



Private Bank

Global Family Office

2024 Survey Insights



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This year's survey was initiated during Citi Private Bank's ninth annual Family Office Leadership Program held in June 2024. The survey was subsequently released to Citi Private Bank's global family office clients for input. The survey included 50 questions aimed to capture the investment sentiment, portfolio positioning, family governance and best practices of family office clients in 2024.

It drew responses from 338 participants who were included in this report. This report is for informational purposes only based on those responses from the survey and are not intended to represent investment advice. The views expressed herein are those of the participants and do not necessarily reflect the views of Citigroup Inc., Citigroup Global Markets Inc., and its affiliates. This presentation does not constitute any solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

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Foreword

It is with great pleasure that we present our Global Family Office 2024 Survey Insights

Now in its fifth year, this annual publication offers rare perspectives into the thinking and behaviors of the world's most sophisticated investors: the family offices that we serve. Whereas our inaugural edition drew responses from 71 entities based mainly in North America, this year's survey saw contributions from 338, two thirds of which came from the rest of the world.

This rapid expansion bears testament to the value our clients place in benchmarking themselves to peers. We believe this survey to be the most global and comprehensive of its kind.

Consisting of 50 questions, the survey sought to capture the investment sentiment, portfolio positioning, family governance and best practices of family office clients in 2024. The wide-ranging questions probed some of the most topical issues of the day including artificial intelligence and digital assets. It has revealed important shifts in the concerns both of family offices and their principals, with interest rate evolution as the new top investment-related worry. We also noted ongoing professionalization of family office operations and practices. However, prioritizing both financial and family issues remains a challenge.

In last year’s report, virtually all respondents said they expected portfolio gains over the coming year. This indeed gave way to upside across many risk assets, most notably in public equities. This year revealed significant portfolio shifts from cash to fixed income and both public and private equity. This repositioning was accompanied by an almost universal expectation of further portfolio appreciation in the next twelve months, with almost half of respondents anticipating returns above 10%.

We began gathering responses to the survey at the Private Bank’s ninth annual Family Office Leadership Program held between June 3 and 5 in Ossining, New York. More than 150 leading family office clients from over 25 countries worldwide came together for lively dialogue and networking.

The presentations and panel sessions saw 70 experts including many practitioners explore cutting-edge subjects, from macroeconomics to technological disruption to philanthropy to investment ideas. We include highlights from the sessions on the pages that follow.

For complementary insights into how family offices are positioning their portfolios, we recommend consulting our Family Office Investment Report each quarter. Whereas the present survey captures respondents’ self-reported asset allocation and movements across their entire portfolios, our quarterly publication contains our analysis of clients’ holdings and their recent activity with Citi Private Bank.

We would like to offer a special word of thanks to our record number of survey respondents for generously giving their time and insights. As ever, your collective responses were thought provoking. Having read the report, if you would like to discuss your family office’s portfolio, governance, or any other aspect of family or family office matters, we would be delighted to hear from you.

Thank you for the trust and confidence you place in Citi Private Bank.

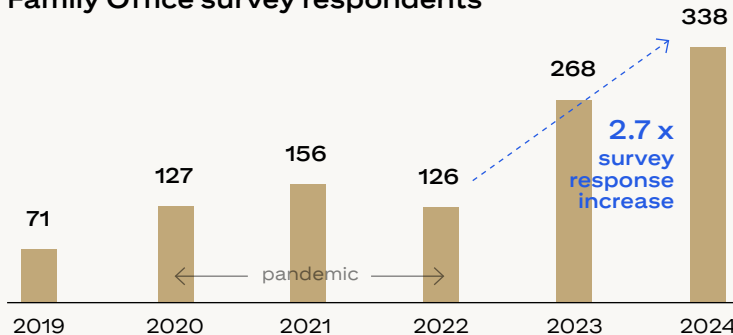


Hannes Hofmann
Head
Global Family Office Group



Alexandre Monnier
Family Office Advisory Head
Global Family Office Group

Family Office survey respondents



Family offices have taken part in our survey in ever greater numbers each year.

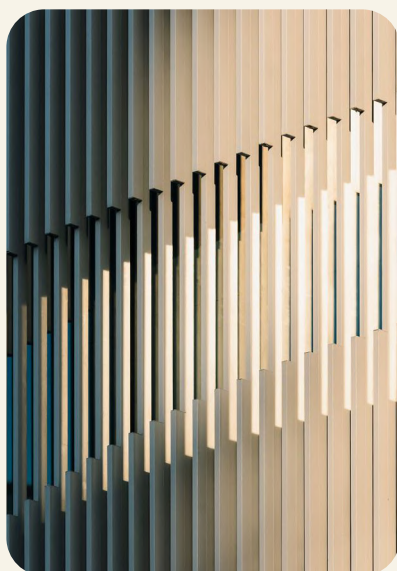
In our view, their desire to exchange best practices and benchmark against peers is part of an ongoing drive toward increasing family office professionalization.

Executive summary

10 key takeaways

Significant portfolio shifts from cash into risk assets

Family offices have put cash to work in 2024. 43% upped exposure to public and private equity. The shift toward public equity was strongest in Asia (68%). Only 31% raised their weighting to cash, compared to 47% last year, while 37% cut their holdings in 2024. Half of respondents increased their allocation to fixed income. Allocations to real estate – which is interest-rate sensitive – saw the most stability for the second year running, despite respondents' concerns over high interest rates.



Near-unanimous optimism over the outlook for one-year portfolio performance

Almost all respondents (97%) expected positive portfolio returns over a 12-month horizon. In 2023, the figure was 95%, which was indeed followed by upside across various asset classes. Over three quarters of respondents reported positive performance from the previous year, with 10% reporting no change and 12% experiencing negative performance.



The future path of interest rates was this year's top concern

Interest rate evolution – rates rising further or remaining high – was the top concern (52%). This was followed by US-China relations and market overvaluation, both on 45%. Inflation worries were thus not predominant for the first time since 2021. The conflict in the Middle East has overtaken the Russia-Ukraine war as a geopolitical fear, even for family offices in Europe.



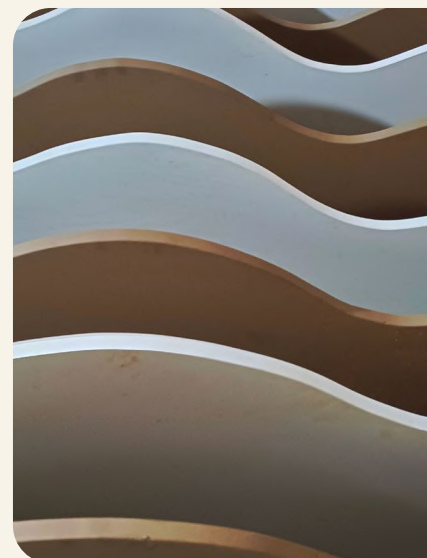
Investment approaches are becoming yet more sophisticated, with increasingly disciplined processes and a strong commitment to alternative asset classes

Most family offices (60%) have built an investment team led by a CIO, as well as investment committees and investment policy statements. Sizeable allocations emphasized their ongoing commitment to alternative investments, with three quarters engaging in direct investing. These features mirror the behavior of leading institutional investors.



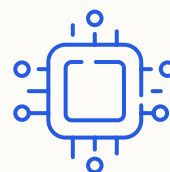
Concentrated position management and the use of leverage are on the rise

Despite many similarities with institutional investors, most family offices have historically not always embraced institutional techniques. This has started to change, however. A third of the 70% that reported owning concentrated positions were considering active strategies to manage the related risks. Three quarters of those were leaning toward derivative solutions and the rest toward outright sale. And while nearly half of respondents were not leveraging their portfolio at all, two thirds were exploring their financing needs.



Most family offices have portfolio exposure to AI, although they have yet to apply this technology in their operations

Family offices have increasingly built portfolio exposure to artificial intelligence (AI), with half reporting investments in public or private equity and another quarter actively considering it. Exposure to AI investments was likely a driver of the strong portfolio returns that many respondents saw over the last year. However, the adoption of generative AI within family office operations is lagging, with only about one in ten mentioning it. This paradox mirrors the situation across the business world.



Faced with various risks, family offices are mostly coping with them well

While 86% of family offices acknowledged facing at least eight categories of risk, most of these were felt to be very well- or well-managed. Exceptions were cybersecurity, geopolitical, and family dynamics risks. Tellingly, when asked about the primary roles of the head of the family office, risk manager was the responsibility with which most respondents identified after investment manager.



Uneven adoption of formal governance systems across the family enterprise

While two thirds of families relied on a governance system within investments, governance remains a work in progress across the broader family enterprise, i.e., other financial, business, philanthropic and family activities. Almost half (48%) reported not having an investment policy statement (IPS). For other family office and family activities, less than half reported a governance structure in place. Philanthropic decision making remains mostly informal.





Prioritizing both financial and family issues can be a struggle

Families' foremost concern was asset preservation, followed closely by preparing the next generation for their future responsibilities. However, their family offices' primary focus was investment management, accounting, reporting, and tax, while fostering family unity and continuity came third. Family offices now regard meeting family members' expectations as their top challenge (54%), which has overtaken adapting to market conditions (47%).



Family offices are further professionalizing and collaborating with external providers

While professionalization is most advanced in the investment function, it is extending to other areas such as family office governance and operations. Greater collaboration with outside providers is also in evidence. Investment management (54%) and reporting (62%) are the only two services provided internally by most family offices, with all others performed mostly externally or jointly. These trends may free up time for the likes of preparing the next generation and other family priorities.





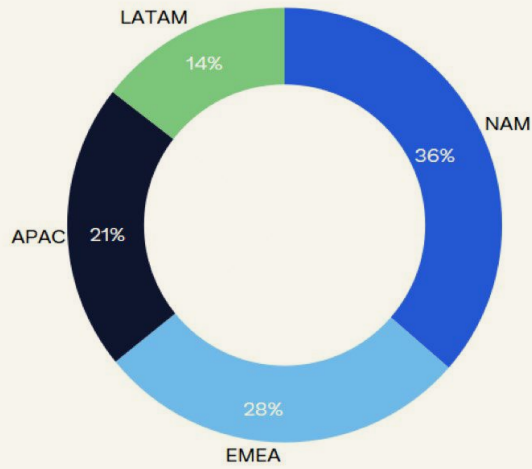
Survey particulars

Our 2024 survey was initiated during Citi Private Bank's 2024 Family Office Leadership Program on June 4. The survey was subsequently released to family office clients globally and was open for input until July 15.

The survey consisted of 50 questions aimed at understanding the investment sentiment, portfolio actions and family office practices of clients in 2024. It drew responses from 338 participants.

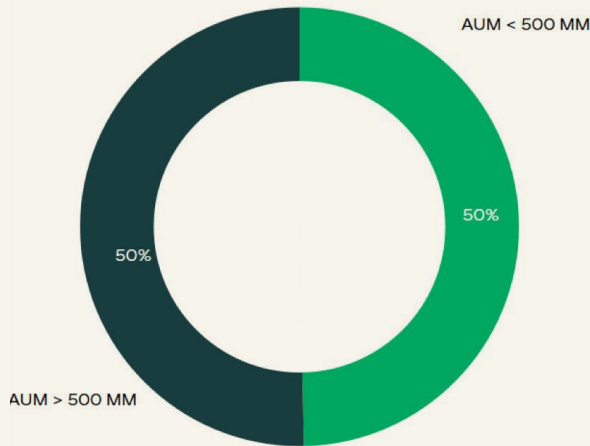
Respondents by region

Family office respondents identified the primary geographic location of their family office, with 21% of responses from Asia Pacific (APAC), 28% from Europe, the Middle East and Africa (EMEA), 14% from Latin America (LATAM) and 36% from North America (NAM).



Respondents by AUM

The US dollar was the valuation currency for the survey. Half of respondents had more than and the other half less than \$500 million in assets under management (AUM).



Regional view

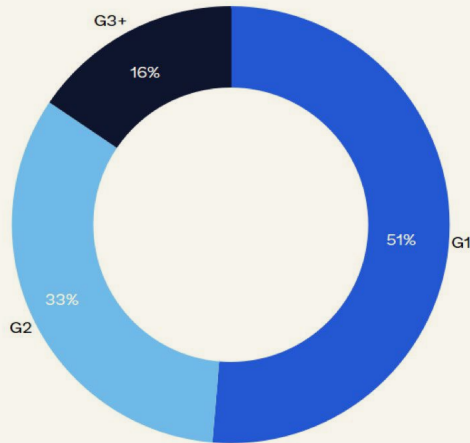
North America was the region with the largest share of family offices managing more than \$500 million in AUM (64%) and Latin America had the smallest share (38%).

	Global	APAC	EMEA	LATAM	NAM
AUM < 500 MM	50%	61%	53%	63%	36%
AUM > 500 MM	50%	39%	47%	38%	64%

Generations in control of the wealth

Global view

Overall, 51% of respondents served families where the first generation (G1) is in control of the wealth, while 33% and 16% served families where the control transitioned to G2 and G3+ respectively.



Regional view

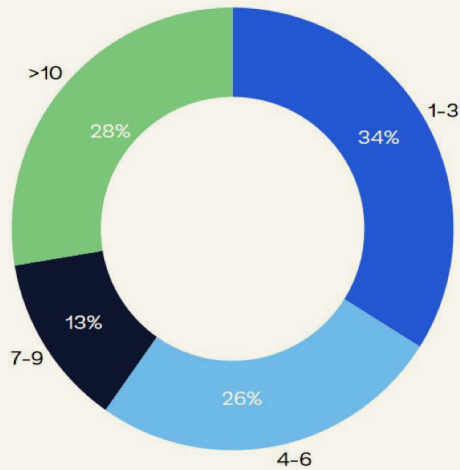
The greatest share of G1 families can be found in North America (64%), when for G2 it is Latin America (58%) and for G3+ Europe, Middle East and Africa is in the lead (22%).

	Global	APAC	EMEA	LATAM	NAM
G1	51%	47%	49%	29%	64%
G2	33%	38%	29%	58%	24%
G3+	16%	15%	22%	13%	12%

Family office employees

Global view

Overall, 60% of respondents reported having six or fewer employees, while over a quarter reported above 10, the latter primarily being from family offices with AUM of more than \$500 million.



AUM view

Intuitively, family offices with large AUM were likelier to have more full-time professionals than those with less than \$500 million.

	AUM < 500 MM	AUM > 500 MM
1-3	54%	15%
4-6	24%	28%
7-9	10%	15%
>10	12%	42%

Regional view

Asia Pacific has the greatest share of small family offices (48%) when North America has the greatest share of large ones (37%).

	Global	APAC	EMEA	LATAM	NAM
1-3	34%	48%	31%	32%	30%
4-6	26%	38%	23%	23%	23%
7-9	12%	10%	17%	15%	10%
>10	27%	4%	30%	30%	37%



Investment strategy and sentiment

Overview

Cash is no longer king, with respondents shifting their liquid resources toward fixed income, public and private equity.

Leading near-term worries impacting financial markets were cited as the outlook for interest rates, US-China relations, and equity market valuations. For the first time since 2021, inflation was no longer the top concern, while the Middle East conflict and the Russia-Ukraine war were seen as less impactful.

Bullishness was widespread. Family offices were most positive about private equity – both direct and via funds – while sentiment toward global developed equities was significantly more positive than last year.

There was an almost unanimous expectation of positive portfolio returns in the next 12 months, with close to half of the respondents expecting returns over 10%.

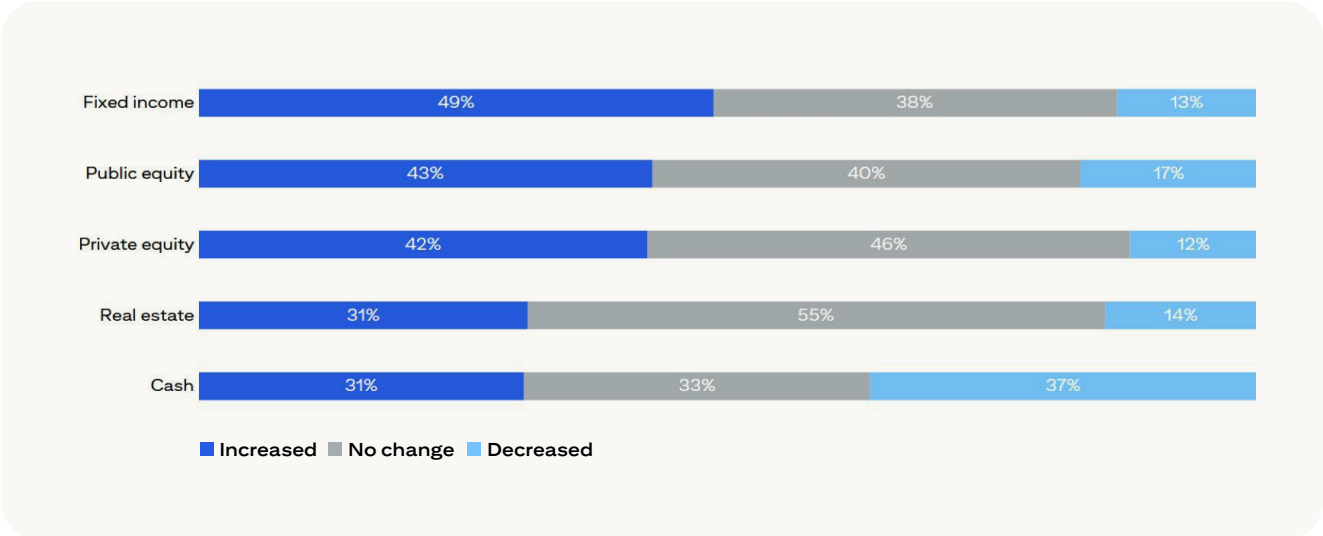
Asset allocation changes in the last year

Global view

Family offices have made significant portfolio shifts since last year, putting cash to work. This followed their optimism about one-year portfolio returns in the 2023 survey.

Almost half of respondents (49%) increased their allocation to fixed income, attracted by yields near multi-year highs. At the same time, 43% upped their weighting in resurgent public equity markets,

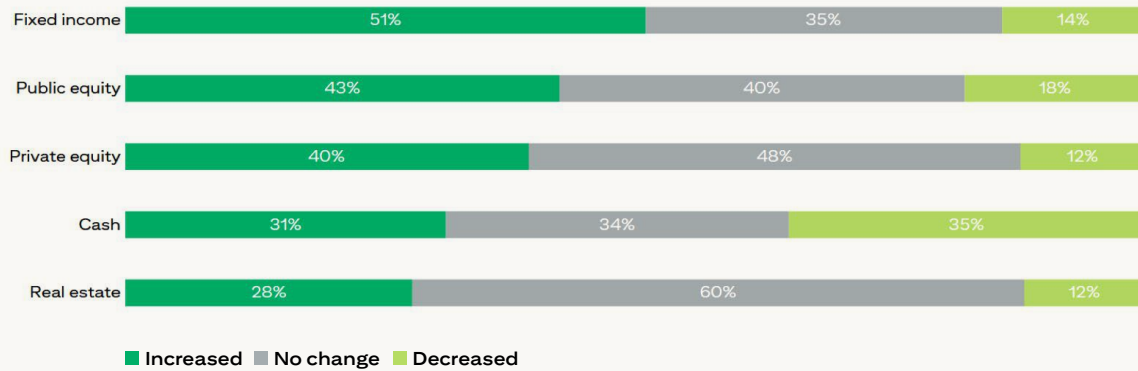
compared to 20% in 2023. They also showed appetite for private equity, with 42% raising allocations after 38% did so last year. Whereas almost half of respondents had allocated more to cash in 2023, less than a third (31%) did so in 2024. Some 37% decreased their weightings here, meanwhile. Real estate allocations remained stable, with 55% keeping their allocations unchanged, a strikingly similar result to last year.



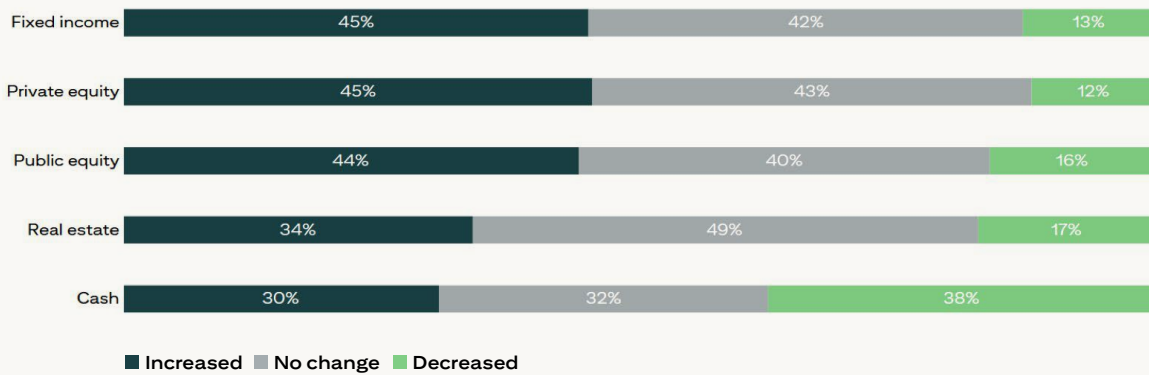
AUM view

There was a broad-based shift from cash to fixed income, public equity, and private equity among family offices with AUM both above and below \$500 million. While over half of respondents kept their allocation to real estate unchanged, larger family offices were more likely to increase it (34%) than smaller ones (28%).

AUM < \$500 million



AUM > \$500 million



Regional view

Asia Pacific family offices led the way in deploying more to public equity, with two-thirds reporting increased allocations. In Latin America, some 45% did so, with roughly one third increasing in the two other regions.

Fixed income saw the greatest weighting increases in Europe, the Middle East and Africa, where 59% raised allocations. In Latin America and North America, the

figures were 55% and 42% respectively. The asset class that saw least changes across every region was real estate. Nearly 40% of all family offices in Europe, the Middle East and Africa, Latin America and Asia Pacific decreased their weighting in cash, compared to 30% in North America.

	APAC			EMEA		
	Increased	No change	Decreased	Increased	No change	Decreased
Fixed income	42%	33%	24%	59%	30%	11%
Public equity	68%	20%	12%	34%	43%	23%
Private equity	39%	38%	23%	49%	43%	7%
Real estate	26%	46%	28%	30%	57%	12%
Cash	39%	20%	41%	34%	26%	40%

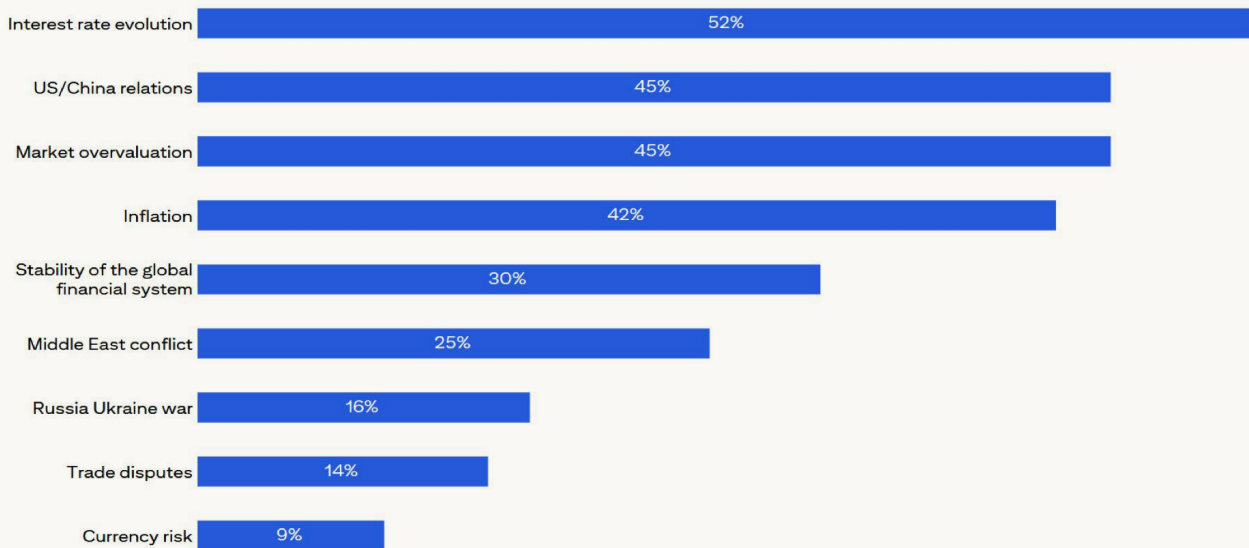
	LATAM			NAM		
	Increased	No change	Decreased	Increased	No change	Decreased
Fixed income	55%	25%	20%	42%	53%	5%
Public equity	45%	43%	13%	32%	52%	16%
Private equity	54%	36%	10%	34%	56%	10%
Real estate	43%	43%	14%	30%	61%	9%
Cash	13%	49%	38%	29%	41%	30%

Near-term worries impacting financial markets and the economy

Global view

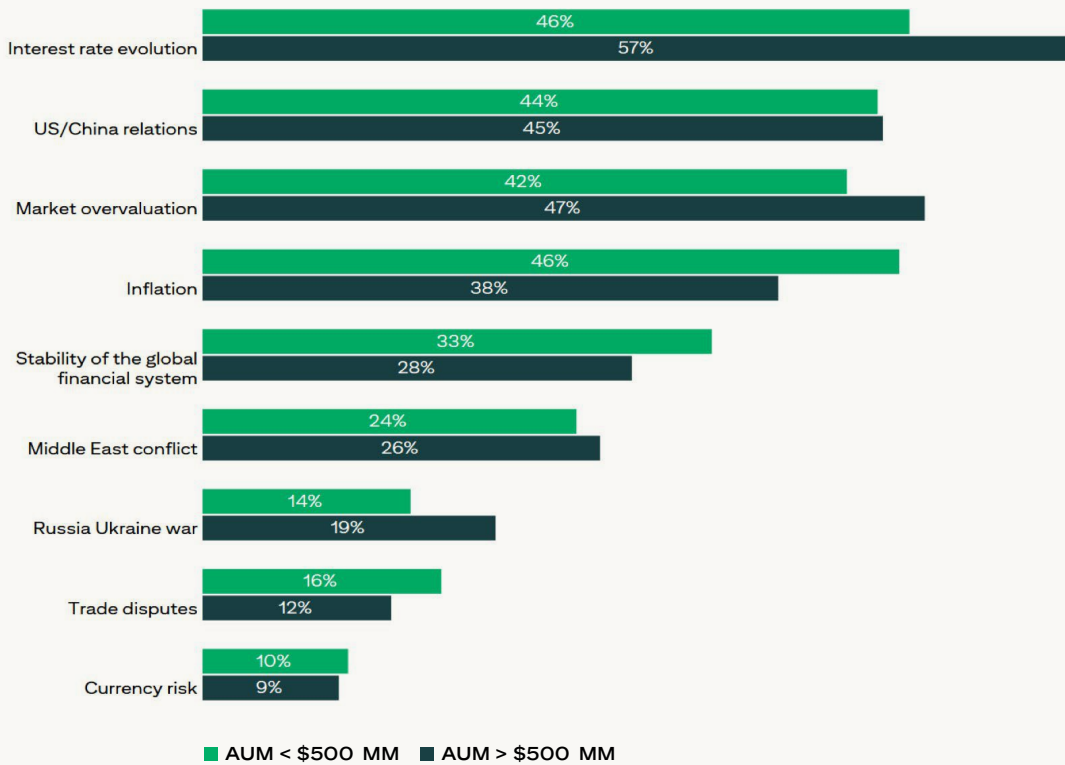
For the first time since 2021, inflation was no longer respondents' top near-term worry in relation to the economy and financial markets, with the outlook for interest rates now the main concern cited by 52%. US-China relations (45%), market overvaluation (45%), and inflation (42%) were not far behind.

Global financial system stability was mentioned by 30% of respondents. Combined with risk asset overvaluation concerns, this may explain the appetite for fixed income alongside equities. Middle East conflict worries are now more prominent than those surrounding the Russia-Ukraine war (25% vs 16%).



AUM view

The path ahead for interest rates is more of a concern for family offices with greater AUM than for their smaller counterparts (57% vs 46%), while inflation is a somewhat lesser consideration (38% vs 46%). This may reflect larger entities' ability to take a longer-term view. Concern about other key challenges is at similar levels across family offices of all sizes.



Regional view

The path ahead of interest rates was a top concern for North America (65%) and Latin America (55%) family offices. The latter was also the region most concerned about inflation (48%). In keeping with past trends, US-China relations were a top concern for Asia Pacific (52%) family offices. Interestingly, those in Europe, the Middle East and Africa were even likelier to cite this as a worry (55%), above the Russia-

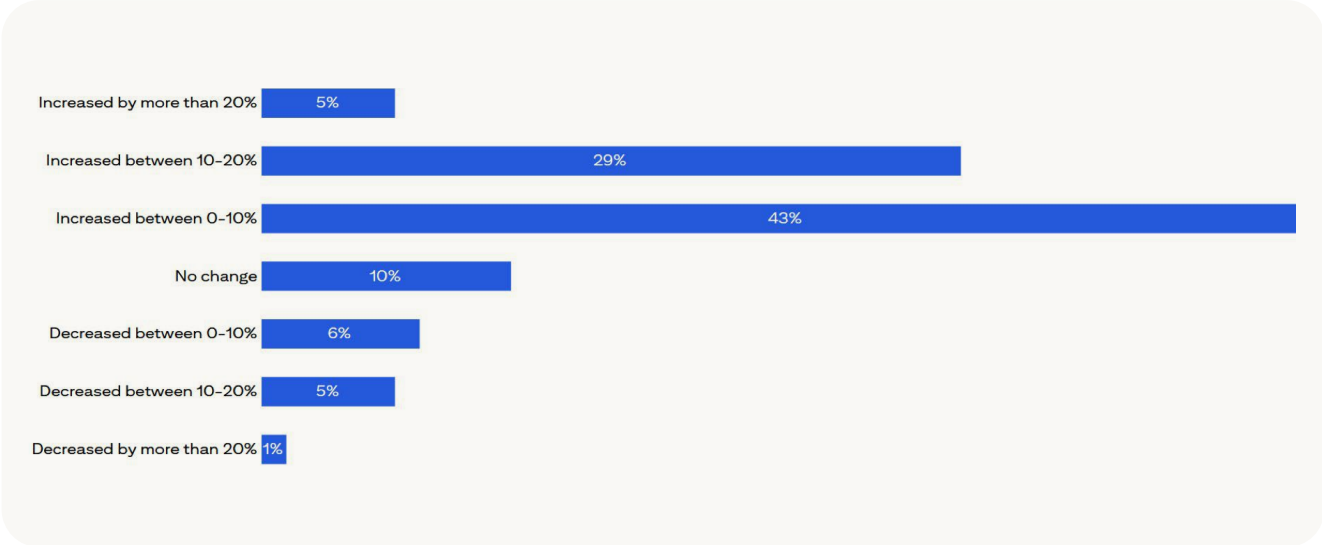
Ukraine war (24%) and the Middle East conflict (27%). Given its heavy reliance on trade with both US and China, Europe could lose out if relations between the world's two foremost economic powers became even more polarized, perhaps requiring it to align much more heavily with one side. Concern about market overvaluation was cited by a similar proportion of family offices in every region (between 43% and 46%).

	Global	APAC	EMEA	LATAM	NAM
Interest rate evolution	52%	43%	40%	55%	65%
US/China relations	45%	52%	55%	38%	34%
Market overvaluation	45%	46%	43%	43%	46%
Inflation	42%	45%	41%	48%	38%
Stability of the global financial system	30%	39%	27%	24%	30%
Middle East conflict	25%	10%	27%	26%	32%
Russia Ukraine war	16%	10%	24%	12%	15%
Trade disputes	14%	19%	13%	17%	10%
Currency risk	14%	21%	10%	12%	

Estimated mark-to-market portfolio value change in 2023 (%)

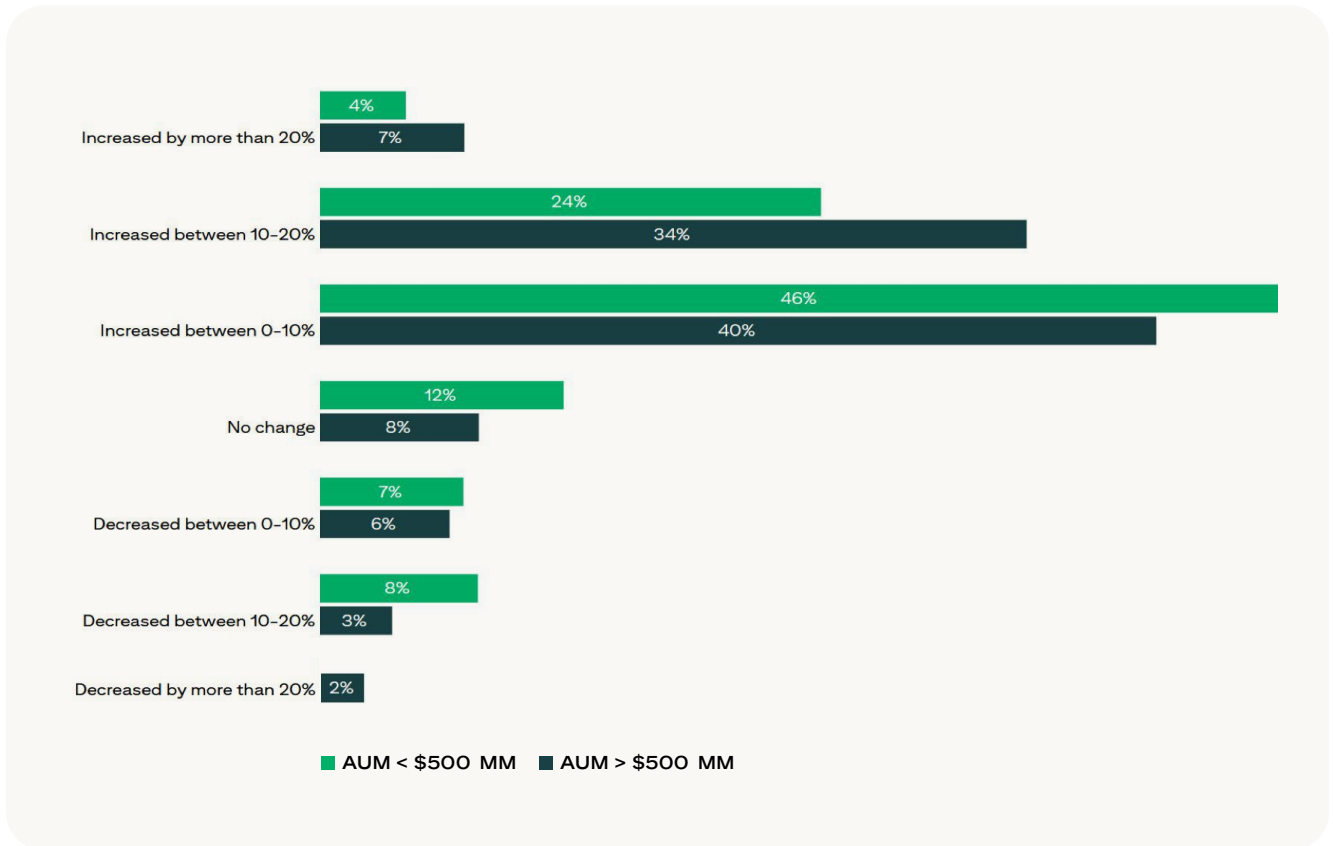
Global view

More than three quarters of respondents reported an increase in mark-to-market portfolio value in 2023, with 29% delivering between 10% and 20%. Another 43% achieved between 0- 10%. This represents a realization of family offices' positive outlook for the next twelve months expressed in last year's survey.



AUM view

Family offices with over \$500 million in AUM were somewhat likelier overall to report positive portfolio performance than smaller family offices (81% vs 74%). Larger entities were also likelier to report gains of 20% or more and gains of 10% to 20%.



Regional view

Latin American family offices saw the highest proportion of portfolio increases (90%) of any region. Asia Pacific saw the highest proportion of negative performance (21%).

	Global	APAC	EMEA	LATAM	NAM
Increased by more than 20%	5%	2%	6%		10%
Increased between 10-20%	29%	20%	30%	40%	28%
Increased between 0-10%	43%	46%	41%	50%	39%
No change	10%	11%	14%	5%	9%
Decreased between 0-10%	6%	6%	6%	2%	9%
Decreased between 10-20%	5%	12%	2%	2%	5%
Decreased by more than 20%	1%	3%			1%

Asset class sentiment for the next 12 months

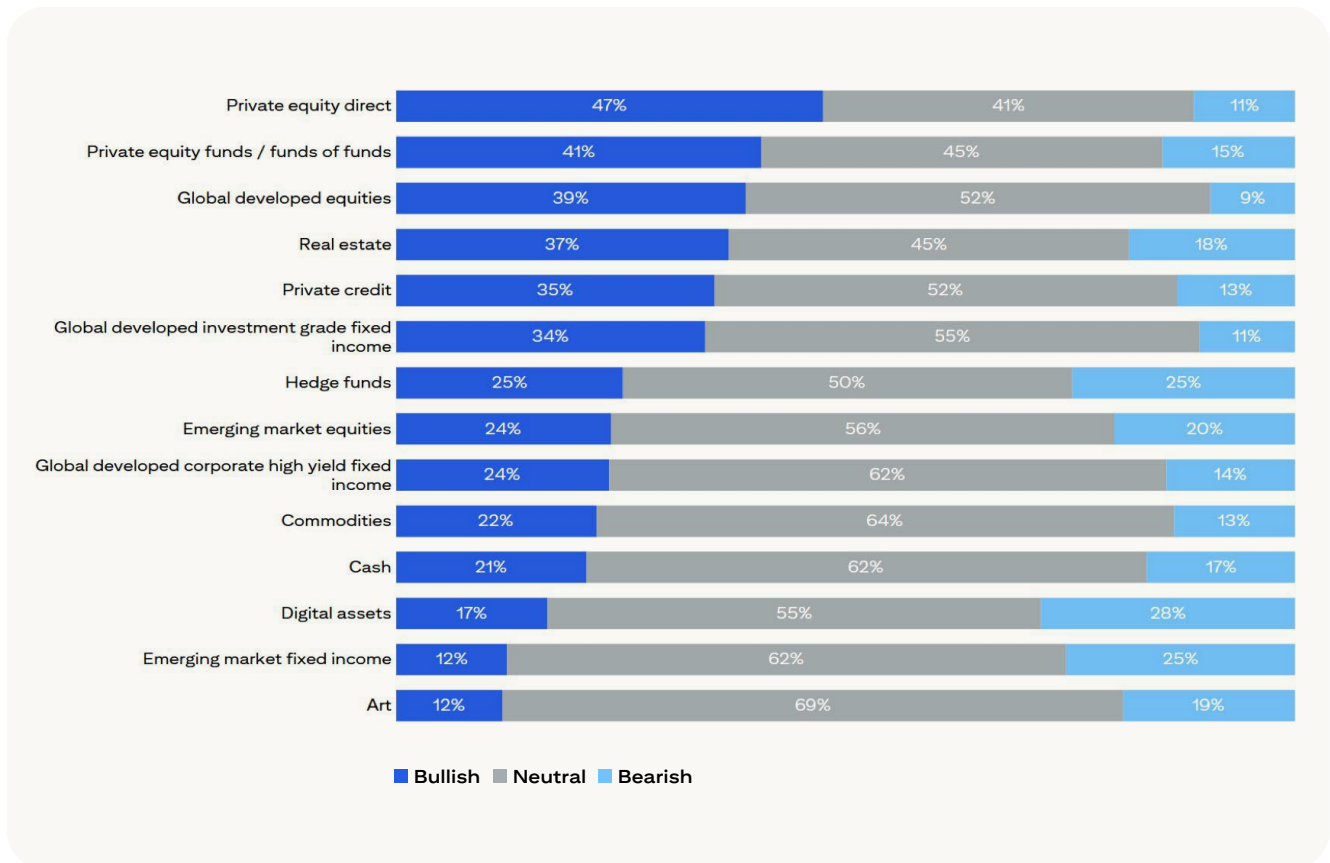
Global view

Sentiment about the outlook for asset classes over the next twelve months was more positive than it was a year previously. Family offices expressed the most bullishness in respect of direct private equity (47%), private equity via funds (41%), and global developed equities (39%). This followed the continued recovery in public equities and some other risk assets from their lows of October 2022.

Real estate continued to find favor, with 37% of respondents expressing optimism. Interest in private credit also persists, although bullishness has somewhat receded from last year's level (35% vs 44%).

Positivity toward global developed investment grade fixed income retreated somewhat from 45% in 2023 to a still bullish 34%. This may reflect the uptick in risk-seeking appetite.

Net sentiment – the percentage of those planning to add to their allocations minus those planning decreases – was most positive for private equity direct (+36%), global developed equities (+30%) and private equity funds (+26%). It was most negative for emerging market fixed income (-13%) and digital assets (-11%). It was zero for hedge funds, underscoring the divergent views on this asset class.



