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THE ASIA-PACIFIC FAMILY OFFICE REPORT 2023

RAFFLES
FAMILY OFFICE

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Campden Wealth Limited
Nova North,
6th Floor, 11 Bressenden Place
London, SW1E 5BY
United Kingdom
Telephone: +44 (0)20 3941 8015
Email: enquiries@campdenwealth.com
Web: www.campdenwealth.com

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Forewords

Dear reader,

In the ever-evolving landscape of wealth management, we find ourselves at a pivotal moment, where innovation, transformation, responsibility, and forward thinking converge to shape a future of unparalleled possibilities. It is with great pleasure and a sense of profound purpose that I welcome you to this year's APAC Family Office Report. Proudly engineered by Campden Wealth and Raffles Family Office, this annual survey unfolds the facts and unravels the findings of changes within the industry.

As we embark on this exploration, I invite you to consider the profound significance of the themes that underpin our vision. At Raffles Family Office, our growth trajectory has been nothing short of extraordinary, a testament to our unwavering commitment to our clients and the principles that guide us.

In the following pages, we delve into the emergence of family offices, tracing their evolution to the present day. This transformational era is marked by wealth transfer on an unprecedented scale, innovative ownership structures, the integration of technology, and the rise of impact investment. It is within this shifting landscape that Raffles Family Office not only thrives but also stands as a beacon of excellence.

Our location in the vibrant metropolis of Hong Kong holds immense significance. As a hub for wealth transfer and home to a multitude of billionaires, Hong Kong's global influence is undeniable. It is from this strategic vantage point that we draw inspiration and chart our course toward a future of boundless opportunities.

At the core of our mission is the commitment to future-proofing both our institution and the legacies we nurture. We are steadfast in our pursuit of ecological responsibility, forging a path where financial prosperity harmonizes with sustainable practices.

In our relentless pursuit of innovation, we have embraced digital assets, recognizing the transformative potential of cryptocurrencies and blockchain technology. The integration of these assets into our offerings signifies a bold leap into a new era of wealth management.

Real estate, particularly in Asia, emerges as a resilient cornerstone of our strategy. However, we are not content with mere resilience; we are pioneers of innovation, committed to environmental sustainability and responsible stewardship.

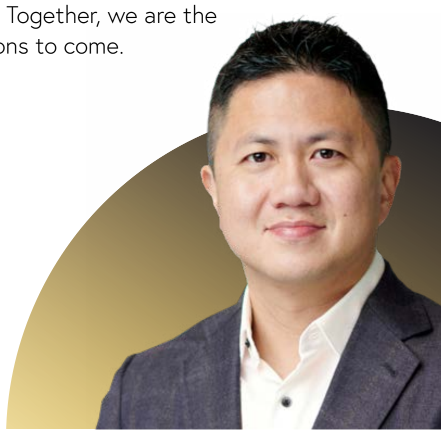
Our journey also takes us into the realm of private equity, where transparency, active engagement, and alignment with impactful technologies define our approach. We position ourselves at the forefront of innovative investments, poised to shape industries and create enduring value.

In closing, as we reflect on the profound significance of wealth, we are acutely aware of the pressing global environmental challenges that demand collective responsibility. It is a clarion call for us to embrace opportunities, lead by example, and drive positive change.

This whitepaper invites you to join us on a remarkable journey, one that transcends conventional boundaries and charts a course toward a future where innovation and responsibility coexist harmoniously. Together, we are the architects of this future, and together, we shall shape legacies that resonate for generations to come.

Sincerely,

Chi-man Kwan
Group CEO & Co-Founder
Raffles Family Office



Dear Reader,

In the face of considerable challenges in 2022, marked by geopolitical tensions and resurgent inflation, the resilience demonstrated by Asia-Pacific family offices in their investment performance is noteworthy. 58 percent reported an uptick in assets under management, with 22 percent characterising the increase as significant. These results underscore the perception of family offices as adept and nimble investors, able to effectively navigate the uncertainty of financial markets in trying circumstances.

Family offices are well known for engaging a long-term perspective, distinct from the quarterly performance pressures faced by institutional investors. This orientation, as evidenced by the outcomes of 2022, contributes to more robust decision-making. In addition, Asia-Pacific family offices distinguish themselves by their commitment to social and environmental responsibilities, with more than 40 percent actively engaged in sustainable investing. Eighty percent indicate they are on a mission to make the world a better place.

Beyond financial markets, family offices grapple with a myriad of challenges, spanning technology, operational risk, succession planning, and philanthropy. Given the diversity of these issues and the unique profile of each family office, our survey, featuring insights from over 70 family offices, sheds light on crucial preferences, offering valuable guidance to the broader wealth community.

In the ever-evolving family office community, the exchange of information and shared learning are paramount. This motivates our publication of the tenth global family office report. I extend sincere thanks to all who contributed to this research, and special appreciation to our partner, Raffles Family Office, for their commitment to our research and the broader community.

Warm regards,

Dominic Samuelson
Chief Executive Officer
Campden Wealth

Executive summary

This report, which is accompanied by European and North American editions, is based on a statistical analysis of 330 survey responses from single family offices and private (not commercial) multi-family offices worldwide. Of these, 76 were located in Asia-Pacific. The survey was conducted between April and September 2023. On average, Asia-Pacific families participating in the survey had total wealth (including operating businesses) of US $0.9 billion, and their collective wealth stood at US $68 billion. Their family offices had, on average, US $0.5 billion of assets under management (AUM), whilst aggregate AUM stood at US $41 billion. Across all three geographies covered in our global report, total family office AUM is estimated at US $269 billion.

Investment performance

The 2022 investment performance of Asia-Pacific family offices exceeded expectations, significantly outperforming the weakness evident in most major financial markets. Despite the challenging economic landscape, 58 percent of family offices reported growth in Assets Under Management (AUM), with 22 percent experiencing an increase of over 10 percent, while only 23 percent reported a decline in AUM.

Financial strategy

The challenging financial markets of 2022, though not derailing family offices' investment performance, prompted a temporary shift in investment strategies. In that year, the percentage of Asia-Pacific family offices pursuing a growth strategy dipped from 35 to 33 percent. However, in the current year, it has rebounded to 36 percent and is projected to reach 43 percent within five years.

Long-term returns

Equities constitute the largest asset class within the typical Asia-Pacific family office portfolio, making up 27 percent of the total, closely followed by private markets at 26 percent. Notably, this allocation aligns precisely with the long-term return expectations held by family offices. Our survey indicates a robust appetite for both asset classes, particularly in the case of developed market equities, where a net 28 percent of respondents express a desire to increase their involvement.

Emerging technologies

As expected, given the substantial media coverage it has received, artificial intelligence stands out as the most sought-after new technology from an investment perspective. A net 32 percent of family offices are actively looking to increase their engagement in this field, and an additional 39 percent are planning to initiate an exposure. In contrast, family offices seem to be actively divesting from cryptocurrencies.

US $68 billion

Collective wealth of participating Asia-Pacific families

US $0.5 billion

Average AUM of Asia-Pacific family offices

Bonds in demand

Apart from real estate, the most favoured asset classes for future investments are developed market equities and bonds. This indicates the belief that U.S. inflation has either peaked or reached a stable point, and as it begins to recede, the Federal Reserve will embark on a cycle of interest rate reductions. Such a scenario would be particularly beneficial for fixed income bonds and could also have a positive impact on equities, as long as the economy avoids stumbling into a recession.

