that serve them.

Suzanne Hammer of Hammer & Associates gives family offices the tools they need to engage in and connect with their philanthropy—helping philanthropic individuals and families identify their funding interests, and pair their passion with proven strategies.

To learn more, look for her EngagedPhilanthropy™ series for family offices, including Global Philanthropy: A Family Office Guide to International Giving,

www.SuzanneHammer.com
Suzanne@SuzHammer.com

HAMMER
& ASSOCIATES

MASERATI ALFIERI

Maserati 100th year.

Maserati unveiled the Alfieri, a 2+2 concept car to celebrate the brand's centenary. The Alfieri is an exciting but realistic and 100-% functional prototype that says much about the design DNA of future Maserati. In fact, the Alfieri could well be a door to the future of Maserati. The Alfieri was unveiled at just the right time to re-establish Maserati's true orientation in terms of design and production. If the new Quattroporte and Ghibli gave the impression that Maserati was becoming oriented towards sporty, upper-class four-door saloons, this new concept is striking back and reminding everybody that the brand has a remarkable racing heritage and a unique tradition in exotic GT cars.

The striking new concept bears the name of Alfieri, the most prominent of the Maserati brothers, and the engineering genius who founded "Officine Alfieri Maserati" in Bologna a century ago. The Alfieri was created at the Maserati Centro Stile in Turin by a small group of talented young designers led by Marco Tencone. The project was masterminded by Lorenzo Ramaciotti.

THE ALFIERI MAY BE THE FUTURE OF MASERATI

100% FUNCTIONAL PROTOTYPE

2+2 CONCEPT CAR

In the 2+2 seat cabin, the design team have created a study in simplicity and minimalism. The suspended dashboard is conceptually inspired by that of the Maserati 5000 GT. The dashboard boasts a clean, organic, two-tone design built around a central TUFT screen. The instrument panel has a classic layout with two main clocks with two smaller ones in between. The edge of each is embellished with a small "Officine Maserati" label.

The Alfieri is based on the GranTurismo MC Stradale chassis with a 24 centimetre shorter wheelbase, giving it the proportions of a genuine supercar. Alfieri is4,590 mm long with a 2,700 mm wheelbase, 1,930 mm wide and 1,280 mm high. Under the sleek body lies the transaxle platform of the Maserati GranTurismo.

This 4.7 litre, naturally aspirated, V8 engine from Maranello develops 460 bhp @ 7,000-rpm and 520 Nm @ 4,750 rpm and gives the Alfieri, a real driving force. Thanks to a special exhaust layout, this thoroughbred V8 also produces a breathtaking sound that makes a real impression.

AN EMPHASIS ON AWARENESS AND PREVENTION OF WORKPLACE VIOLENCE IN FAMILY OFFICES

by Lynn Killeen, First Vice President and Family Office Practice Leader, HUB International
and Drew Bowman, Ph.D. VP of Organizational Resilience at HUB International

Successful family offices help ensure that traditional goals and objectives are set from generation to generation. Ultimately, family offices face the same workplace concerns and liabilities as employers across all industries. Family office executives and employees should be mindful of the risks that exist in any office setting. When we think about danger and the potential for physical harm in the workplace, most people think about accidents. Whether they can be attributed to working closely alongside dangerous machinery in fields such as manufacturing, automobile accidents, or human error, many discussions of workplace safety tend to revolve around promoting safe habits to prevent such accidents. Sadly, we also have to consider the possibility of workplace violence and active shooter incidents, as demonstrated by the increase in high profile incidents across the nation.

Violence in the workplace is rapidly becoming an everyday reality for employers and employees and a major concern that every employer needs to be prepared for. Given the current economic climate and the associated risk of job loss, businesses are even more likely to be confronted with workplace violence. While the best way to deal with a violent situation is not to have one, there are a few occasions where a current or former employee makes an incredibly poor decision that needs to be addressed.

Unfortunately, family issues, work stress or even mental illness can push employees to the point of irrational behaviours that end in property damage, bodily harm or tragedy. Any of these situations can lead to business interruption, employment lawsuits and workers' compensation issues. Creating a culture of safety and managing a productive and healthy workforce is necessary to avoid these types of tragic situations from the beginning. There are several details from this event that stand out, from a workplace safety perspective:

- The assailant was able to enter the factory with little difficulty.

Lynn Killeen
HUB International

- This was not the first violent incident from this former employee.
- The assailant had a history of negative relationships with other employees.

Addressing workplace security measures is a critical part of preventing workplace violence. Identifying potential sources of tension and violence is crucial.

- Identify employees with violent tendencies – In many cases, acts of violence build up over time. Often, it is only after an incident has escalated do the signs leading up to it become clear. Workplace violence incidents should be addressed immediately. Employees who have issues that cause them to lash out, need to be coached or disciplined. If the underlying issues can be resolved, actions should be taken to alleviate future problems.

- Add security measures – Employees and outsiders should not have easy access to any off-limit areas. Administrative and supervisory functions should have controlled access points and gatekeepers should understand their role in protecting their coworkers. Doors to these areas should be locked at all times. It is best that meetings involving disciplinary issues be held in a neutral location within the facility that has easy access to exits. Surveillance systems should be utilised to identify intruders or distressed employees when possible.

- Developing a crisis management and safety plan protects your business from a mass shooting event. There are many tools available to help create a process that mitigates these tragic issues.