Year-over-year change in sentiment

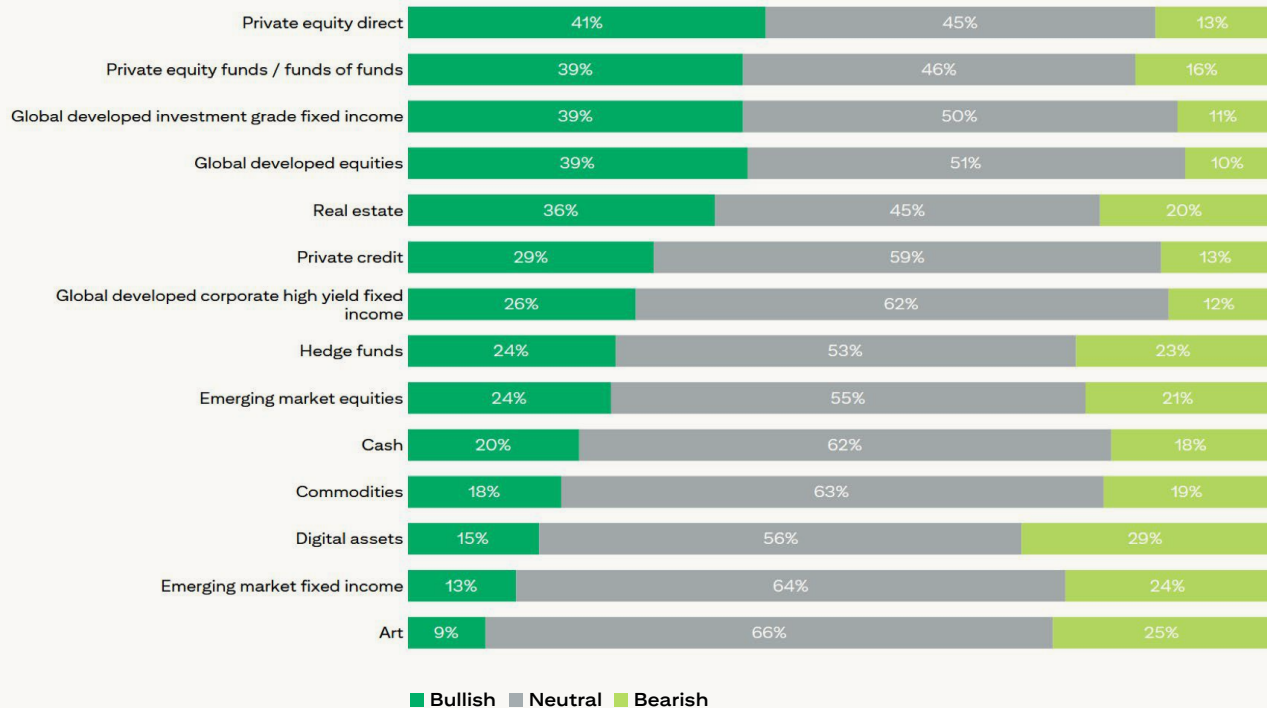
The most significant sentiment changes since 2023's survey include:

More bullish		
Global developed equities		24% to 39%
Real estate		25% to 37%
Private equity direct		38% to 47%
Private equity funds / funds of funds		32% to 41%
Digital assets		8% to 17%
Hedge funds		21% to 25%
Less bullish		
Cash		34% to 21%
Private credit		44% to 35%
Emerging market fixed income		20% to 12%
Art		19% to 12%

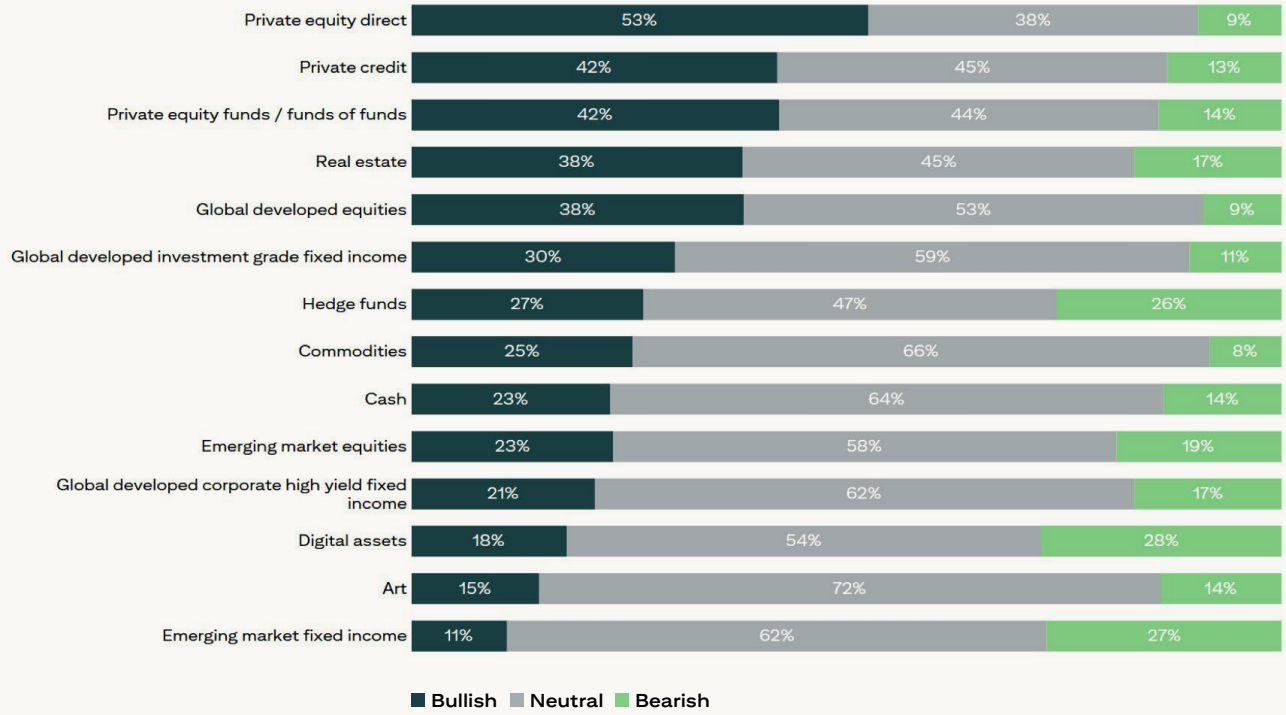
AUM view

Asset classes sentiment overall is similar for family offices with both more and less than \$500 million in AUM. That said, the larger entities were even more positive (53% bullish) for direct private equity than smaller entities (41%).

AUM < \$500 million



AUM > \$500 million



Regional view

Family offices in Asia Pacific and Europe, the Middle East and Africa were the most positive on the outlook for global developed equities, at 48% and 46% respectively. They were also the most bullish toward direct private equity (49% and 53%) and private equity funds (48% and 43%).

	Bullish	APAC Neutral	Bearish	Bullish	EMEA Neutral	Bearish
Private equity direct	49%	32%	19%	53%	40%	8%
Private equity funds / funds of funds	48%	32%	20%	43%	43%	15%
Global developed equities	48%	41%	11%	46%	45%	9%
Real estate	45%	29%	26%	33%	42%	24%
Private credit	43%	47%	11%	34%	53%	13%
Global developed investment grade fixed income	42%	48%	11%	42%	44%	14%
Hedge funds	39%	41%	20%	24%	47%	28%
Emerging market equities	23%	48%	29%	20%	67%	13%
Global developed corporate high yield fixed income	29%	57%	14%	25%	58%	17%
Commodities	28%	60%	13%	25%	61%	14%
Cash	27%	53%	20%	19%	62%	19%
Digital assets	20%	50%	30%	18%	53%	29%
Emerging market fixed income	14%	56%	30%	14%	67%	19%
Art	11%	58%	31%	16%	65%	19%

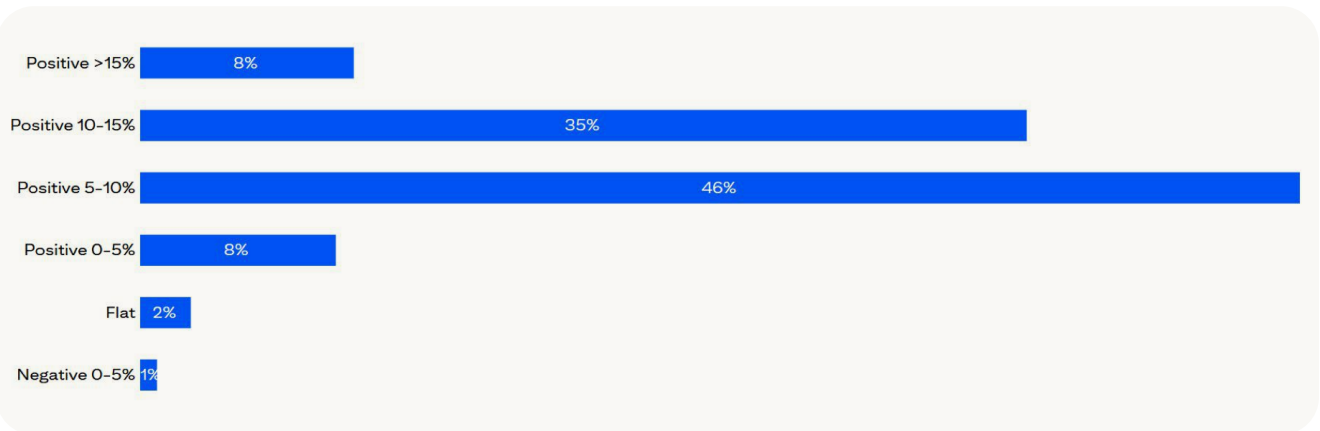
Latin America entities were the keenest (48%) on Investment Grade Fixed Income, while only 19% of North America family offices felt the same.

	Bullish	LATAM Neutral	Bearish	Bullish	NAM Neutral	Bearish
Private equity direct	39%	51%	10%	46%	44%	10%
Private equity funds / funds of funds	36%	57%	7%	37%	48%	15%
Global developed equities	39%	56%	5%	27%	62%	11%
Real estate	38%	60%	3%	35%	49%	16%
Private credit	32%	59%	10%	34%	49%	16%
Global developed investment grade fixed income	48%	50%	3%	19%	70%	11%
Hedge funds	24%	61%	15%	18%	53%	29%
Emerging market equities	29%	51%	20%	25%	55%	20%
Global developed corporate high yield fixed income	33%	53%	15%	16%	72%	12%
Commodities	13%	60%	28%	22%	71%	7%
Cash	12%	68%	20%	23%	66%	11%
Digital assets	15%	61%	24%	16%	56%	28%
Emerging market fixed income	19%	52%	29%	7%	66%	27%
Art	5%	82%	13%	11%	73%	16%

Expected portfolio return for the next 12 months

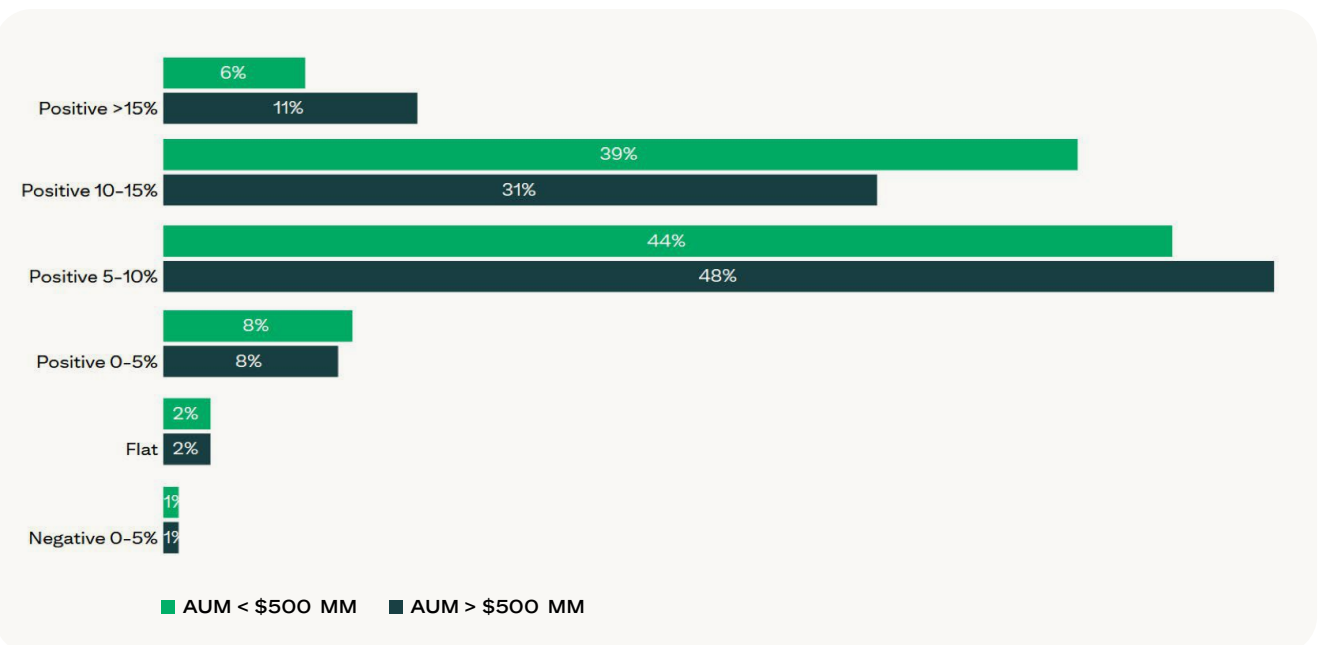
Global view

Expectations of positive portfolio returns in the next 12 months were near unanimous (97%) among respondents. About half of respondents were looking for between 5% and 10%, while another one third anticipated 10% to 15%.



AUM view

Family offices both with more and less than \$500 million were about as likely to expect gains over the coming year. However, larger family offices showed more divergence in the degree of gains they anticipated. More such entities were looking for gains above 15% and between 5% to 10%, while they were also less likely than smaller family offices to anticipate gains between 10% and 15%.



Note: variations in chart display percentages is due to rounding.

Regional view

Asia Pacific family offices were skewed to expecting larger gains. Almost two thirds (63%) thought their portfolios would increase by 10% or more over the coming year. This compared to 52% in Latin America, 33% in North America, and 37% in Europe, the Middle East and Africa.

No respondents from Latin America expected flat or negative returns.

	Global	APAC	EMEA	LATAM	NAM
Positive >15%	8%	18%	1%	2%	11%
Positive 10-15%	35%	45%	36%	50%	22%
Positive 5-10%	46%	27%	54%	48%	51%
Positive 0-5%	8%	7%	7%		12%
Flat	2%	3%			4%
Negative 0-5%	1%		1%		1%



Portfolio construction and management

Overview

The shift toward public equities and fixed income stands out, as does the commitment to alternatives.

Home bias persists more so in North America family offices even as global allocations to North America remain highest. Allocations to China are greatly reduced even among family offices in Asia.

Concentration of positions persist with some family offices seeking ways to diversify their risk.

Use of leverage was low, but there was more willingness expressed to seek strategic acquisitions and M&A.

While the investment focus on generative AI is widespread, it has yet to be adopted in the management of family offices. Interest in digital assets continues to increase from a low base.

Having CIOs in-house or managing assets externally reflects costs and focus considerations.

Allocation by asset class

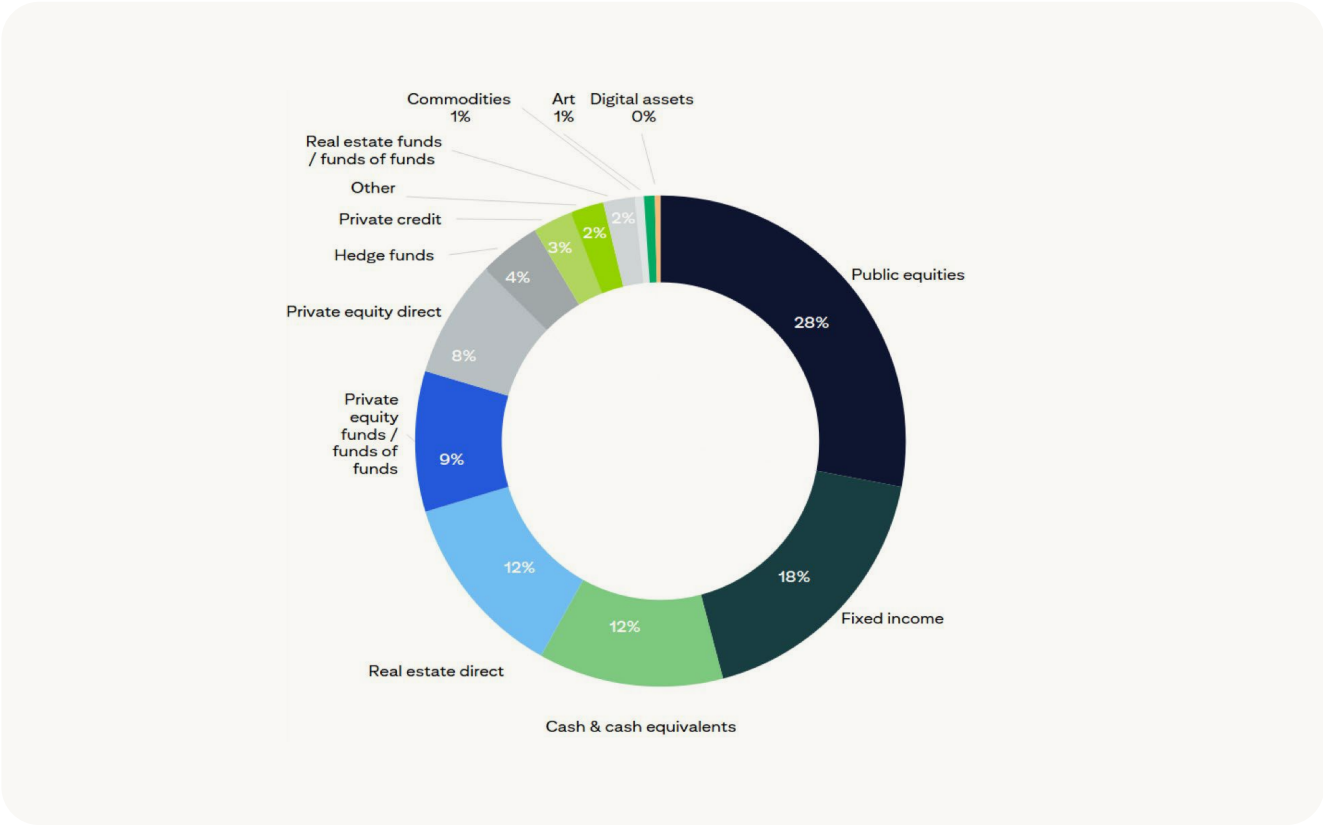
Global view

Already family offices' two largest asset classes, public equities and fixed income saw their weightings increase further in 2024. Public equities rose from 22% to 28% and fixed income rose from 16% to 18%. The increase in public equities was attributable both to putting cash to work and the markets' continued rally from their 2022 lows.

Private equity dipped from 22% to 17%. This may have been accentuated by valuations taking longer to adjust upward compared to those of public equities.

The weighting in real estate – direct and via funds – fell from 17% to 14%. Industry difficulties following the sharp interest rate hiking cycle and ongoing upheaval in parts of the industry since the COVID pandemic may help explain this.

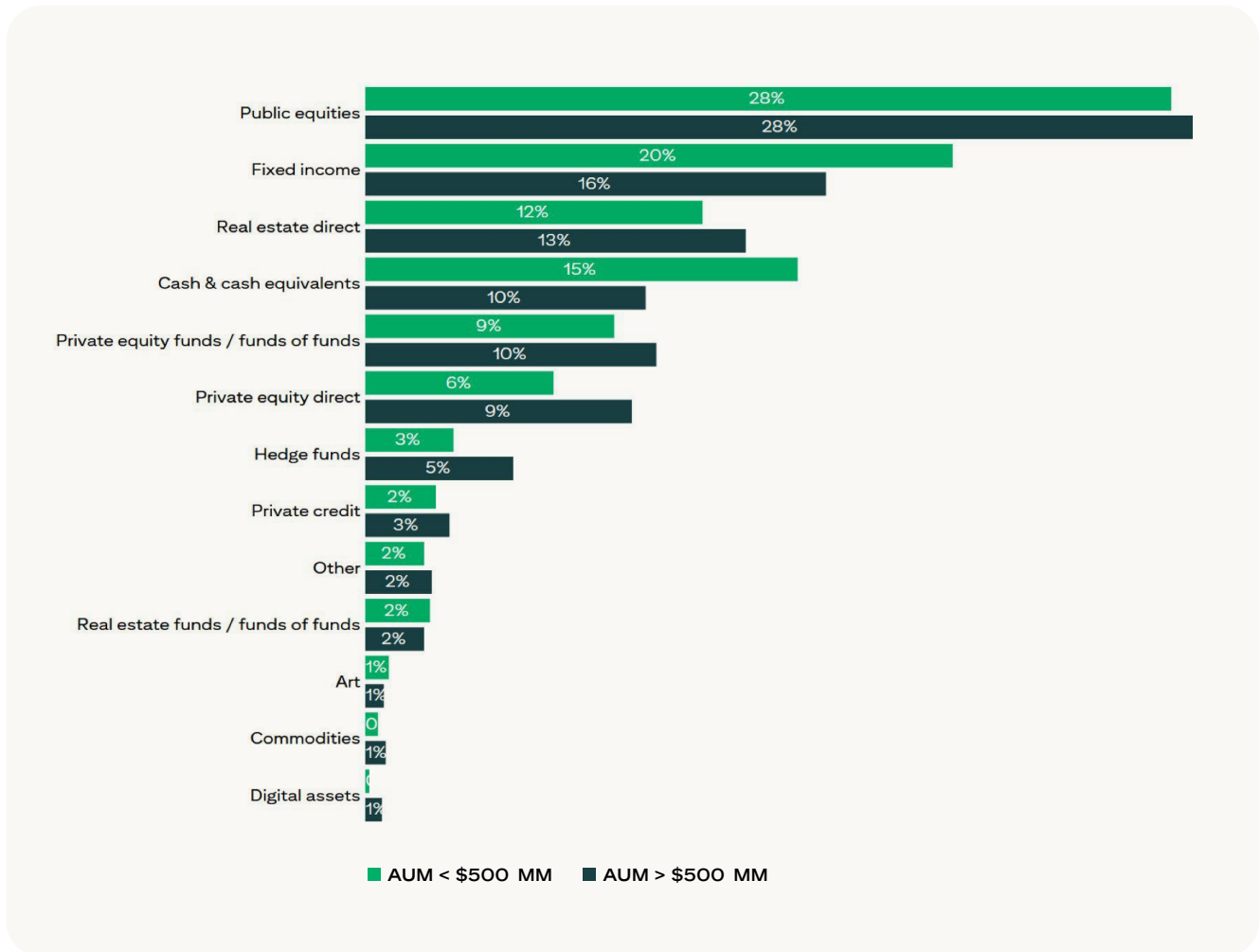
Cash, hedge funds, and private credit held steady at 12%, 4%, and 3% respectively.



AUM view

Family offices with both more and less than \$500 million in AUM had similarly allocated portfolios overall. That said, smaller entities reported greater weightings to fixed income than their larger counterparts (20% versus 16%). They also held

substantially more cash (15% vs 10%), and had less exposure to direct investments (6% vs 9%). These weightings suggest a greater appetite for illiquidity and willingness to ride out market volatility among larger family offices.



Note: variations in chart display percentages is due to rounding.

Regional view

Public equity allocations were similar globally, at between 26% and 30%. The smaller asset classes of private credit and real estate funds were also at comparable levels. Among the main divergences was fixed income. Weightings in Latin America (27%) and Asia Pacific (24%) were much higher than those in

Europe, the Middle East and Africa (14%), and North America (12%). North America family offices allocated more to direct real estate holdings (16%) than their counterparts elsewhere. In Asia Pacific, cash allocations of 15% were above the 11% average for the other three regions.

	Global	APAC	EMEA	LATAM	NAM
Public equities	28%	30%	26%	30%	27%
Fixed income	18%	24%	14%	27%	12%
Real estate direct	12%	9%	10%	12%	16%
Cash & cash equivalents	12%	15%	13%	9%	11%
Private equity funds / funds of funds	9%	7%	12%	8%	9%
Private equity direct	8%	5%	11%	5%	9%
Hedge funds	4%	3%	3%	3%	6%
Private credit	3%	2%	3%	2%	3%
Other	2%	1%	4%	0%	2%
Real estate funds / funds of funds	2%	2%	2%	3%	2%
Art	1%	0%	1%	0%	1%
Commodities	1%	0%	1%	0%	1%
Digital assets	0%	1%	0%	0%	0%

Highlights from the Family Office Leadership Program – asset classes

In a wide-ranging series of sessions, the Private Bank's 2024 Family Office Leadership Program explored some of the themes and assets that our clients find most relevant amid these times. Led by subject matter experts, these discussions encouraged contributions from attendees.

Seeking alpha in a slow economy

Family offices are optimistic about the investment outlook, evidenced by their positive portfolio positioning despite their geopolitical concerns. AI and related technologies are expected to be as transformative as the internet was from the late 1990s onward. Despite the temptation to let this area dominate portfolio holdings, maintaining dynamic globally diversified multi-asset class portfolios will likely prove the most effective approach over time.

Food for thought: "When to cut a position? It is important to be honest about why you put on a position to begin with. Is the thesis still the same? If so, doing nothing – at least for a while – may be the best strategy."

Real estate revival

Potential real estate opportunities in the post-pandemic world are in focus among family offices. Some indicators suggest real estate values bottoming despite often gloomy news headlines. Certain subsectors are indeed suffering pricing dislocations, such as Chinese residential and older, lower quality and less favorably located offices in many countries. However, there are some sweet spots, including residential in the US and logistics facilities in Western Europe.

Food for thought: "Take a step back. What are the big secular trends in the world and which real estate subsectors and geographies may benefit or lose out?"

Healthcare: A prescription for growth

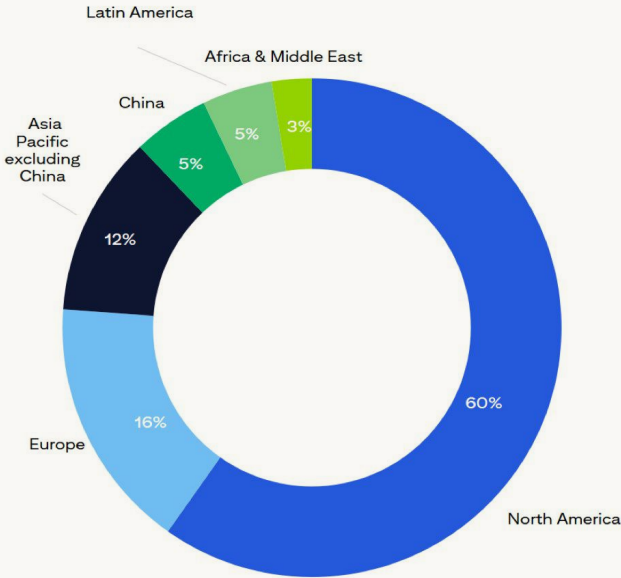
Healthcare could become increasingly personalized and focused on keeping people well rather than treating the sick. In recent decades, by contrast, the US has seen a rising proportion of chronically ill patients receiving ever more care. If unaddressed, this trend would impose a huge financial burden. AI has great potential, particularly for cutting administration costs nearer term. More direct AI involvement in patient care may take longer.

Food for thought: "Might humanity reach escape velocity in the years ahead, whereby for each year lived, life expectancy goes up rather than down?"

Asset allocation by geography

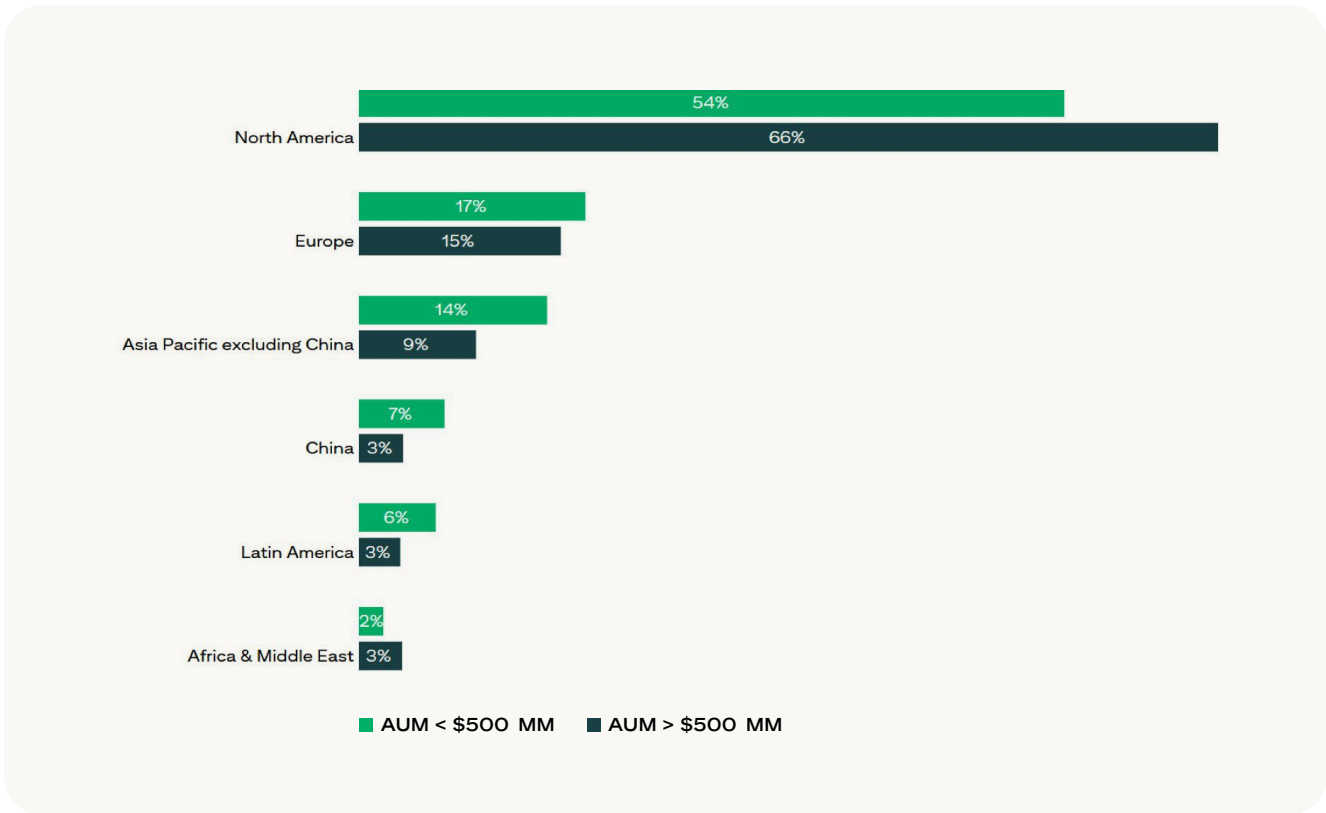
Global view

North America received the highest overall weighted allocations (60%) followed by Europe (16%) and Asia Pacific excluding China (12%). Allocations to China had almost halved to 5% from 8% since last year, owing to that country’s ongoing economic challenges and market malaise. North America’s share of allocations was up from 57%, buoyed by a strong equity market.



AUM view

Family offices with \$500 million and upward in AUM had more of their portfolios allocated to North America. This likely reflects that many of the larger family offices were based in North America and have a bias toward investing in their home region.



Regional view

Asia Pacific family offices reported having the most geographically diversified portfolios, followed by those in Europe, the Middle East and Africa, and Latin America.

Flight from China since last year occurred in all regions except for Europe, the Middle East and Africa. Asia Pacific family offices made the most aggressive reductions, from 26% to 14%. For family offices globally, China represents 5% of portfolio allocations versus 8% last year.

	Global	APAC	EMEA	LATAM	NAM
North America	60%	39%	42%	62%	86%
Europe	16%	8%	40%	10%	7%
Asia Pacific excluding China	12%	38%	6%	1%	3%
China	5%	14%	5%	1%	1%
Latin America	5%	0%	1%	26%	2%
Africa & Middle East	3%	1%	7%	0%	1%

	APAC		EMEA		LATAM		NAM	
	2023	2024	2023	2024	2023	2024	2023	2024
North America	30%	39%	47%	42%	54%	62%	80%	86%
Europe	13%	8%	44%	40%	12%	10%	9%	7%
Asia Pacific excluding China	30%	38%	4%	6%	1%	1%	4%	3%
China	26%	14%	2%	5%	3%	1%	2%	1%
Latin America	0%	0%	0%	1%	30%	26%	3%	2%
Africa & Middle East	1%	1%	3%	7%	0%	0%	2%	1%

Highlights from the Family Office Leadership Program – geographical diversification

The Middle East was discussed as offering attractive investment potential across real estate, energy and the broad reinvention of the regional economy.

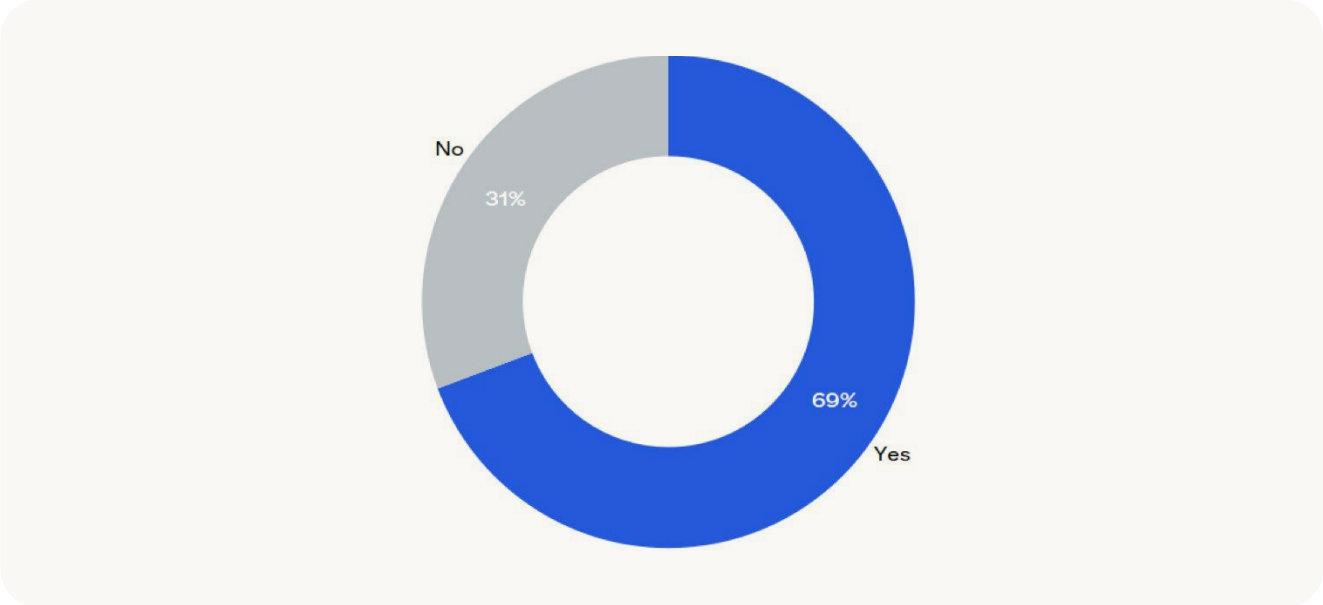
Japanese equity valuations were seen trading below long-term averages. Strong equity performance for much of the first half of 2024 was driven by earnings growth rather than multiple expansion.

With its high and broad-based GDP growth of 8%, India’s appeal to many investors was seen as clear. The nation’s physical infrastructure has advanced significantly in the last 20 years. This is also true of its digital infrastructure, which has enabled the proliferation of smartphone usage, digital payments, and biometrics.

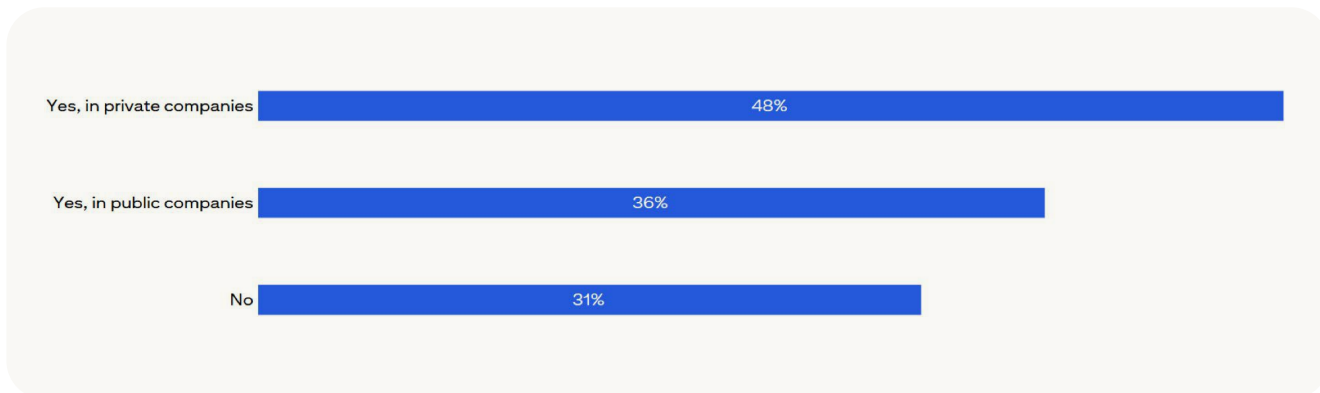
Concentrated positions held

Global view

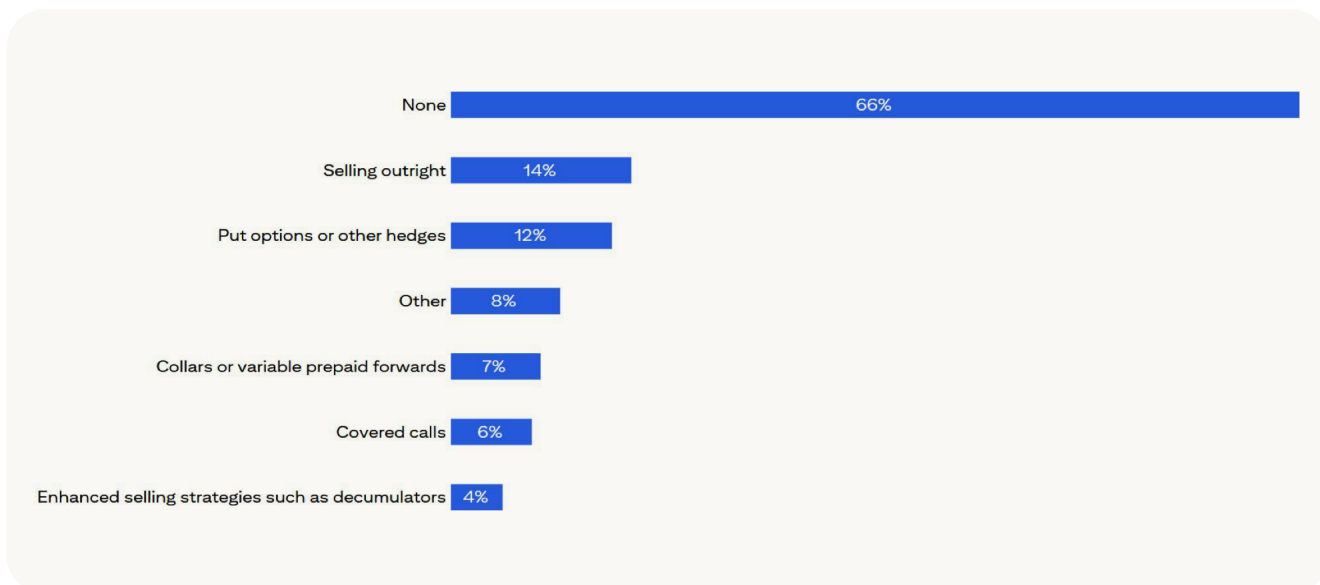
As in prior years, more than two thirds of respondents reported a concentrated position in public or private companies. While concentration is typically inherent to initial wealth creation, it can later represent a large and unnecessary threat to wealth preservation.



One third of those owning concentrated positions said they were considering strategies to manage the risks.



Strategies to manage the risk under consideration were selling outright (14%), hedges (12%), collars or prepaid forwards (7%), and covered calls (6%).