Operations

Wealth aggregation platforms, which offer a comprehensive overview of an organization's financial position by consolidating data from multiple banks and investment managers, are relatively recent additions to the family office toolkit. Currently, the adoption rate is relatively low, but it is anticipated to increase rapidly, as 30 percent of family offices express a desire to leverage these platforms.

Effectiveness

Family offices are generally regarded as effective in ensuring capable individuals hold leadership positions (79 percent) and in making informed decisions (78 percent). However, they are perceived as less effective in facilitating a collaborative approach among family members (61 percent) and preventing conflict between them (49 percent).

Philanthropy

75 percent of Asia-Pacific family offices engage in philanthropic donations. These donations primarily centre on addressing enduring social and environmental problems in the areas of education (68 percent), community development (56 percent) and healthcare (46 percent). Given the long-term nature of their support, these causes are better characterised as philanthropic rather than simply charitable.

1. Family office landscape

1. Family office landscape

1.1 Introduction

"Someone is sitting in the shade today because someone else planted a tree a long time ago."

Warren Buffett

Following a challenging 2022, investors understandably harboured caution about the outlook for the current year. Uncertainty loomed over the extent to which the Federal Reserve would tighten monetary policy to counter rising inflation, and the probability of a U.S. recession remained uncertain. The most optimistic scenario on the horizon seemed to be stagflation, marked by below-average growth and persistently high inflation.

As we transitioned into 2023, this prognosis has indeed proven to be quite accurate. Notably, the Fed's tightening measures have been more aggressive than initially expected. Surprisingly, despite this economic backdrop, financial markets have largely exceeded expectations. As of the year ending in September, the S&P 500 has seen a 12 percent increase, while NASDAQ has surged by 25 percent. Part of this performance can be attributed to the containment of U.S. inflation. At the beginning of the year, it stood at six percent but has since halved. While it remains above the Fed's two percent target, the idea that interest rates might now be nearing their peak no longer appears entirely far-fetched.

On average, about a quarter of Asia-Pacific family office Assets Under Management (AUM) are invested in North America, so the stronger performance of U.S. financial markets is beneficial. However, the situation is mixed for the remaining 60 percent of AUM, which are concentrated in China and the wider Asia-Pacific region. Equity markets in Korea and India have seen modest gains, but the Straits Times Index, Australia's ASX 100, and the Shanghai Composite Index have remained relatively stagnant. China's economic rebound following the abandonment of its zero-Covid policy has been somewhat underwhelming, and the property sector is facing challenges. Inflation and rising rates have also posed obstacles for Australia and Singapore.

Given the challenging economic backdrop, our survey reveals that a net 28 percent of family offices are inclined to increase their allocations to developed market equities and bonds. The primary focus is on the U.S., where the anticipation of rate cuts by the Federal Reserve in 2024 makes both asset classes appealing. Additionally, closer to home, a net 29 percent of family offices are considering boosting their involvement in real estate.

Our estimation indicates that operational costs for Asia-Pacific family offices averaged US $3.1 million in 2022, representing 58 basis points (bps) of assets under management (AUM). However, it's worth noting that there is significant variation within this figure, with family offices holding less than US $100 million in AUM averaging 229 bps, while those with AUM exceeding US $500 million average just 21 bps in operational costs.

Family offices primarily see their role as centred around the management of investment risk, while their second priority is effective communication with the family. This communication encompasses a wide range of non-investment issues that family offices are entrusted with, including mitigating operational risk and handling succession planning.

Our survey provides valuable insights into how family offices address these multifaceted challenges. For instance, cybersecurity is a prominent operational concern mentioned by 64 percent of family offices. As a protective measure, 75 percent of family offices use back-up servers. Surprisingly, dual authorisation of payments, a critical defence against theft and fraud, is found in less than half of Asia-Pacific family offices.

Respondents highlighted that effective succession planning entails the early introduction of the next generation to family values and the family office: the earlier, the better. However, the pivotal factor in successful succession planning is the willingness of the existing family leadership to address the issue of succession proactively and openly.

For the first time, we gathered feedback from survey participants regarding their satisfaction with various aspects of their family office. Notably, high levels of satisfaction were reported for investment options, the breadth of available functions, and estate and tax planning. Conversely, there are functions and attributes that family members and executives believe could be improved. These include outsourcing, succession planning, and the ability to handle complex transactions.

Methodology

This report, along with its European and North American editions, aims to provide an extensive analysis of the global family office landscape. The quantitative aspects of this research are derived from a comprehensive survey conducted between April and September 2023, encompassing 330 single family offices and private (not commercial) multi-family offices. Within this cohort, 76 offices were located in the Asia-Pacific region. To enhance our insights, the qualitative aspects are based on interviews conducted with 31 family office executives worldwide, including seven from Asia-Pacific. In some cases, quantitative findings from Asia-Pacific family offices are compared to a global average derived from aggregated data from Asia-Pacific, Europe, and North America.

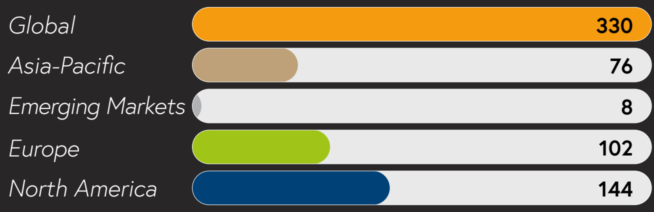
1.2 Overview of participants

Figure 1.0: *Asia-Pacific: location of family offices*

Australia	**16%**
Mainland China	**5%**
Hong Kong	**20%**
India	**19%**
Malaysia	**3%**
New Zealand	**3%**
Pakistan	**1%**
Philippines	**4%**
Singapore	**24%**
Taiwan	**1%**
Vietnam	**4%**

Campden Wealth / Raffles Family Office,
The Asia-Pacific Family Office Report 2023

Figure 1.1: *Participating family offices by number and geography*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