In addition to the immense emotional distress that an event like this can cause for a business, workplace violence will also negatively impact any operation by disrupting their normal functions and potentially leading to business interruption and workers' compensation claims and employee lawsuits.

Unfortunately, family offices also have the added risk of working with affluent, high profile individuals that are often a target of unprovoked violence and additional exposures. Prioritizing the safety of your employees and the workplace through risk management and safety plans can help with preventing workplace violence situations.

Lynn Killeen currently serves as First Vice President of Personal Insurance and Family Office Practice Leader with HUB International, a full leading service global brokerage and one of the largest and most sophisticated personal insurance practices in North America.

Based out of HUB's Summit, NJ office, Lynn works closely with wealthy families and high net worth individuals and their advisors to design personal risk management programs and satisfy their property and casualty needs. Lynn can be reached at 908-790-6826 or lynn.killeen@hubinternational.com. For more information about HUB International, please visit

www.hubinternational.com.

CAN WE TALK?

Seeking to Understand Midlife and Its Impact on High Net Worth Families

Have you witnessed family members, business colleagues, business owners or managers begin to change how they act, think, react and plan when in their midlife?

The impact of midlife is a topic that each of us should understand more fully. The reason is that midlife can surface issues and behaviours that can be disruptive to families unless addressed timely and appropriately. Midlife impacts each of us, but what is midlife?

Midlife is not defined by age, but rather a stage in life when we confront three challenges that may likely arise in our lives.

These are:

- physiological challenges (losing strength, cardio, libido etc.),
- interpersonal challenges (parents aging or dying, children growing up and leaving home etc.) and intrapersonal challenges (dreams and ambitions in our twenties that do not materialize in our forties or fifties such as career, financial, family goals, or wrestling with the immature aspects of our personalities).

All three challenges can and need to be addressed when a triggering event raises them.

A life event at a certain stage in life can be the trigger and can cause one to be self-introspective. Family members may be aware of a life event, such as that arising from a job loss, health scare, personal loss etc. If a self-introspection is not addressed, midlife challenges can result in a so-called midlife crisis. When an introspection is undertaken it often results in addressing one's own mortality, appreciating one's lifespan and beginning to possess a deep, inward desire to reveal the "true self". This "true self" may seek to be more authentic, more spiritual, more compassionate, more courageous, etc., and is often the core focus in the second half of life.

Carl Jung, the father of modern psychology, first posited the theory that the functions of our personalities mature at different times in our lives, with our inferior function being the last to develop fully. A central challenge of midlife is to be able to recognise and embrace the least mature, least developed aspects of ourselves and to bring them from the shadows, where we normally attempt to relegate them, into more conscious awareness. This is in part how we become authentic and reveal our true self rather than suppress parts of who we are.

Our inferior function is the opposite of our dominant function, but because of our efforts to avoid dealing with it, it can and often does run amok at midlife. For example, a person who is typically very grounded, factual, realistic for the first four decades of his life (a "Sensor"), may, at midlife shift suddenly to someone who is lost in fantasy, avoids reality, and seems stuck in negative thoughts (in effect an "Intuitive", run amok). These types of shadow behaviours can be triggered by the physiological or interpersonal stresses of midlife mentioned above.

Using Myers-Briggs typology to understand ourselves more deeply allows us to fully embrace our entire personality, our strengths, our challenges, our yin and our yang. By accepting our full self, we are able to navigate the potential pitfalls of midlife with fewer calamities and be authentic, a goal that most of us desire.

Family dynamics can significantly change when one family member faces a potential midlife crisis, just as they may change if a family member has dementia or an addiction issue.

It is not a coincidence that midlife is often a time when estate and financial plans are redrawn, or retirement planning is contemplated even if retirement is years away. As a family member's expectations are adjusted, lifestyles are often aligned to achieve balance and harmony while others in the family may be impacted. A key outcome from navigating midlife is that it acts as a bridge to the second half of life and often a desire to have sustained happiness. When a family member successfully addresses the challenges raised in midlife, he/she can continue to flourish. Most importantly, sustained happiness (also understood as an enhanced state of wellbeing) can produce demonstrated tangible benefits such as better health, an enhanced and successful career path, a greater family contributor and a more effective contributor to one's community.

But what if that same family member, fails to address the three challenges mentioned above, or does not know how to do so? Burnout, distractions, changes in behaviour and other actions while in midlife crisis, can manifest themselves and dramatically and negatively impact the family. We all notice changes, but may not know how to assist. That family member can be guided and assisted by forwarding looking professionals who have experience and expertise in this area.

It is important for families to be better educated in understanding midlife, how midlife fits into ageing and longevity, why midlife is the bridge between the first and second half of our lives and the impact to the family when someone is struggling with midlife challenges. By understanding midlife one can recognize and understand how family members can support those who are navigating midlife and facing the personal struggles arising from physiological, interpersonal and intrapersonal challenges.

However, if one is not educated on midlife, aware of the challenges and how to address them, the signs may be missed, with devastating consequences to the family, family business or family office.

Understanding midlife, with its opportunities and pitfalls, becomes a natural quest for all of us as we mature.

by

Dr. Andrew Stephen Kane OBE

Co-Founder and Senior Advisor, Spencer Legacy Group

and

Dayle E. Spencer, J.D.

Co-Founder and Principal, Spencer Legacy Group

www.spencerlegacygroup.com