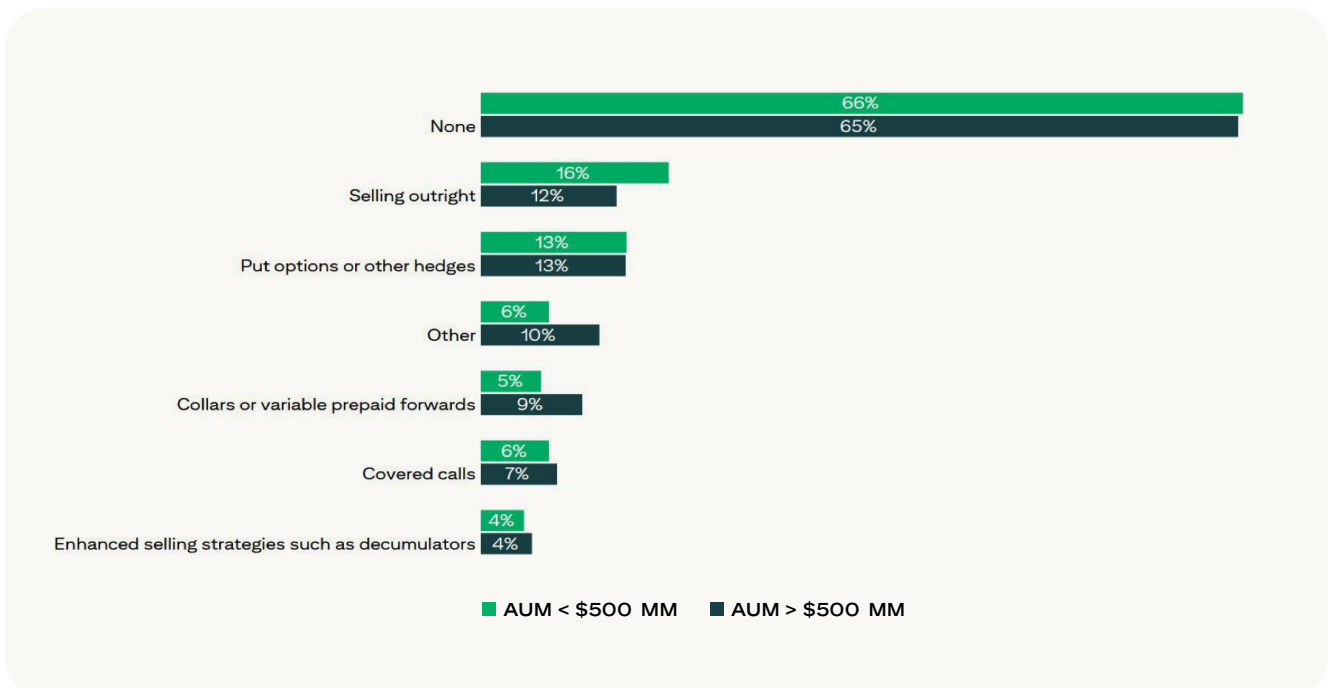


AUM view

Concentrated positions in private companies were more common among family offices managing AUM of less than \$500 million (51%) than among their larger counterparts (43%). This may reflect that smaller family offices are often still in wealth creation mode, owning and managing family business(es).

For concentrated exposure to public companies, the situation was reversed. Larger family offices were likelier than smaller entities to hold such positions (41% vs 31%), perhaps resulting from owning more mature businesses that have already undergone an IPO.

The strategies for addressing concentration risk under consideration were similar for both larger and smaller family offices.



Regional view

Concentrated exposure to private companies was most prominent among Latin American family offices (60%). Concentrated exposure to public companies was highest among Asia Pacific (53%) and North America (39%) entities. A strikingly large proportion (88%) of Latin America family offices were not considering any action to address their concentration risks, compared to half to two thirds elsewhere.

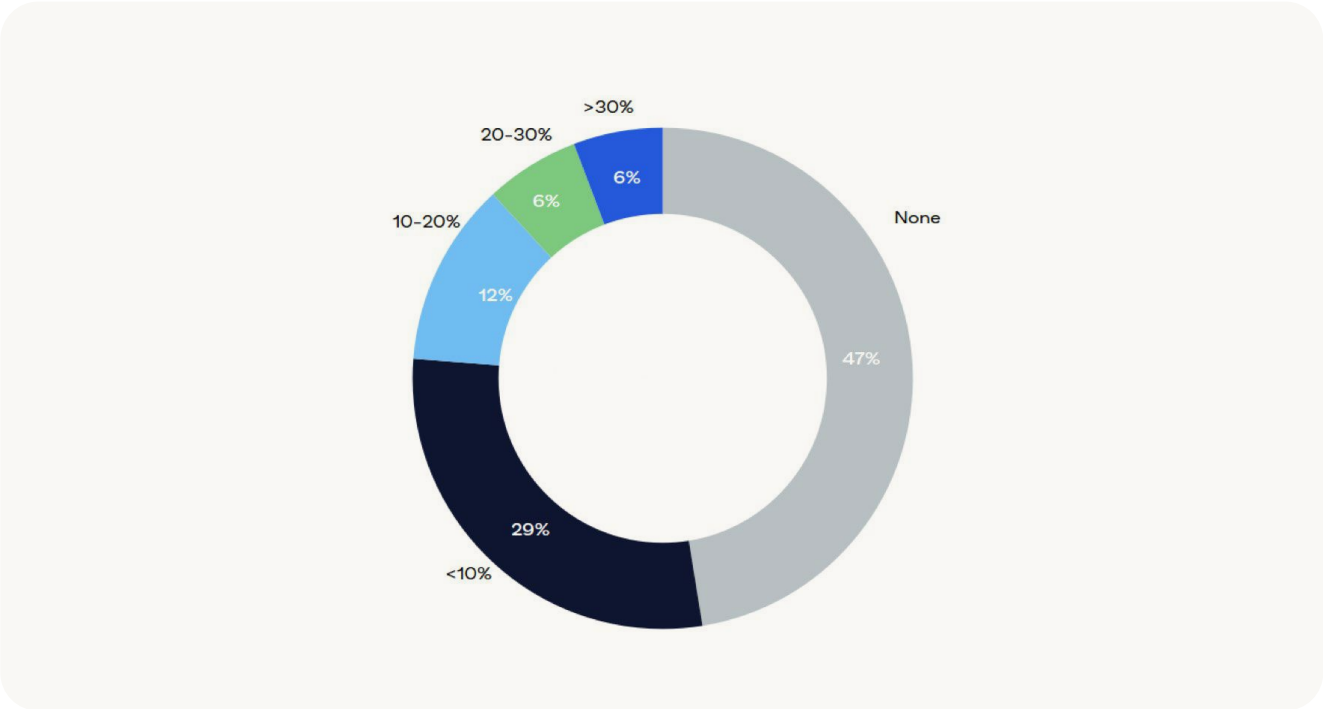
	Global	APAC	EMEA	LATAM	NAM
Yes, in private companies	48%	48%	47%	60%	42%
Yes, in public companies	36%	53%	26%	23%	39%
No	31%	27%	36%	30%	29%

	Global	APAC	EMEA	LATAM	NAM
None	66%	56%	61%	88%	66%
Selling outright	14%	23%	13%	3%	14%
Put options or other hedges	12%	18%	19%	5%	7%
Other	8%	5%	8%	3%	14%
Collars or variable prepaid forwards	8%	10%	11%		5%
Covered calls	7%	10%	7%		6%
Enhanced selling strategies such as decumulators	4%	11%	3%	3%	1%

Amount of leverage employed

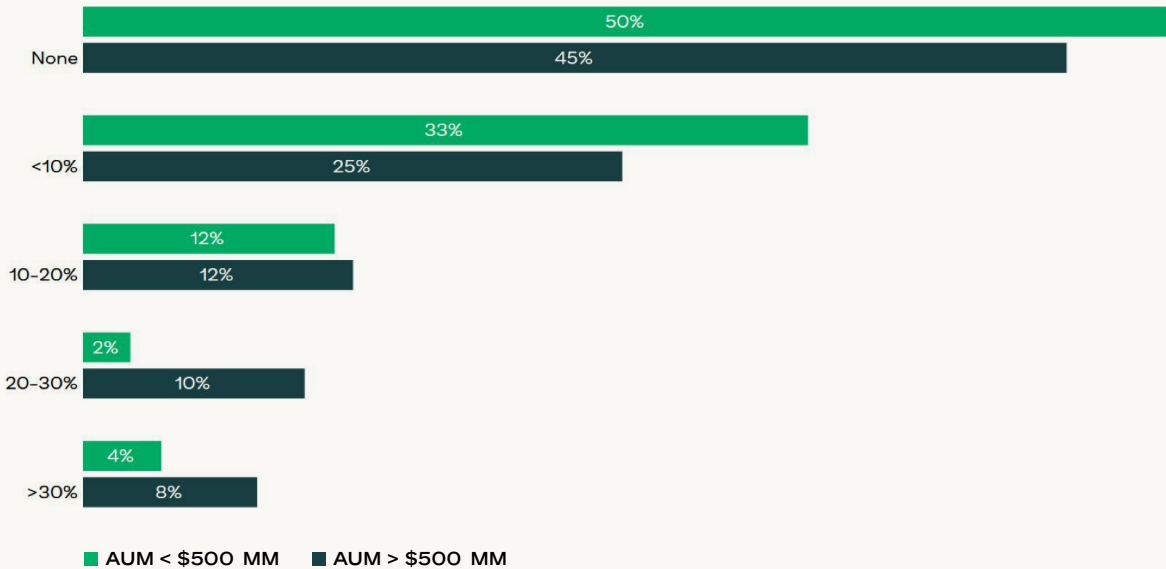
Global view

Family offices continued to report low use of leverage in their portfolios, with half employing none. But 29% are using up to 10% and 24% more than that.



AUM view

Half of family offices with less than \$500 million AUM employed some leverage in their portfolios and 55% of their larger counterparts did so too. Larger family offices that did use leverage were likelier to use more of it. For example, they were three times as likely as smaller family offices to use upward of 20% leverage.



Regional view

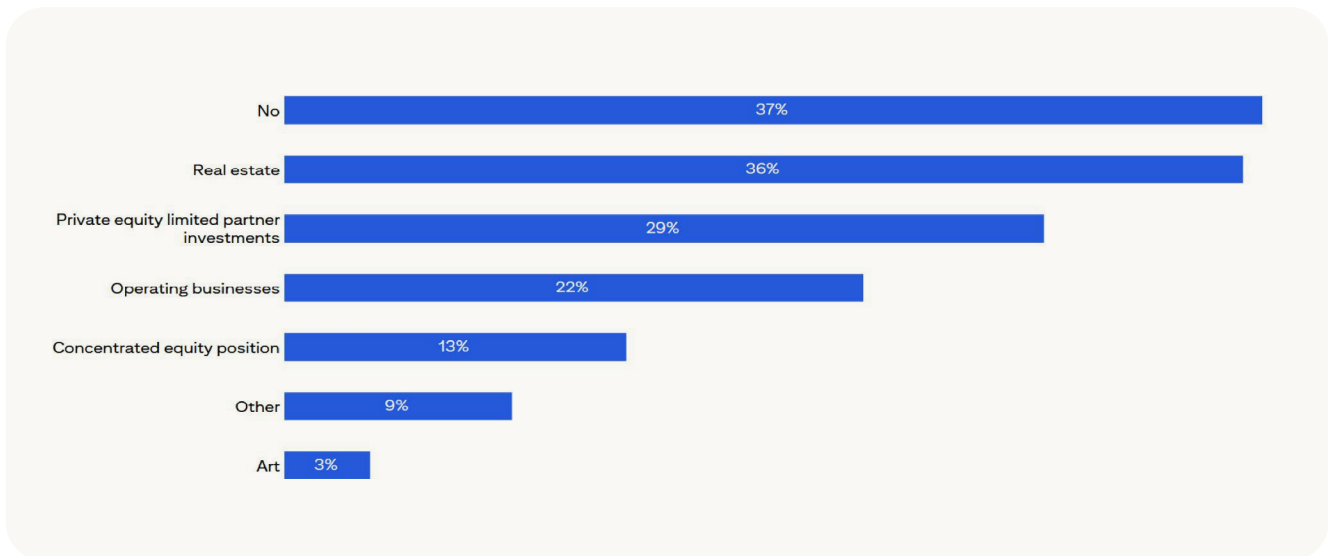
Leverage use trends were broadly similar across the world. North America had both the highest proportion of family offices using no leverage (52%) and the highest proportion using more than 30% leverage (12%). Those in Latin America were least likely to have no leverage (38%) but tended also to have lesser amounts of leverage, with 55% being less than 20% leveraged.

	Global	APAC	EMEA	LATAM	NAM
None	47%	44%	49%	38%	52%
<10%	29%	27%	27%	40%	27%
10-20%	12%	17%	14%	15%	5%
20-30%	6%	10%	5%	8%	4%
>30%	6%	2%	4%		12%

Financing needs

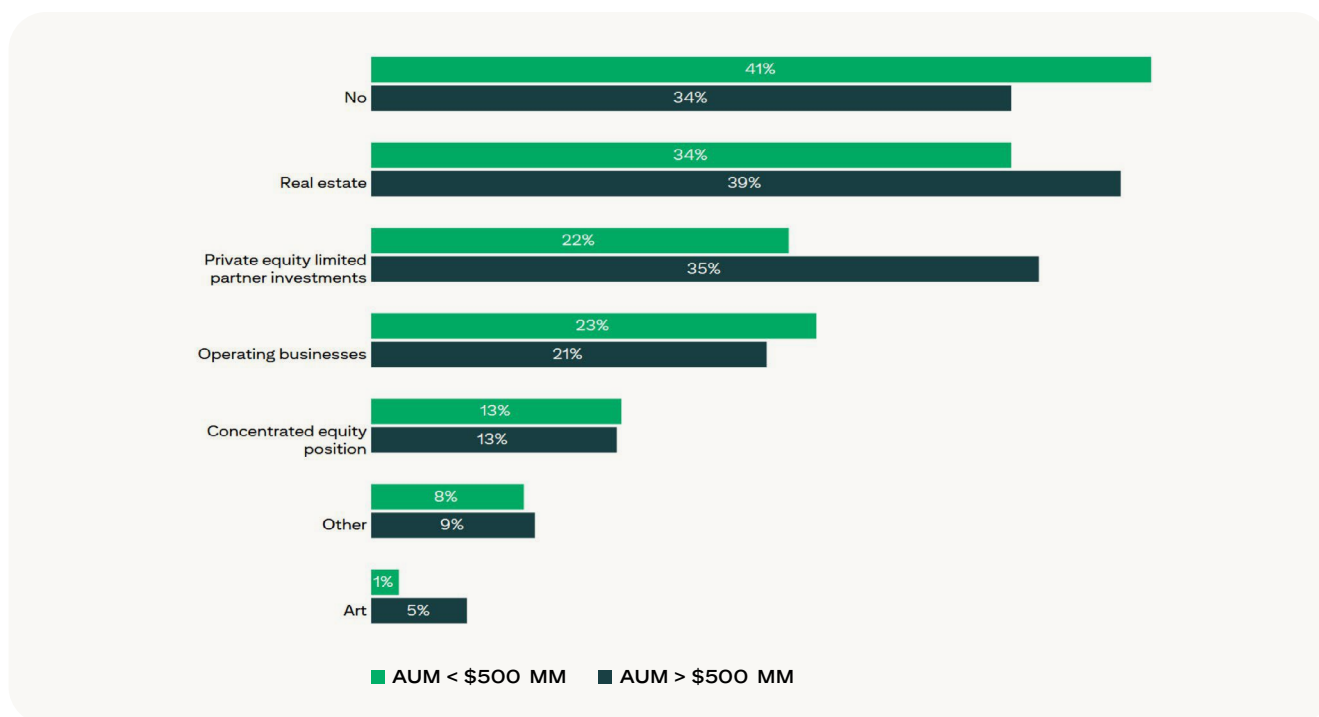
Global view

Over a third of family offices were not exploring financing opportunities for the next 12 months. Among those who were, the primary focuses were financing real estate (36%), private equity (29%) investments, and operating businesses (22%).



AUM view

Both larger and smaller family offices reported real estate as their primary financing focus (39% and 34% respectively). But their second priority varied, with those above \$500 million in AUM mentioning private equity (35%) and those below \$500 million in AUM citing operating businesses (23%).



Regional view

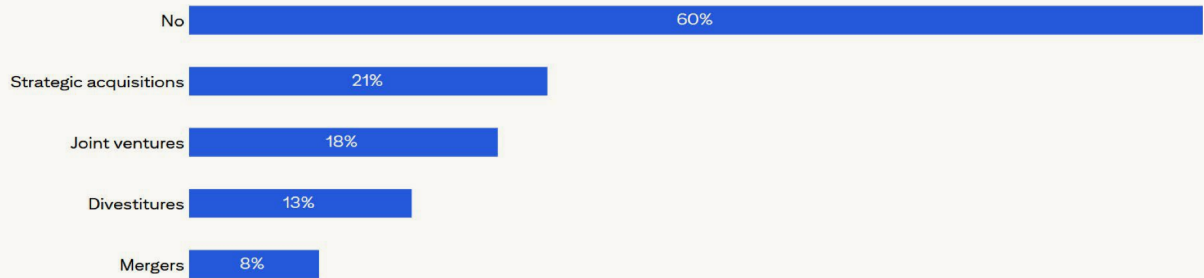
Family offices in Europe, the Middle East and Africa were likeliest to be considering seeking financing in the coming year, with just 28% ruling it out. By contrast, some 46% of Asia Pacific respondents said they were not considering this option. And whereas in Europe, the Middle East and Africa, the top focus was financing private equity, real estate came top elsewhere.

	Global	APAC	EMEA	LATAM	NAM
No	37%	46%	28%	38%	38%
Real estate	36%	28%	36%	40%	41%
Private equity limited partner investments	29%	17%	42%	25%	28%
Operating businesses	22%	26%	25%	20%	18%
Concentrated equity position	13%	20%	13%	10%	9%
Other	9%	6%	12%	10%	7%
Art	3%	2%	4%	3%	4%

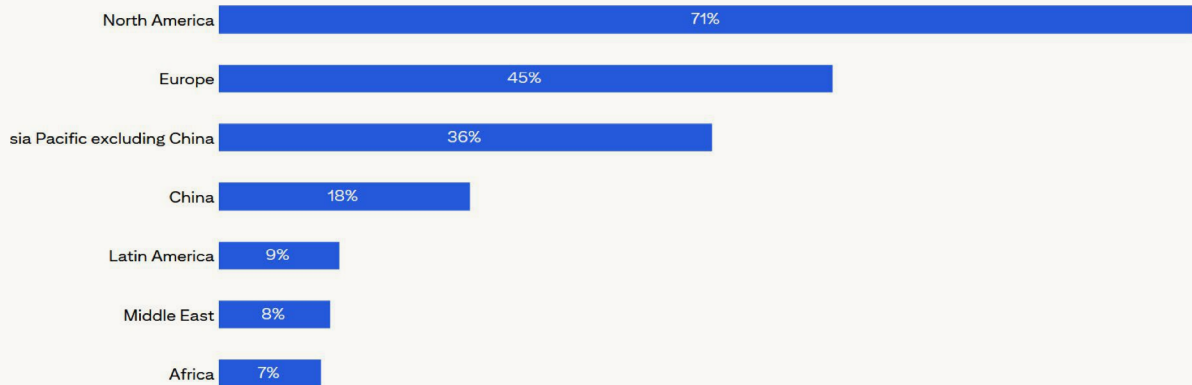
Interest in M&A

Global view

Some 40% of business-owning family offices were considering mergers & acquisitions (M&A) activity in the next 12 months, mostly strategic acquisitions or joint ventures.

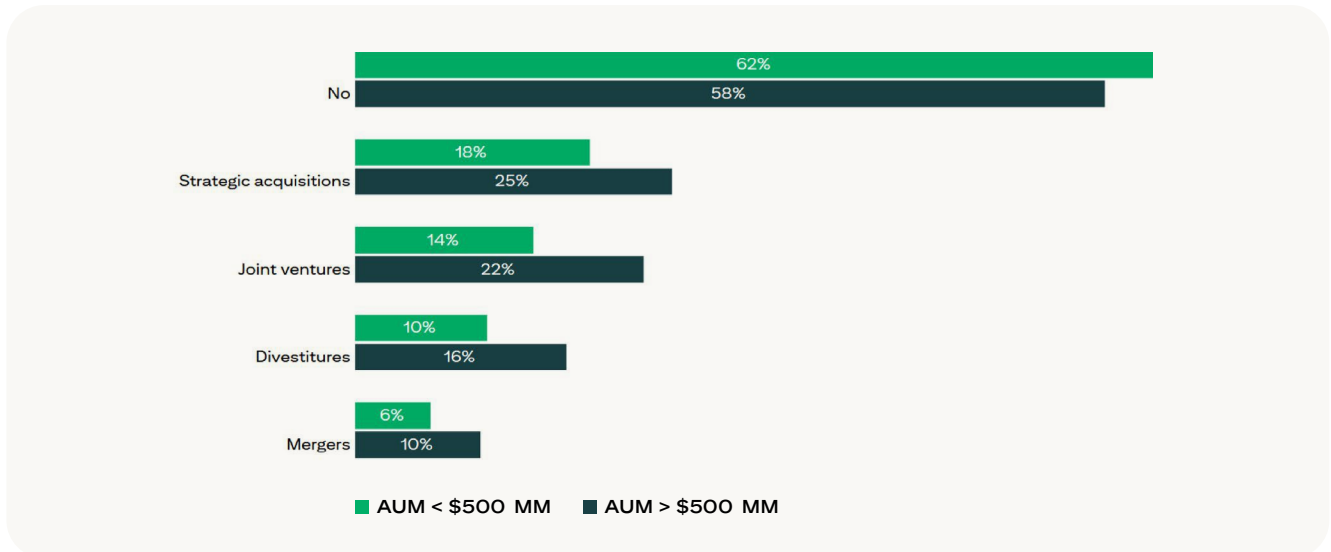


The top three target regions are North America (71%), Europe (45%), and Asia Pacific excluding China (36%). Latin America was mentioned by only 9%.

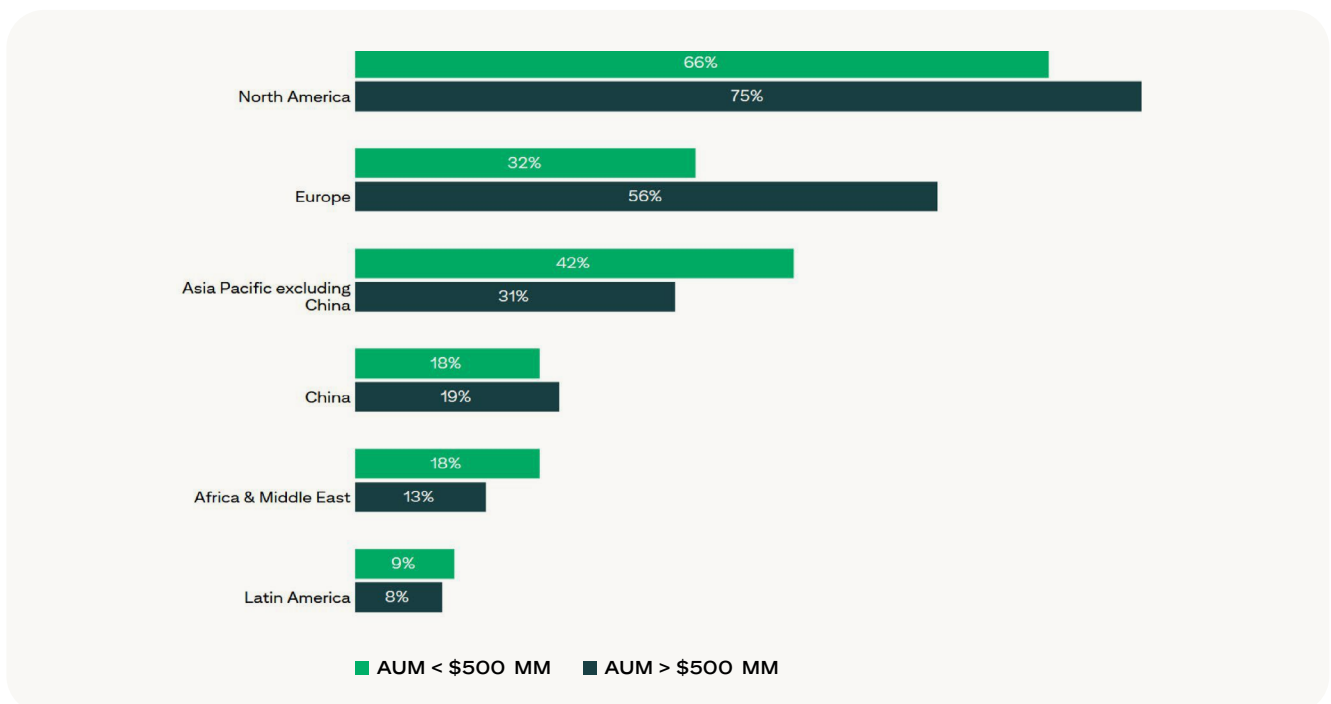


AUM view

Larger family offices were slightly likelier (42%) to be considering M&A activity than their smaller counterparts (38%). Their interest was much greater in joint ventures (22% vs 14%) and in divestitures (16% vs 10%).



Large family offices appear to favor North America and Europe, Middle East and Africa for M&A activity, but this likely reflects that many of the larger family offices were based in these two regions and have a bias toward investing in their home region.



Regional view

Latin America family offices were the least likely to be considering M&A activity in the next 12 months (69% vs 58% on average elsewhere).

Asia Pacific, Europe, the Middle East and Africa and North America entities expressed an interest in a broad range of activities across the M&A spectrum.

	Global	APAC	EMEA	LATAM	NAM
No	60%	58%	55%	69%	61%
Strategic acquisitions	21%	20%	27%	18%	19%
Joint ventures	18%	23%	15%	13%	20%
Divestitures	13%	9%	16%	8%	16%
Mergers	9%	14%	8%		6%

As expected, family offices have a bias toward investing in their home region for M&A activity, followed by North America.

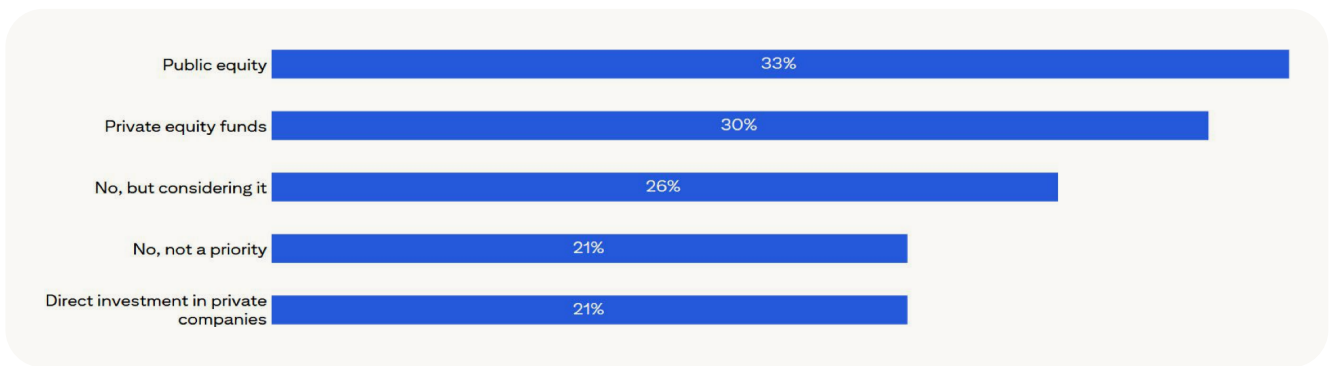
	Global	APAC	EMEA	LATAM	NAM
North America	71%	56%	55%	76%	96%
Europe	45%	29%	84%	41%	29%
Asia Pacific excluding China	40%	87%	21%		13%
China	21%	47%	11%		4%
Africa & Middle East	18%	13%	34%		8%
Latin America	13%		3%	53%	6%

Investments in artificial intelligence

Global view

Over half (53%) of family offices have built portfolio exposure to generative AI technologies and another 26% are considering it. Public equities (33%), private equity funds (30%), and private equity direct (21%) were the most popular asset classes for AI investing.

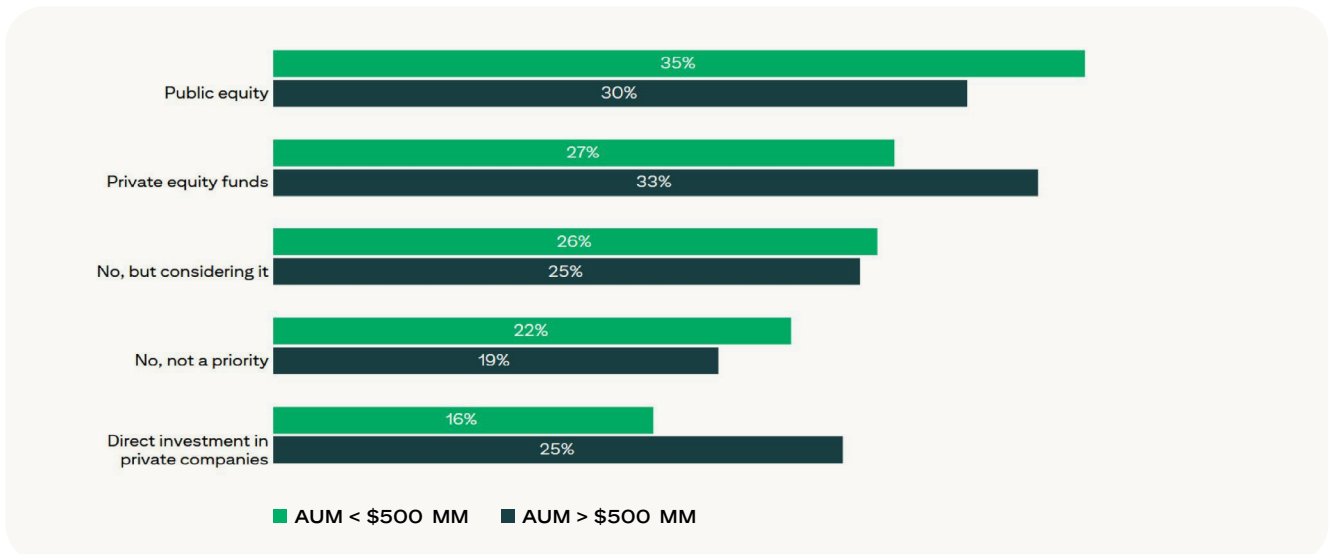
Despite the interest in AI for investment purposes, it has yet to be widely adopted for operational purposes in family offices. Less than 15% of respondents said they were deploying AI for the likes of task automation, presentation building or forecasting.



AUM view

Public equity and private equity funds were the main AI investment vehicles for family offices with more and less than \$500 million in AUM. Nearly 30% of family offices sought exposure via these means.

However, larger family offices had a more pronounced preference for direct investments in private companies (25%) than their smaller counterparts (16%).



Regional view

Europe, the Middle East and Africa family offices reported the highest commitment to AI investments, with only 12% not considering a priority. Asia Pacific expressed a strong preference for AI via public equity (50%).

	Global	APAC	EMEA	LATAM	NAM
Public equity	33%	50%	31%	18%	29%
Private equity funds	30%	39%	28%	28%	27%
No, but considering it	26%	16%	34%	31%	24%
No, not a priority	21%	23%	12%	26%	24%
Direct investment in private companies	21%	22%	23%	13%	21%

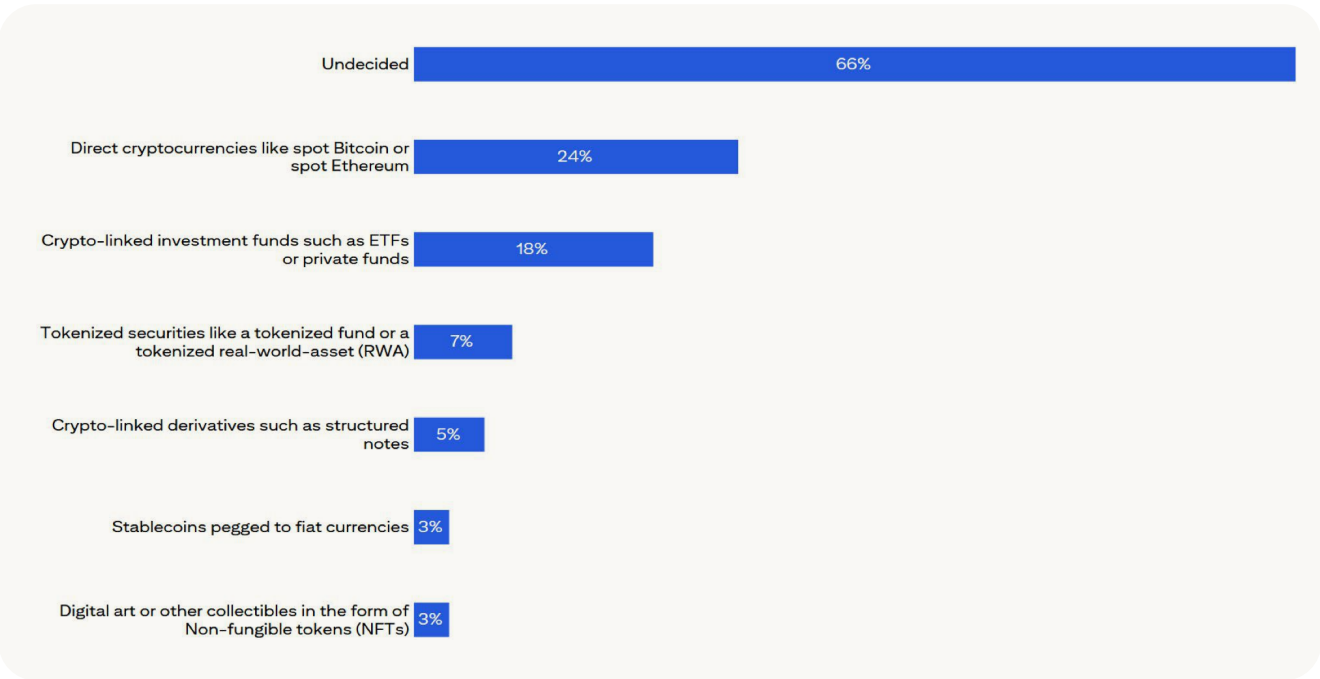
Investments in digital assets

Global view

About a quarter of respondents had already invested or were planning to invest in digital assets. The early adopters category (17%) is likely to grow in the years ahead, having already committed some allocations to digital assets or crypto-related investments. Another 10% of family offices were “digital asset curious,” i.e., considering an allocation but still researching the subject or seeking advice.

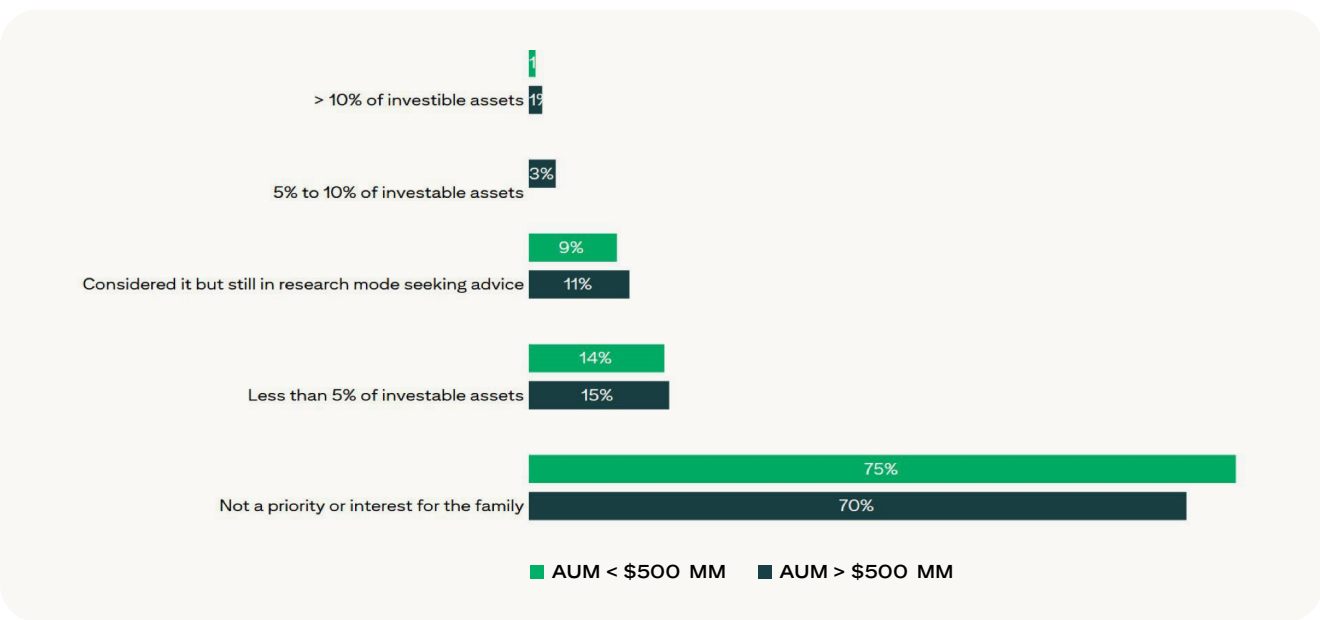


In terms of asset type, direct cryptocurrency investing continued to generate the most interest (24%) followed by crypto-linked investment vehicles such as exchange traded funds (18%). At the same time, two thirds of participants were undecided about which digital asset product to explore, underscoring family offices' ongoing need for education about this emerging asset class.

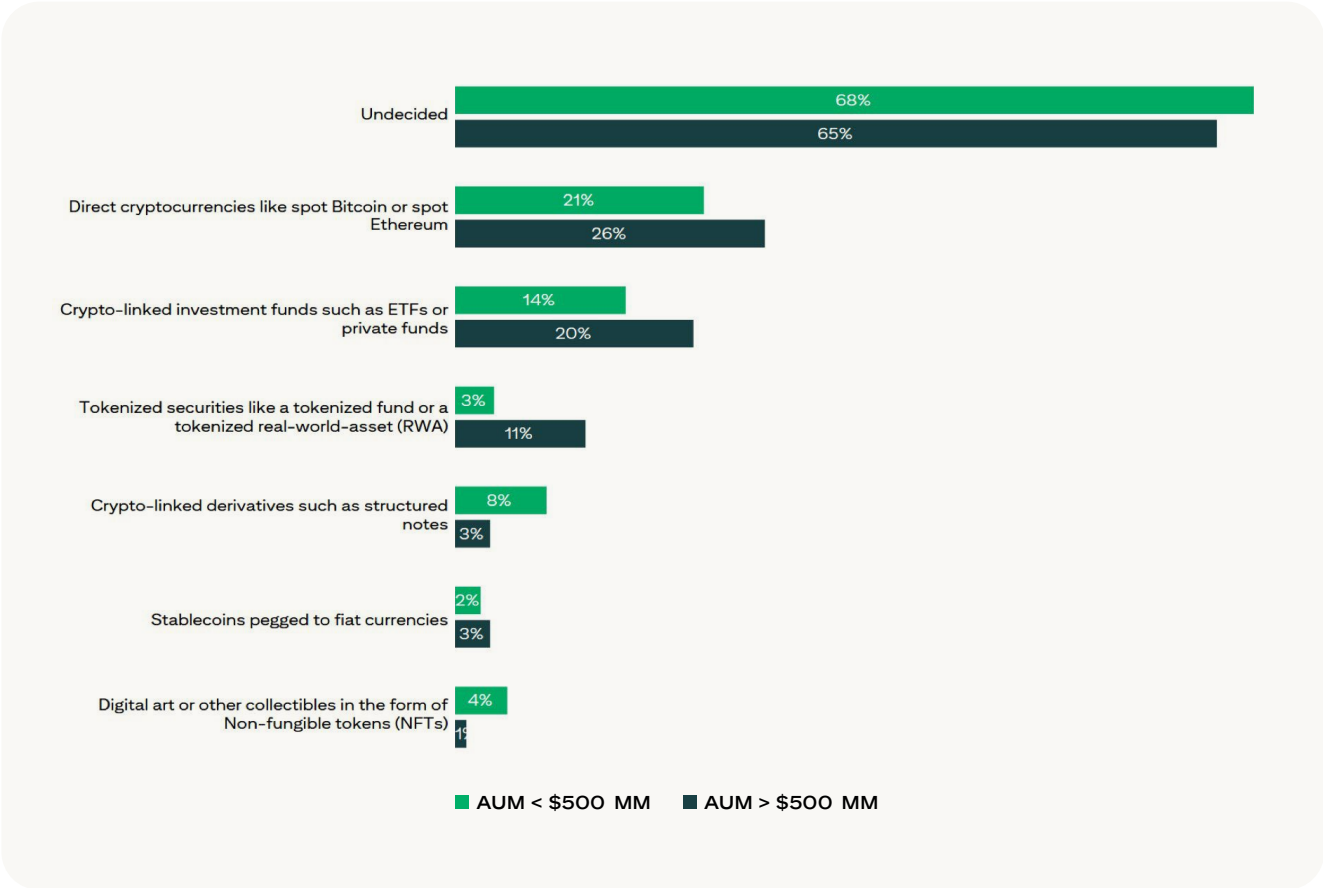


AUM view

Large and small family offices displayed similar levels of interest in digital assets.