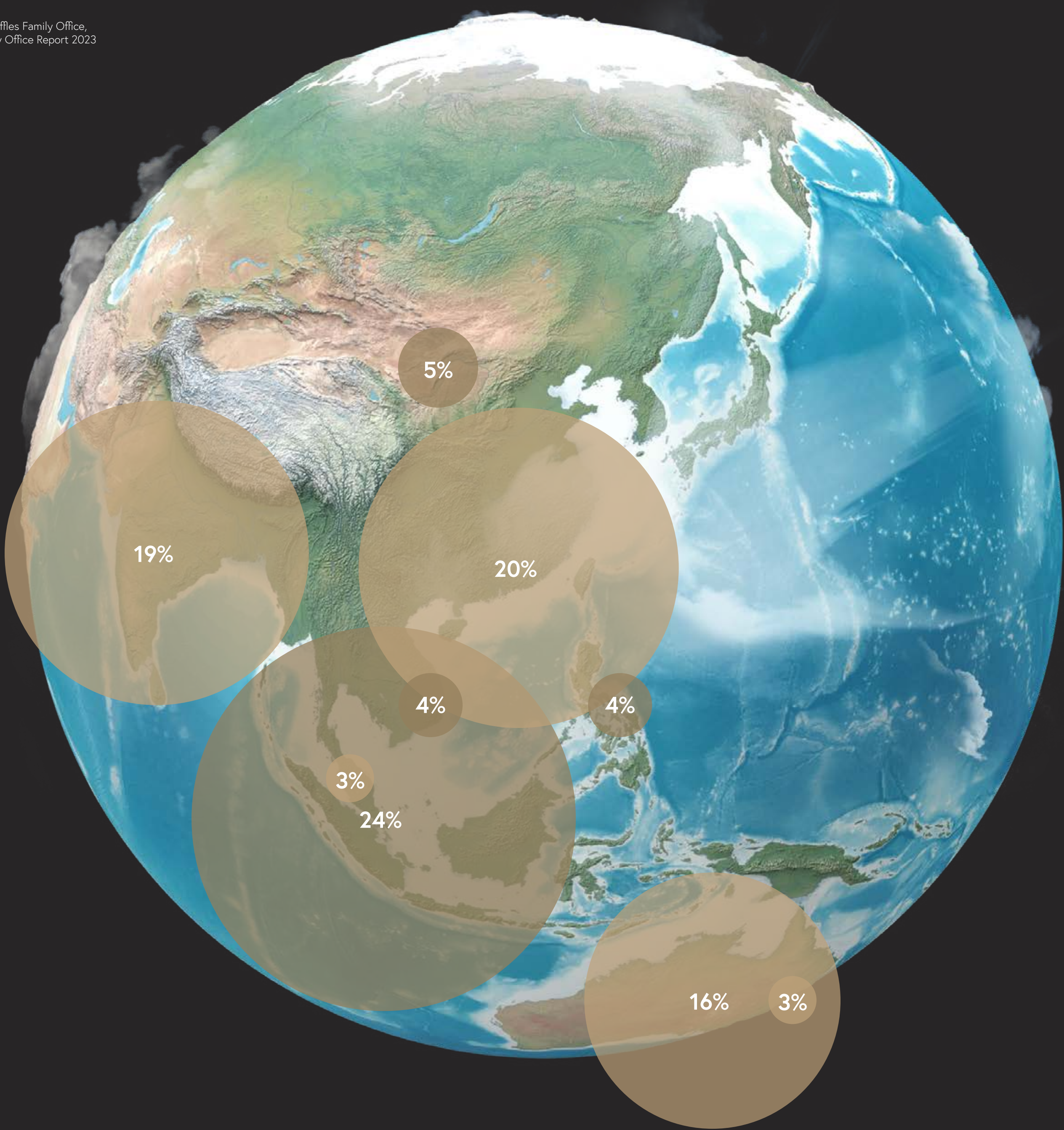
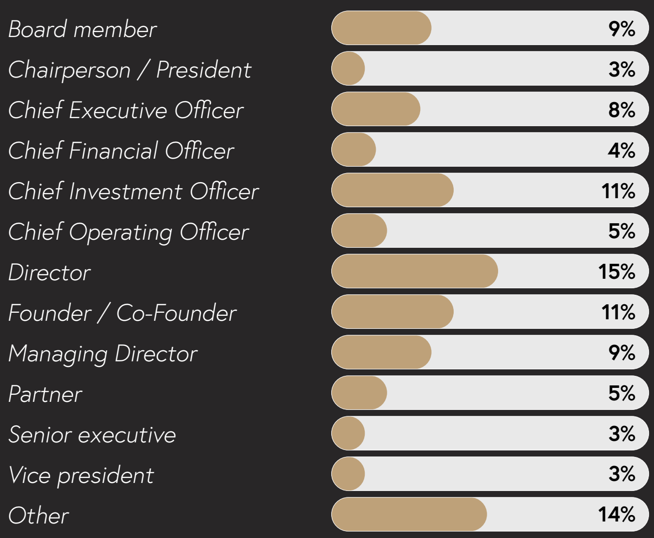
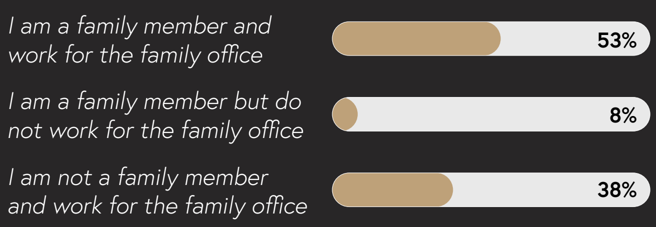


Figure 1.2: *Respondents to family office survey by title*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 1.3: *Respondents to family office survey by relationship*

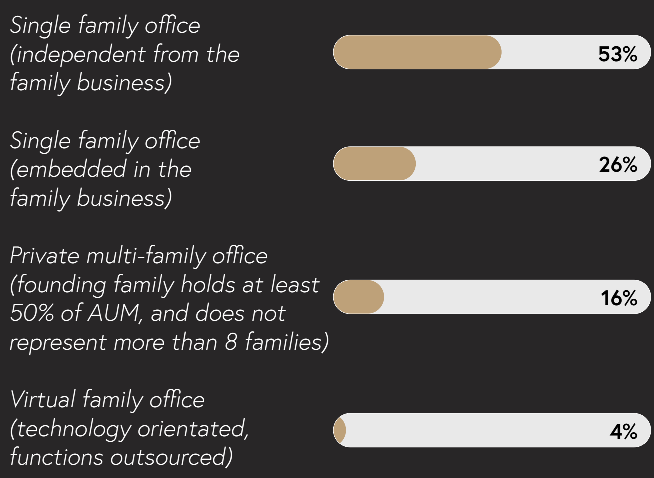


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

A total of 76 family members and family office executives actively participated in the survey. Among them, 61 percent were family members, while 22 percent held key leadership positions as chairpersons, chief executives, or founders.

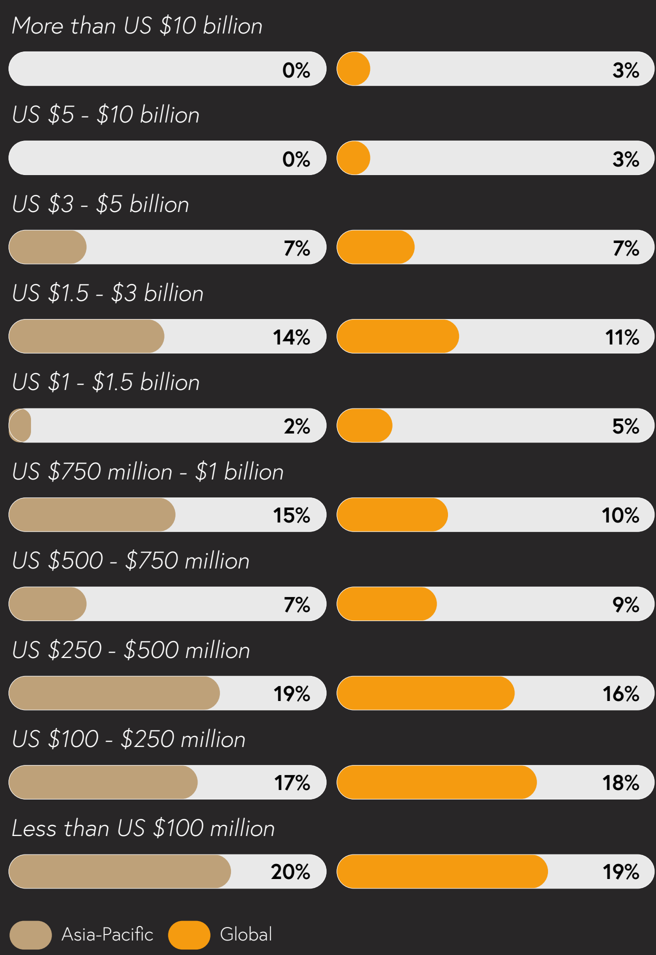
Among the participants, 79 percent were single family offices, either independent from or embedded in the family business. 23 percent of participating families had total wealth in excess of US $1 billion.