In terms of asset type, direct cryptocurrencies and crypto-linked investment funds were their top two priorities.



Regional view

Asia Pacific led in digital assets adoption, with 37% of respondents invested or interested in investing. One in twenty family offices in that region reported more than 10% of investable assets in digital assets. By contrast, Latin American family offices were the least interested, with 83% not yet prioritizing an allocation to this area.

	Global	APAC	EMEA	LATAM	NAM
> 10% of investable assets	1%	5%			
5% to 10% of investable assets	1%		4%		1%
Considered it but still in research mode seeking advice	10%	23%	9%	5%	4%
Less than 5% of investable assets	15%	9%	16%	13%	19%
Not a priority or interest for the family	73%	63%	71%	83%	76%

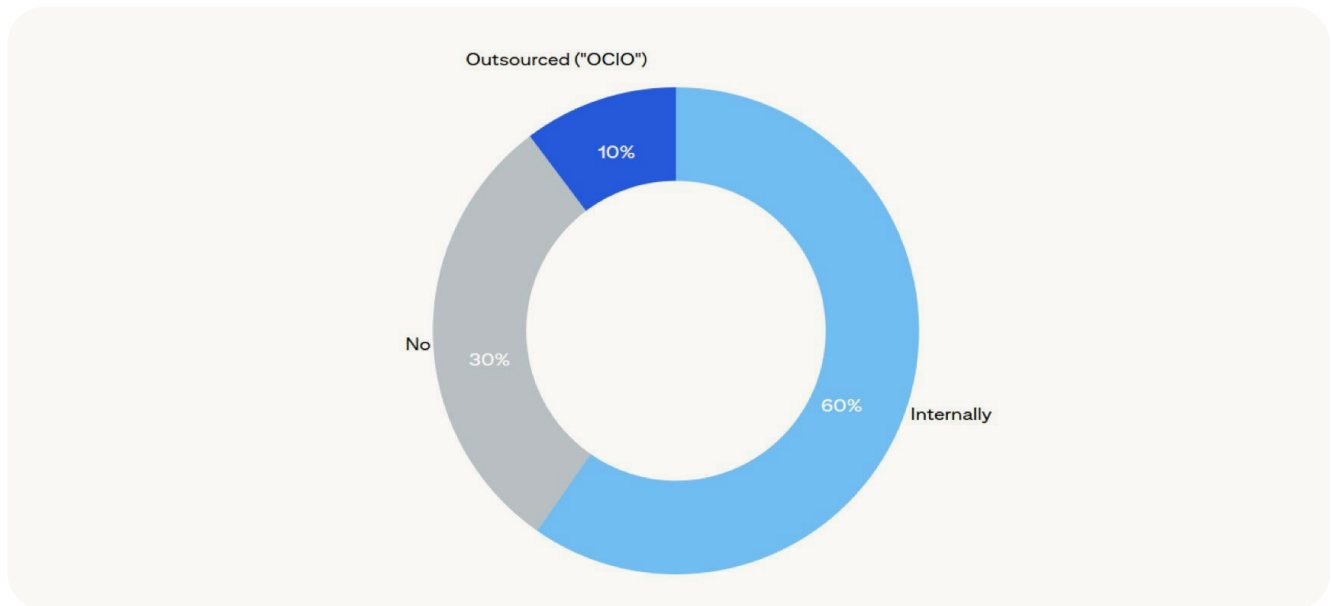
Interestingly, in terms of asset types, while Asia Pacific respondents were equally interested in direct cryptocurrency holdings and crypto-linked investment funds (18% respectively), North American entities were still mostly interested in direct cryptocurrencies investments (35%) versus crypto-linked investment funds (17%).

	Global	APAC	EMEA	LATAM	NAM
Undecided	66%	74%	66%	70%	57%
Direct cryptocurrencies like spot Bitcoin or spot Ethereum	24%	18%	20%	20%	35%
Crypto-linked investment funds such as ETFs or private funds	18%	18%	16%	25%	17%
Tokenized securities like a tokenized fund or a tokenized real-world-asset (RWA)	8%	11%	6%		8%
Crypto-linked derivatives such as structured notes	6%	11%	6%		2%
Digital art or other collectibles in the form of Non-fungible tokens (NFTs)	5%	5%	4%		
Stablecoins pegged to fiat currencies	3%	4%	4%		2%

Family office CIO role

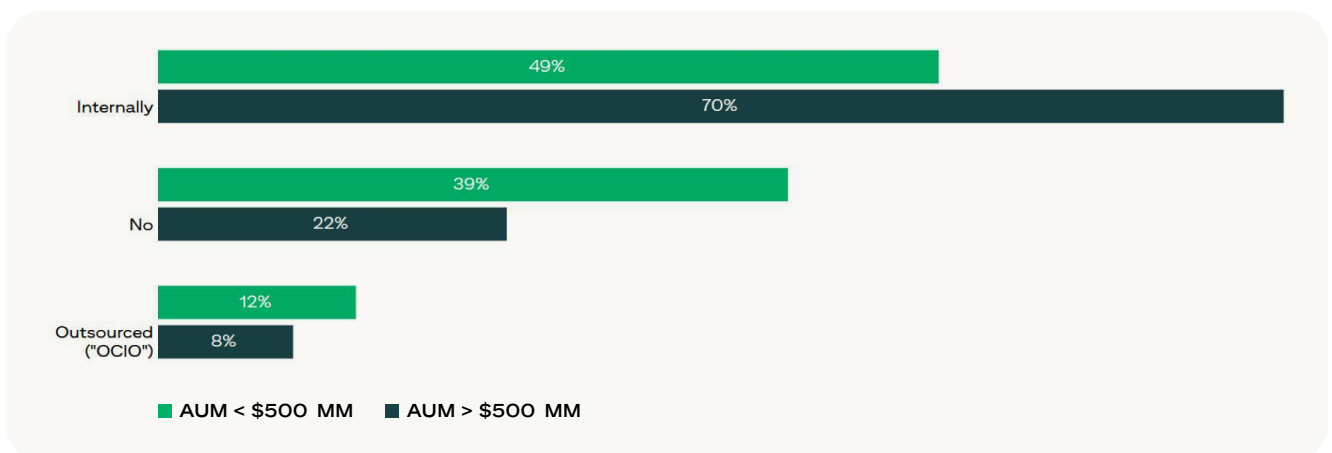
Global view

Most family offices (60%) said they had an in-house chief investment officer (CIO), while nearly a third did not and 10% reported relying on an outsourced CIO solution.



AUM view

Some 39% of family offices with AUM below \$500 million reported not having a CIO compared to 22% for those with higher AUM. This makes sense, since attracting and maintaining a full-time CIO is a significant financial commitment that requires scale. Family offices with AUM below \$500 million were 50% likelier to have an outsourced CIO (12% vs 8%).



Regional view

Asia Pacific family offices were likeliest to rely on an outsourced CIO model, with 16% reporting this option. Europe, the Middle East and Africa reported least use of this approach, at 3%. At some 38%, Latin America and Europe, the Middle East and Africa were likeliest not to have a CIO.

	Global	APAC	EMEA	LATAM	NAM
Internally	60%	61%	61%	53%	61%
No	30%	23%	37%	38%	26%
Outsourced ("OCIO")	10%	16%	3%	10%	13%

Generational view

When families reach the third generation or beyond since their wealth was created, they become much likelier (73%) to have a CIO in-house compared to first- and second-generation families (57% on average).

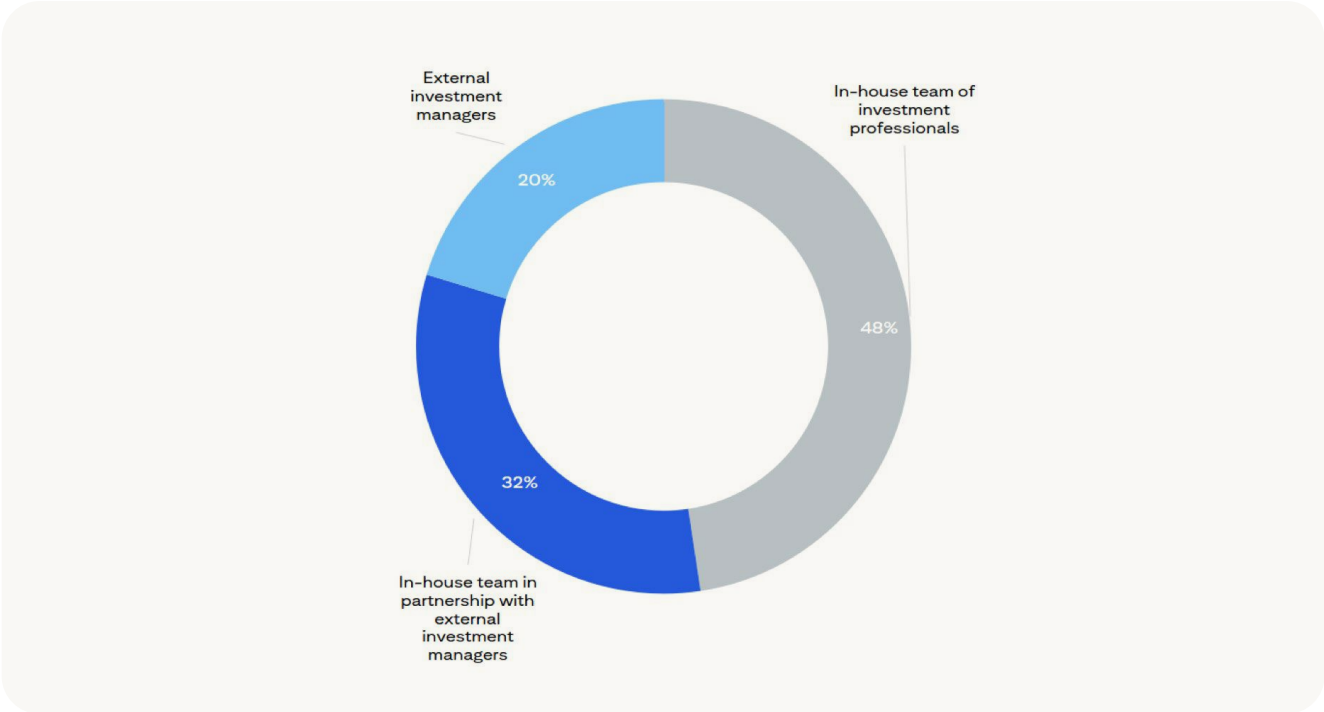
This is consistent with our experience of many first-generation families, who are often keen to take a hands-on approach to investment management and are thus reluctant to cede control to professionals. As wealth and the family become larger and more complex over time, however, this typically changes.

	Global	G1	G2	G3+
Internally	60%	61%	52%	73%
No	30%	28%	39%	16%
Outsourced ("OCIO")	10%	11%	9%	11%

Share of portfolio assets managed in-house vs externally

Global view

Respondents reported that more than half (52%) of AUM was managed in collaboration with or exclusively by external managers. Notably, 20% was exclusively externally managed. The proportion of family offices that rely on external resources appears to have grown slowly but surely. This is probably driven by the complexity of the investment function, the desire to further professionalize family offices, and the greater understanding of their individual needs by service providers.



AUM view

Family offices managing assets above \$500 million had a higher proportion of their portfolios managed by in-house teams of investment professionals (52%) than those with AUM below that amount (44%). This makes intuitive sense, given that building and maintaining internal teams becomes more cost effective the greater the asset base involved.

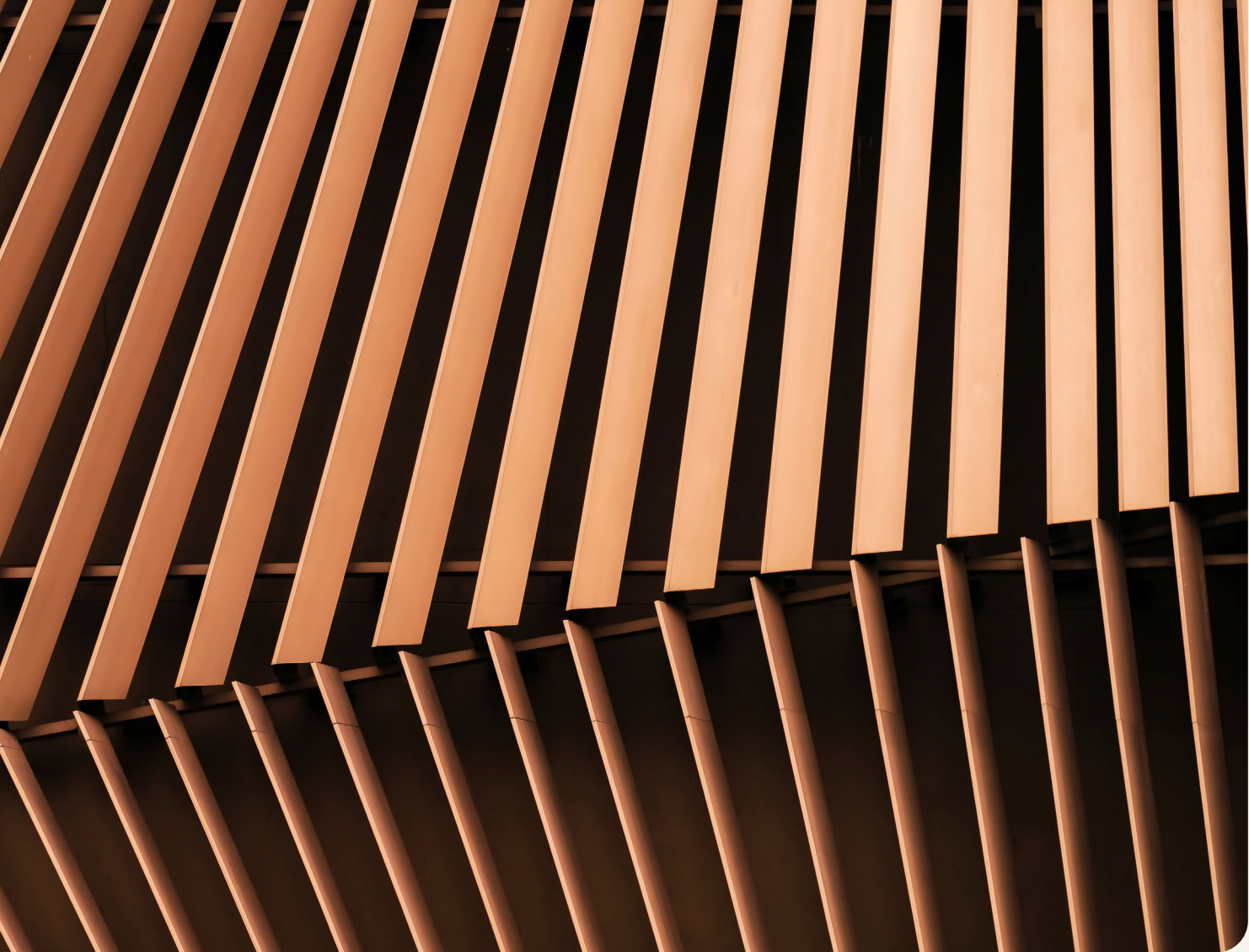


Regional view

Family offices in Asia Pacific favor internal/external partnerships (51%), while half of their counterparts in the rest of the world prefer an in-house investment team.

In-house teams of investment professionals managed nearly half of AUM across North America, Latin America and Europe, the Middle East and Africa. The other half of their AUM was managed either in partnership with external investment managers or exclusively by them. Family offices in Asia Pacific recorded rather different patterns. In-house teams managed 39% of AUM, with 51% managed collaboratively, and only 10% managed exclusively by external investment managers.

	Global	APAC	EMEA	LATAM	NAM
In-house team of investment professionals	48%	39%	51%	52%	50%
In-house team in partnership with external investment managers	32%	51%	25%	30%	25%
External investment managers	20%	10%	25%	18%	25%



Private Equity

Overview

Growth equity, venture, and buyout allocations together accounted for two thirds of respondents' capital allocations to private equity funds, while secondaries have had a resurgence this year.

Among both larger and smaller family offices, growth equity was the most favored category.

Respondents from North America put 30% of their private equity funds allocation into venture capital. Buyout funds were most favored in Asia Pacific and Europe, the Middle East and Africa, at 25% apiece.

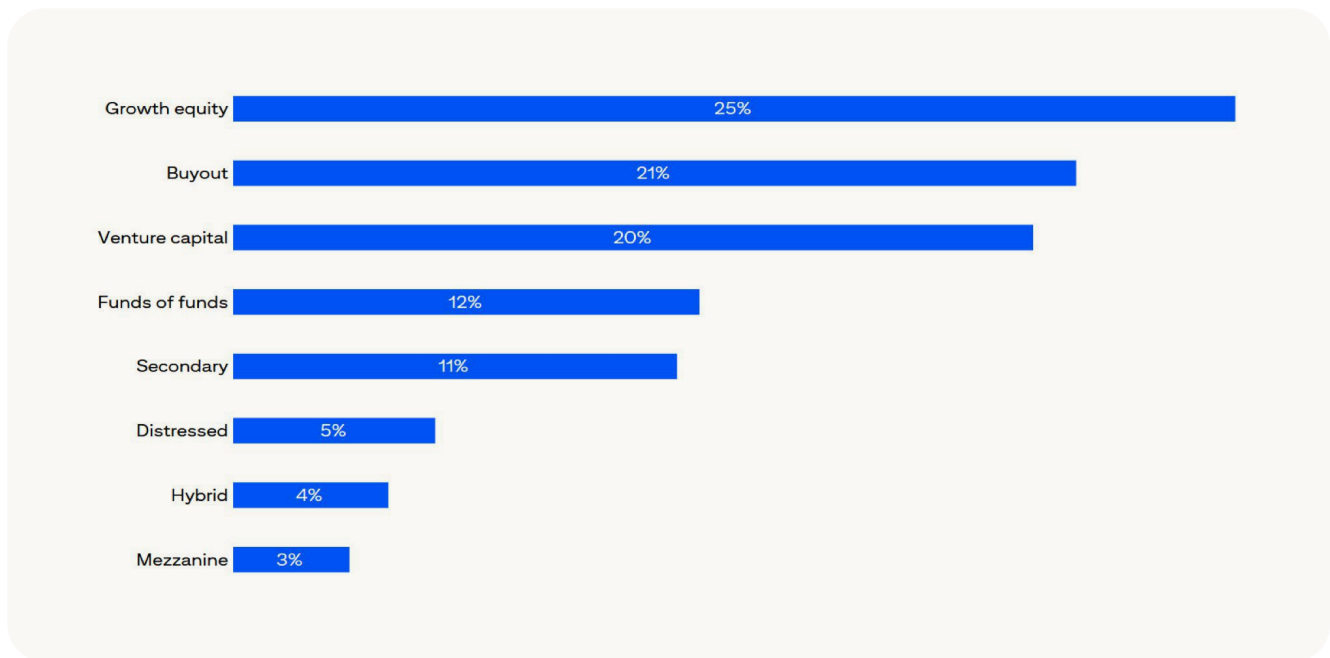
Direct investing remained a priority for family offices worldwide, marked by a willingness to wait and watch for favorable terms and economic conditions.

Within direct investments, growth and early stage were the most favored categories.

Private equity fund allocation by type in the last 12 months

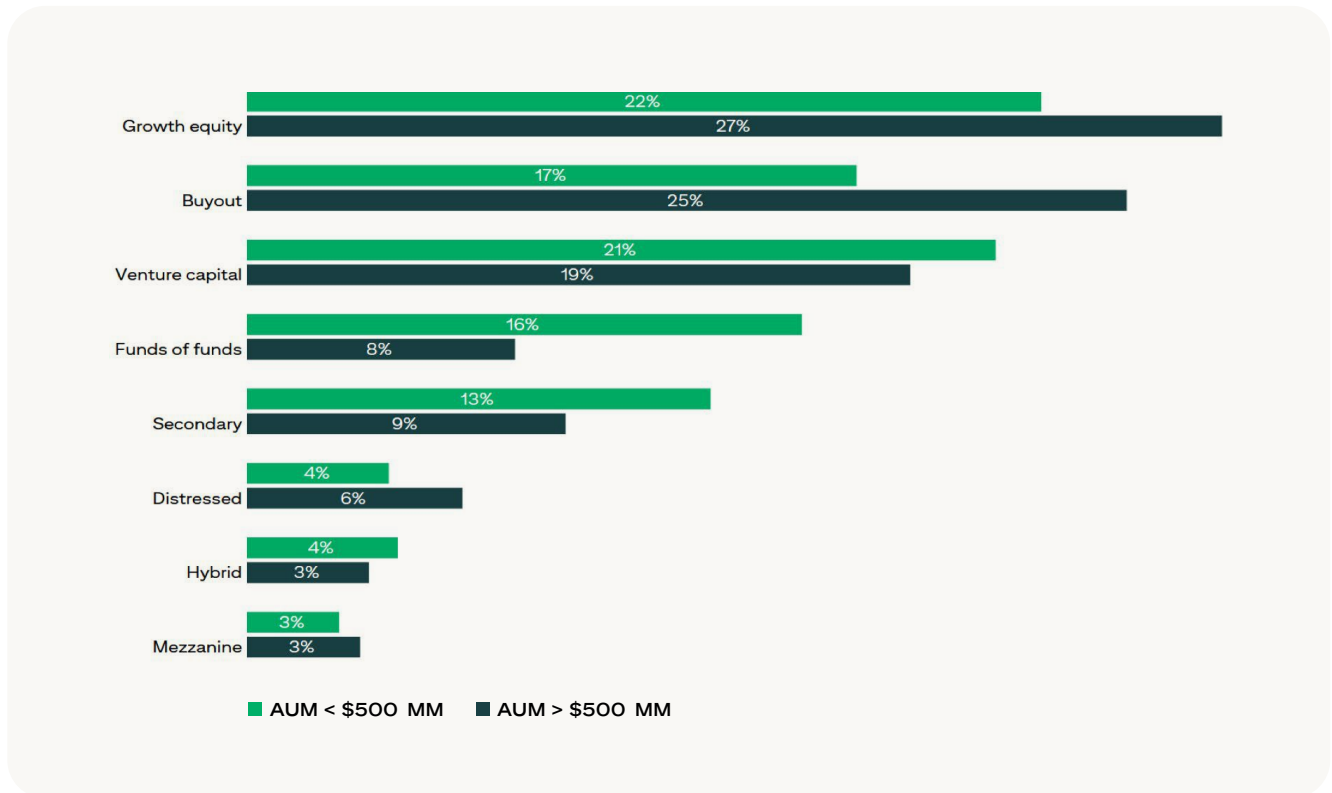
Global view

Together, growth equity, venture, and buyout allocations accounted for two thirds of respondents' capital inflows into private equity funds. Secondaries stood out at 11%, almost double last year's level, underlining a growing interest in such opportunities after the low volume of IPOs in recent years.



Global view

Larger family offices favored growth equity (27%) and buyout (25%) in their private equity fund allocations. Smaller entities were also keen on growth equity (22%) but also venture capital (21%). Interestingly, secondaries were relatively more sought after by family offices with AUM below \$500 million, possibly because they have less access to primary issuances than their larger counterparts.



Regional view

Family offices in North America reported putting 30% of their private equity funds allocation into venture capital, the highest among other regions and categories. Buyout funds were most favored by entities in Asia Pacific and Europe, the Middle East and Africa, at 25% each.

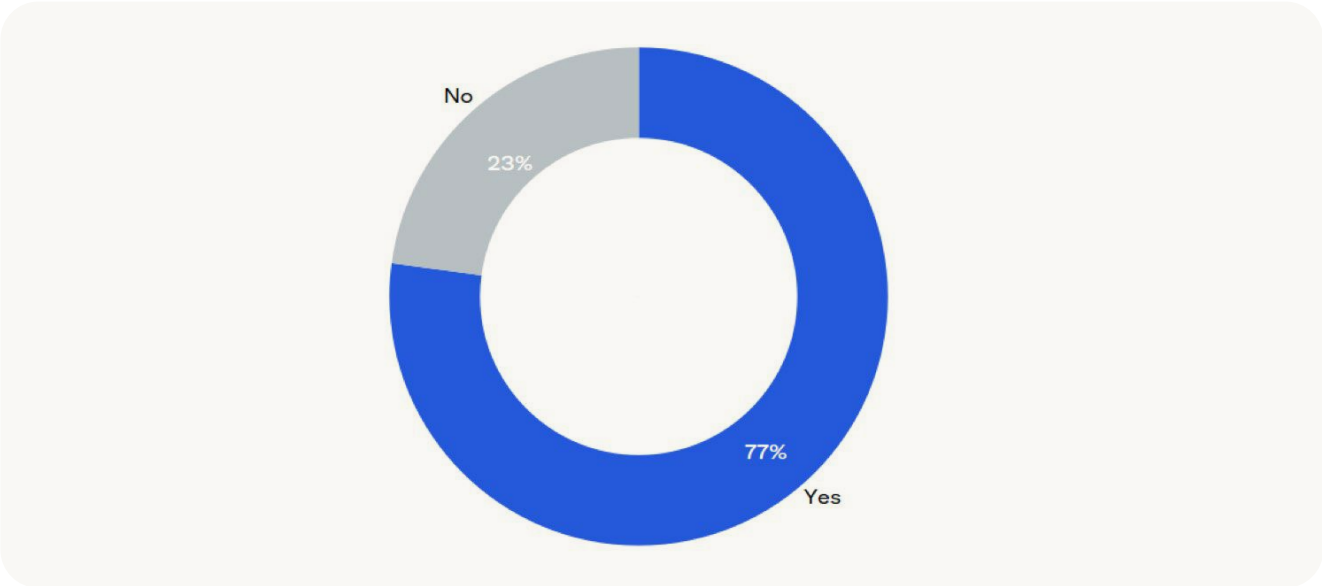
Latin America family offices put 19% into secondaries and 18% into funds of funds, well above rest-of-world average levels.

	Global	APAC	EMEA	LATAM	NAM
Growth equity	25%	21%	25%	27%	26%
Buyout	21%	25%	25%	11%	19%
Venture capital	20%	13%	17%	12%	30%
Funds of funds	12%	13%	13%	18%	6%
Secondary	11%	11%	12%	19%	6%
Distressed	5%	6%	3%	7%	5%
Hybrid	4%	7%	2%	2%	4%
Mezzanine	3%	3%	2%	3%	3%

Engagement with direct investments

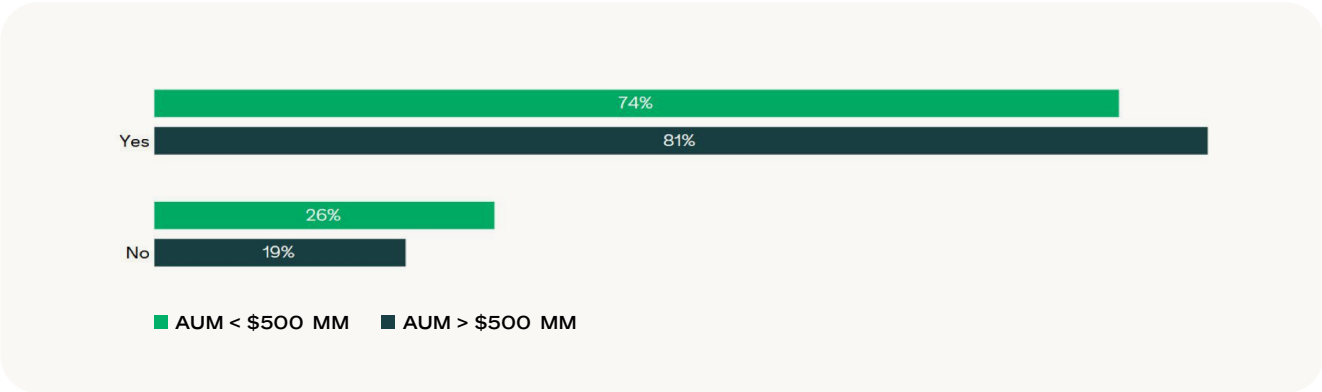
Global view

Direct investing remained a priority. Over three-fourths of family offices globally reported engagement in direct investments, unchanged from last year.



AUM view

Family offices with AUM above \$500 million were slightly likelier to engage in direct investing (81%) than those with below \$500 million (74%). This was likely due to the former’s ability to afford expensive internal due diligence capacities and their greater tolerance of illiquidity.



Regional view

North America family offices reported the highest engagement (86%) with direct investing and those in Latin America the lowest at 60%. The latter may result from families in Latin America with significant operating businesses being less inclined to add further illiquidity in the form of direct investments in private equity.

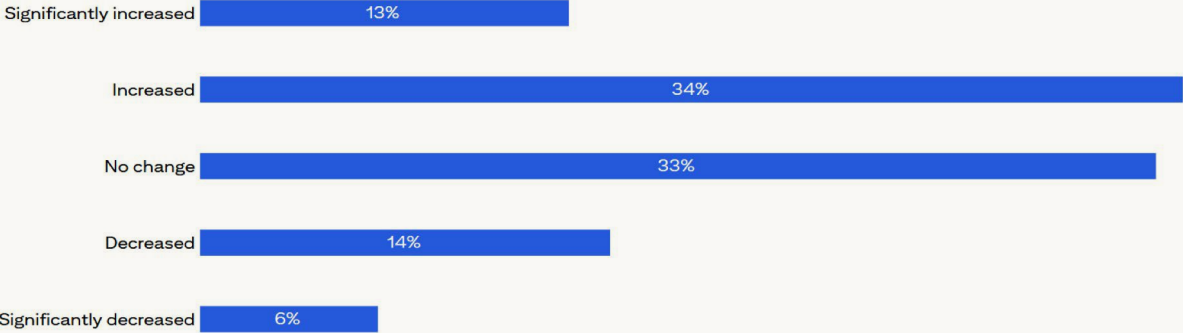
	Global	APAC	EMEA	LATAM	NAM
Yes	77%	75%	77%	60%	86%
No	23%	25%	23%	40%	14%

Direct investing strategy adjustments

Global view

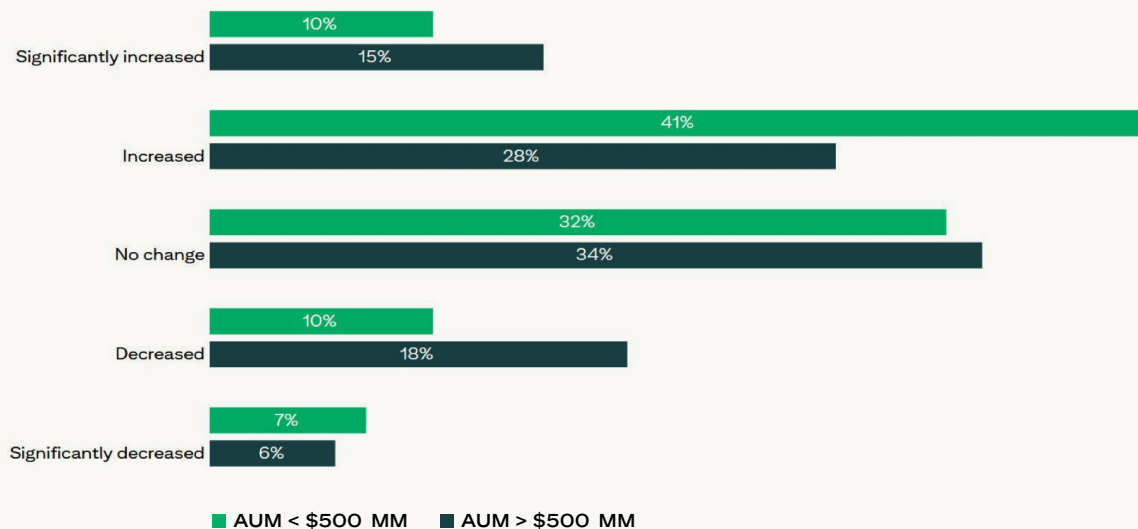
Almost half of family offices have either increased or significantly increased their direct investments in the last year, with around 33% maintaining the same level of activity. This is somewhat in line with the intentions expressed during last year’s survey, where

66% of respondents said they were seeking to deploy more capital in this field. The 20% indicating either a decrease or significant decrease may have reflected on rising public equity markets and interest rates remaining higher for longer.



AUM view

Many more family offices with AUM under \$500 million stepped up their direct investing activities compared to their larger counterparts with an increase or significant increase in activity (51% versus 43%). Correspondingly, a significant number of larger family offices decreased or significantly decreased their activities compared to their smaller peers. This might be partly due to the shift in focus toward public equities.



Regional view

Activity was most brisk among Asia Pacific family offices, with 69% reporting increased or significantly increased direct investing. By contrast, some 30% of Latin America respondents said they had decreased or significantly decreased activity. North America had the highest share of family offices that indicated no change (43%).

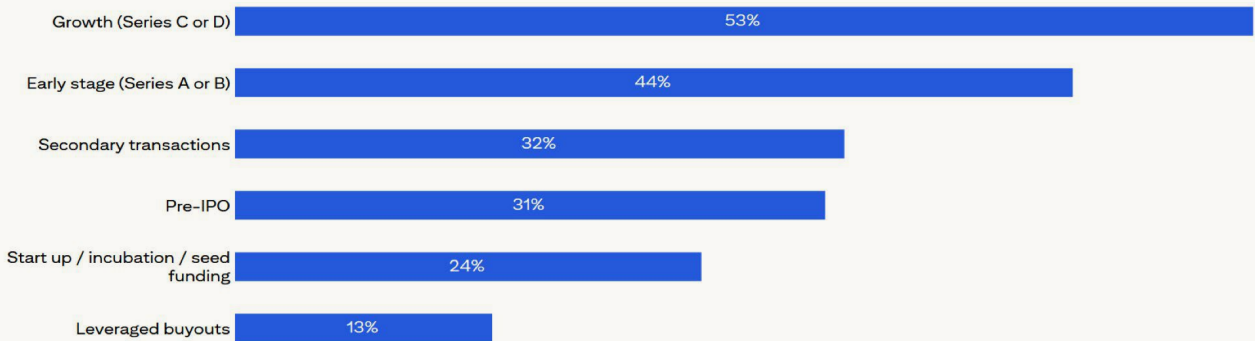
	Global	APAC	EMEA	LATAM	NAM
Significantly increased	13%	19%	19%	4%	7%
Increased	34%	50%	33%	33%	26%
No change	33%	15%	34%	33%	43%
Decreased	14%	8%	10%	17%	20%
Significantly decreased	6%	8%	3%	13%	5%

Direct investing stage preference in the last 12 months

Global view

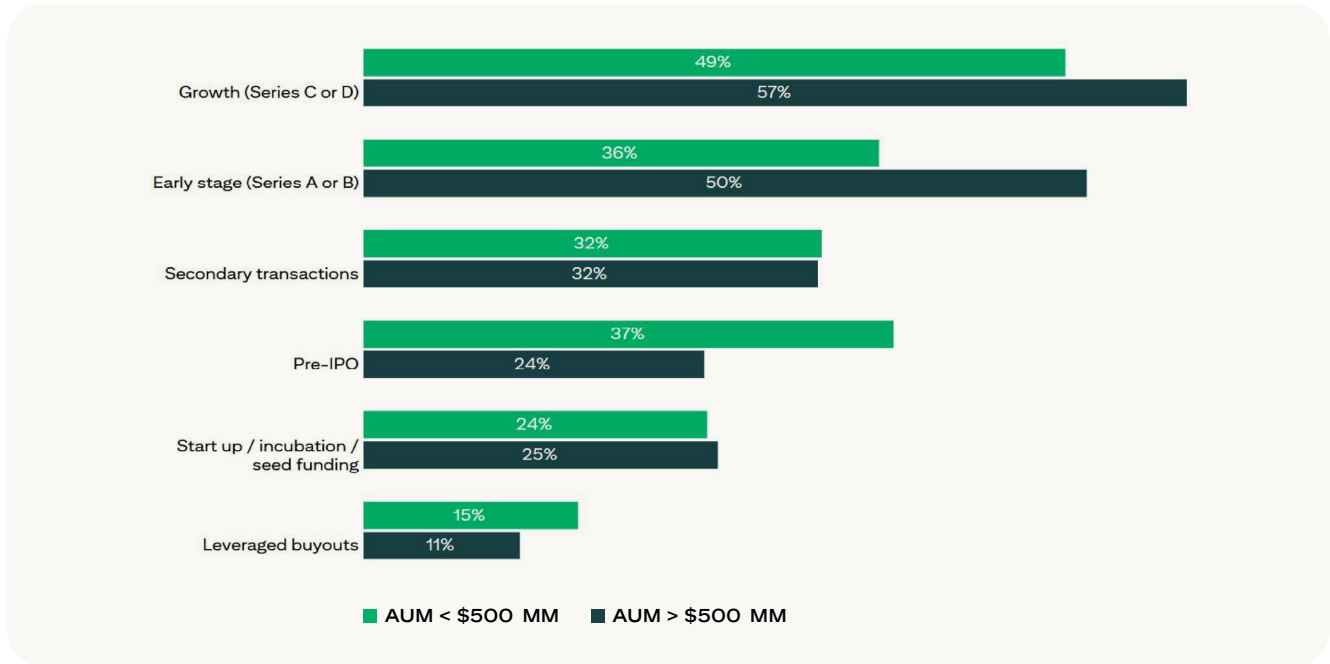
Within direct investments, the two most favored categories were growth and early stage, cited by 53% and 44% of respondents respectively. As foretold by many respondents last year, interest in secondaries continued to grow, slightly surpassing pre-IPOs (32% vs 31%) and significantly up from 23% last year.

Leveraged buyout preferences declined from last year (19% to 13%), most likely due to higher-for-longer interest rates stifling dealmaking.



AUM view

Family offices larger and smaller both favored growth direct investments (57% and 49% respectively) the most. Larger family offices' second preference was the early-stage category (50%), while their smaller counterparts cited the pre-IPO category (37%).



Regional view

Preference for the growth (Series C or D) category of direct investment was strongest in Europe, the Middle East and Africa (64%) while early stage (A or B) was more commonly preferred in North America (56%). Family offices in Asia Pacific had a strong preference for pre-IPO (51%), while those in Latin America's top choice was secondary transactions (45%)

	Global	APAC	EMEA	LATAM	NAM
Growth (Series C or D)	53%	49%	64%	41%	51%
Early stage (Series A or B)	44%	38%	34%	36%	56%
Secondary transactions	32%	47%	30%	45%	19%
Pre-IPO	31%	51%	29%	18%	23%
Start up / incubation / seed funding	24%	23%	16%	23%	31%
Leveraged buyouts	13%	17%	20%	5%	9%



Family office management and family governance

Overview

Respondents' primary focuses were investment management; accounting, reporting, tax and administrative services; and family unity and continuity.

The focus on fostering family unity and continuity increases with each generational wealth transfer.

Family offices are increasingly professionalizing and partnering with outside service providers.

The top challenge mentioned was meeting the needs and expectations of family members.

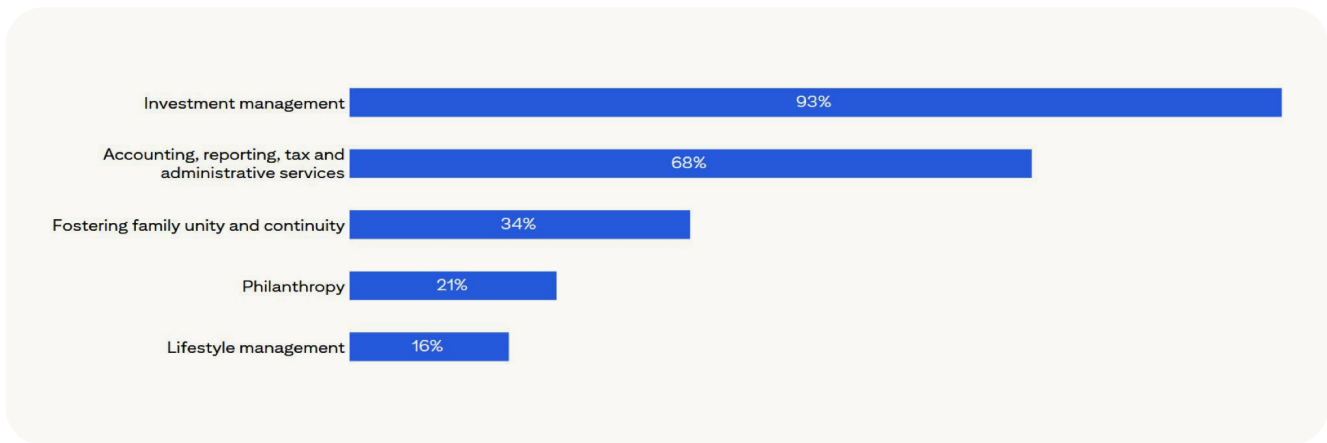
Beyond investment, family office heads served also primarily as risk manager, service integrator, and family unity and continuity manager.

Family office primary focus

Global view

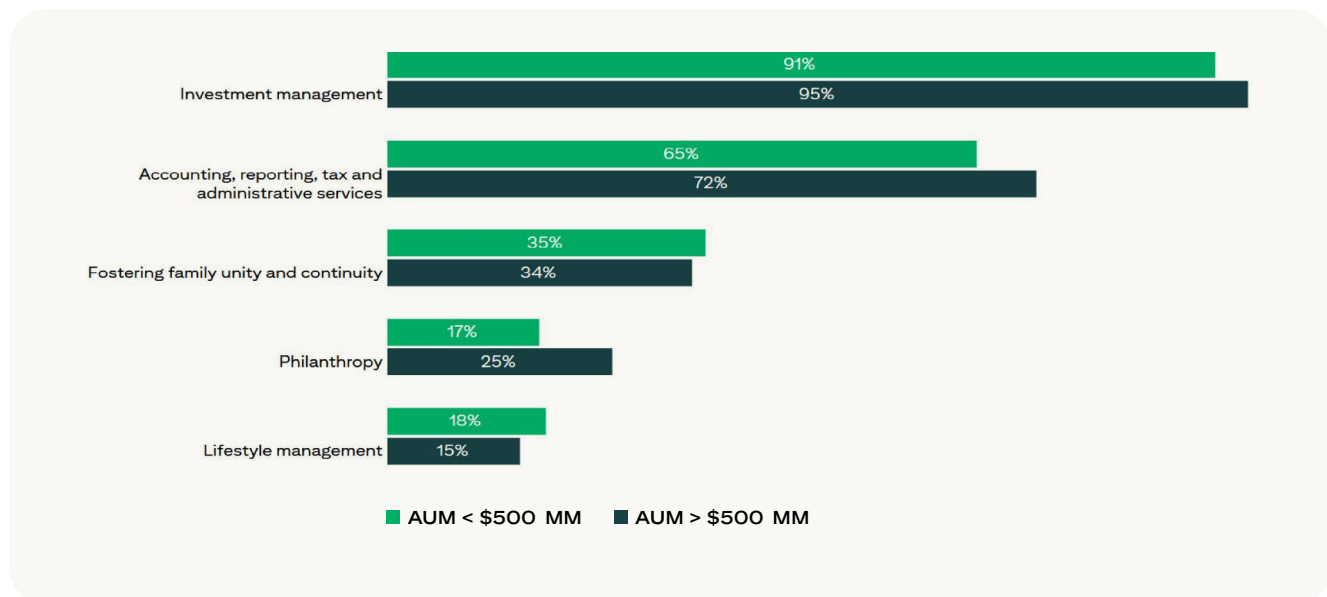
Investment management and accounting, reporting, tax and administrative services were cited by 93% and 68% of respondents respectively as a primary focus. This, of course, reflects the main aspects of family offices' traditional remit. However, it is important to

stress that fostering family unity and continuity was the next most frequent answer (34%). These findings underscore that today's family offices are expected to help address both financial and family issues.



AUM view

The percentages for each area of primary focus cited were not much different between larger and smaller family offices.



Regional view

Fostering family unity and continuity was most cited as a primary focus by respondents in Latin America (49%). By contrast, only 29% of those from North America felt the same.

Lifestyle management was a primary focus of 30% of family offices in Asia Pacific, three times the rest-of-world average. This may be because Asia Pacific entities tend to be more recently created, whereas

more mature entities elsewhere are likely to have outsourced lifestyle management functions.

Philanthropy was a major focus for North America family offices (35%), emphasizing the strong tradition of charitable giving in the US as well as the tax incentives often available for so doing. But only 5% of Latin American entities gave this reply, perhaps as philanthropy is more likely to be run by family businesses in that region.

	Global	APAC	EMEA	LATAM	NAM
Investment management	93%	95%	95%	95%	89%
Accounting, reporting, tax and administrative services	68%	61%	69%	62%	75%
Fostering family unity and continuity	34%	30%	36%	49%	29%
Philanthropy	21%	14%	17%	5%	35%
Lifestyle management	16%	30%	10%	3%	17%

Generational view

The focus on fostering family unity and continuity increases with each generational wealth transfer. Some 27% of family offices serving the first generation cited this as a primary focus, rising to 36% and 49% where the second and third generations were the clients. Intuitively, family issues become more complex over time, with family members thus keener and/or compelled to address them. Natural selection may also be at play here, as many family offices that did not focus on family unity and continuity did not then survive until the third generation.

	G1	G2	G3+
Investment management	92%	95%	96%
Accounting, reporting, tax and administrative services	72%	62%	73%
Fostering family unity and continuity	27%	36%	49%
Philanthropy	22%	20%	16%
Lifestyle management	18%	15%	11%

Family office services provided

Global view

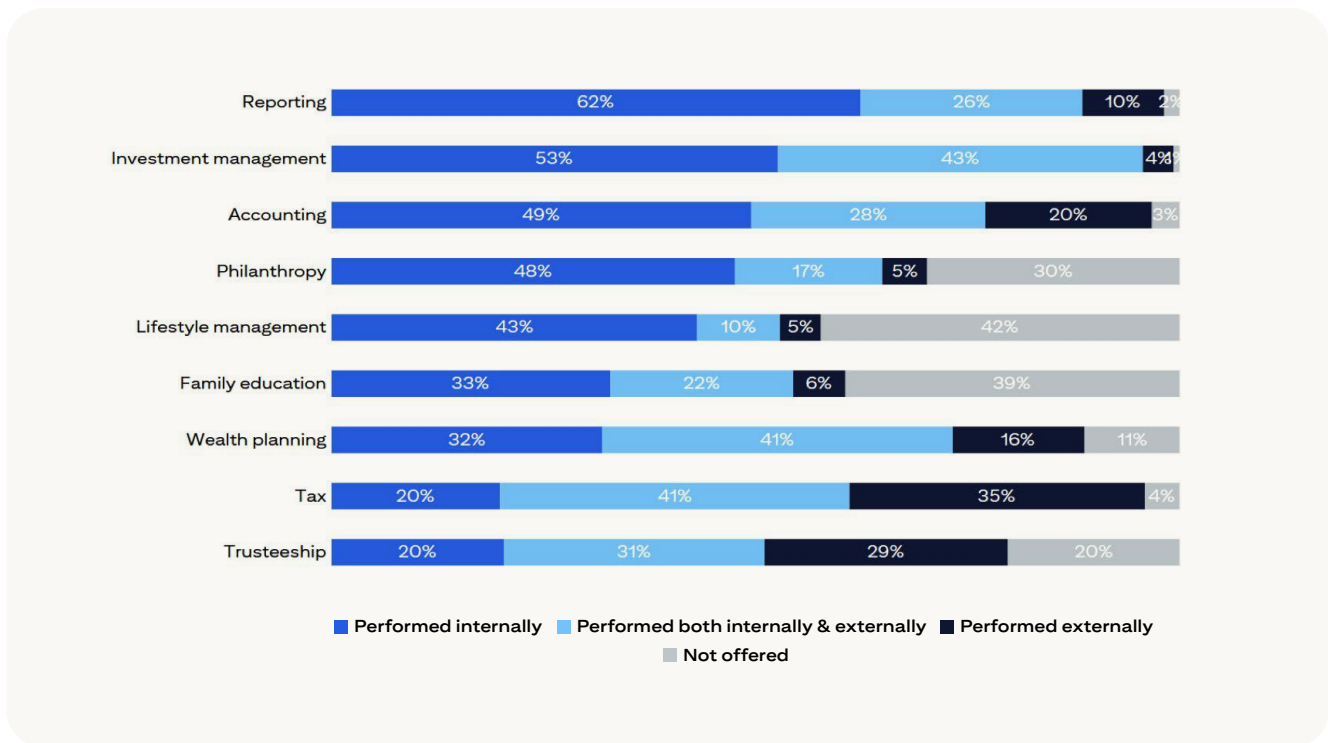
Irrespective of short-term imperatives, family offices are increasingly expected to help their principals address both family and financial concerns.

As the industry continues to professionalize, family offices are increasingly partnering with outside service providers on a broad range of issues. Complex services requiring highly specialized expertise were often performed in collaboration with external parties, such

as investment management (43%), tax (41%), and wealth planning (41%).

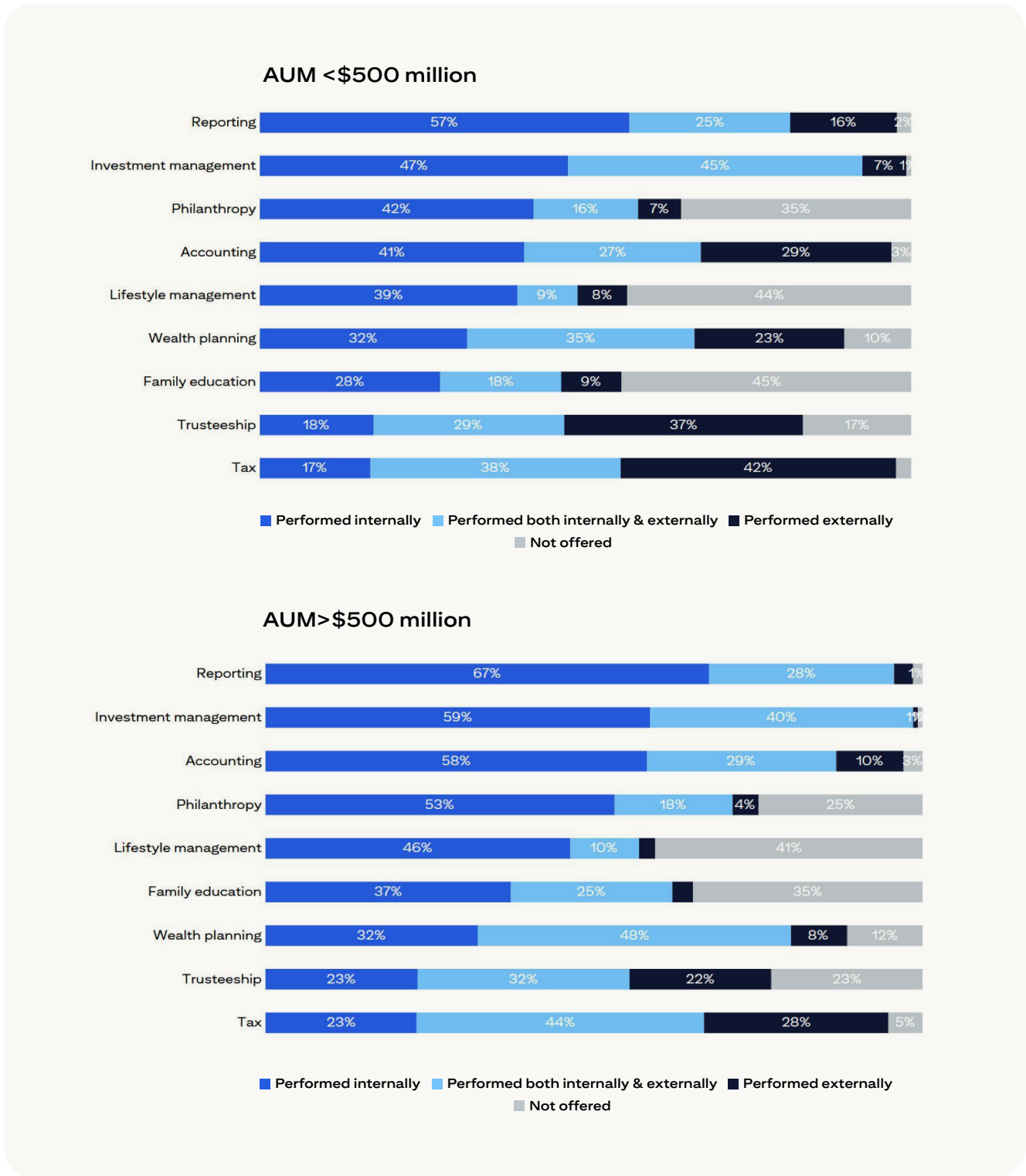
The focus on family education continued to sharpen, with 33% of family offices providing this service internally, up from 29% last year. Another 28% were doing so with full or partial external support.

By contrast, lifestyle management, family education, and philanthropy were not offered by 42%, 39%, and 30% of respondents respectively.



AUM view

Respondents with AUM above \$500 million were likelier to offer more services internally with fewer outsourced than those with AUM of less than that amount. The latter tended to rely more on external partners or did not offer them at all.



Regional view

How family offices service families varied from region to region and according to the functions involved. In Asia Pacific, where the family office industry is relatively new, finding qualified personnel can be harder. This leads to more outsourcing in that region. Latin American family offices have historically tended to develop capabilities internally, usually by transferring staff from their family businesses.

Preserving confidentiality is often a foremost concern for them. In North America and Europe, the Middle East and Africa – where the industry is perhaps most mature – outsourcing is more often a matter of preference than of necessity.

	APAC			
	Performed internally	Performed both internally & externally	Performed externally	Not offered
Reporting	39%	32%	27%	2%
Investment management	43%	52%	5%	
Accounting	37%	26%	35%	2%
Philanthropy	26%	24%	15%	35%
Lifestyle management	38%	21%	13%	28%
Family education	32%	21%	13%	34%
Wealth planning	19%	31%	44%	6%
Tax	24%	40%	34%	2%
Trusteeship	6%	41%	45%	8%

	EMEA			
	Performed internally	Performed both internally & externally	Performed externally	Not offered
Reporting	70%	22%	7%	1%
Investment management	59%	38%	3%	
Accounting	55%	25%	16%	4%
Philanthropy	46%	17%	6%	31%
Lifestyle management	32%	1%	4%	62%
Family education	30%	22%	4%	43%
Wealth planning	33%	39%	4%	24%
Tax	21%	38%	32%	9%
Trusteeship	14%	18%	25%	44%

LATAM				
	Performed internally	Performed both internally & externally	Performed externally	Not offered
Reporting	79%	15%	3%	3%
Investment management	46%	51%	3%	
Accounting	41%	33%	18%	8%
Philanthropy	38%	10%		51%
Lifestyle management	34%	8%		58%
Family education	33%	18%	5%	44%
Wealth planning	56%	33%	5%	5%
Tax	23%	41%	33%	3%
Trusteeship	22%	27%	35%	16%

NAM				
	Performed internally	Performed both internally & externally	Performed externally	Not offered
Reporting	65%	30%	3%	2%
Investment management	57%	37%	4%	2%
Accounting	56%	29%	13%	2%
Philanthropy	63%	17%	2%	17%
Lifestyle management	58%	11%	3%	28%
Family education	35%	23%	4%	37%
Wealth planning	28%	52%	12%	8%
Tax	15%	45%	38%	2%
Trusteeship	33%	37%	21%	10%

Generational view

Over time, as families become larger, more diverse, and complex, the need for family education rises. This is reflected in the increased percentage of family offices who internally or externally provided family education for the first (58%), second (60%), and third and beyond generations (73%).

	G1	G2	G3+
Reporting	98%	98%	98%
Investment management	99%	99%	100%
Accounting	97%	97%	96%
Philanthropy	73%	71%	61%
Lifestyle management	63%	53%	55%
Family education	58%	60%	73%
Wealth planning	89%	93%	80%
Tax	96%	97%	93%
Trusteeship	79%	84%	77%

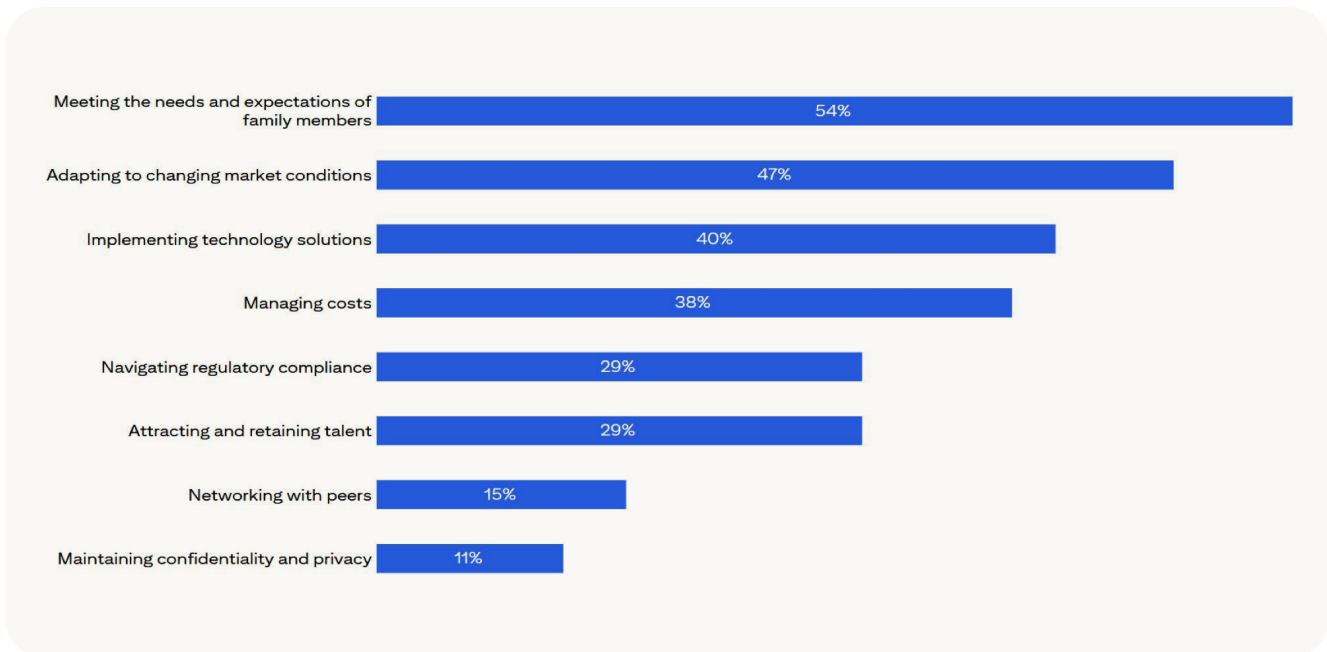
Family office primary challenges

Global view

Meeting the needs and expectations of family members emerged as the top challenge cited by family offices (54%). Adapting to market conditions, mentioned second by 47%, was the top challenge last year (52%). The latest results reflect the growing awareness that families expect support with more than just financial matters, particularly guidance to help foster family unity and continuity. Unfortunately, too many family offices are still not prepared to address these issues, which explains why this challenge has risen to the top of the list.

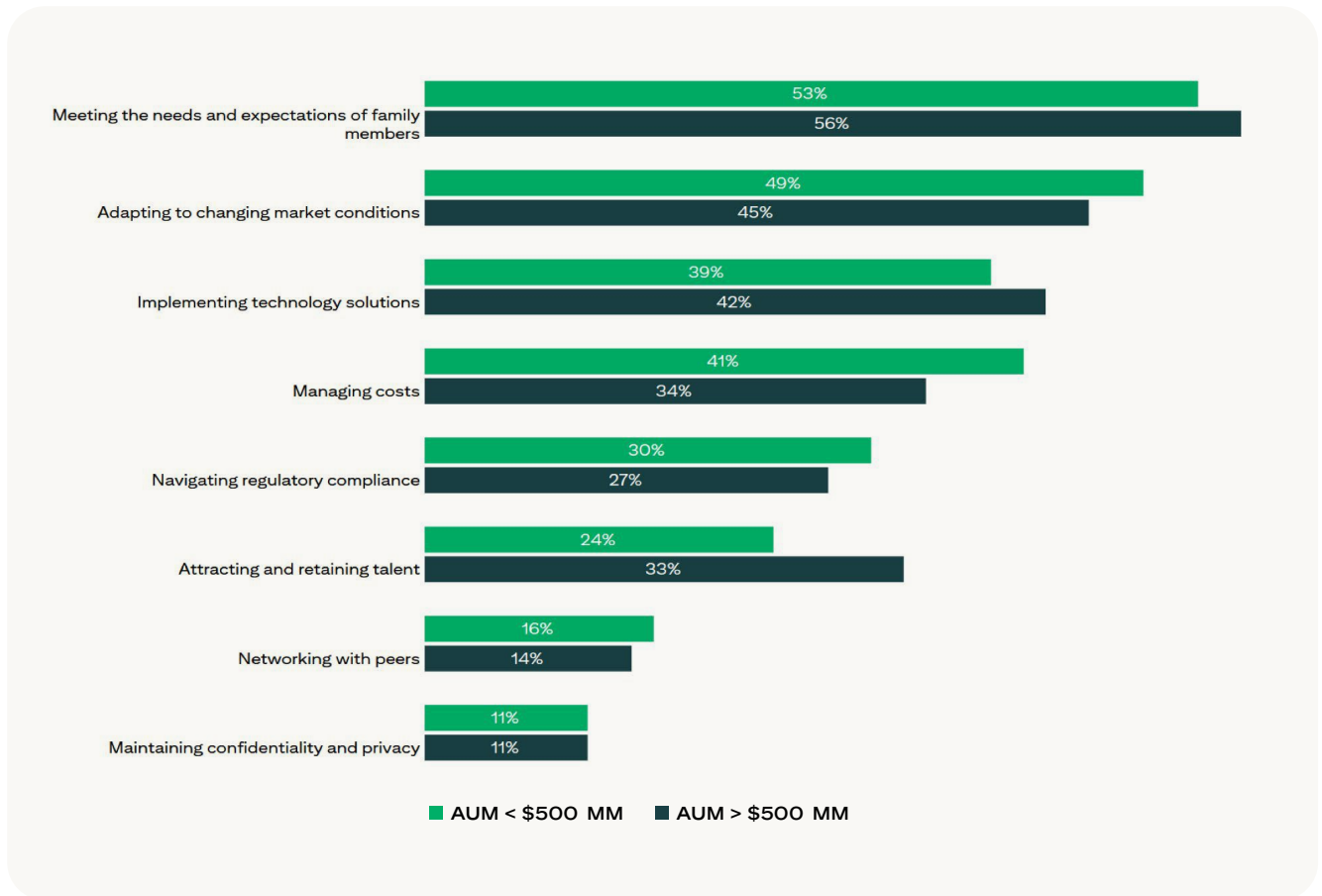
Respondents' next two most prominent concerns are implementing technology solutions (40%) and managing costs (38%). These figures are about one-and-a-half times higher than last year, perhaps driven by cybersecurity threats and inflationary pressures.

The remote location of many family offices – often near or in the headquarters of business that generated the family's original wealth – has historically created a hiring challenge. The widespread embrace of flexible working arrangements since the COVID pandemic most likely contributed to the lesser difficulty cited of attracting and retaining talent compared to last year (29% vs 39%).



AUM view

While the primary challenges cited are similar for family offices of all sizes, attracting and retaining talent seems a more frequent issue among those with AUM of more than \$500 million compared to below that level (33% vs 24%). After all, such entities will generally have more positions to fill. Conversely, family offices with less than \$500 million in AUM expressed greater concern about managing costs than their larger counterparts (41% vs 34%).



Regional view

Latin American family offices felt the most challenged when it came to meeting the needs and expectations of family members (74%). The difficulty of implementing technology solutions was most acute in North America (52%), where family offices are seeking to boost productivity and professionalize their operations. Surprisingly, it was of much less concern in Europe, the Middle East and Africa (28%), where many family offices have probably found solutions already, while others are not yet looking.

Family offices in Asia Pacific (45%) and North America (40%) were more preoccupied with costs than those elsewhere. Both are growing family office markets, where demand for talent – the main driver of costs – is outpacing supply.

Finally, navigating regulatory compliance was of greatest concern in Asia Pacific (48%), more than twice as much as the average for the rest of the world (23%). The industry has evolved faster in that region than the regulations that apply to it. But as this changes, it creates a challenge to keep up with new rules.

	Global	APAC	EMEA	LATAM	NAM
Meeting the needs and expectations of family members	54%	44%	54%	74%	53%
Adapting to changing market conditions	47%	53%	47%	49%	42%
Implementing technology solutions	40%	41%	28%	36%	52%
Managing costs	38%	45%	33%	28%	40%
Navigating regulatory compliance	29%	48%	33%	23%	14%
Attracting and retaining talent	29%	27%	28%	33%	29%
Networking with peers	15%	6%	17%	13%	19%
Maintaining confidentiality and privacy	11%	11%	14%	13%	8%

Generational view

The challenge of meeting the needs and expectations of family members increases with time. It was cited by 52% of family offices serving first- and second-generation families and 62% of those serving the third generation and beyond. However, adapting to changing market conditions becomes less of a concern over time.

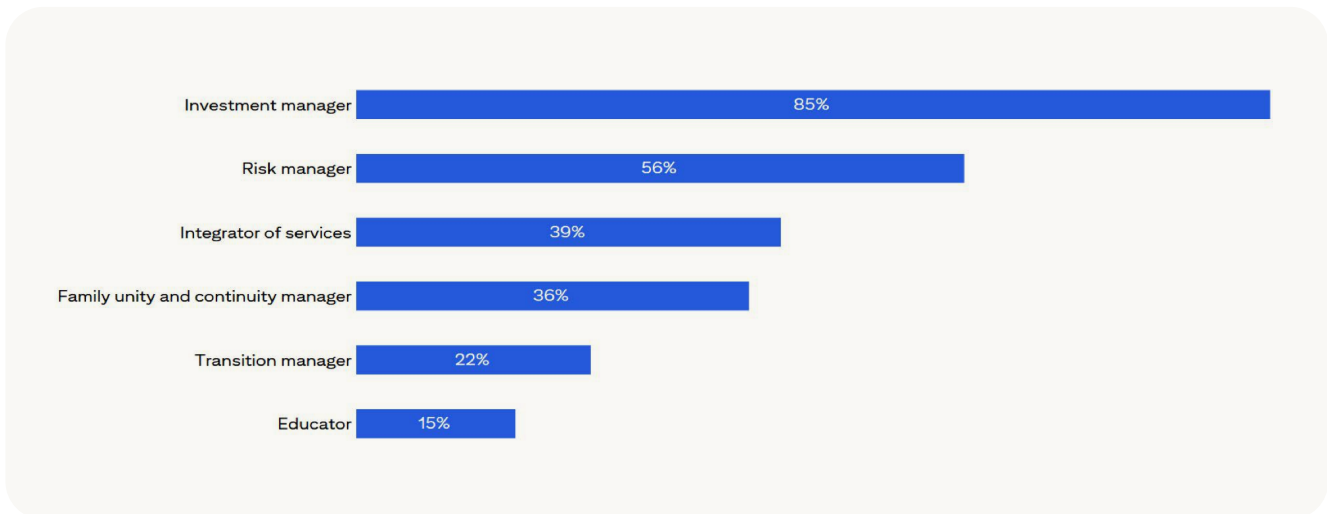
	G1	G2	G3+
Meeting the needs and expectations of family members	52%	53%	62%
Adapting to changing market conditions	52%	41%	47%
Implementing technology solutions	43%	36%	42%
Managing costs	35%	39%	40%
Navigating regulatory compliance	23%	32%	33%
Attracting and retaining talent	33%	27%	22%
Networking with peers	13%	15%	20%
Maintaining confidentiality and privacy	10%	12%	9%

Roles of the head of the family office

Global view

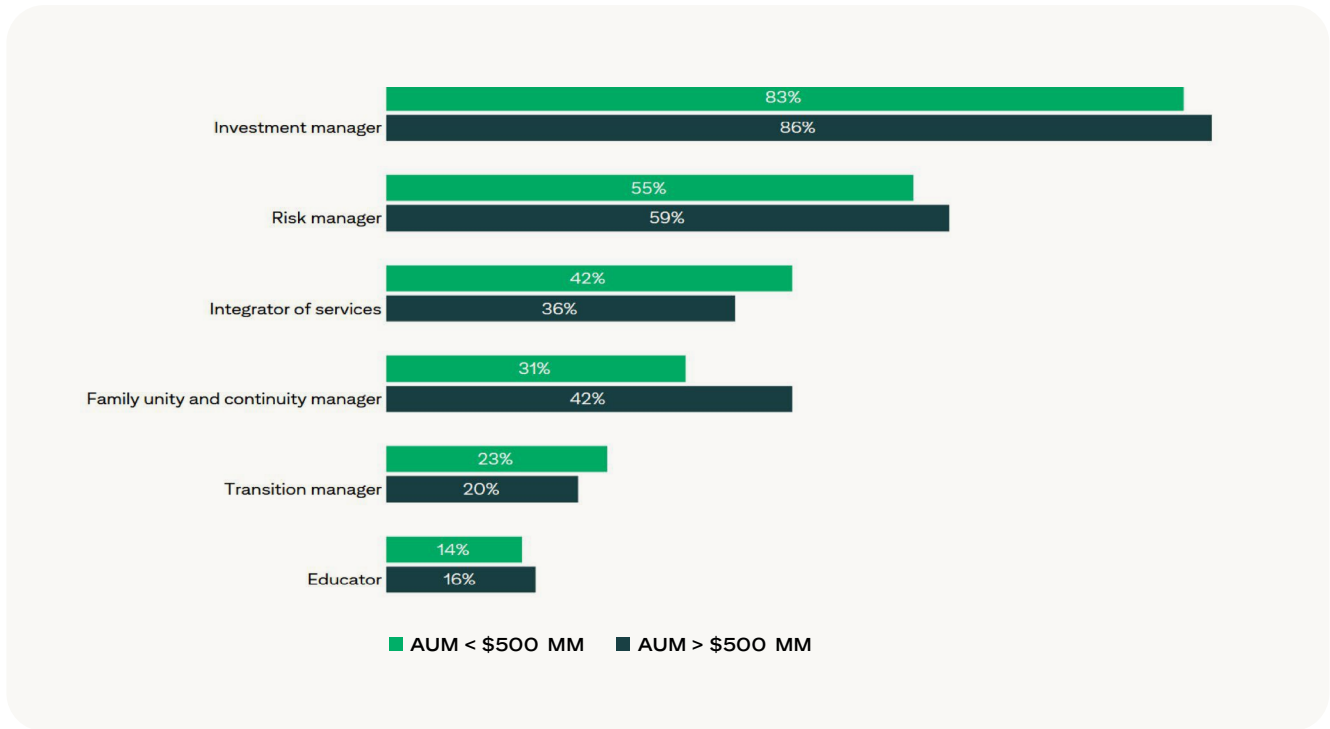
Beyond the primary role of investment manager (85%), respondents shared the multiple roles that family office heads were expected to play. These included risk manager (56%), service integrator (39%), and family unity and continuity manager (36%). Clearly, these roles require a broad mix of technical and interpersonal skills. Finding individuals who combine them will seldom be easy.

Given the many transitions that families face over time – including a sale of the family business, leadership successions, marriages and divorces, unexpected deaths, generational shifts – it is surprising to see the role of transition manager and educator cited by so few: 22% and 15% respectively. Unfortunately, with many other responsibilities taking precedent, often family offices are more reactive than proactive when it comes to managing such transitions.



AUM view

The head of the family office simultaneously having to perform a variety of roles is a feature of both larger and smaller family offices. That said, there is a greater expectation (42%) that those with AUM above \$500 million will act as a manager of family unity and continuity compared to those with AUM below that threshold (31%). As wealth expands, there is typically increased appreciation of the greater and more lasting impact it may have on the family.



Regional view

The variety and extent of roles played by family office heads was consistent worldwide. That said, in Asia Pacific the role of family unity and continuity manager was notably less frequent at 19% than the rest-of-world average of 43%. This is likely due to the relative youth of the family office model in the region. By contrast, Latin America stands out as the region where family office heads are likeliest to play this role (51%). In the same vein, Latin American respondents said they played the role of educator more than other regions (23% vs 13%).

	Global	APAC	EMEA	LATAM	NAM
Investment manager	85%	92%	91%	82%	75%
Risk manager	56%	54%	62%	51%	55%
Integrator of services	39%	40%	30%	36%	48%
Family unity and continuity manager	36%	19%	35%	51%	43%
Transition manager	22%	32%	19%	21%	17%
Educator	15%	10%	13%	23%	16%

Generational view

First-generation family offices cited being an integrator of services more than later generation entities (47% vs 33%). The formative first generation period is when family offices typically outsource most services, thus integrating third-party offerings to fulfill their remit.

The role of family unity and continuity manager became more pronounced from the second generation onward (42% vs 32%). This is when the family gets larger and more complex. Similarly, the role of educator was mentioned twice as much by third generation and beyond family offices (24% vs an average of 12%).

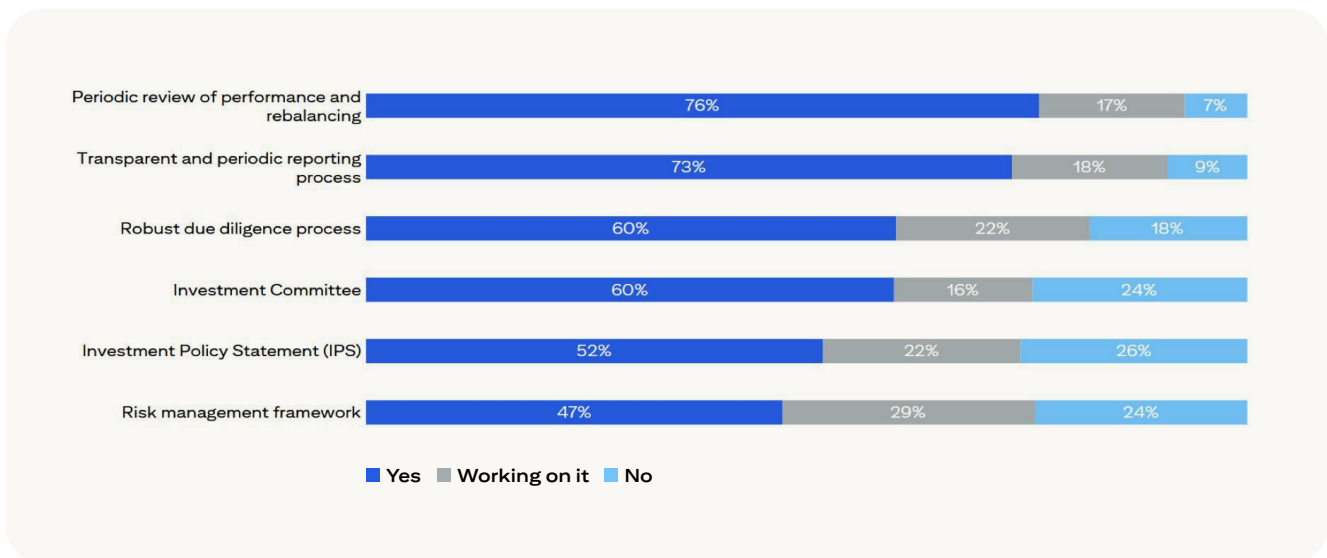
	G1	G2	G3+
Investment manager	82%	89%	82%
Risk manager	60%	53%	53%
Integrator of services	47%	33%	33%
Family unity and continuity manager	32%	42%	38%
Transition manager	20%	26%	18%
Educator	14%	10%	24%

Professionalization of the investment function

Global view

The investment function in family offices has continued to professionalize. Three quarters of family offices said they performed periodic reviews of performance and rebalancing (76%) and had a transparent and regular reporting process (73%). As to investment governance, half of respondents reported having established investment committees (60%) and investment policy statements (52%), with others choosing to operate more informally.

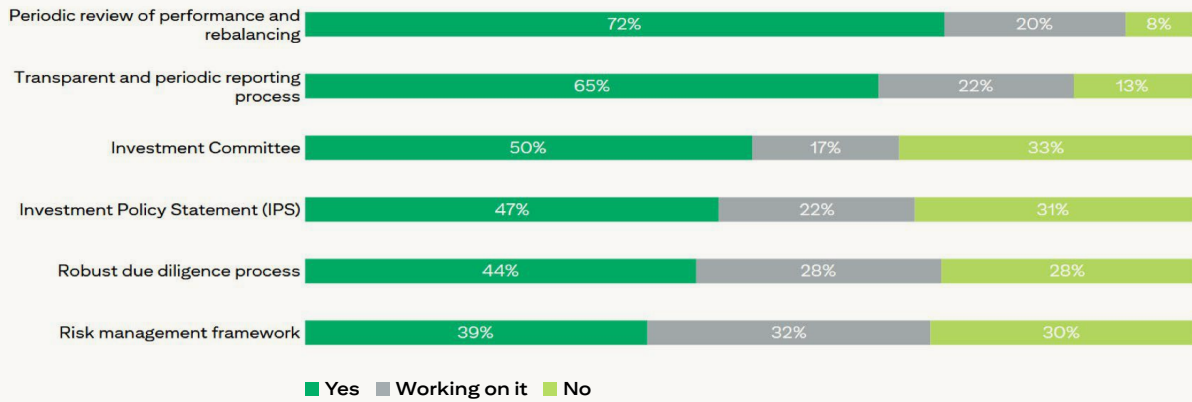
Given their importance, robust due diligence processes and risk management frameworks remain at surprisingly low levels (60% and 47% respectively). Encouragingly, though, an additional quarter of family offices said they were working on these elements.



AUM view

Across all categories, the extent of investment function professionalization was greater among larger family offices. Such entities typically are more mature and have more resources.

AUM <\$500 million



AUM >\$500 million



Regional view

Investment policy statements were a feature of at least half of family offices in every region. Investment committees figured in around 70% of family offices in Europe, the Middle East and Africa, and Latin America compared to around half of those in North America and Asia Pacific. The latter may have been skewed by the recent establishment of many new family offices in those regions. By nature, such fledgling entities are likelier to operate informally. Europe, the Middle East and Africa and North America were most likely to have adopted risk management frameworks, at 55% and 51% respectively.

	APAC			EMEA		
	Yes	Working on it	No	Yes	Working on it	No
Periodic review of performance and rebalancing	70%	25%	5%	78%	17%	5%
Transparent and periodic reporting process	49%	36%	15%	79%	13%	8%
Robust due diligence process	44%	31%	24%	68%	20%	12%
Investment Committee	55%	19%	26%	71%	12%	17%
Investment Policy Statement (IPS)	51%	24%	25%	49%	22%	30%
Risk management framework	39%	35%	27%	55%	21%	24%

	LATAM			NAM		
	Yes	Working on it	No	Yes	Working on it	No
Periodic review of performance and rebalancing	88%	8%	5%	74%	15%	10%
Transparent and periodic reporting process	88%	8%	5%	76%	16%	8%
Robust due diligence process	50%	25%	25%	68%	17%	16%
Investment Committee	70%	20%	10%	50%	15%	35%
Investment Policy Statement (IPS)	63%	23%	15%	51%	22%	27%
Risk management framework	35%	45%	20%	51%	24%	24%

Generational view

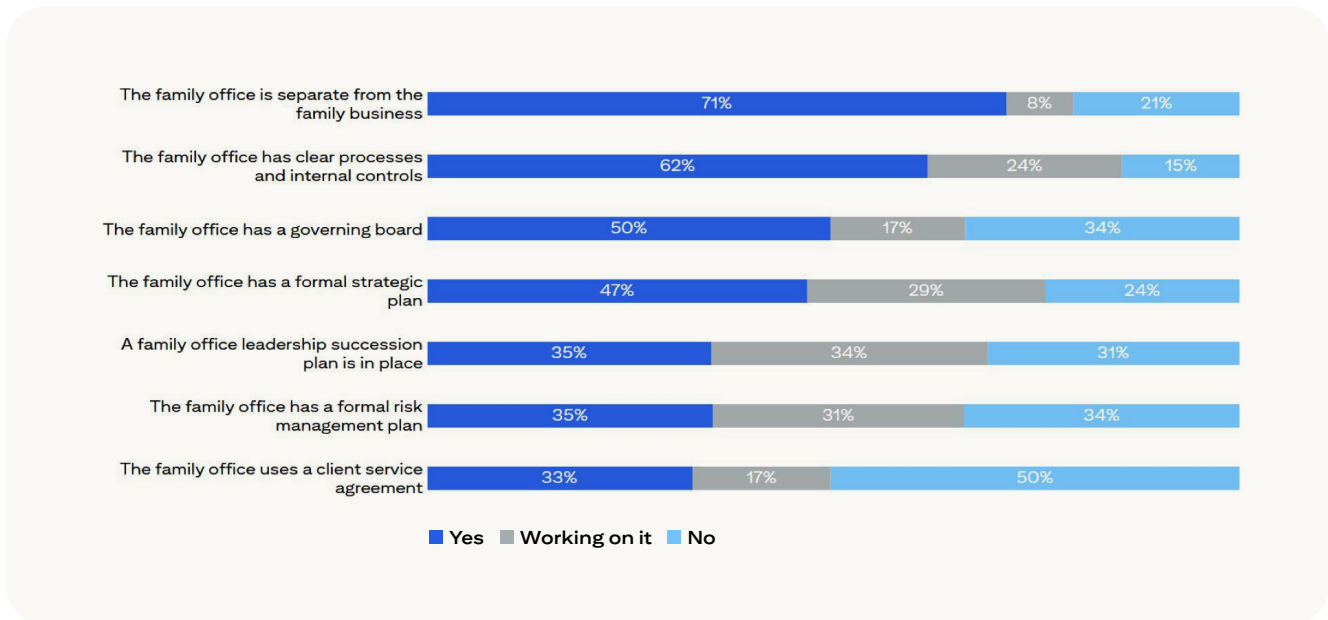
The adoption of investment policy statements (IPS) becomes ever likelier as wealth transitions to successive generations. Among family offices of first, second, and third generation and beyond, IPS prevalence stood at 45%, 53% and 68% respectively. For investment committees, the figures were 55%, 63%, and 68%.