Figure 1.4: *Participating family offices by type*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 1.5: *Wealth distribution of participating families*

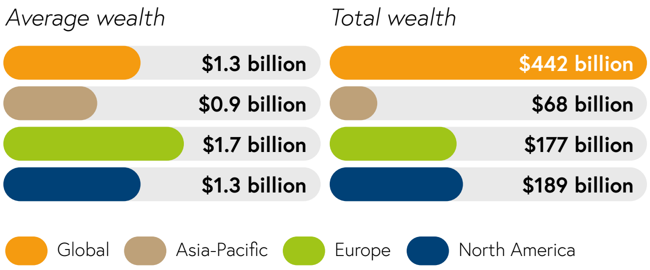


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

The average wealth of the participating families in the Asia-Pacific region was US $0.9 billion, and their combined wealth amounted to US $68 billion. Their family offices, on average, managed US $0.5 billion in assets under management (AUM), with total AUM of US $41 billion.

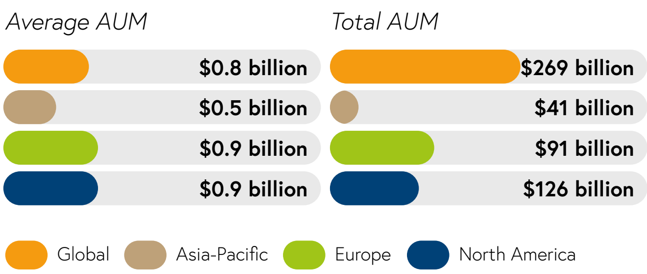
Across all three regions covered in our global report, the estimated aggregate family wealth is US $442 billion, and family office AUM amounts to US $269 billion.

Figure 1.6: *Average and total wealth of families by region, including operating businesses (US$)*



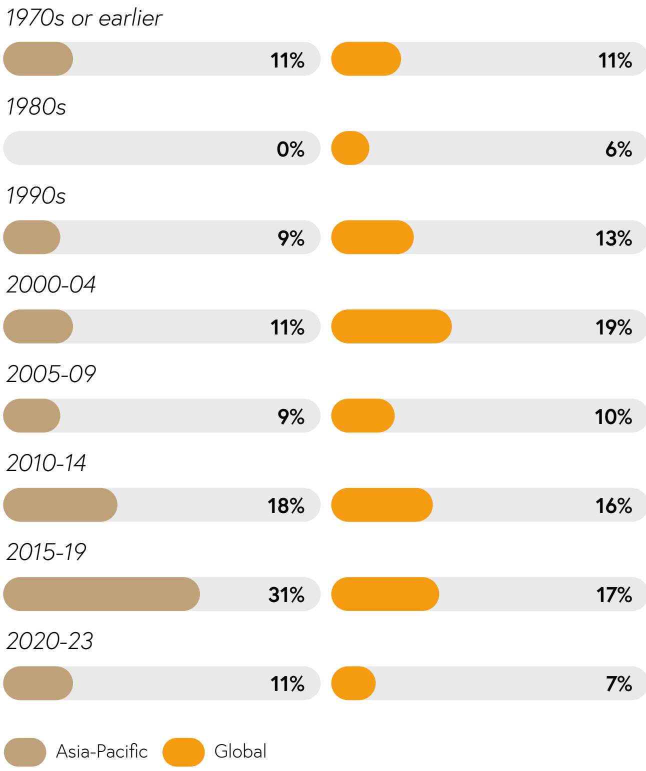
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 1.7: *Average and total AUM managed by family offices by region (US$)*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 1.8: *Period when participating family office established*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

2. Investments

2. Investments

- In 2022, the investment returns of Asia-Pacific family offices exceeded expectations, outperforming the lacklustre performance of financial markets over the same period. Despite the challenging economic landscape, 58 percent of family offices reported an increase in AUM, with 22 percent experiencing growth of more than 10 percent, while only 23 percent reported a decline. Similarly, 35 percent claimed to have outperformed their investment benchmark, in contrast to 20 percent who underperformed.

- The superior investment performance of family offices can be attributed, in part, to their proactive approach. A significant 68 percent took decisive actions to counter the adverse effects of market downturns. The most common strategies included shortening the duration of fixed income bond portfolios, reducing borrowing, increasing exposure to equities and real estate, and scaling back financial commitments to private equity.

- The challenging financial markets of 2022 may not have derailed the investment performance of family offices, but they did prompt a temporary shift in investment strategies. In 2022, the percentage of Asia-Pacific family offices pursuing a growth strategy declined from 35 to 33 percent. However, this year it has rebounded to 36 percent and is projected to reach 43 percent in five years' time.

- Equities constitute the largest asset class within the typical Asia-Pacific family office portfolio, making up 27 percent of the total, closely followed by private markets at 26 percent. Notably, this allocation aligns precisely with the long-term return expectations held by family offices. Our survey indicates a robust appetite for both asset classes.

- As expected, given the substantial media attention it has received, artificial intelligence is the most sought-after new technology from an investment perspective. A net 32 percent of family offices are actively looking to increase their involvement in this field, and an additional 39 percent are planning to initiate exposure.

- Apart from real estate, the most favoured asset classes for future investments are developed market equities and bonds. This implies a belief that U.S. inflation has reached its peak and as it recedes, the Federal Reserve will initiate a series of interest rate reductions. Such a scenario would be particularly beneficial for fixed income bonds and could also have a positive impact on equities, assuming the economy avoids slipping into a recession.

58%

of Asia-Pacific family offices increased AUM

68%

of Asia-Pacific family offices took action to mitigate market drawdown

26%

percent of AUM allocated to private markets

2.1 2022 recap

A year to forget

From an investment perspective, 2022 was the most challenging year since the Global Financial Crisis.

Inflation, rising interest rates, and geopolitical events significantly impacted investor sentiment. The S&P 500 index dropped by 19.4 percent, and the NASDAQ Composite saw substantial decline of 33.1 percent[1]. In Asia, there was a mixed performance, with the Straits Times Index and Australia's ASX 100 flatlining, but the Shanghai Composite Index fell by 15 percent, and KOSPI by 25 percent. Bond markets experienced one of the most severe selloffs on record; with the 10-year Treasury yield rising from 1.8 percent at the beginning of the year to reach 3.9 percent at the close[2]. Additionally, Cambridge Associates LLC Private Equity Index fell by 4.3 percent, while its U.S. Venture Capital Index fell by 20.8 percent[3]. With equities, bonds and private equity all moving in a downward direction, 2022 became a year that investors would prefer to forget.

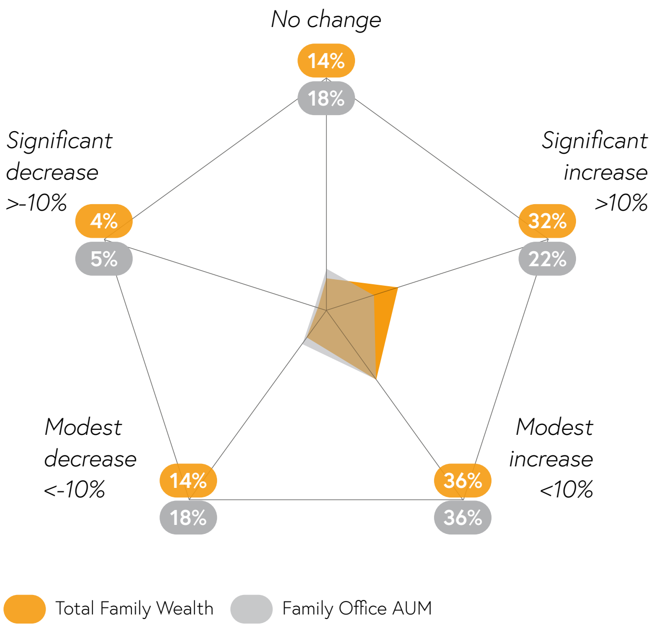
"2022 was a really difficult year, not made any easier by both bonds and equities moving down together. China's zero-Covid policy didn't help, likewise the after-effects of the country's crackdown on big tech which had begun a year earlier."

Chief executive officer, single family office, Singapore

"Our risk management framework was sending out very negative signals in early 2022 so I sold everything. There was a herd-like mentality amongst retail investors, warnings about accelerating inflation, and Wall Street had enjoyed an enormous run. This situation was reminiscent of the Asian crisis in 1988 and the Global Financial Crisis in 2008 so we had an idea what might happen."

Managing director, single family office, Hong Kong

Figure 2.0 *Percentage of families reporting change in 2022 relative to 2021*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

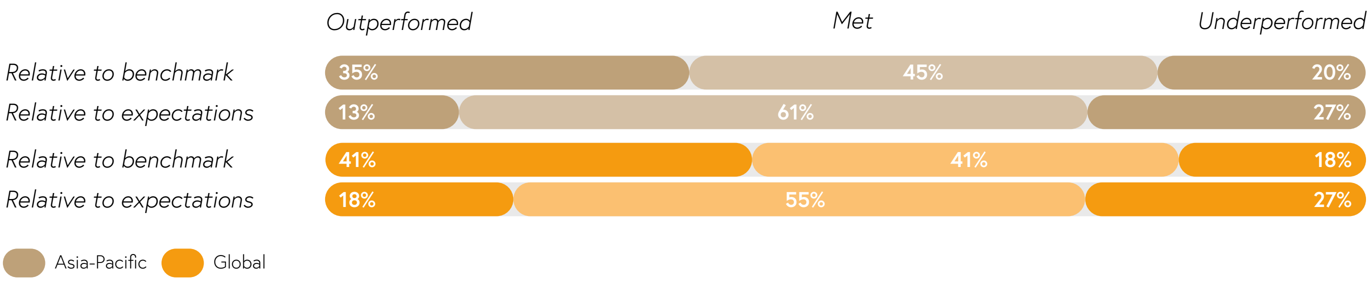
Many more winners than losers

Despite the disappointing performance of financial markets in 2022, the outcomes for Asia-Pacific family offices were surprisingly good. A significant 68 percent of family offices reported an increase in family wealth, while only 18 percent reported a decrease (**Fig 2.0**). Among those reporting an increase, almost half indicated that it was greater than 10 percent. Moreover, a net 35 percent of family offices reported an increase in AUM.

Similarly, when asked about the performance of their investment portfolio in comparison to its overall benchmark, 35 percent of respondents reported outperformance, while 20 percent indicated underperformance (**Fig 2.1**). However, the situation was more nuanced when asked about portfolio performance relative to expectations. The general expectation is for portfolio performance to be better than its notional benchmark, and as a result, only 13 percent of family offices reported outperformance, while a significant 27 percent reported underperformance.

[1] www.cnbc.com/2022/12/29/stock-market-futures-open-to-close-news.html
[2] www.cnbc.com/2022/12/30/treasury-yields-as-investors-look-ahead-to-2023-.html
[3] www.cambridgeassociates.com/en-eu/private-investment-benchmarks/

Figure 2.1: *2022 investment performance relative to benchmark and expectations*



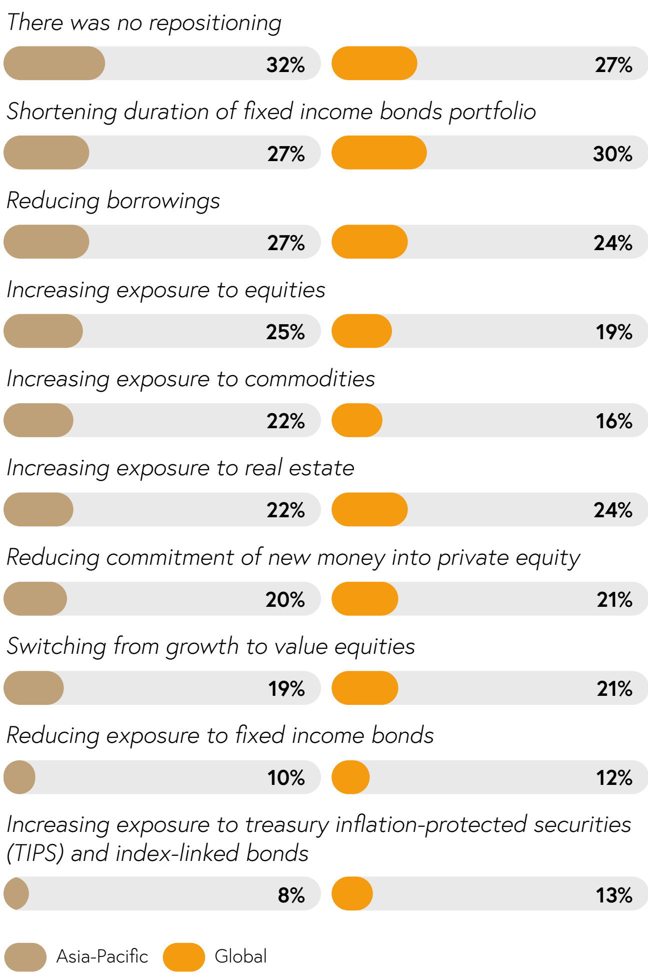
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Proactive management

When examining the performance of portfolios in relation to actual movements in financial markets, Asia-Pacific family offices fared better than might reasonably be expected. Part of the explanation can be attributed to proactive investment strategies. A significant 68 percent took action to mitigate the impact of market drawdowns (**Fig 2.2**). The most common mitigation measures included shortening the duration of fixed income bond portfolios to limit the sensitivity of valuations to higher term rates (27 percent), reducing borrowing (27 percent), and increasing exposure to equities (25 percent). Although fixed income played a central role in these mitigation efforts, few family offices went so far as to reduce their fixed income holdings (10 percent) or to switch into inflation-protected securities (eight percent).