	G1	G2	G3+
Periodic review of performance and rebalancing	74%	79%	79%
Transparent and periodic reporting process	70%	77%	75%
Robust due diligence process	60%	53%	76%
Investment Committee	55%	63%	68%
Investment Policy Statement (IPS)	45%	53%	68%
Risk management framework	46%	40%	67%

Professionalization of the family office beyond investing

Global view

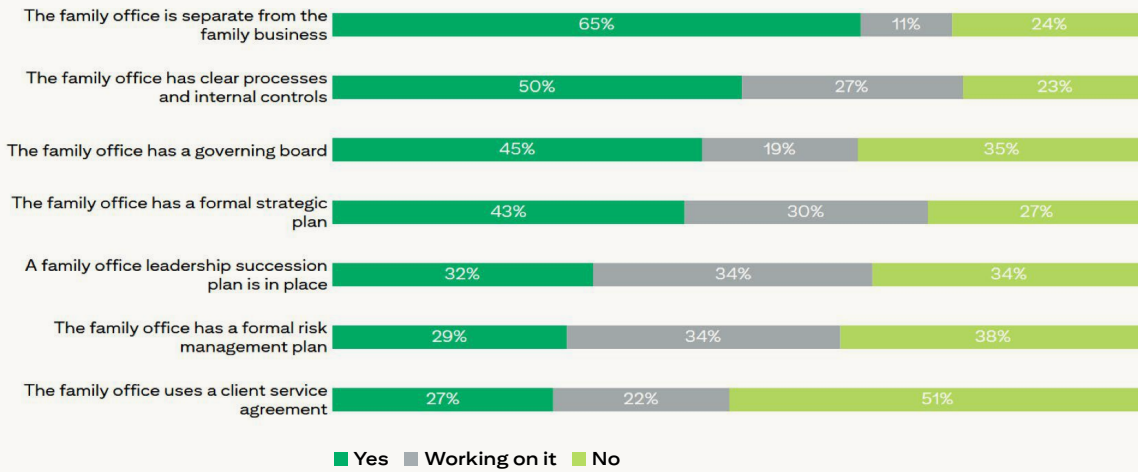
The professionalization of the family office beyond the investment function has continued to progress slowly but surely. About two thirds of families have separated the family office from their family business and have implemented clear processes and internal controls. Results were mixed when it came to establishing a governing board (50%) or a strategic plan (47%). Disappointingly, risk management and succession plans were only in place for just over a third of family offices, despite another third saying they were working on it. However, it is encouraging that each one of these percentages was slightly up from last year.



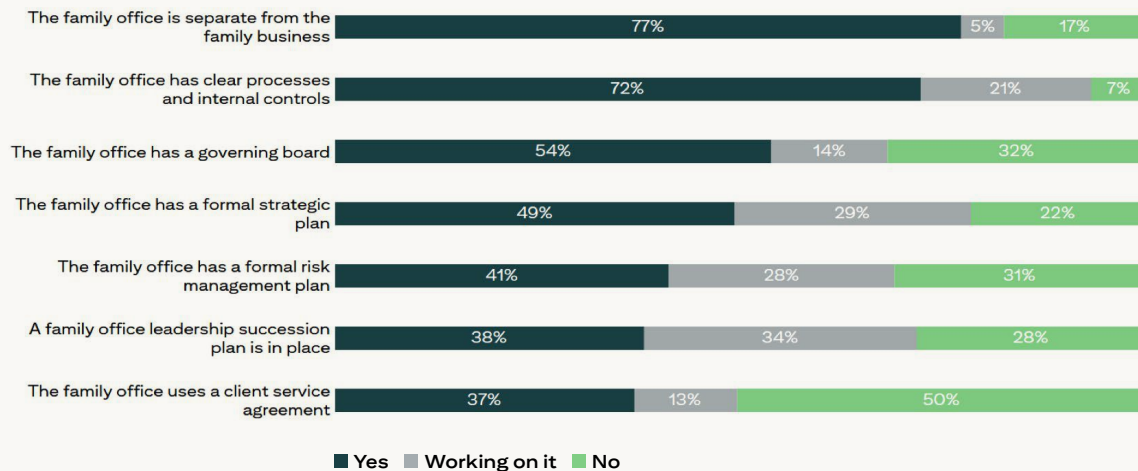
AUM view

Similar to the results for the investment function, larger family offices tended also to exhibit more professionalization beyond investing. This is a consequence of their typically greater maturity and resources.

AUM <\$500 million



AUM >\$500 million



Regional view

Despite the relative youth of this industry in Asia Pacific, regional family offices appear to be learning fast from their global peers. Indeed, they are leading in some best practices such as separating the family office from the family business (75%) and having a leadership succession plan (51%). Family offices in Europe, the Middle East and Africa were standard bearers in governance, with 64% having established a

governing board compared to about 45% for the rest of the world.

Strategic plans were also far more mainstream in that region (68%) than elsewhere (average 41%). This suggests that lessons have been learned from some long-standing family offices that have successfully overseen transitions of wealth across multiple generations.

	APAC			EMEA		
	Yes	Working on it	No	Yes	Working on it	No
The family office is separate from the family business	75%	8%	17%	74%	9%	16%
The family office has clear processes and internal controls	49%	26%	25%	67%	21%	12%
The family office has a governing board	45%	22%	33%	64%	14%	23%
The family office has a formal strategic plan	44%	26%	30%	68%	18%	15%
A family office leadership succession plan is in place	51%	28%	21%	30%	34%	37%
The family office has a formal risk management plan	40%	26%	34%	42%	32%	26%
The family office uses a client service agreement	34%	28%	38%	32%	10%	58%

	LATAM			NAM		
	Yes	Working on it	No	Yes	Working on it	No
The family office is separate from the family business	67%	10%	23%	68%	7%	25%
The family office has clear processes and internal controls	62%	28%	10%	66%	23%	12%
The family office has a governing board	49%	23%	28%	42%	13%	45%
The family office has a formal strategic plan	46%	41%	13%	32%	36%	33%
A family office leadership succession plan is in place	39%	29%	32%	27%	40%	33%
The family office has a formal risk management plan	31%	41%	28%	29%	29%	43%
The family office uses a client service agreement	33%	15%	51%	32%	17%	51%

Generational view

Longer-established family offices tended to be more professionalized than newer ones. As wealth transitions across generations, families become larger, more complex, and the need to formalize the office becomes more pressing. For example, family offices serving the third generation or beyond were likelier on average than newer ones to have clear processes and internal controls (68% vs 61%), a governing board (64% vs 48%), or a formal strategic plan (62% vs 44%).

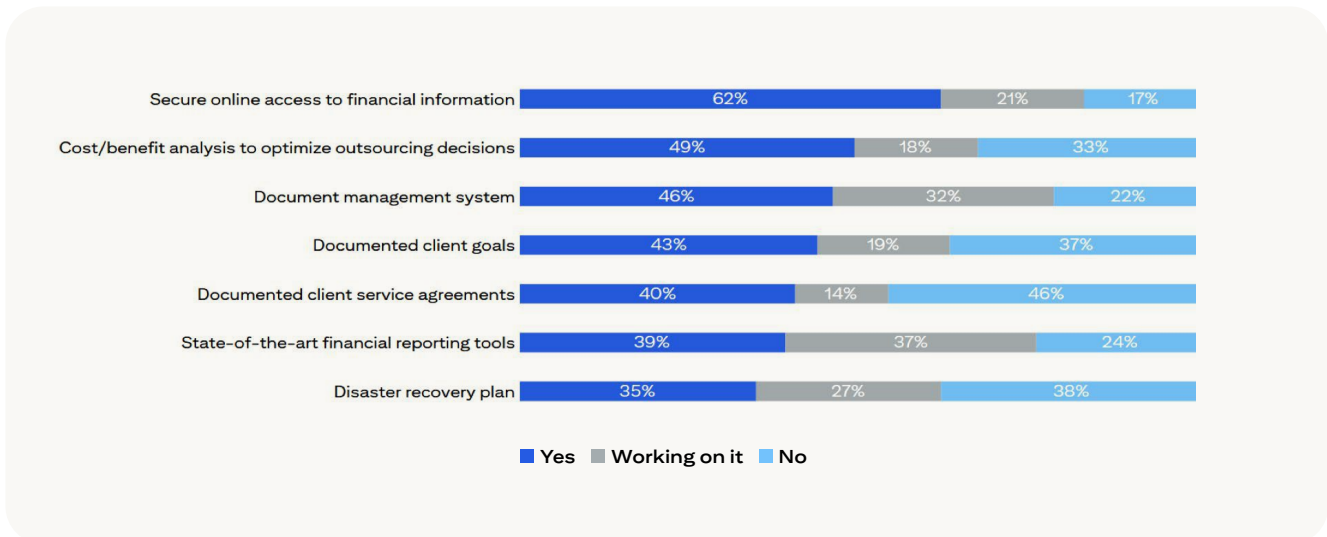
	G1	G2	G3+
The family office is separate from the family business	67%	72%	82%
The family office has clear processes and internal controls	58%	63%	68%
The family office has a governing board	43%	53%	64%
The family office has a formal strategic plan	41%	47%	62%
A family office leadership succession plan is in place	28%	42%	37%
The family office has a formal risk management plan	31%	38%	43%
The family office uses a client service agreement	29%	34%	37%

Formalized service delivery in the family office

Global view

The family office delivery process is also undergoing professionalization. Best practices from wealth management firms are increasingly being implemented, including secure online access to information (62%), document management systems (46%), and documented client goals (43%).

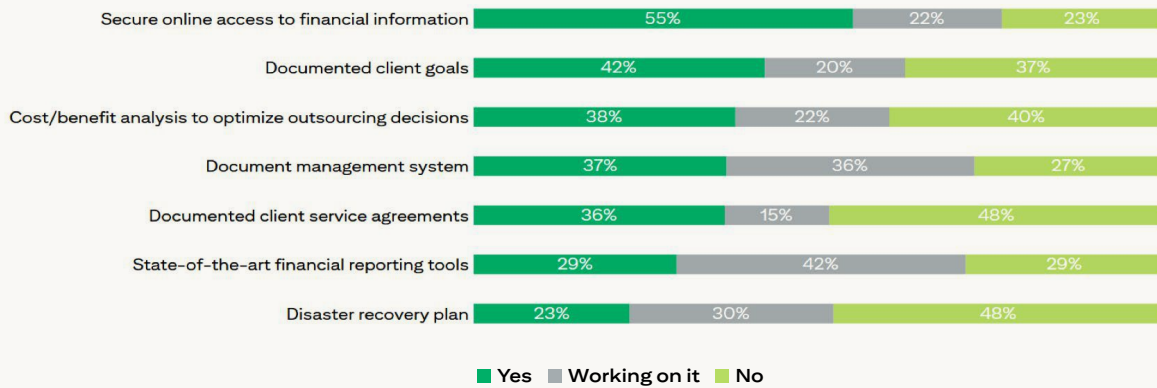
Driven by the need to manage costs, the use of cost-benefit analysis is spreading (49%). While such trends bode well, family offices appear broadly unprepared to handle crises, as disaster delivery plans had only been established by one in three family offices.



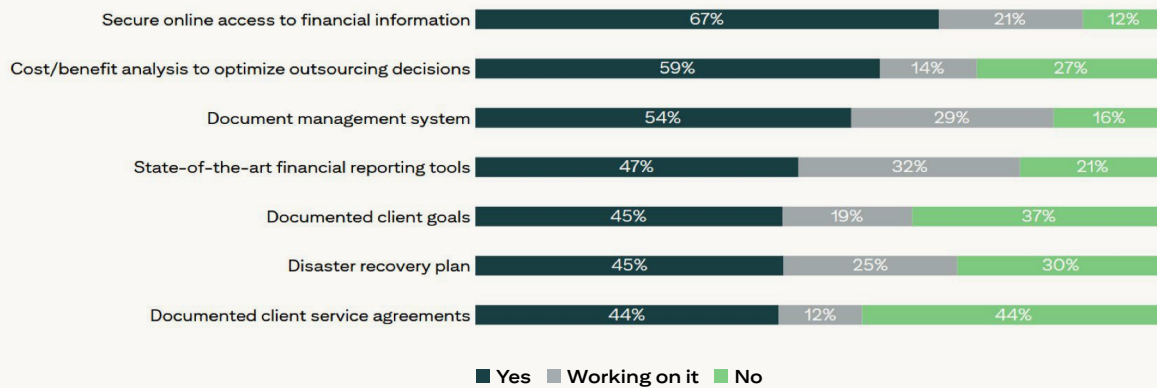
AUM view

Family offices with AUM above \$500 million had a more robust framework for service delivery than those below that level. Larger entities are typically more able to access resources and have a more mature business profile.

AUM <\$500 million



AUM >\$500 million



Regional view

Overall, family offices are less likely to follow the same best practices as corporations of equivalent size, i.e., those with hundreds of millions to billions of dollars in assets. Family offices in Europe, the Middle East and Africa as well as North America fare better in terms of disaster recovery plans (44% and 38% respectively).

	APAC			EMEA		
	Yes	Working on it	No	Yes	Working on it	No
Secure online access to financial information	48%	29%	23%	63%	16%	21%
Cost/benefit analysis to optimize outsourcing decisions	41%	33%	27%	52%	14%	35%
Document management system	39%	39%	22%	50%	25%	25%
Documented client goals	52%	28%	20%	45%	10%	45%
Documented client service agreements	49%	23%	28%	35%	11%	55%
State-of-the-art financial reporting tools	21%	45%	34%	49%	31%	21%
Disaster recovery plan	31%	25%	43%	44%	18%	38%

	LATAM			NAM		
	Yes	Working on it	No	Yes	Working on it	No
Secure online access to financial information	68%	21%	11%	66%	20%	14%
Cost/benefit analysis to optimize outsourcing decisions	54%	22%	24%	49%	11%	39%
Document management system	47%	37%	16%	46%	32%	22%
Documented client goals	45%	26%	29%	36%	17%	47%
Documented client service agreements	45%	11%	45%	37%	12%	51%
State-of-the-art financial reporting tools	44%	41%	15%	40%	34%	26%
Disaster recovery plan	14%	27%	59%	38%	35%	27%

Generational view

Family offices of longer-established wealthy families with many branches and members can start to resemble more of a multi-family office than a single-family office. They therefore more commonly adopt best practices for service delivery. For example, family offices serving the third generation or beyond

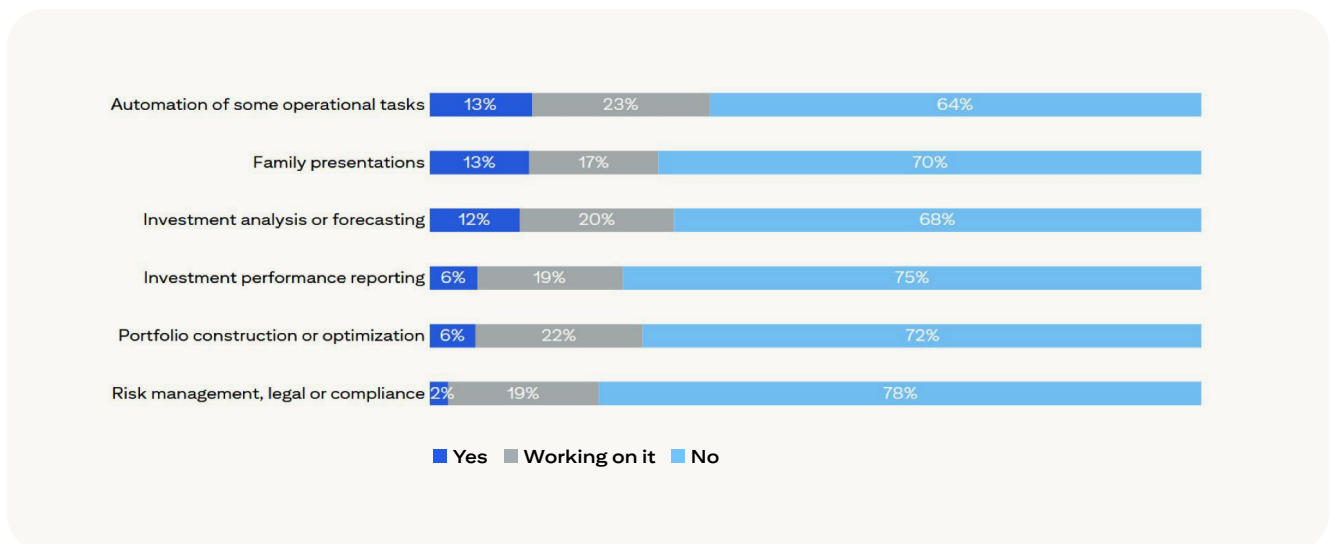
are likelier on average than earlier-stage entities to use a document management system (63% vs 43%), documented service agreements (54% vs 39%), or state-of-the-art financial reporting tools (53% vs 36%).

	G1	G2	G3+
Secure online access to financial information	61%	58%	70%
Cost/benefit analysis to optimize outsourcing decisions	48%	46%	59%
Document management system	44%	41%	63%
Documented client goals	42%	42%	48%
Documented client service agreements	36%	41%	54%
State-of-the-art financial reporting tools	34%	38%	53%
Disaster recovery plan	36%	29%	44%

Use of generative AI in the family office

Family offices have increasingly built portfolio exposure to artificial intelligence (AI), with half reporting investments in public or private equity and other quarter actively considering it – see **Investments in Artificial intelligence**. However, their adoption of generative AI for operational purposes was less advanced. About one in ten respondents had started employing generative AI to automate business functions, such as creating presentations. Another quarter or so are exploring various related possibilities. Few inroads have been made when it comes to potentially more value-added applications such as portfolio construction and risk management.

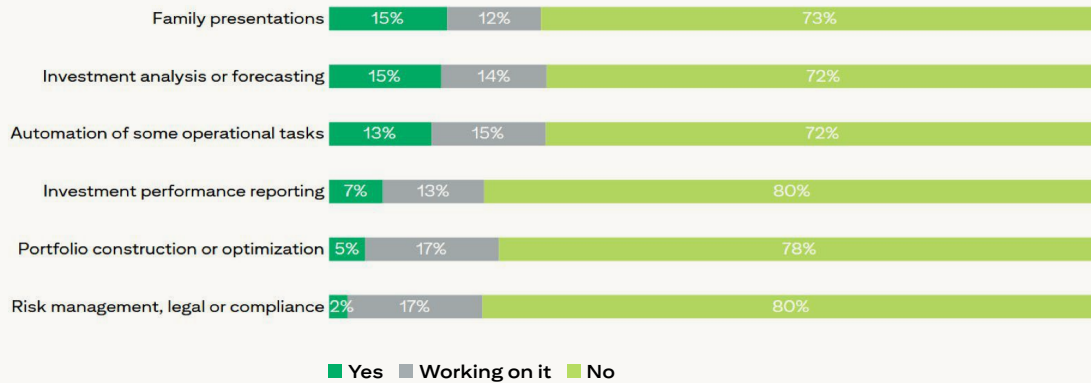
Global view



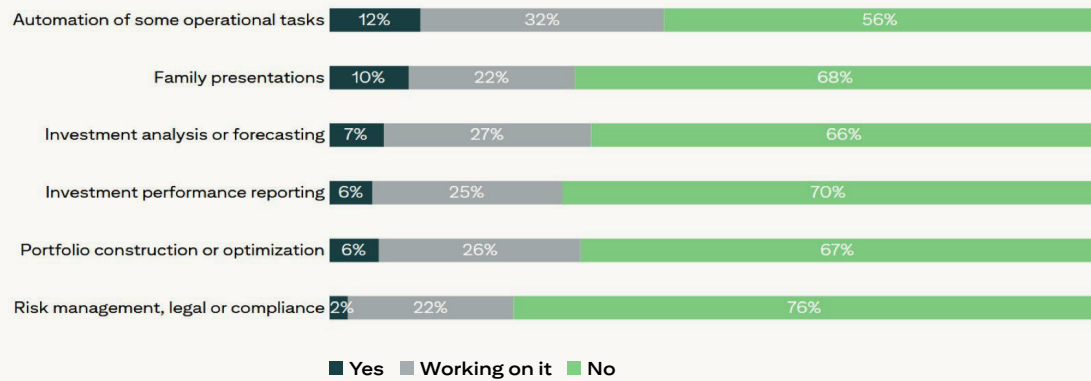
AUM view

While the overall use of generative AI remains low across the board, family offices with AUM of less than \$500 million have taken a slight lead in adoption. This may be due to the intense cost pressures they generally face. However, entities with more than \$500 million will likely catch up soon based on the higher proportion of such larger entities indicating work in progress on generative AI.

AUM <\$500 million



AUM >\$500 million



Regional view

North America and Europe, the Middle East and Africa family offices were slightly ahead in adopting generative AI, primarily as a tool for automating operational tasks (17%). Entities in Asia Pacific (17%) and Latin America (21%) were primarily using generative AI capabilities for creating family presentations.

	APAC			EMEA		
	Yes	Working on it	No	Yes	Working on it	No
Automation of some operational tasks	8%	29%	63%	17%	21%	61%
Family presentations	17%	25%	57%	9%	17%	74%
Investment analysis or forecasting	13%	28%	59%	13%	18%	69%
Investment performance reporting	13%	24%	63%	6%	19%	75%
Portfolio construction or optimization	7%	34%	59%	7%	20%	72%
Risk management, legal or compliance	3%	29%	67%	4%	16%	80%

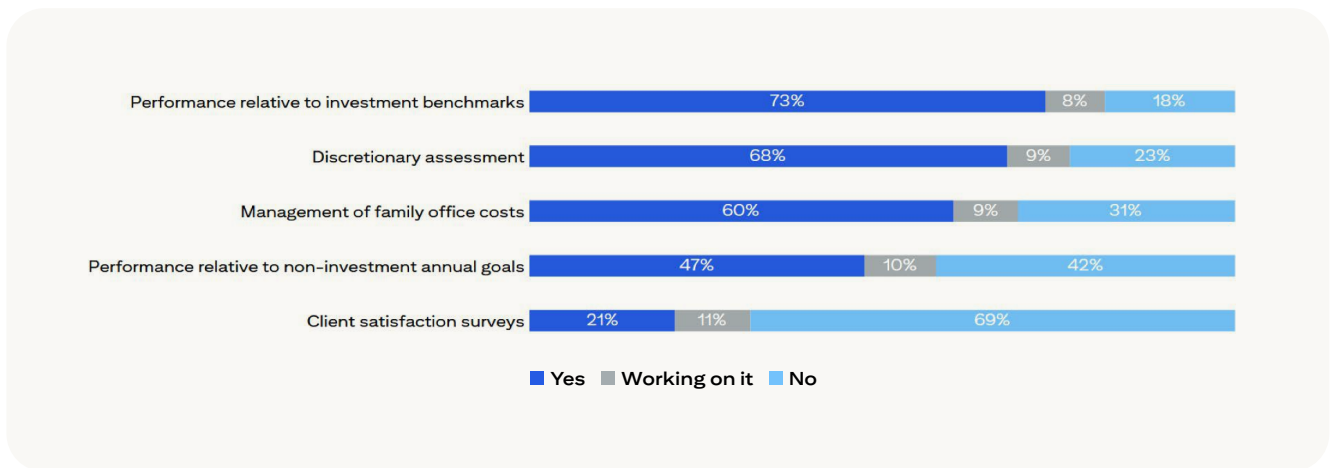
	LATAM			NAM		
	Yes	Working on it	No	Yes	Working on it	No
Automation of some operational tasks	5%	24%	71%	17%	20%	63%
Family presentations	21%	16%	63%	9%	10%	80%
Investment analysis or forecasting	5%	26%	68%	12%	13%	74%
Investment performance reporting	3%	24%	73%	3%	13%	84%
Portfolio construction or optimization	5%	24%	71%	5%	14%	82%
Risk management, legal or compliance	3%	19%	78%	16%	84%	

Measuring the family office

Global view

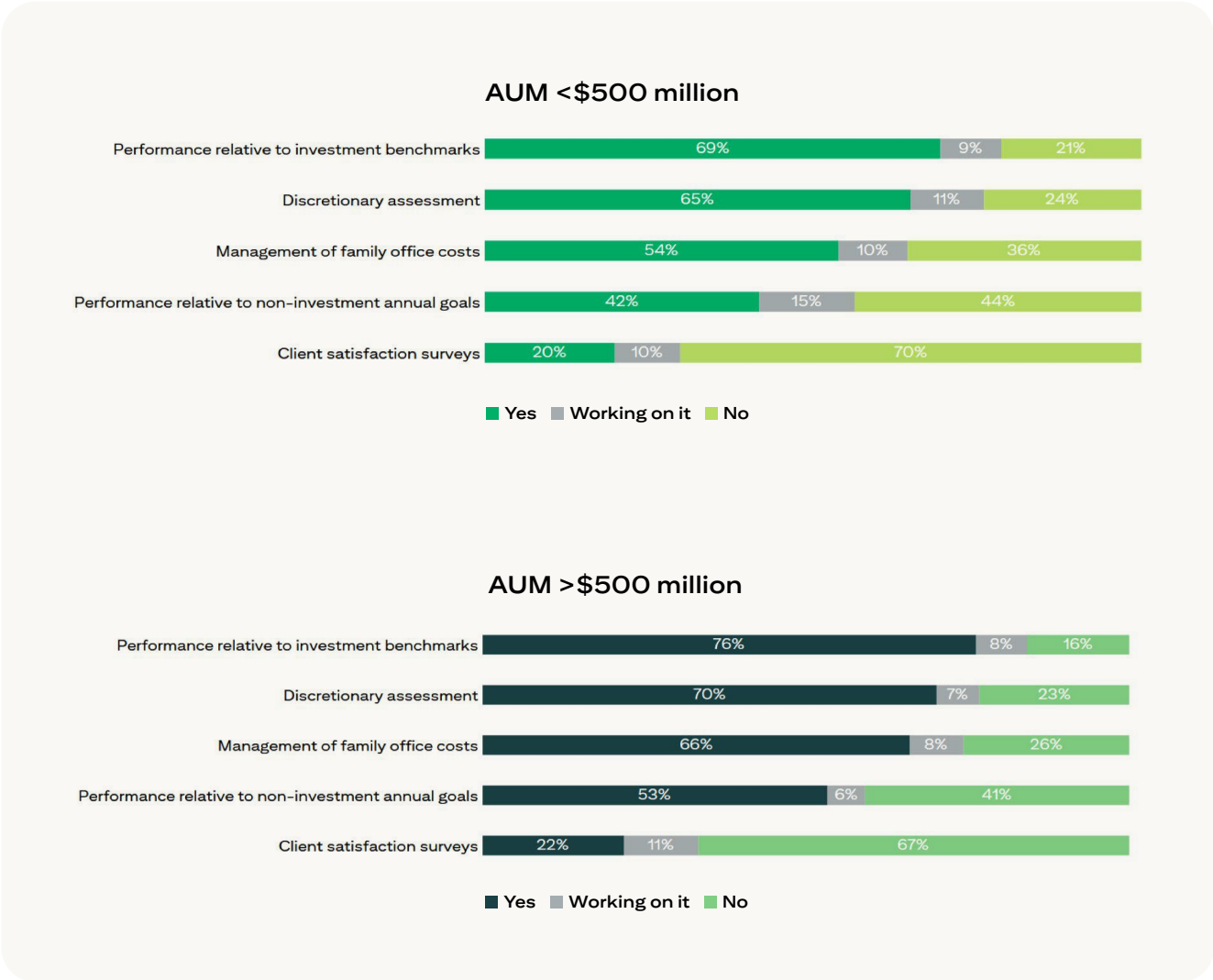
Families often wonder how their family office is performing, as they are unsure how to measure their contribution. Investment performance was cited as the easiest element to assess given the availability of market benchmarks (73%). For non-investment activities, families focused on cost management (60%) or performance relative to annual goals (47%). But about two thirds of respondents simply relied on discretionary – i.e., subjective and/or non-systematic – assessments.

Surprisingly, only 21% employed client satisfaction surveys, when these are among the most common means of gathering performance data across service industries.



AUM view

Performance relative to investment benchmarks and the management of family office costs were the two categories of metrics that were cited more frequently by family offices managing more than \$500 million in AUM versus their smaller counterparts.



Regional view

Performance relative to investment benchmarks was least cited in North America, at 61%. This compares to 90% in Latin America, 72% in Asia Pacific, and 79% in Europe, the Middle East and Africa. The higher responses for discretionary assessments in North America (73%) compared to Europe, the Middle East and Africa (60%) and LATAM (54%) should probably be interpreted in this context.

Only about half of family offices globally are measuring non-investment goals, but this may rise in coming years, given respondents who are considering this option.

	APAC			EMEA		
	Yes	Working on it	No	Yes	Working on it	No
Performance relative to investment benchmarks	72%	11%	16%	79%	8%	13%
Discretionary assessment	77%	14%	9%	60%	10%	29%
Management of family office costs	56%	13%	31%	65%	7%	28%
Performance relative to non-investment annual goals	51%	18%	31%	52%	6%	42%
Client satisfaction surveys	40%	18%	43%	17%	8%	76%

	LATAM			NAM		
	Yes	Working on it	No	Yes	Working on it	No
Performance relative to investment benchmarks	90%	5%	5%	61%	8%	31%
Discretionary assessment	54%	14%	31%	73%	2%	25%
Management of family office costs	68%	5%	26%	55%	10%	35%
Performance relative to non-investment annual goals	47%	17%	36%	42%	6%	52%
Client satisfaction surveys	24%	11%	65%	13%	10%	77%

Generational view

Third-generation family offices were more likely to use investment benchmarks than those addressing the first generation (84% vs 64%), as they continue to strive for greater rigor in their service standards. They also relied more on surveys (31%) compared to their younger counterparts (17%), most likely due to the larger families they serve.

	G1	G2	G3+
Performance relative to investment benchmarks	64%	79%	84%
Discretionary assessment	72%	66%	63%
Management of family office costs	58%	59%	68%
Performance relative to non-investment annual goals	45%	48%	53%
Client satisfaction surveys	17%	21%	31%

Family Governance

Overview

Asset value preservation was the main family concern, closely followed by preparing the next generation to be responsible wealth owners.

The adoption of a formal governance system is unequally distributed within family enterprises.

It was a pleasant surprise to see that readiness for leadership transition – whether within the family office, family or both – was on the rise.

Family offices faced a series of risks spanning a broad range of issues. The least well managed risks are cybersecurity, geopolitical, and family dynamics.

The internationalization of families and their wealth has continued.

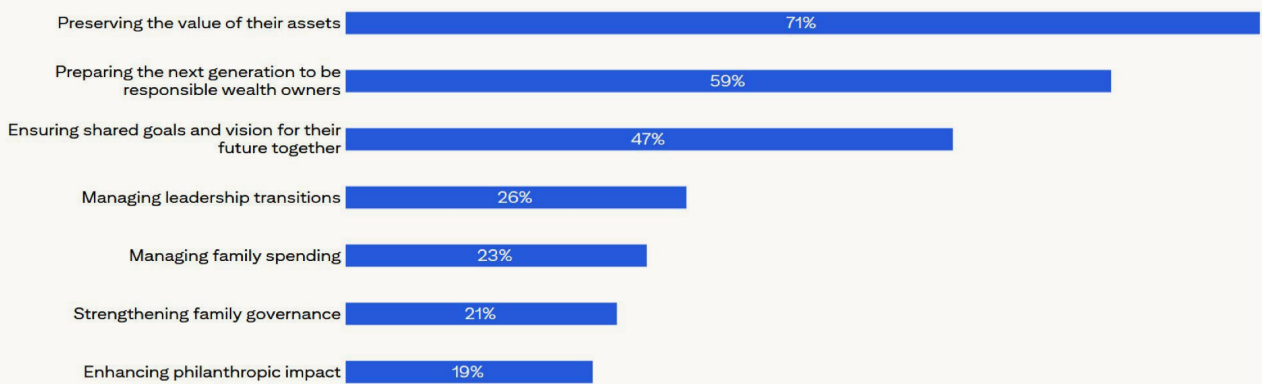
While nearly half of families owned an art collection they had acquired or inherited, it constituted a small sliver of family offices' reported assets.



Families' primary concern

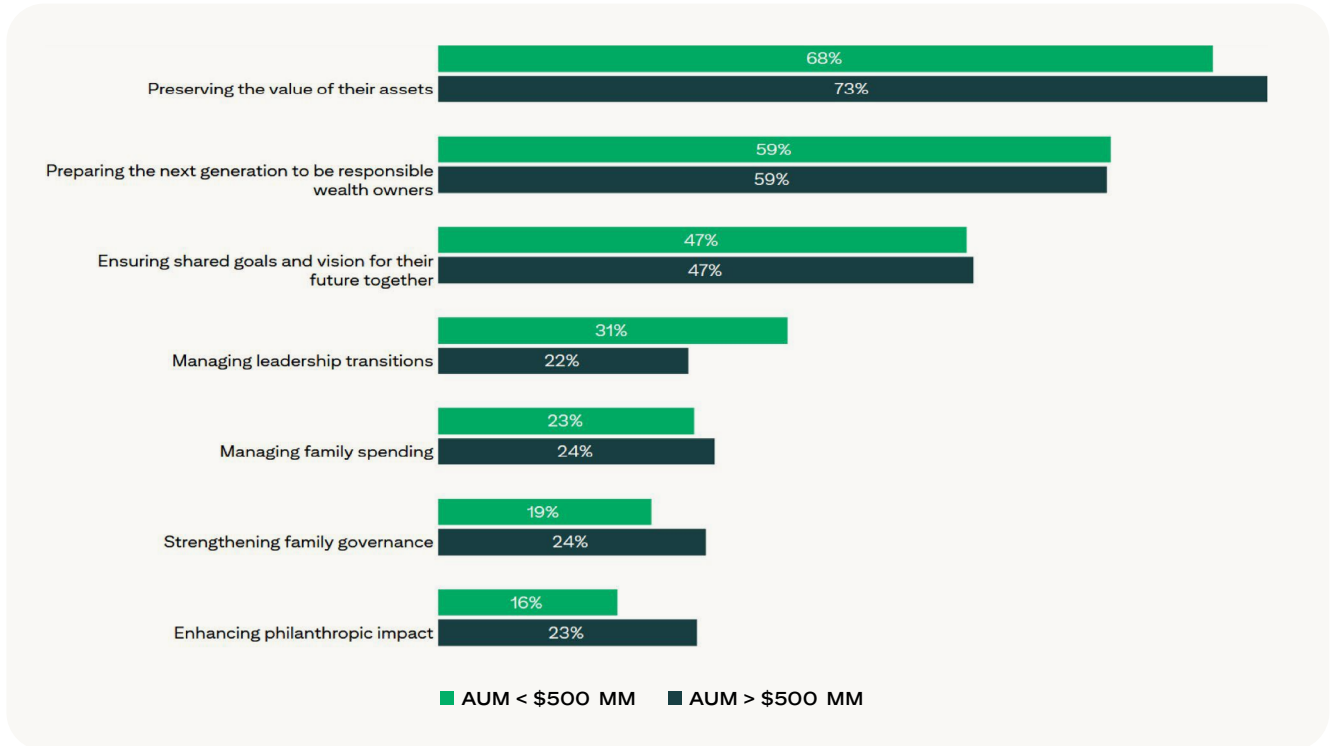
Global view

The top family concern was financial: preserving the value of their assets, cited by 71% of their family offices. But that was closely followed by preparing the next generation to be responsible wealth owners (59%) and ensuring shared goals and vision for the family's future (47%). These results underscore the dual priorities of family principals who seek to prepare wealth for their families and to prepare their family members for wealth.



AUM view

Families were reported as having strikingly similar concerns regardless of their family office AUM size.



Regional view

Enhancing philanthropic impact was cited as a primary family concern more in North America (30%) than in Latin America (11%), Europe, the Middle East and Africa (12%) and Asia Pacific (17%). Managing leadership transitions had much greater weight in Asia Pacific (47%) than in North America (18%), Europe, the Middle East and Africa (21%), and Latin America (27%). Latin America stood out as having the highest level of concern around preparing the next generation (70%) and strengthening family governance (35%).

	Global	APAC	EMEA	LATAM	NAM
Preserving the value of their assets	71%	57%	74%	76%	76%
Preparing the next generation to be responsible wealth owners	59%	55%	60%	70%	57%
Ensuring shared goals and vision for their future together	47%	50%	48%	51%	43%
Managing leadership transitions	26%	47%	21%	27%	18%
Managing family spending	23%	28%	15%	14%	31%
Strengthening family governance	21%	18%	23%	35%	15%
Enhancing philanthropic impact	19%	17%	12%	11%	30%

Generational view

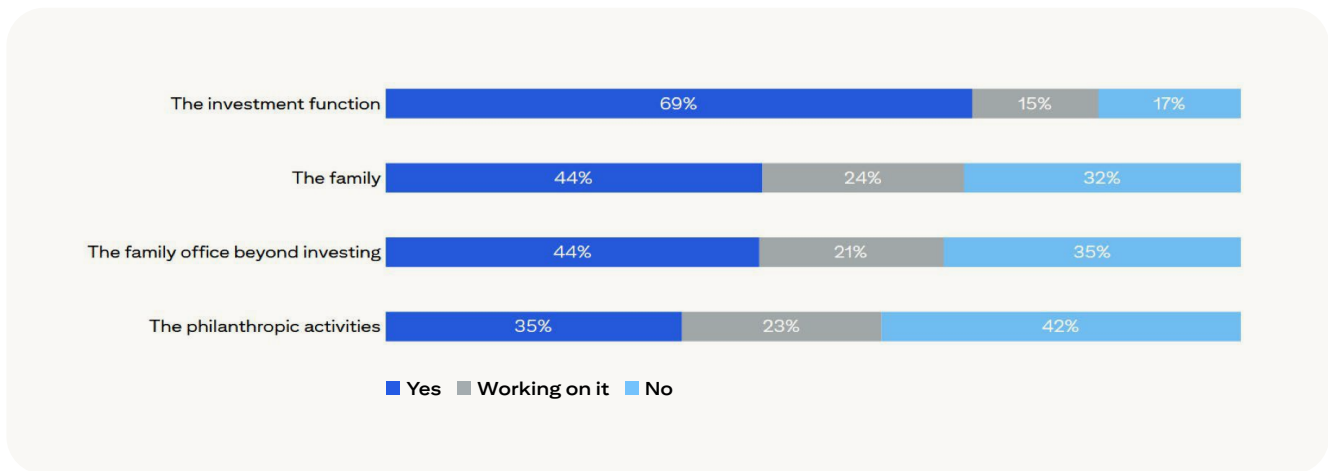
While preserving the value of assets remains a constant family concern across generations, family-related issues become more acute over time. For example, preparing the next generation for wealth was cited as a primary concern for 67% of third-generation families compared to 56% of first-generation families. Likewise, the need to manage leadership transitions was seen as more pressing (33% vs 21%).

	G1	G2	G3+
Preserving the value of their assets	72%	69%	72%
Preparing the next generation to be responsible wealth owners	56%	60%	67%
Ensuring shared goals and vision for their future together	46%	48%	49%
Managing leadership transitions	21%	31%	33%
Managing family spending	27%	21%	16%
Strengthening family governance	19%	27%	16%
Enhancing philanthropic impact	21%	18%	16%

Family decision making

Global view

The adoption of a formal governance system for decision making is unequally distributed within family enterprises.* While more than two thirds of families have it in place for the investment function, less than half report relying on formal governance for other family office affairs and the family itself. Philanthropic decision making is still especially informal, with only a third of families having formalized its governance. Considering how many family conflicts stem from governance issues, the status quo leaves many families exposed.



*Family enterprise signifies all forms of capital owned and shared by family members (including financial, business, philanthropic, and even the family itself).

AUM view

Family offices with AUM above \$500 million were ahead of their counterparts managing less than that with respect to family enterprise governance. Informal decision making most likely becomes too inefficient and risky as the family’s level of wealth increases.



Regional view

Respondents from Europe, the Middle East and Africa overall reported more robust governance across their family and family office activities than their counterparts, except for philanthropic activities. Philanthropy decision making is surprisingly mostly informal in North America (58%), Europe, the Middle East and Africa, (65%), Latin America (65%), and Asia Pacific (78%).

	APAC			EMEA		
	Yes	Working on it	No	Yes	Working on it	No
The investment function	64%	21%	15%	76%	11%	13%
The family	47%	28%	26%	50%	19%	31%
The family office beyond investing	34%	25%	42%	53%	21%	26%
The philanthropic activities	23%	38%	40%	34%	19%	46%

	LATAM			NAM		
	Yes	Working on it	No	Yes	Working on it	No
The investment function	68%	22%	11%	66%	10%	24%
The family	47%	17%	36%	36%	27%	36%
The family office beyond investing	35%	22%	43%	46%	20%	34%
The philanthropic activities	35%	11%	54%	42%	23%	35%

Generational view

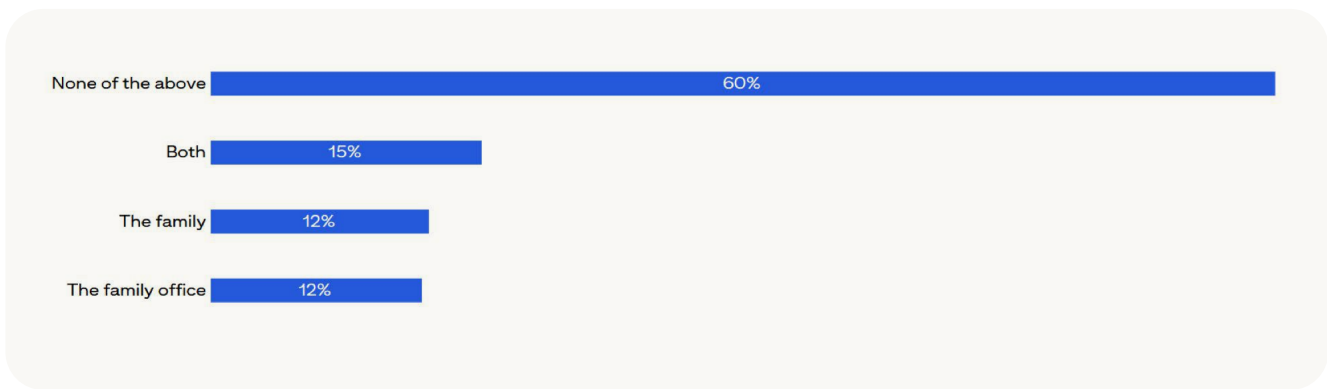
Family offices serving the third generation and beyond were much more likely than their first-generation counterparts to have implemented proper governance systems for the investment function (81% vs 62%), the family (62% vs 33%), the family office beyond investing (55% vs 43%), and philanthropic activities (45% vs 31%). This is probably a result of their greater need for such governance, reinforced by years of experience.

	G1	G2	G3+
The family	33%	52%	62%
The family office beyond investing	43%	40%	55%
The investment function	62%	71%	81%
The philanthropic activities	31%	36%	45%

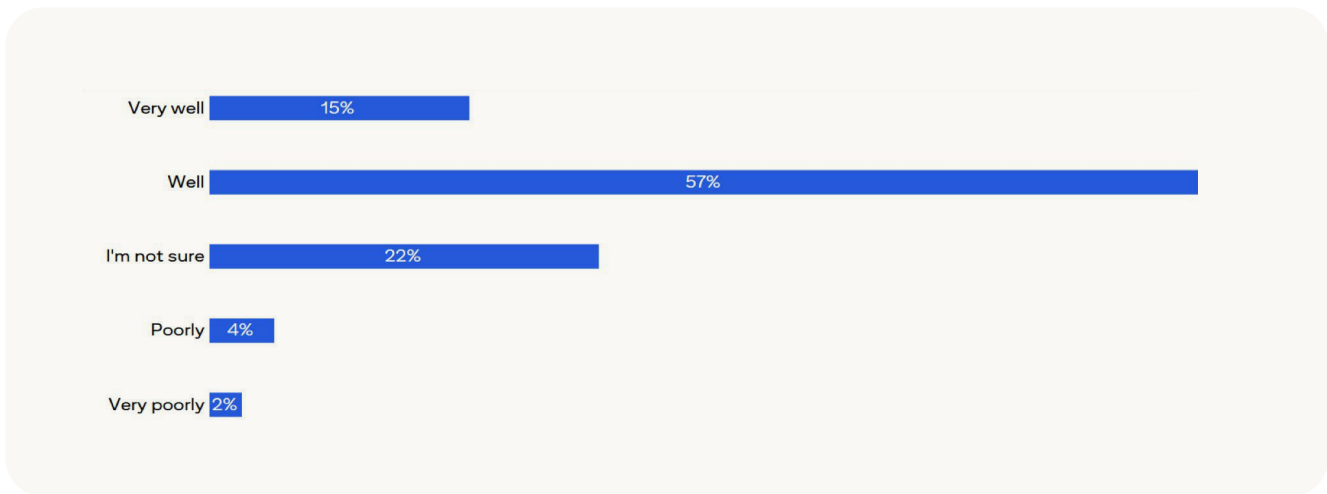
Leadership succession and readiness

Global view

40% of families were expecting a significant leadership succession in the next five years, involving the family office, the family itself, or both.

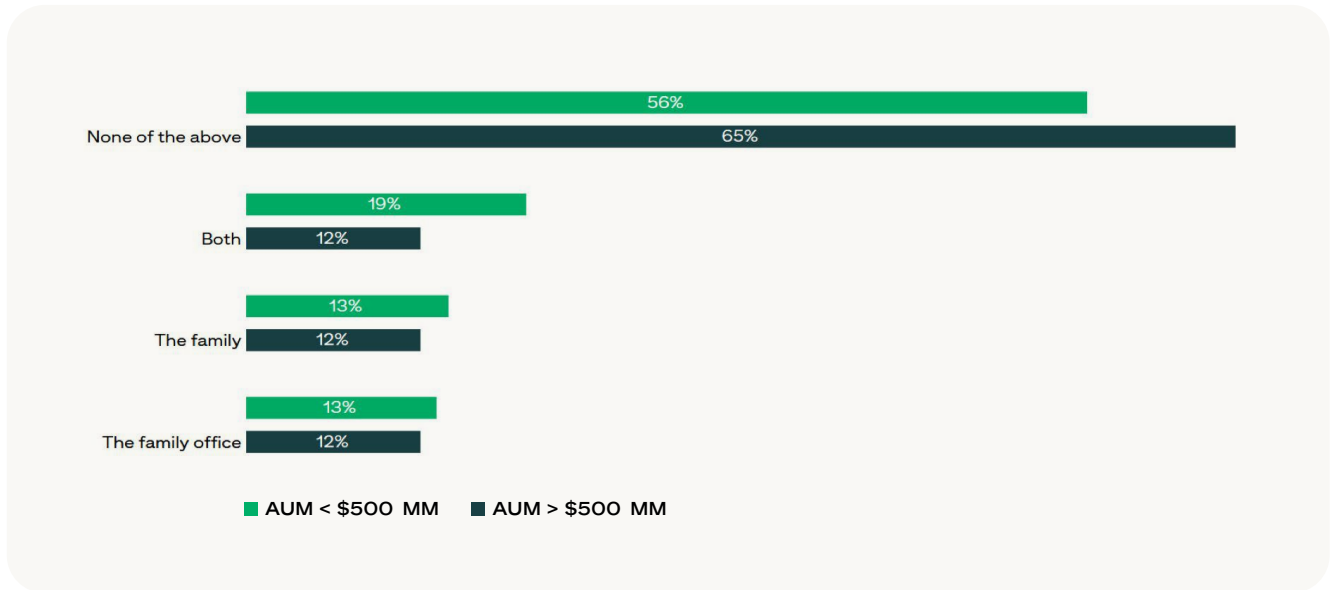


While such transitions are often daunting, it is encouraging that over two thirds felt well prepared or very well prepared. Not that long ago, the numbers were reversed, with readiness expressed only by one third of respondents. This shows that families are learning and adapting to challenges, which bodes well for their longevity.

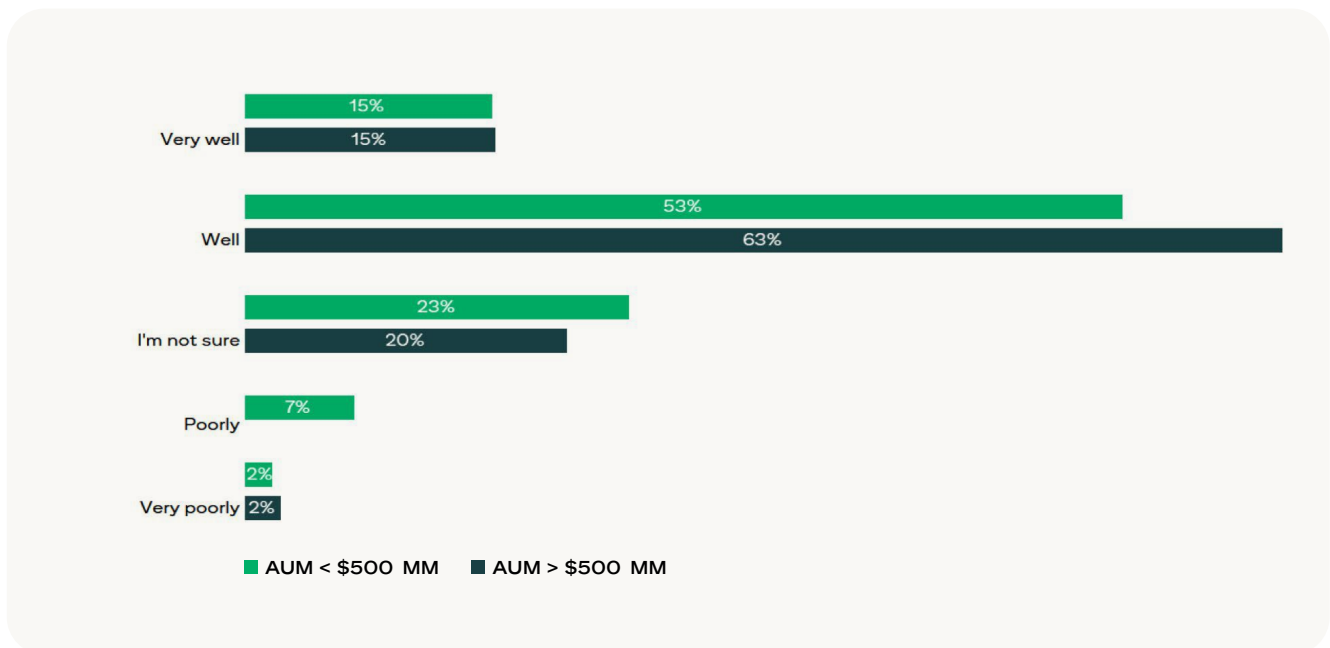


AUM view

Family offices with AUM below \$500 million saw a higher probability (44%) of undergoing leadership transitions in the next five years than their counterparts managing above \$500 million (35%).



Smaller family offices also felt more unprepared for such shifts (32% vs 22%).



Regional view

Family offices in North America envisaged the least likelihood of leadership transitions over the next five years (27%), while Asia Pacific entities saw the most likelihood (56%).

	Global	APAC	EMEA	LATAM	NAM
None of the above	60%	44%	60%	56%	73%
Both	15%	19%	16%	15%	12%
The family office	12%	13%	11%	23%	8%
The family	12%	24%	13%	5%	7%

Latin America and Asia Pacific reported the best state of preparedness, with 77% and 75% saying they were well or very well prepared respectively.

	Global	APAC	EMEA	LATAM	NAM
Very well	15%	11%	31%	12%	4%
Well	57%	63%	45%	65%	58%
I'm not sure	22%	23%	21%	24%	23%
Poorly	4%	3%	3%		8%
Very poorly	2%				8%

Generational view

First-generation family offices were less likely to expect a leadership succession in the next five years than longer established entities. This is probably because wealth creators can sometimes be reluctant to cede control, often proving initially unwilling to accept the inevitability of such transitions.

	G1	G2	G3+
None of the above	69%	52%	56%
Both	15%	15%	16%
The family	8%	14%	20%
The family office	7%	18%	9%

Not surprisingly, older family offices felt more prepared for leadership successions than their first-generation counterparts (85% vs 56%), having already experienced previous transitions.

	G1	G2	G3+
Very well	10%	19%	15%
Well	46%	62%	70%
I'm not sure	33%	17%	10%
Poorly	8%		5%
Very poorly	3%	2%	

Highlights from the Family Office Leadership Program – lessons from generational transitions

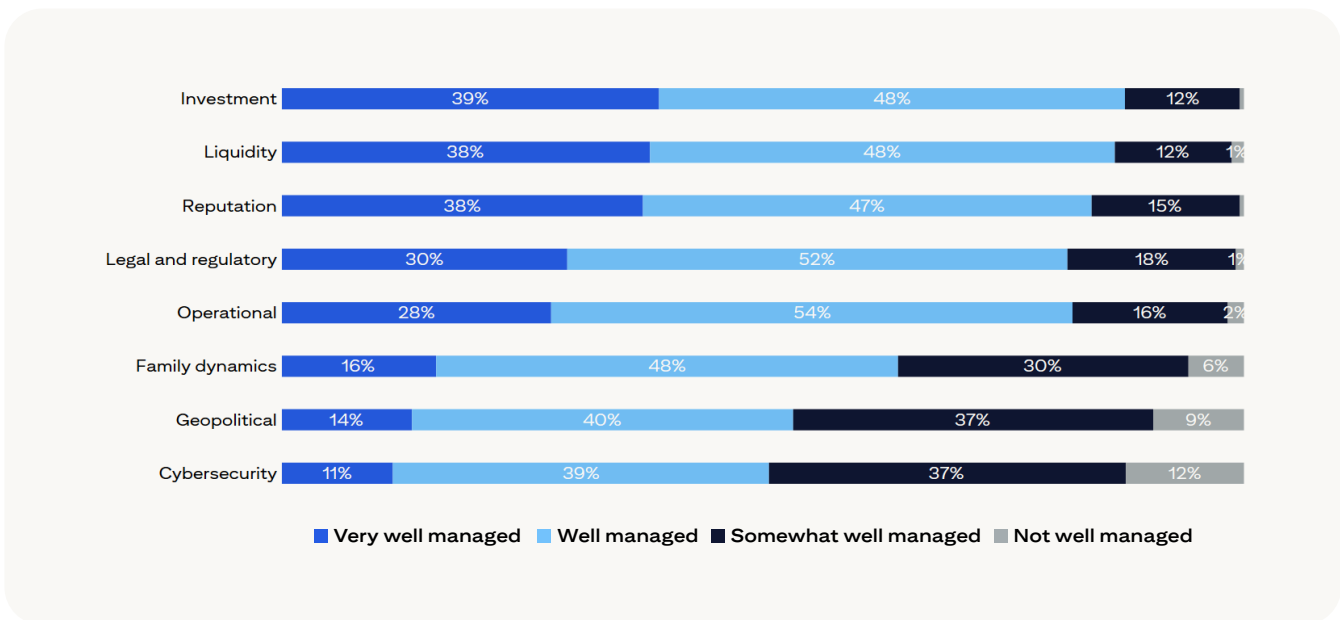
Leadership transitions are a critical issue for family offices and wealthy families more broadly. Preparing those who will head the family, its business, its philanthropy, and influence the direction of its family office is a process best undertaken thoughtfully and in plenty of time. Based on our experience of serving those who have successfully achieved such transitions, we explored some of the lessons that may assist in this:

- 1. Recognize that what got you here won't get you there**
As the environment changes, so do the qualities required of leaders. A common mistake during succession is to seek out new leaders who share the same characteristics as the outgoing leaders.
- 2. Ask “why should we stay together?”**
By keeping family wealth and talent combined within a family office, potentially greater results can be achieved than if people and capital part ways. But a shared vision and values are vital if this is to succeed. Posing the fundamental question of “why?” is a good way to define these elements.
- 3. Decide who will lead the process and set some goals**
Specific goals and an accountable leadership are necessary for transforming values and vision into action. Goals should be realistic and measurable, while the leader should have real authority even within a framework of consensual decision making.
- 4. Determine the right level of togetherness**
It doesn't have to be all or nothing. Each family needs to find a balance that works for them. This may mean some projects or new ventures are undertaken by some family members alone and perhaps for their benefit alone. But this may still be compatible with a collective overall approach when it comes to family office matters, business or philanthropy.
- 5. Assess your options and make educated decisions**
Resist the temptation to take the path of least resistance, as it might not lead to the most sustainable answer. Leave no stone unturned and have no sacred cows. Instead, make educated decisions.
- 6. Remember that every generation is a first generation**
Respecting and learning from the past is important. But the next generation must be allowed to be more than just a link in the generational chain. This means creating opportunities to pursue their purpose and priorities through family investing, business, giving back, advocacy and more.
- 7. Accept that the family office must evolve or disappear**
Over time, families multiply, with branches likely to be more geographically spread, often less close personally, and perhaps with diverging views and agendas. The family office needs to be prepared to adapt accordingly.

Risks faced by the family

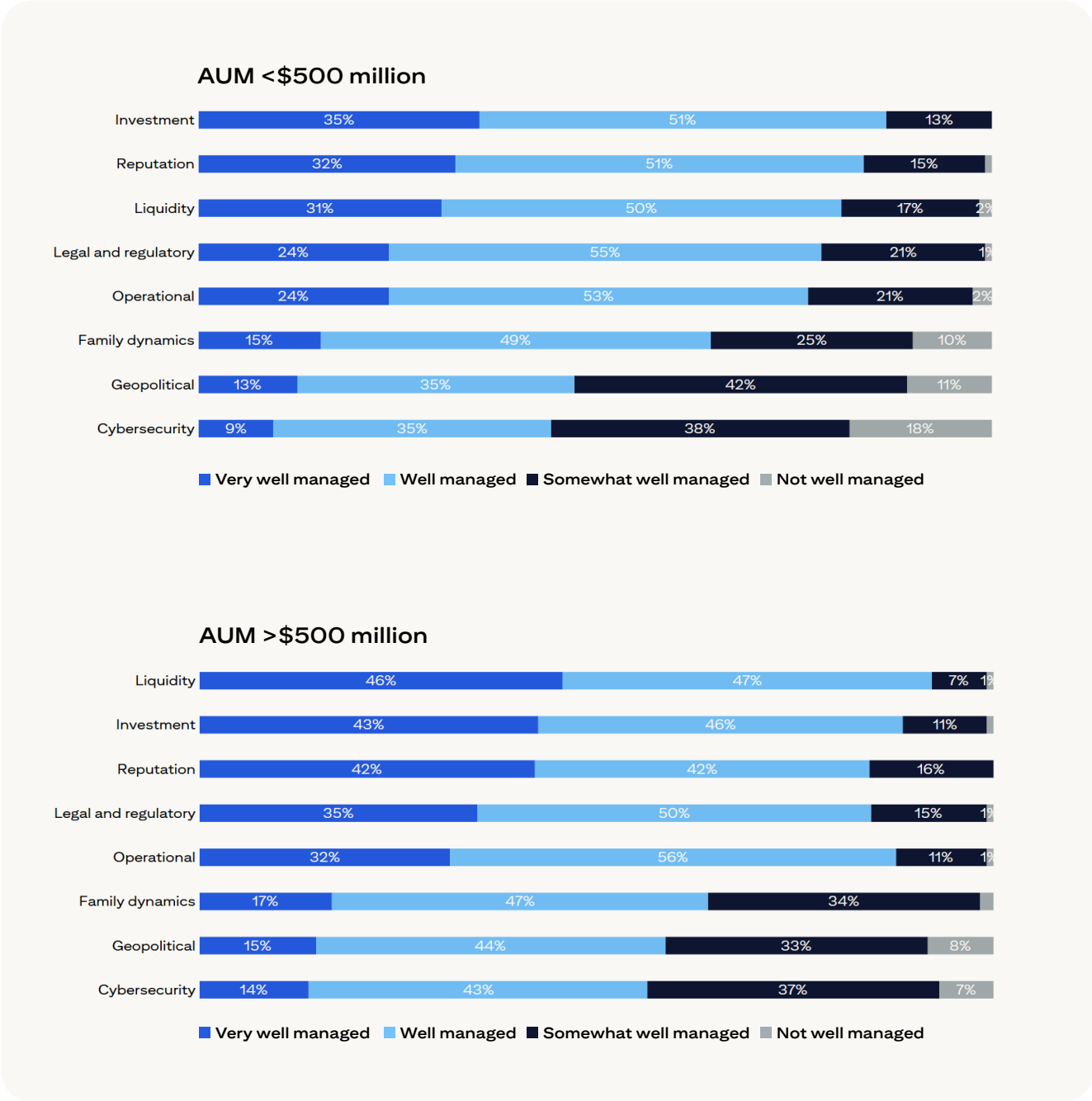
Global view

Family offices face a broad variety of risks. Most respondents concurred that eight risks were especially relevant for them. Best managed were those relating to investment, liquidity, reputation, operational, and legal and regulatory. The risks felt to be least well managed were those around cybersecurity, geopolitical, and family dynamics. This is probably because they are particularly challenging to prepare for and mitigate.



AUM view

In general, risks appear to be better managed in family offices with AUM over \$500 million, most likely due to greater resources and perhaps also their longer experience.



Note: variations in chart display percentages is due to rounding.

Regional view

While some regional differences are apparent, cybersecurity and geopolitical risks were generally felt to be the least well managed, followed by family dynamics.

	APAC			
	Very well managed	Well managed	Somewhat well managed	Not well managed
Investment	38%	50%	12%	
Liquidity	26%	53%	21%	
Reputation	22%	50%	26%	2%
Legal and regulatory	15%	57%	28%	
Operational	22%	47%	27%	4%
Family dynamics	17%	53%	28%	2%
Geopolitical	17%	38%	38%	6%
Cybersecurity	9%	35%	29%	27%

	EMEA			
	Very well managed	Well managed	Somewhat well managed	Not well managed
Investment	38%	57%	6%	
Liquidity	39%	56%	3%	2%
Reputation	31%	55%	15%	
Legal and regulatory	26%	57%	17%	
Operational	23%	67%	9%	2%
Family dynamics	23%	43%	26%	8%
Geopolitical	8%	48%	38%	6%
Cybersecurity	10%	50%	32%	8%

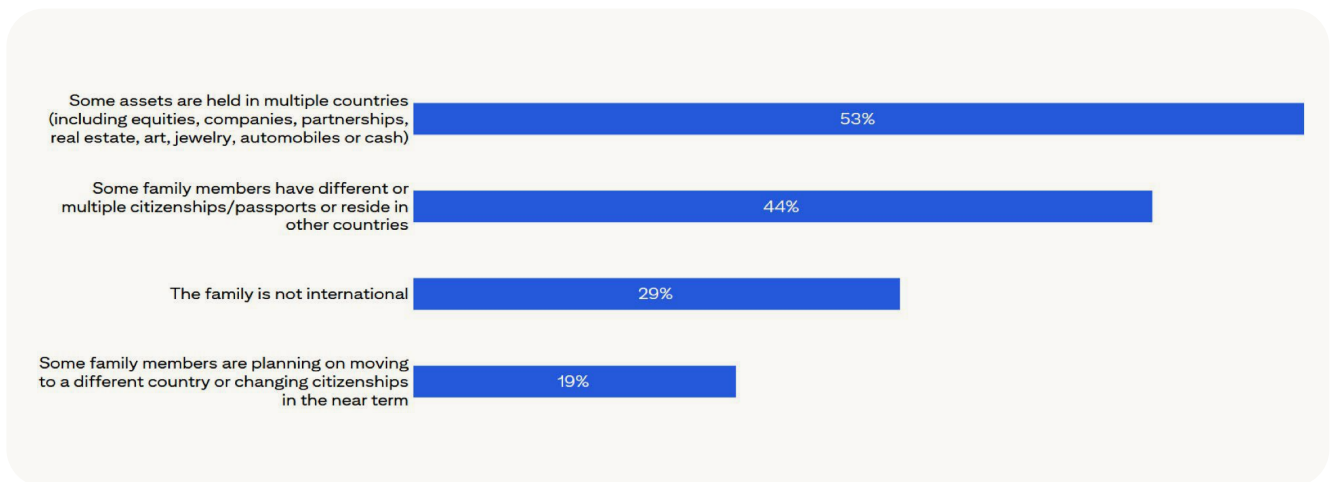
LATAM				
	Very well managed	Well managed	Somewhat well managed	Not well managed
Investment	51%	43%	5%	
Liquidity	41%	49%	8%	3%
Reputation	50%	38%	12%	
Legal and regulatory	38%	51%	11%	
Operational	35%	59%	6%	
Family dynamics	15%	50%	29%	6%
Geopolitical	12%	38%	35%	15%
Cybersecurity	17%	20%	49%	14%

NAM				
	Very well managed	Well managed	Somewhat well managed	Not well managed
Investment	36%	43%	20%	1%
Liquidity	44%	39%	15%	1%
Reputation	47%	42%	11%	
Legal and regulatory	39%	45%	14%	2%
Operational	33%	47%	19%	1%
Family dynamics	11%	48%	35%	6%
Geopolitical	17%	34%	37%	12%
Cybersecurity	12%	42%	41%	5%

Internationalization of families

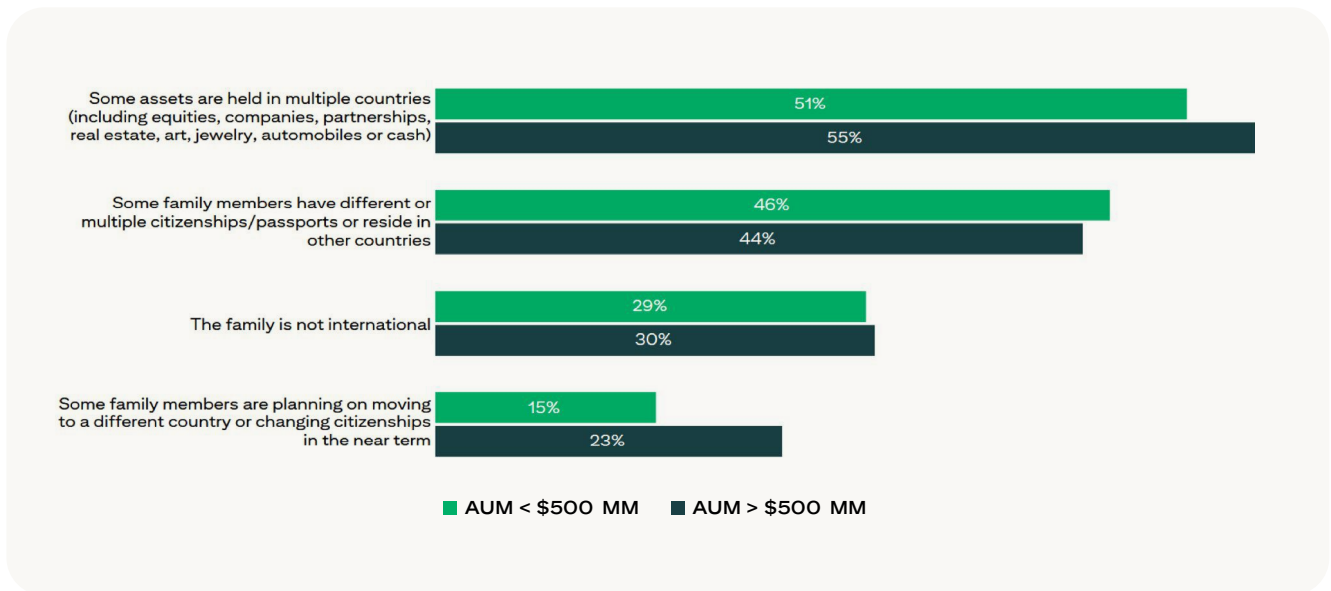
Global view

Family offices reported that 71% of their families were international, be that via assets in multiple countries (53%), family members in multiple countries (44%), or family members considering moving to a different country or changing citizenship (19%). These numbers are broadly consistent with last year's findings. However, they may increase in the months ahead given important tax changes affecting the wealthy following recent elections, particularly in Europe and Latin America.



AUM view

Family offices across the AUM spectrum reported a relatively consistent international profile for their families. However, family members were likelier to be planning a move to a different country or changing citizenship where their family offices were managing AUM above \$500 million. Establishing a global presence for the family business, making overseas investments, and tax considerations may help explain this tendency.



Regional view

Families from Latin America (97%), Asia Pacific (83%) and Europe, the Middle East and Africa (82%) were most international. By contrast, families from North America were the least international (43%). Latin American families had the greatest share of members residing in different countries (84%).

	Global	APAC	EMEA	LATAM	NAM
Some assets are held in multiple countries (including equities, companies, partnerships, real estate, art, jewelry, automobiles or cash)	53%	51%	67%	76%	35%
Some family members have different or multiple citizenships/passports or reside in other countries	44%	48%	49%	84%	22%
The family is not international	29%	17%	18%	3%	57%
Some family members are planning on moving to a different country or changing citizenships in the near term	19%	25%	27%	22%	8%

Generational view

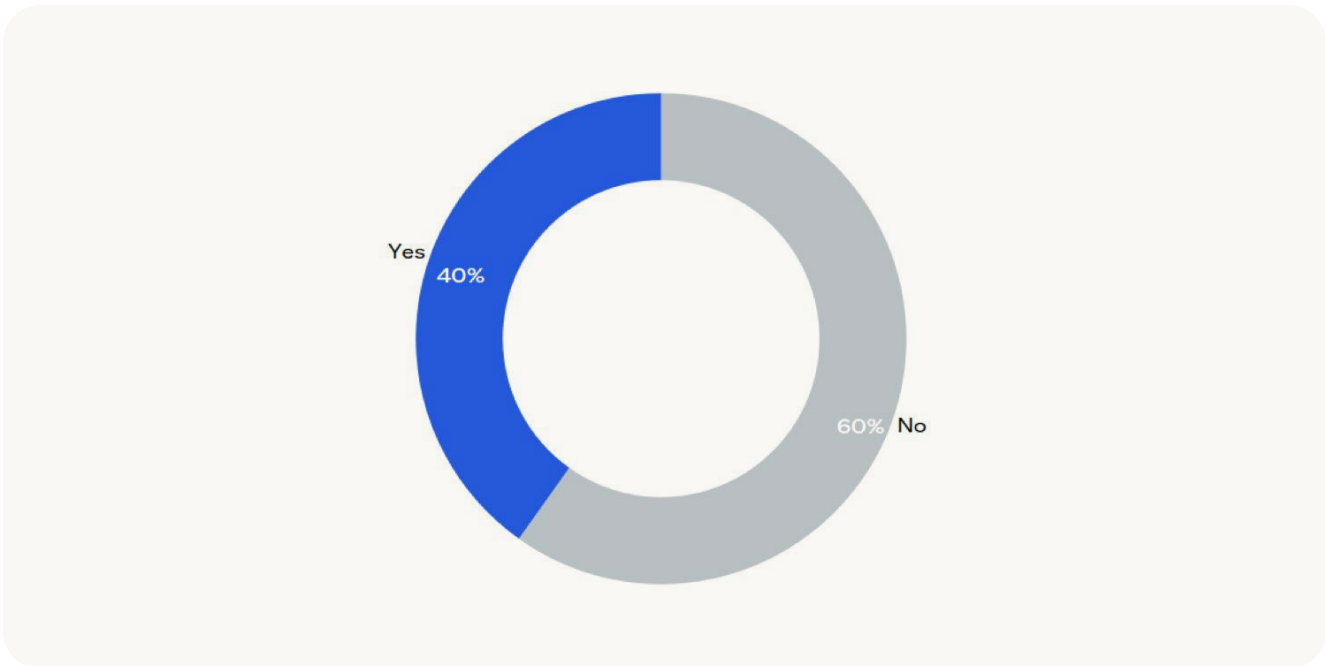
Greater international footprints were more evident among families at the third generation and beyond than for their first- or second-generation counterparts (84%, 76% and 62% respectively). They were significantly likelier to hold assets in multiple countries (67%), have family members in other countries, (60%) or be planning to move or change citizenship (33%).

	G1	G2	G3+
Some assets are held in multiple countries (including equities, companies, partnerships, real estate, art, jewelry, automobiles or cash)	48%	53%	67%
Some family members have different or multiple citizenships/passports or reside in other countries	30%	55%	60%
The family is not international	38%	24%	16%
Some family members are planning on moving to a different country or changing citizenships in the near term	15%	19%	33%

Art collections

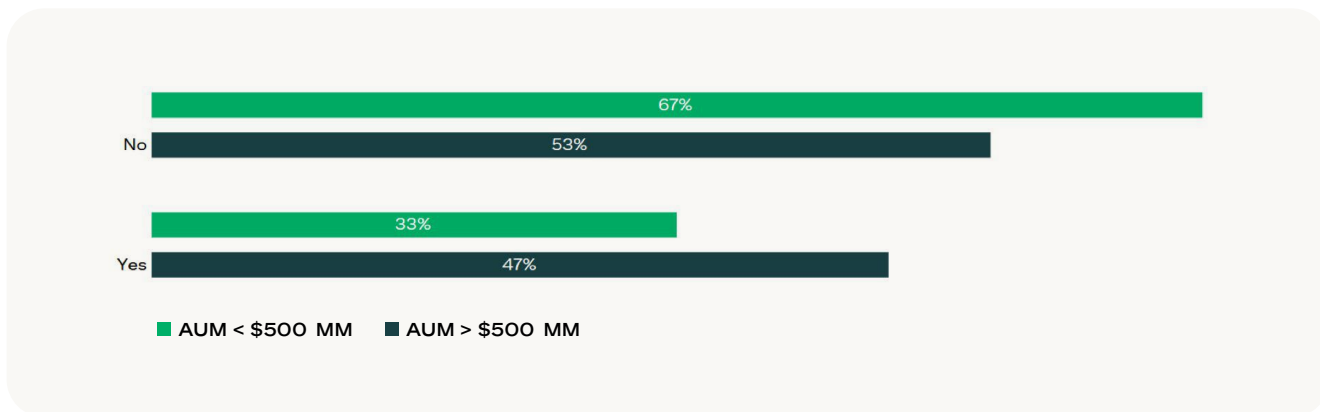
Global view

Almost half of families owned an art collection they had acquired or inherited. While art constitutes only a very small portion of family offices' reported assets (1%) – see **Allocation by asset class** – it is important not to draw inferences about these collections' value, as many are simply not under family offices' purview and are thus not accounted for in their AUM.



AUM view

Larger family offices were likelier to report having an art collection than their smaller counterparts. This is intuitive, as art collections generally expand alongside the size and maturity of families' wealth.



Regional view

Art collections are most common in families based in North America (52%), and least common in Asia Pacific (24%), probably reflecting the earlier stage of the family office industry's development regionally.

	Global	APAC	EMEA	LATAM	NAM
No	60%	76%	56%	69%	48%
Yes	40%	24%	44%	31%	52%

Sustainable investing and philanthropic impact

Overview

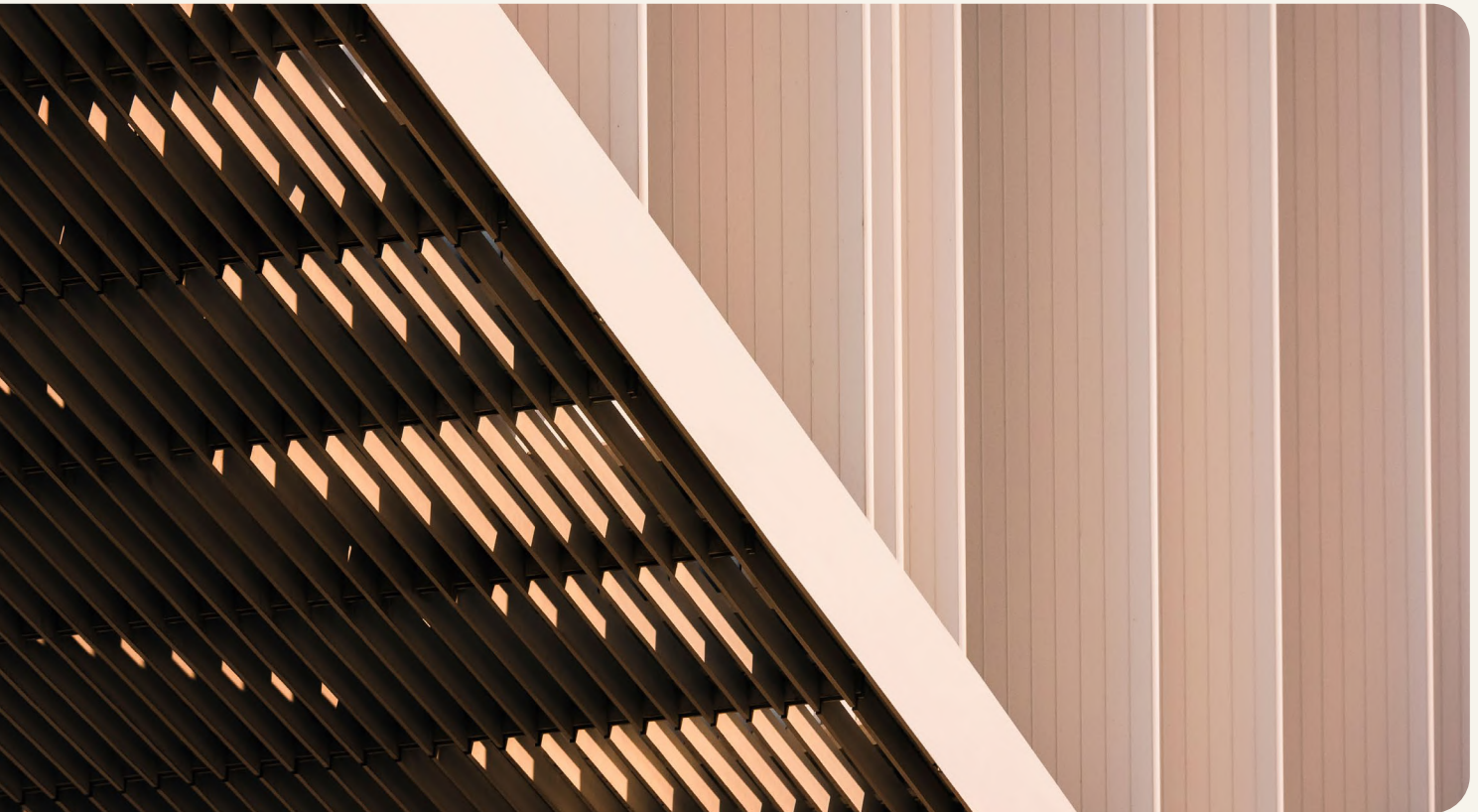
Almost a fifth of respondents reported having 10% more of their investments allocated sustainably.

At the same time, nearly two fifths said they had zero sustainable exposure.

The main challenge of incorporating sustainable investments in portfolios has often been cited as the limited availability of investment opportunities with competitive financial performance.

Sharing best practices and mission strategic development stood out as the main support needed to develop the family office philanthropic expertise.

Surprisingly, environmental causes continued to be one of the least philanthropically funded areas globally.

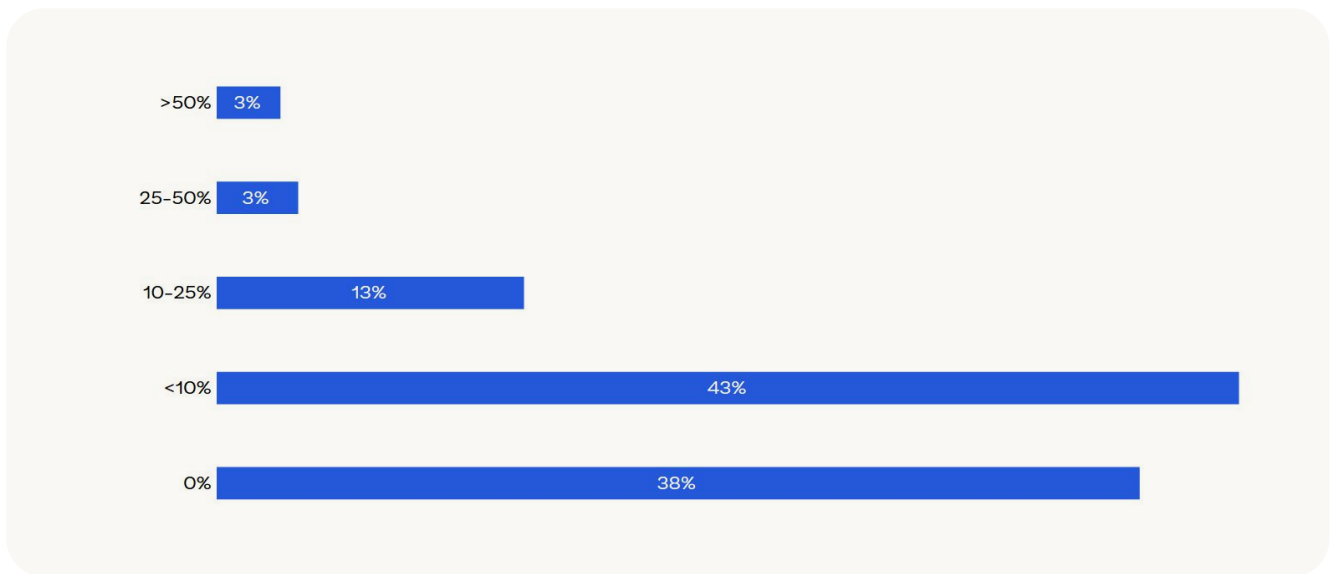


Allocation to sustainable investing

Global view

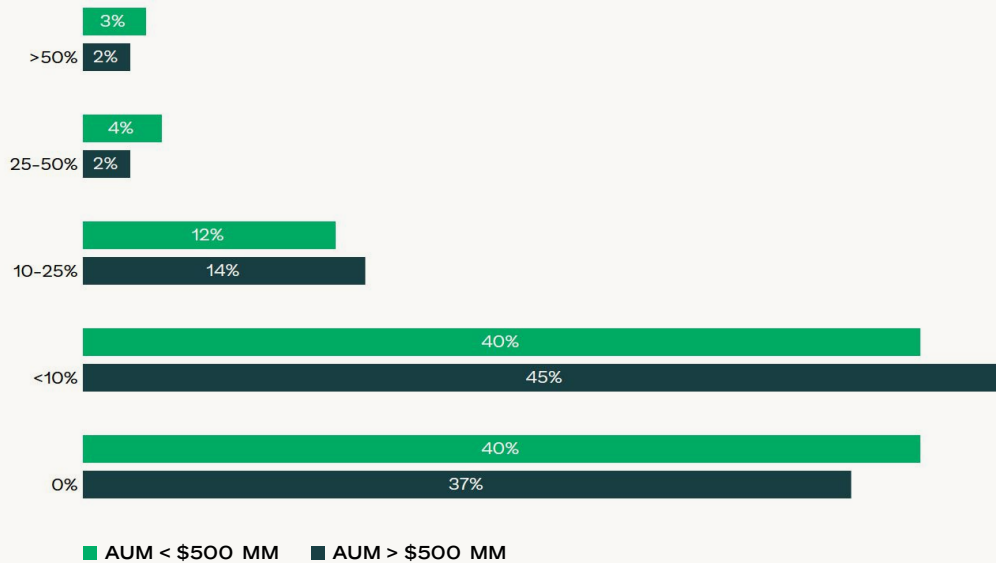
Nearly one in five family offices reported having more than 10% of their portfolio allocated to sustainable investments. Of those, almost one in three had allocations greater than 25%. At the same time, 38% of all respondents reported having zero exposure, while another 43% had less than a tenth of their portfolios sustainably allocated. This may reflect the potential additional complexity of integrating sustainability considerations into the decision making process.