Majority took action to mitigate market drawdowns

Figure 2.2: *Repositioning of family office portfolios to mitigate inflation and rising interest rates*



Note: Multiple answers permitted
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Returns

We utilised data from survey respondents to calculate the average asset allocation of Asia-Pacific family offices and the average return from each individual asset category (**Fig 2.3**). By aggregating this data, we estimate the average return family offices generated on their investment portfolios was five percent. This performance stands out as notably better than the returns achieved by family offices in Europe or North America.

Despite the sell-off in public markets, two major asset classes, bonds (14 percent of assets) and equities (27 percent), generated positive returns. Returns from private markets (private equity, venture capital, private debt), were also positive but notably lower compared to the mid-teens levels achieved in the previous year.

Aside from real estate and private equity funds, both providing returns of eight percent, there were no exceptional winners in 2022. However, the more intriguing aspect is how much better Asia-Pacific family offices performed in comparison to market indices and their global peer group. For instance, developed market equities, which predominantly reflect the U.S. stock market indices, returned a positive four percent, in contrast to the negative return from the S&P 500.

Figure 2.3: *Average strategic asset allocation and average asset return for 2022*

	Asset allocation	*Asset return*	*Asset allocation*	*Asset return*
Cash and equivalents	11%	5%	9%	3%
Bonds - developed markets	7%	4%	7%	-1%
Bonds - developing markets	7%	4%	3%	-1%
Equities - developed markets	17%	4%	22%	-1%
Equities - developing markets	10%	7%	5%	-3%
Private equity - direct investments	10%	5%	10%	7%
Private equity funds	6%	8%	9%	4%
Venture capital	7%	1%	5%	2%
Private debt / direct lending	3%	4%	3%	5%
Real estate	15%	8%	18%	6%
Hedge funds	3%	3%	3%	1%
Commodities	1%	4%	1%	2%
Gold / precious metals	2%	6%	1%	2%
Cryptocurrency / digital assets	0%	-3%	0%	-3%
Forestry / agricultural land	1%	1%	2%	2%
Total portfolio	100%	5%	100%	2%

Asia-Pacific Global

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

2.2 Strategy

Back to growth

Did the emergence of more challenging financial markets in 2022 impact the investment strategies of family offices? The answer is yes, but only temporarily. Survey data reveals that the percentage of Asia-Pacific family offices pursuing a growth strategy declined from 35 to 33 percent (**Fig 2.4**). However, in the current year it rebounded to 36 percent, and the percentage committed to a strategy of wealth preservation declined from 16 to 12 percent. Notably, the initial switch from growth to preservation is more pronounced for North American and European family offices, and their recovery has been less robust.

Strategy shift

Asia-Pacific family offices anticipate the recent trend to persist, with growth expected to increase to 43 percent by 2028, while the percentage pursuing a wealth preservation strategy is projected to decline to eight percent.

"Our family office is growth-orientated. An investment strategy proactively focusing on growth can protect wealth against inflation. 2022 demonstrated that bonds cannot do this. We rely on equities and real estate to achieve this."

Chief investment officer, single family office, Singapore

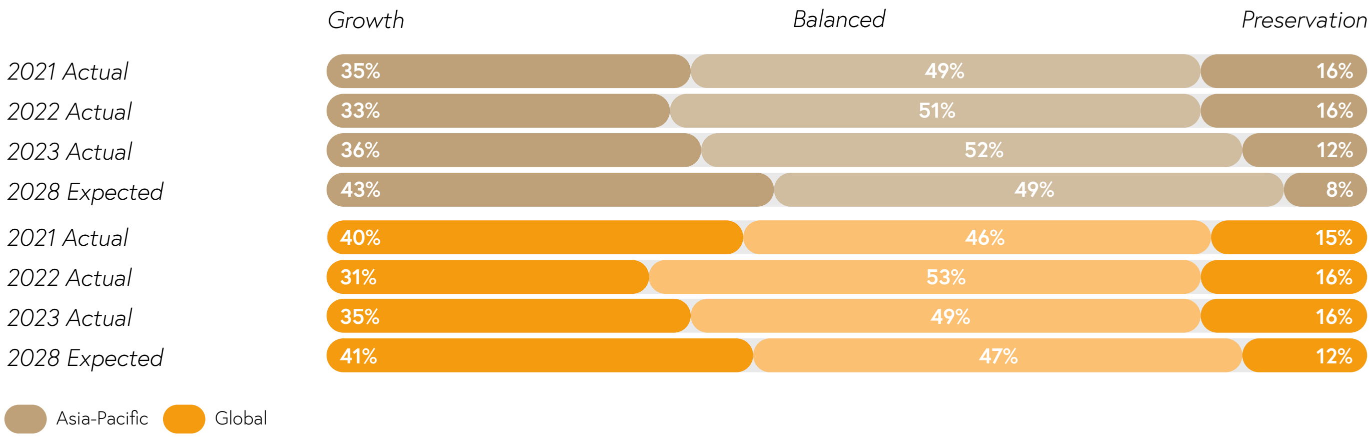
"Family offices have a very long-time horizon because they are accumulating wealth over generations. They are not as constrained as institutional investors. So, if investment returns are poor for a few years, it doesn't really matter, the focus is entirely on the long term."

Chief executive officer, single family office, Hong Kong

"We operate a highly diversified portfolio with exposure to almost every asset class. We appreciate that we are not going to be at the top of performance league tables, but this diversification worked to our benefit in 2022. We didn't have everything tied up in NASDAQ."

Chief investment officer, single family office, Australia

Figure 2.4: *Percentage of Asia-Pacific family offices pursuing investment strategy*



Preservation: Accept low returns in exchange for low risk
Growth: Accept high risk for faster capital appreciation
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Wall of worry

The speed with which Asia-Pacific family offices have reverted back to growth strategies may suggest that their psychology hasn't been severely impacted by the persistent risks that concern investors in North America and Europe. However, this is not entirely the case. When asked to identify the risks most likely to materialise in 2023, 57 percent of respondents cited U.S. / China tensions, and 38 percent mentioned excessive Fed tightening (**Fig 2.5**). These percentages were higher than those reported by family offices globally. Additionally, proportionally more Asia-Pacific offices expressed concerns about a potential banking crisis compared to their global peers, although fewer believed a U.S. recession was on the horizon. Neither Asia-Pacific nor family offices globally viewed a stock market sell-off as likely.

Figure 2.5: *Financial market risk most likely to crystallise in 2023*

Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"I don't think we are out of the woods yet. There are a further 18 months to two years of uncertainty, and volatility to come. U.S. interest rates could go higher, the geopolitical risks from Russia, and China remain."

Founder, single family office, Hong Kong

"The Fed didn't see inflation coming and they were too slow to put up rates. The explanation is the time taken for housing costs to work through to the inflation indices. So, the authorities are always looking in the rear-view mirror. Although housing costs are stabilizing now, any reduction rates won't come this year."