Nevertheless, sustainable investing looks set to gain further in popularity among family offices. Successor generations are increasingly likely to prioritize sustainability, while regulatory changes and innovation may also drive demand. Environmental, social and governance considerations are becoming integral to investment management, particularly as the risks of climate change, cybersecurity, and labor practices to financial performance become ever more evident.



AUM view

Larger family offices are marginally more committed to sustainable investing.



Regional view

Family offices in Europe, the Middle East and Africa were those with the highest percentages in sustainable allocations. Almost a third reported having an allocation of more than 10%. That was more than double the figures for North America (15%), Latin America (13%) and Asia Pacific family offices (12%).

	Global	APAC	EMEA	LATAM	NAM
>50%	3%		5%		3%
25-50%	3%	2%	7%	8%	
10-25%	13%	10%	20%	5%	12%
<10%	43%	45%	46%	51%	35%
0%	38%	43%	22%	36%	50%

Generational view

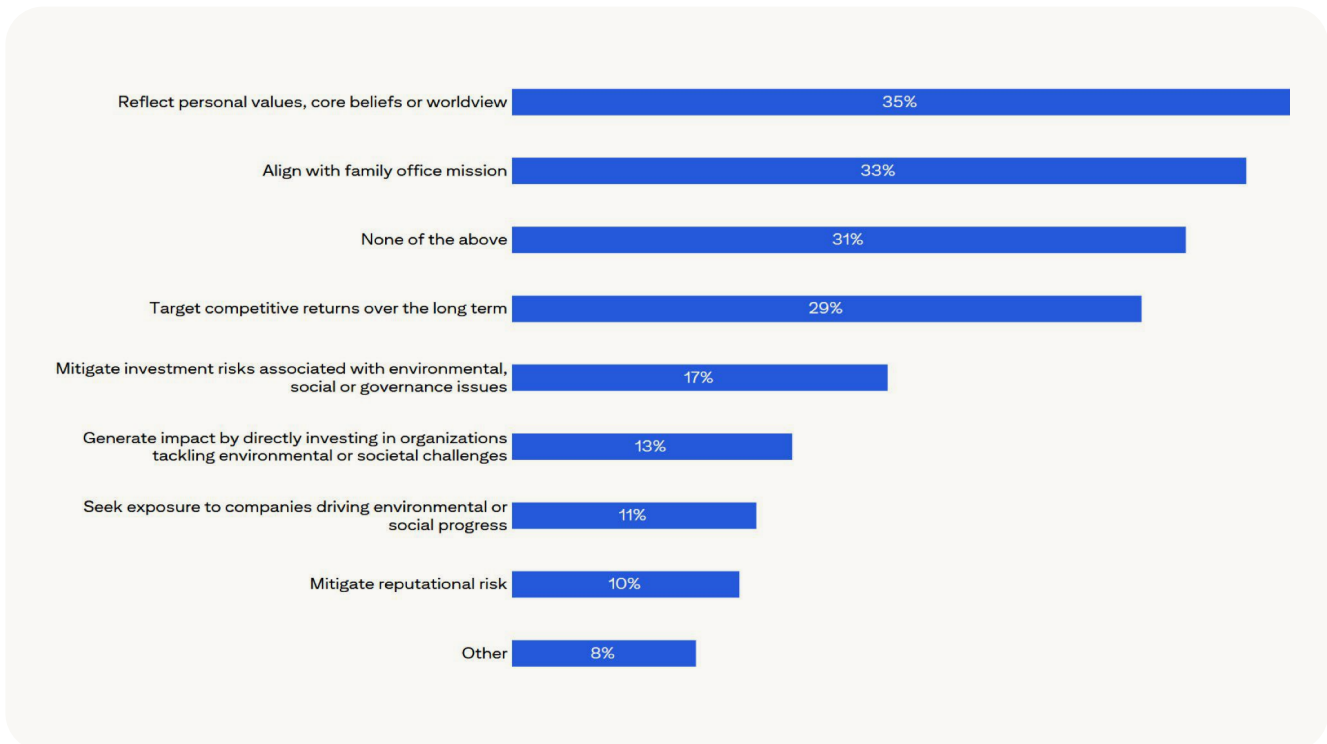
It is interesting to note that family offices serving families at the third generation or beyond are relatively more likely than their first- and second-generation counterparts to engage in sustainable investing, as illustrated by the share having 10% to 25% of their capital allocated to this asset class (24% vs 10% and 12% respectively).

	G1	G2	G3+
>50%	2%	3%	2%
25-50%	2%	6%	
10-25%	10%	12%	24%
<10%	45%	40%	40%
0%	41%	39%	33%

Motivation for sustainable investing

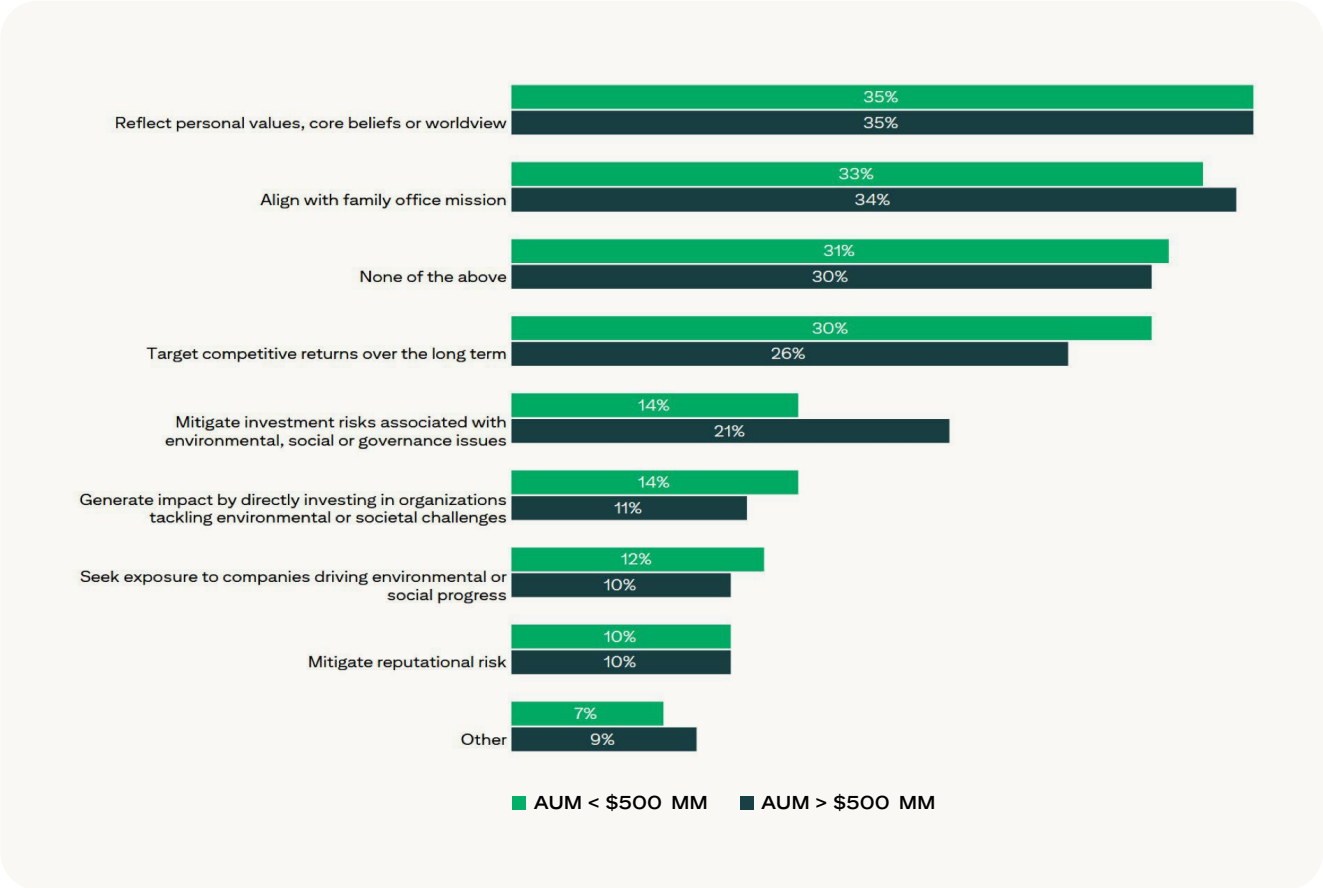
Global view

Family offices prioritizing sustainable investing have three main objectives: reflecting personal values (35%), aligning with the family office’s mission (33%), and targeting competitive long-term returns (29%).



AUM view

Larger and smaller family offices were largely aligned in their families’ motivations for sustainable investing. That said, the need to mitigate investment risks was cited notably more by those with AUM above \$500 million (21%) than those below that threshold (14%).



Regional view

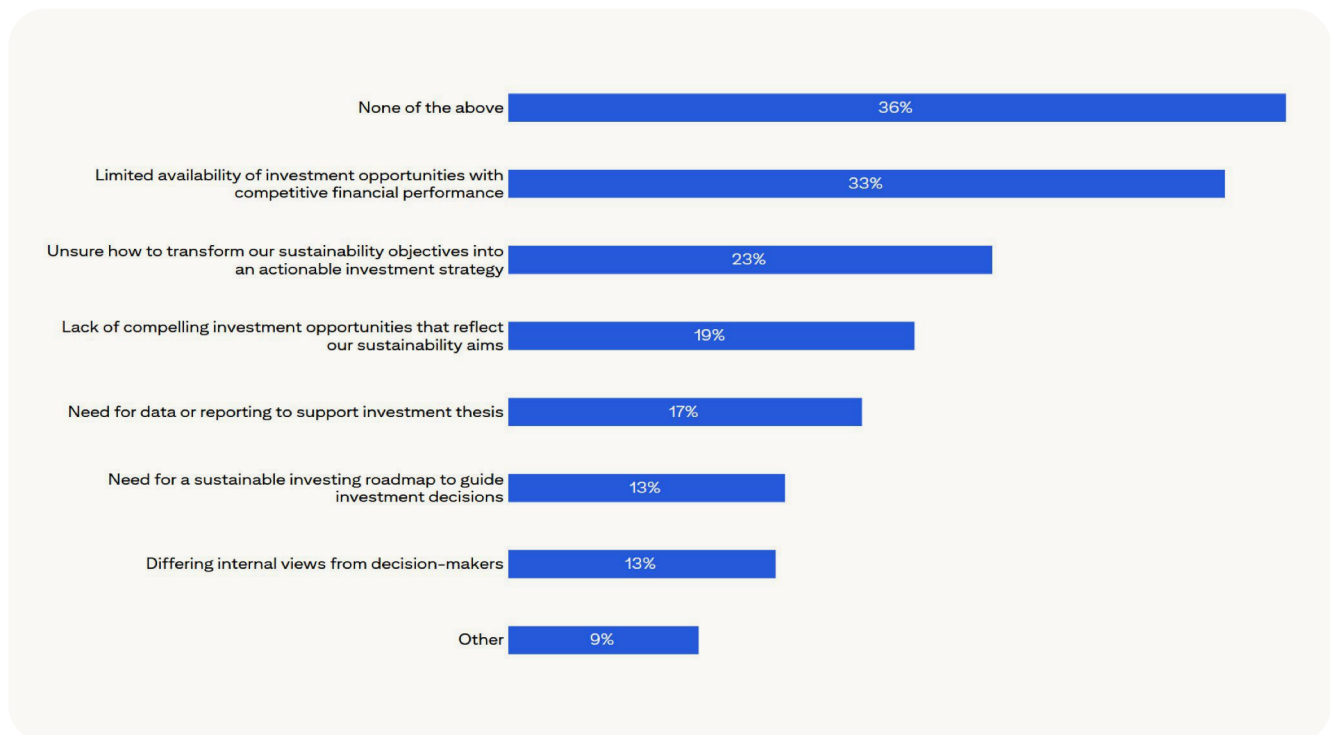
Reflecting personal values was the primary driver in Europe, the Middle East and Africa (46%) Latin America (45%), and North America (30%) family offices, while targeting competitive returns over the long term was a primary driver for Asia Pacific (34%).

	Global	APAC	EMEA	LATAM	NAM
Reflect personal values, core beliefs or worldview	35%	24%	46%	45%	30%
Align with family office mission	33%	24%	39%	47%	29%
None of the above	31%	31%	14%	26%	45%
Target competitive returns over the long term	29%	34%	33%	24%	23%
Mitigate investment risks associated with environmental, social or governance issues	17%	17%	23%	18%	12%
Generate impact by directly investing in organizations tackling environmental or societal challenges	13%	9%	19%	18%	8%
Seek exposure to companies driving environmental or social progress	11%	7%	19%	13%	7%
Mitigate reputational risk	10%	9%	17%	8%	7%
Other	8%	7%	10%	5%	9%

Challenges in incorporating sustainable investing solutions

Global view

Respondents identified various challenges in integrating sustainable investments in portfolios. The principal challenge was cited as the limited availability of investment opportunities with competitive financial performance (33%). Next came uncertainty as how to transform sustainability objectives into an actionable investment strategy (23%) and a lack of compelling investment opportunities that reflect sustainability aims (19%).



AUM view

Limited availability of investment opportunities with competitive financial performance was a slightly higher barrier for family offices with AUM over \$500 million than below that threshold (36% vs 31%).



Regional view

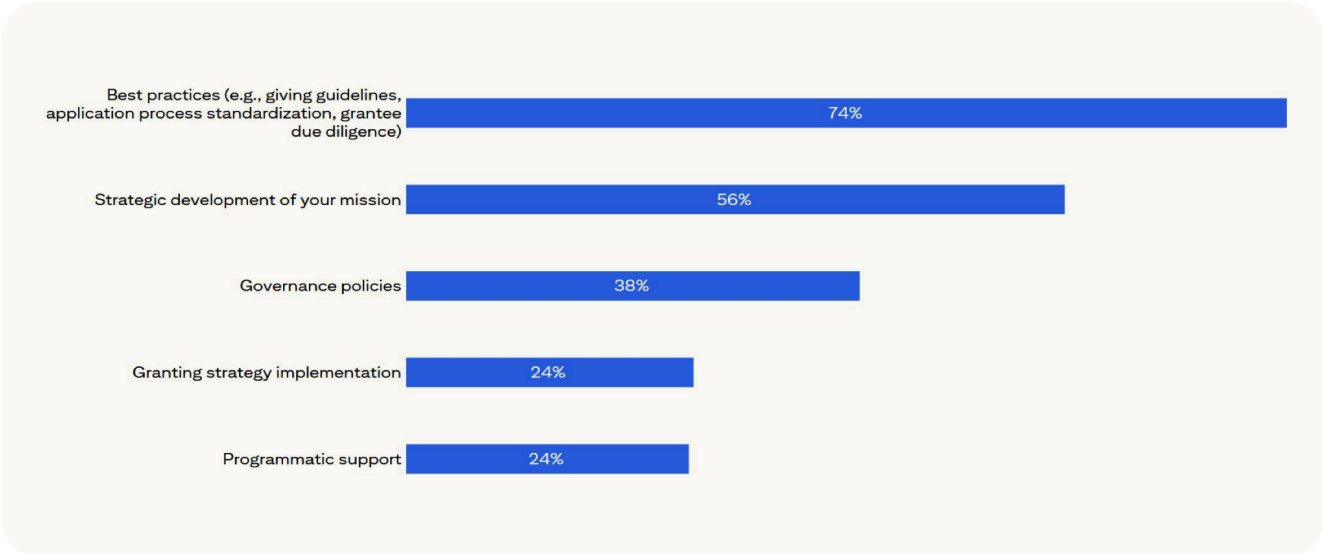
Limited availability of investment opportunities with competitive financial performance was a higher barrier in Europe, the Middle East and Africa (53%) than in Asia Pacific and Latin America (both 31%) and North America (21%).

	Global	APAC	EMEA	LATAM	NAM
None of the above	36%	31%	19%	42%	52%
Limited availability of investment opportunities with competitive financial performance	33%	31%	53%	31%	21%
Unsure how to transform our sustainability objectives into an actionable investment strategy	23%	27%	26%	25%	15%
Lack of compelling investment opportunities that reflect our sustainability aims	19%	24%	16%	25%	15%
Need for data or reporting to support investment thesis	17%	15%	25%	19%	9%
Differing internal views from decision-makers	15%	10%	18%		15%
Need for a sustainable investing roadmap to guide investment decisions	13%	19%	15%	17%	6%
Other	9%	5%	12%	8%	9%

Support needed to develop philanthropic expertise in the family office

Global view

Sharing of best practices (74%) and mission strategic development (56%) were mentioned as the most helpful support to develop family office philanthropic expertise. The need for guidance around governance policies (38%) partly explains the low implementation of formalized governance systems for philanthropic activities discussed earlier.



Note: variations in chart display percentages is due to rounding.

AUM view

Today’s family offices may feel overwhelmed by the complexities and other demands of giving effectively. Although family offices with greater resources were slightly likelier to seek support to professionalize their philanthropic activities, the importance of developing their expertise spans most family offices.



Regional view

Family offices in Europe, the Middle East and Africa said they would benefit the most from support relating to best practices (84%). The region lacks as many specialized charitable giving advisors that exist in North America, for example. Their counterparts in Asia Pacific, a region where philanthropic planning is generally less advanced, prioritized the strategic development of their mission (66%).

	Global	APAC	EMEA	LATAM	NAM
Best practices (e.g., giving guidelines, application process standardization, grantee due diligence)	74%	63%	84%	73%	77%
Strategic development of your mission	56%	66%	47%	50%	56%
Governance policies	38%	41%	38%	43%	34%
Granting strategy implementation	24%	20%	24%	20%	30%
Programmatic support	24%	30%	27%	20%	18%

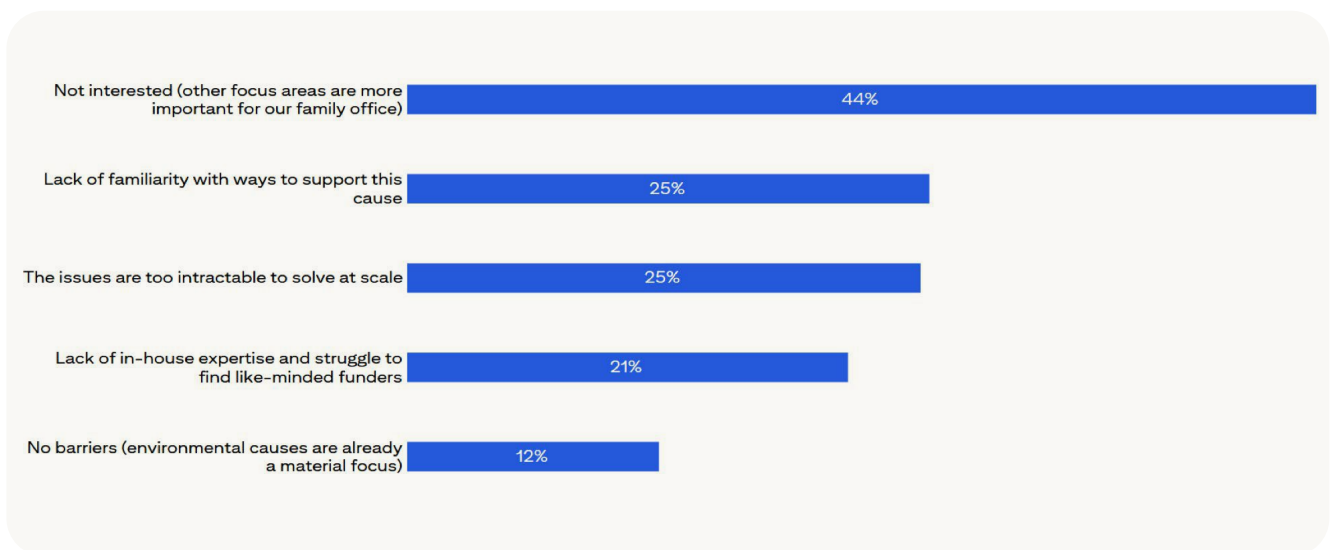
Barriers to funding environmental causes

Global view

Surprisingly, environmental causes remained one of the least funded areas globally, despite the heightened attention it receives from the media and the next generation. The explanation is mostly because family offices reported that other focus areas were more important for them (44%), they lacked familiarity with

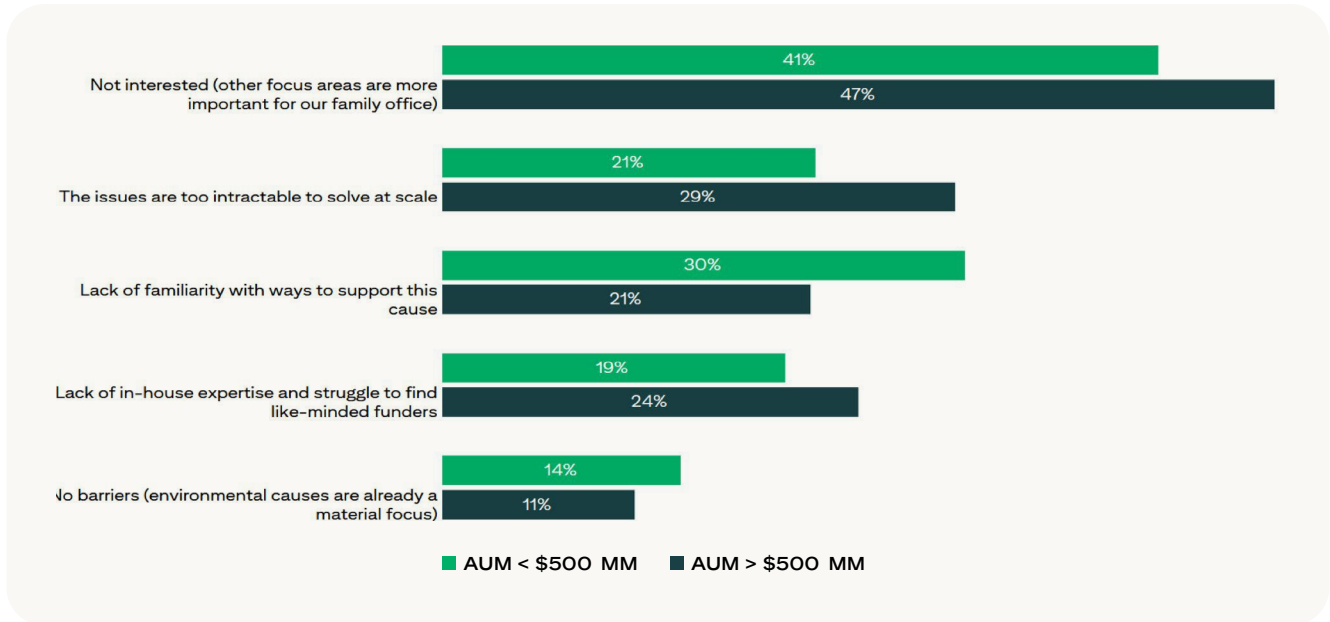
such causes (25%), and they worried that the issues were too intractable (25%).

As the generational philanthropic transition accelerates, the funding of environmental causes is likely to follow suit.



AUM view

Results from larger and smaller family offices were similar on this topic. However, the latter might benefit from more education on how to support environmental causes (30% vs 21%).

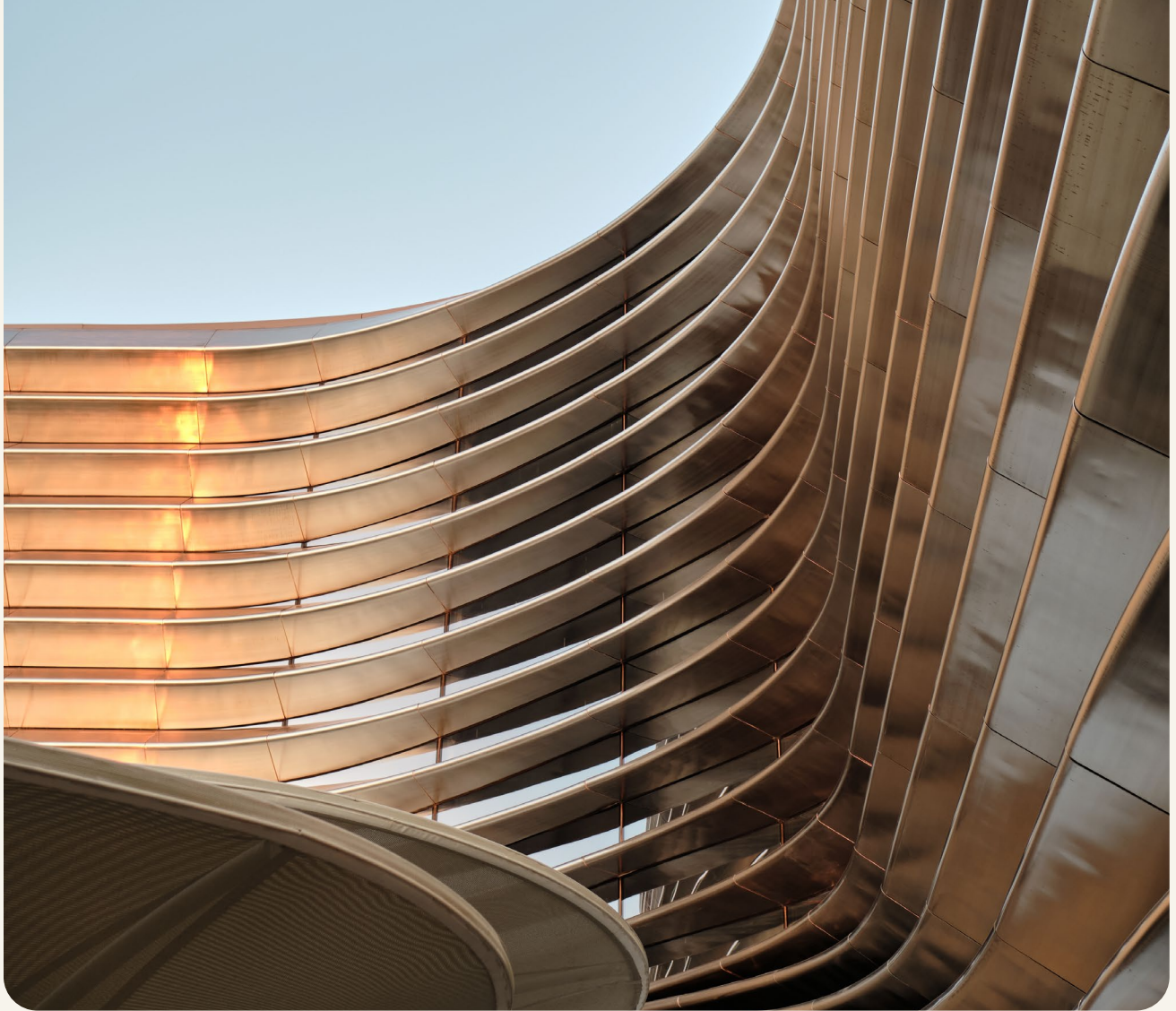


Regional view

While only 18% of Asia Pacific family offices reported that other focus areas were more important for them than environmental issues, the rest of the world was less enthusiastic about this cause (44% for Europe, the Middle East and Africa, 48% for Latin America and 61% for North America). It will probably take a generational shift for this mindset to change significantly.

51% of family offices in Asia Pacific perceived climate issues to be too intractable to solve at scale, much more than in NAM (10%), Europe, the Middle East and Africa (22%) and in Latin America (23%).

	Global	APAC	EMEA	LATAM	NAM
Not interested (other focus areas are more important for our family office)	44%	18%	44%	48%	61%
Lack of familiarity with ways to support this cause	25%	42%	17%	32%	17%
The issues are too intractable to solve at scale	25%	51%	22%	23%	10%
Lack of in-house expertise and struggle to find like-minded funders	21%	37%	15%	29%	12%
No barriers (environmental causes are already a material focus)	12%	7%	19%	6%	13%



Chief Investment Office views

Acting on opportunity...Make it a good habit.

Family office principals and managers responded rationally to the market dislocations of 2022-23 and their aftermath, putting cash to work in more favorably valued assets. That is the clear message from the results of the Global Family Office Survey in 2023 and 2024. Many other investors did not act so rationally, by contrast, as other positioning data demonstrates.

For them, worries over the post-pandemic upheaval and inflationary pressures predominated.

A net 36% of respondents in 2024 added to their fixed income allocations over the last year. They did so amid real long-term US interest rates that were four percentage points higher than in 2021 – **figure 1** – And despite the US Federal Reserve holding policy rates at a peak for more than twelve months, a net 6% of respondents have cut their cash holdings. In line with our analysis of history, family offices have thus acted decisively, recognizing that peak cash yields would not last.

Figure 1. US long-term real yields are well off their lows



Source: Haver Analytics, as of 14 Aug 2024

A similar pattern is in evidence in equities. Global equities had tumbled into a bear market in 2022. Taking advantage of the subsequently greater risk-adjusted return opportunity, a net 26% of respondents had added to public equities and 30% to private equity in this year’s survey. While there is no perfect data for comparison, we see many other Citi Private Bank clients as less constructively positioned than family offices. Around a third had less than 40% of their investment accounts in equities.

We believe this runs counter to the lessons of history. After the rare previous occasions when US equities and bonds simultaneously suffered annual falls, they then generated above-average returns over the next two years – **figure 2**.

Investors must judge for themselves how to balance return and safety. However, staying invested to reap the benefits of economic development – earning real returns above inflation – requires owning the productive capital of the economy through equity – **figure 3**.

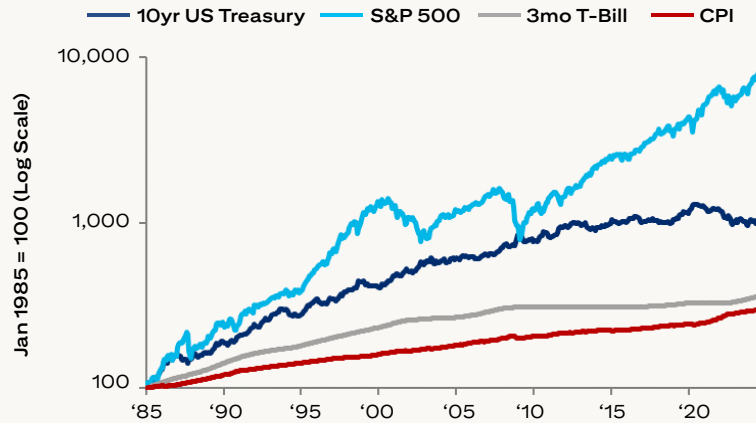
Figure 2. Joint annual US stock-bond declines, robust subsequent returns

	US large cap total return YoY% change	10-year total return YOY% change	60% US large cap 40% 10-year US treasury	1-year forward 60/40	2-year forward 60/40
1931	(-43.9%)	(-2.6%)	(-27.3%)	(-1.8%)	28.0%
1969	(-8.5%)	(-5.6%)	(-7.3%)	10.0%	24.4%
2022	(-18.1%)	(-17.0%)	(-17.7%)	17.5%	21.0%*

Source: CGW Global Asset Allocation and Quantitative Research Team, Global Financial Data (GFD). S&P 500 TR is used for US Large Cap index and US 10-Year Govt. Bond TR (Provider: GFD) is used for the 10-Year Total Return. The historical allocation levels use indices and are provided for informational purposes only. The historical index allocation levels should not be taken as an indication of future performance, which may be better or worse than the levels set forth above. The index returns shown do not represent the results of actual trading of investor assets. The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is not necessarily indicative of future returns. Real results may vary.**

* For 2022 line, 2-Year Forward 60/40 return is performance December 31, 2022 through June 30, 2024.

Figure 3. Powered by economic growth, equities have outstripped other asset classes



Source: Haver Analytics, as of 14 Aug 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

This year’s survey is also notable for evolving risk concerns. Inflation fell from respondents’ most top concern to their fourth. This marks a welcome development for the economy and policymakers. In second place, respondents cited US-China relations. We have consistently made the case that these are material to the long-term global outlook. The main concern in 2024, though, was the evolution of interest rates. Here, we would caution family offices to look away from the obvious.

Global interest rate markets clearly embed expectations that the Federal Reserve will “normalize” monetary policy in the coming two years by moving away from its restrictive stance. Long-term US Treasury yields imply a Fed policy rate of around 3%, close to the Fed’s own estimate of “longer run normal.” A consensus of Fed policymakers sees this at an average of 2.8%. But how are investors in other markets besides US Treasuries positioned for this?

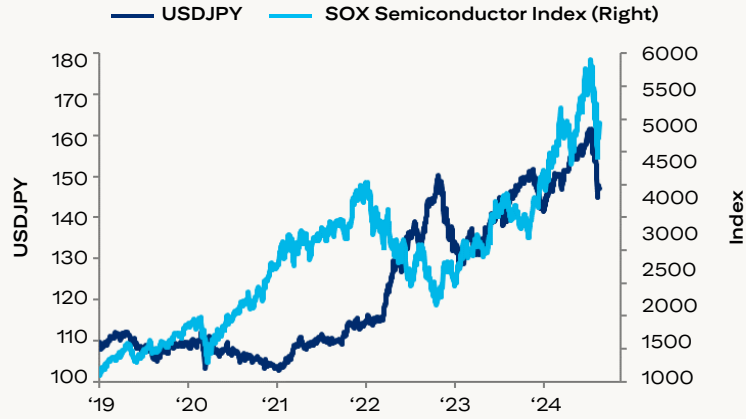
In early August 2024, leveraged bets on an ever-weaker yen came dramatically unstuck as the gap

between US and Japan interest rates began to narrow from its widest in 24 years. A rapid de-risking saw the Japanese stock market sink 12.4% in a single day. This was despite no notable changes in Japan’s corporate fundamentals.

Uncertainties far beyond Japan contributed to a double-digit correction in broad US technology shares. With valuation concerns already mounting, the global spillover pushed US chipmakers to a 25% decline – **figure 4**. For Citi Wealth, this largely relieved our highest-level concern about valuations and concentration risk. We made the case for buying the dip, reallocating from surging long-term bonds to falling large-cap US equities.

The market action of early August was rapid even by the standards of the past few years. Given their shrewdness since 2022, we imagine family offices will again heed the episode as a lesson. Market dislocations are a periodic inevitability. Uncertainty – and attendant volatility – will stay high. But we should continue to seek to exploit these, just as family offices did over the past year and more.

Figure 4. Chipmakers fell as the yen strengthened in August 2024



Source: Haver Analytics as of 14 Aug 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.



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We offer clients comprehensive private banking and family office advisory services, institutional access to global opportunities and connections to a community of like-minded peers.

For more information, please contact your Private Banker or the group head in your region.

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Glossary

Asset class definitions:

Global Developed Market Equity

The asset class is composed of MSCI indices capturing large-, mid- and small-cap representation across 18 individual developed markets countries, as weighted by the market capitalization of these countries. The composite covers approximately 95% of the free float-adjusted market capitalization in each country.

Global Emerging Market Equity

The asset class is composed of MSCI indices capturing large- and mid-cap representation across 20 individual emerging-market countries. The composite covers approximately 85% of the free float-adjusted market capitalization in each country. For the purposes of supplemental long-term historical data, local-market country indices are used wherever applicable.

Global Developed Investment Grade Fixed Income

The asset class is composed of Bloomberg Barclays indices capturing investment grade debt from twenty different local currency markets. The composite includes fixed-rate treasury, government-related, investment grade rated corporate and securitized bonds, and mortgage-backed securities from the developed-market issuers. Local market indices for US, UK and Japan are used for supplemental historical data.

Global High Yield Fixed Income

The asset class is composed of Bloomberg Barclays indices measuring the non-investment grade, fixed rate corporate bonds denominated in USD, GBP and EUR. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Ibbotson High Yield Index, a broad high yield index including bonds across the maturity spectrum, within the BB-B rated credit quality spectrum, included in the below-investment-grade universe, is used for supplemental historical data.

Global Emerging Market Fixed Income

The asset class is composed of Bloomberg Barclays

indices measuring performance of fixed and floating rate US dollar denominated emerging markets sovereign debt for three different regions including Latin America, EMEA and Asia.

Cash

The asset class is represented by US 3-Month Government Bond TR, measuring the USD denominated active 3-month fixed-rate nominal debt issues by the US Treasury.

Hedge Funds

The asset class is composed of investment managers employing different investment styles as characterized by different subcategories — HFRI Equity Long/Short: Positions both long and short in primarily Equity and Equity-derivative securities; HFRI Credit: Positions in corporate Fixed Income securities; HFRI Event Driven: Positions in companies currently or prospectively involved in wide variety of corporate transactions; HFRI Relative Value: Positions based on a valuation discrepancy between multiple securities; HFRI Multi Strategy: Positions based on realization of a spread between related yield instruments; HFRI Macro: Positions based on movements in underlying economic variables and their impact on different markets; Barclays Trader CTA Index: The composite performance of established programs (Commodity Trading Advisors) with more than four years of performance history.

Private Equity

The asset class characteristics are driven by those for Developed Market Small-Cap Equities, adjusted for illiquidity, sector concentration and greater leverage.

Real Estate

The asset class contains all Equity REITs (US REITs and publicly-traded Real Estate companies) not designated as Timber REITs or Infrastructure REITs: NAREIT US REIT Index, NAREIT Canada REIT Index, NAREIT UK REIT Index, NAREIT Switzerland REIT Index, NAREIT Eurozone REIT Index, NAREIT Japan REIT Index, NAREIT Hong Kong REIT Index, NAREIT Singapore REIT Index, NAREIT Australia REIT Index.

Commodities

The asset class contains the index composites — GSCI Precious Metals Index, GSCI Energy Index, GSCI Industrial Metals Index and GSCI Agricultural Index — measuring investment performance in different markets, namely precious metals (e.g. gold, silver),

energy commodities (e.g. oil, coal), industrial metals (e.g. copper, iron ore) and agricultural commodity (e.g. soy, coffee) respectively. Reuters/ Jeffries CRB Spot Price Index, the TR/CC CRB Excess Return Index, an arithmetic average of commodity futures prices with monthly rebalancing, is used for supplemental historical data.

Index definitions:

Nasdaq 100 is a large-cap growth index consisting of 100 of the largest US and international nonfinancial companies listed on the Nasdaq Stock Market based on market capitalization.

S&P 500 Index is a capitalization-weighted index

that includes a representative sample of 500 leading companies in leading industries of the US economy. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of US equities, it is also an ideal proxy for the total market.

Other definitions:

Assets Under Management or AUM are the total market value of the investments that a person or entity handles on behalf of investors.

Strategic Return Estimates or SREs are based on Citi Global Wealth Investments' forecast of returns for specific asset classes (to which the index belongs) over a ten-year time horizon. The forecast for each specific asset class is made using a proprietary methodology based on the assumption that equity valuations revert to their long-term trend over time.

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