Chief investment officer, single family office, Australia

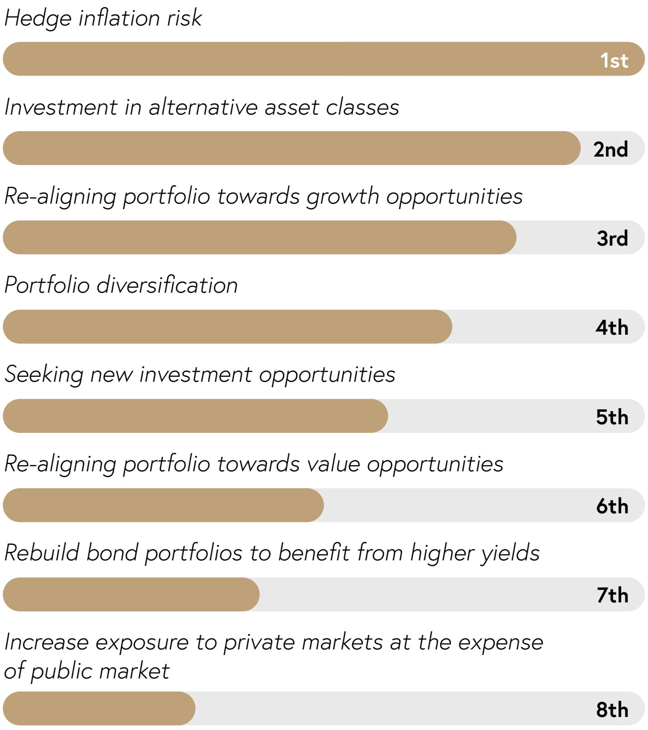
"This economic cycle is very different from its predecessors. In the U.S. unemployment hasn't risen and in China the recovery post-Covid has been weaker than expected. Rather than trying to predict the future, I just try to stay as diversified."

Chief investment officer, single family office, Singapore

New priorities

In previous years, when family offices were questioned about their investment priorities, the consistent response was a focus on seeking new investment opportunities and diversifying their portfolios. However, this year, both of these priorities have been surpassed by the pressing need to hedge against inflation risk and to explore alternative asset classes (**Fig 2.6**). These two priorities are intertwined because alternatives such as real estate and commodities are seen as effective hedges against inflation. Surprisingly, family offices do not appear particularly inclined to increase their exposure to private markets, contradicting other findings from the survey (**Fig 2.9**). Additionally, they seem unconvinced by arguments to shift into bonds and value equities.

Figure 2.6: *Family offices' investment priorities for 2023*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Expected returns

In response to more challenging markets, some family offices have adopted more cautious investment strategies. They consider that the asset class likely to deliver the best long-term returns closely mirrors the historic performance. Private equity and venture capital head the list, followed closely by public market equities, and then real estate (**Fig 2.7**). In contrast, cryptocurrency, gold, and commodities metals, are at the lower end of return expectations, providing insight into the limited holdings of these asset categories in family office portfolios (**Fig 2.3**).

"There's plenty of historic evidence to inform us what to expect. Equities and bonds will deliver low single-digit returns, we can expect 15 to 20 percent from private equity and 18 to 25 percent from venture."

Chief investment officer, single family office, Singapore

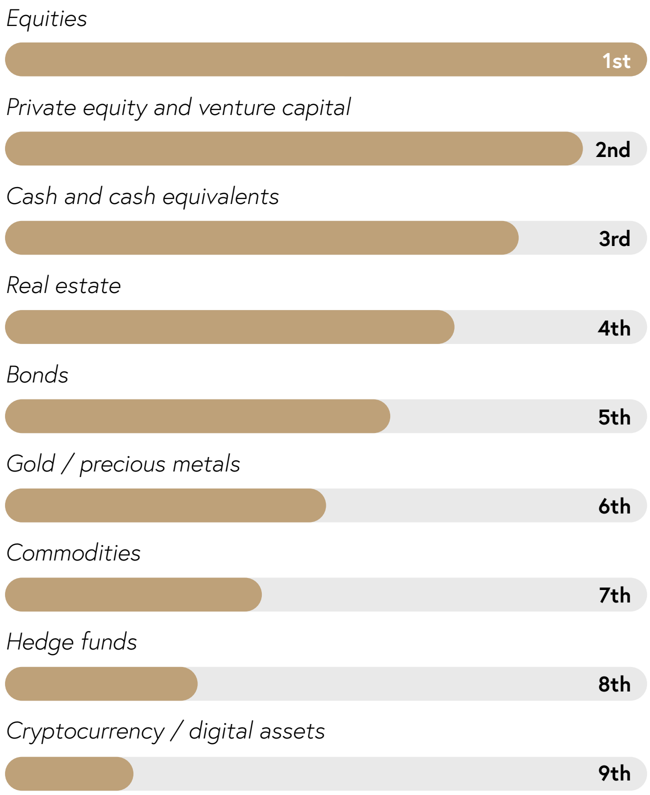
"In private equity the expected return is mid-teens, but you have to remember that the business is highly cyclical. Really good vintages will have returns three times as high as poor ones, there's a lot of variance."

Chief investment officer, single family office, Australia

"With venture capital you cannot rely on the valuation, even private equity has issues, there may be cash calls and delayed exits. But if the underlying companies are sound and well-managed then I'd expect private equities to outperform public equities, much as they have done over the recent past."

Chief investment officer, single family office, Czech Republic

Figure 2.7: *Asset classes ranked by highest expected long-term returns*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"There's so much historical data we know what we can expect from the different asset classes. Private equity will give the best long-term returns, but the risk will be higher, not only because of the nature of the businesses but also around timescale and liquidity."

Chief investment officer, single family office, Australia

"For the first time in years, you can leave money in short-term treasuries and earn a risk-free five percent. Every other investment class now looks relatively less attractive. I don't know how long this situation will persist, but while it does, I'm very happy to take advantage of it."

Chief financial officer, multiple-family office, India

Asset mix

One prominent characteristic of family office investments in recent years has been the steadily growing allocation to private markets. This has occurred to such an extent that this now constitutes the second-largest asset class. When combined, private equity, venture capital and private debt comprise 26 percent of the average Asia-Pacific family office portfolio, nearly in line with the global average of 27 percent.

Private markets 26% AUM

The significant shift in Asia-Pacific family office portfolios is the reduced exposure to developed market equities. This change might not be a deliberate portfolio allocation but rather as a result of valuation adjustments due to market drawdowns. Conversely, cash and equivalents, which are seen as a safer asset class, have increased four percentage points. Family offices have intentionally bolstered their cash positions to capitalise on market opportunities. The allocation to real estate has also increased by four percentage points, reflecting limited exposure to China and the stability of property markets elsewhere. Gold, cryptocurrency, and commodities remain relatively minor components of portfolios.

Figure 2.8: *Family offices' average strategic asset allocation*

	2022	2021	2022	2021
Cash and equivalents	11%	7%	9%	5%
Bonds				
Developed markets	7%	8%	7%	9%
Developing markets	7%	8%	3%	3%
Equities				
Developed markets	17%	22%	22%	27%
Developing markets	10%	10%	5%	5%
Private markets				
Private equity - direct investments	10%	10%	10%	10%
Private equity funds	6%	7%	9%	8%
Venture capital	7%	6%	5%	6%
Private debt / direct lending	3%	3%	3%	3%
Alternatives				
Real estate	15%	11%	18%	14%
Hedge funds	3%	3%	3%	4%
Commodities	1%	1%	1%	1%
Gold / precious metals	2%	2%	1%	1%
Cryptocurrency / digital assets	0%	1%	0%	1%
Forestry / agricultural land	1%	1%	2%	2%
Total portfolio	100%	100%	100%	100%

Asia-Pacific Global

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Globally, family offices have accumulated cash and equivalents on their balance sheets as they exercised caution during volatile and risk-off markets. Asia-Pacific family offices have joined this trend. The key questions now are how and when this capital might be reinvested.

As shown in **Fig 2.9**, the most popular asset category for future investment is real estate, with 39 percent of family offices intending to increase their involvement. However, 11 percent plan to reduce their allocation, resulting in a positive net figure of 29 percent. Real estate holdings of Asia-Pacific family offices are examined in detail later in the chapter.

Developed market bonds and developed market equities are also categories likely to see significant new investment. The percentage of Asia-Pacific families wanting to invest in developed market (primarily the United States) bonds and equities is greater than the comparable percentages of North American and European family offices, where the primary focus is on increasing allocations to private markets. It appears that Asia-Pacific family offices are embracing the idea that U.S. inflation has peaked and as it decreases, the Fed will reduce interest rates, leading to capital appreciation on fixed income bonds. This scenario would also benefit U.S. equities, provided the economy avoids recession.

Our survey confirms that the private debt market in Asia is likely to continue expanding rapidly from a low base[4], but there seems to be genuine concern around venture capital. Notably, cryptocurrency and venture capital do not feature prominently on the shopping lists of family offices.

"Family offices in India generally hold sizeable, fixed income portfolios, to maintain a high degree of liquidity in their portfolios. Yields are attractive, currently around seven percent. Since we hold bonds to maturity we are not affected by mark-to-market losses."

Chief financial officer, multiple-family office, India

"We are heavily invested in Chinese public companies. The positive case is based on the sheer size of China's emerging middle-class population. What we've learned over the past couple of years is that if you invest in China, you have to be prepared for the unexpected like the technology crackdown and the zero-Covid policy."

Chief executive officer, single family office, Singapore

Figure 2.9: *Percentage of Asia-Pacific family offices intending to increase / decrease their allocation to asset category*

	Increase	Decrease	Net
Cash and equivalents	24%	17%	7%
Bonds			
Developed markets	31%	3%	28%
Developing markets	18%	6%	12%
Equities			
Developed markets	31%	3%	28%
Developing markets	29%	6%	23%
Private markets			
Private equity - direct investments	31%	10%	21%
Private equity funds	26%	11%	14%
Venture capital	19%	17%	3%
Private debt / direct lending	32%	3%	29%
Alternatives			
Real estate	39%	11%	29%
Hedge funds	19%	6%	13%
Commodities	16%	0%	16%
Gold / precious metals	10%	0%	10%
Cryptocurrency / digital assets	13%	19%	-6%
Forestry / agricultural land	16%	3%	13%

Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

[4] https://www.reuters.com/business/finance/asias-private-credit-markets-thrive-desperate-borrowers-find-lenders-2023-07-20/

Geography

Asia-Pacific family offices demonstrate a well-diversified portfolio, both in terms of asset classes and geographic regions. On average, nearly a quarter of their AUM are invested in the United States, home to the world's largest capital markets (**Fig 2.10**). Europe also plays a significant role, accounting for 15 percent of AUM, with the United Kingdom representing about half of this figure. In contrast, the Asia-Pacific region makes up just under 60 percent of AUM, but surprisingly, within this China's share is relatively low, contributing less than 10 percent, or five percent of total AUM.

Modest China exposure

Regarding future investments, family offices are expected to continue focusing on the Asia-Pacific region excluding China, and the United States. It's worth noting that family offices are beginning to make meaningful investments in Africa and the Middle East, regions where they have virtually no existing allocation.

"Look at the demographics. In China there's a declining, ageing population, which means that eventually the real productive potential of the economy will decrease. Compare that with India, which has 500 million people between the ages of 20 and 45, many of whom are English-speaking and college-educated. China's population has hardly grown over the last decade, India's has increased 10 percent."

Chief financial officer, multiple-family office, India

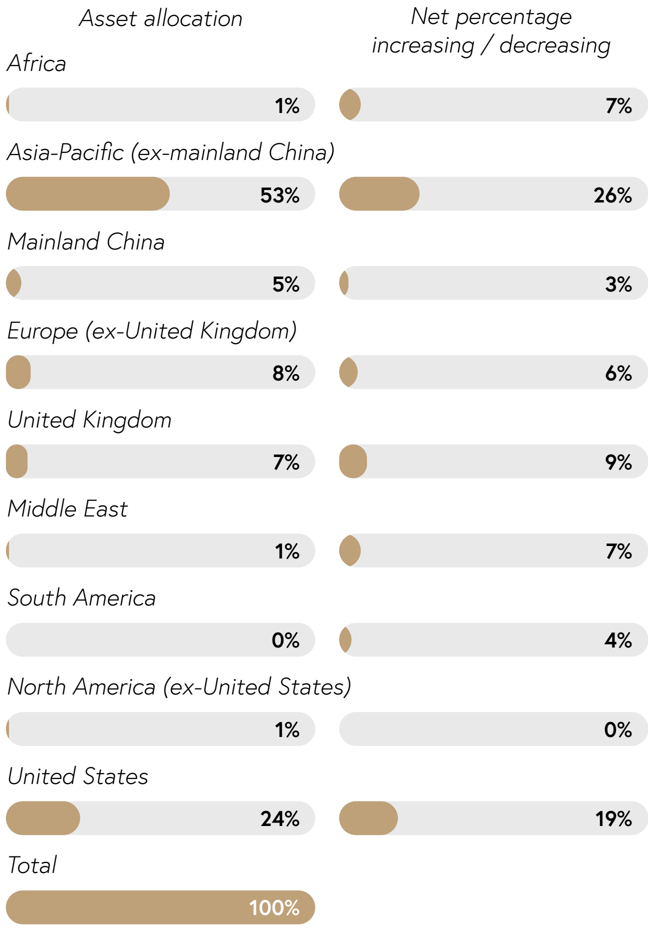
"There's a bit of a battle going on between Hong Kong and Singapore to attract family offices. I would say Singapore, at least initially, is winning it. But I don't think they'll win the war. I think Hong Kong has ultimately got more going for it and is a better place to locate a family office. But certainly, the last couple of years of the pandemic and geopolitical tensions mean that Hong Kong's reputation has taken a bit of a knock."

Chief executive officer, single family office, Hong Kong

"We've noticed the family offices that have been moving from Hong Kong to Singapore. We're based in Hong Kong, but our financial assets are held by banks and custodians in Singapore anyway and setting up an office there is no big deal."

Managing director, single family office, Hong Kong

Figure 2.10: *Family office geographic asset allocation, and net percentage of family offices intending to increase / decrease their allocation*



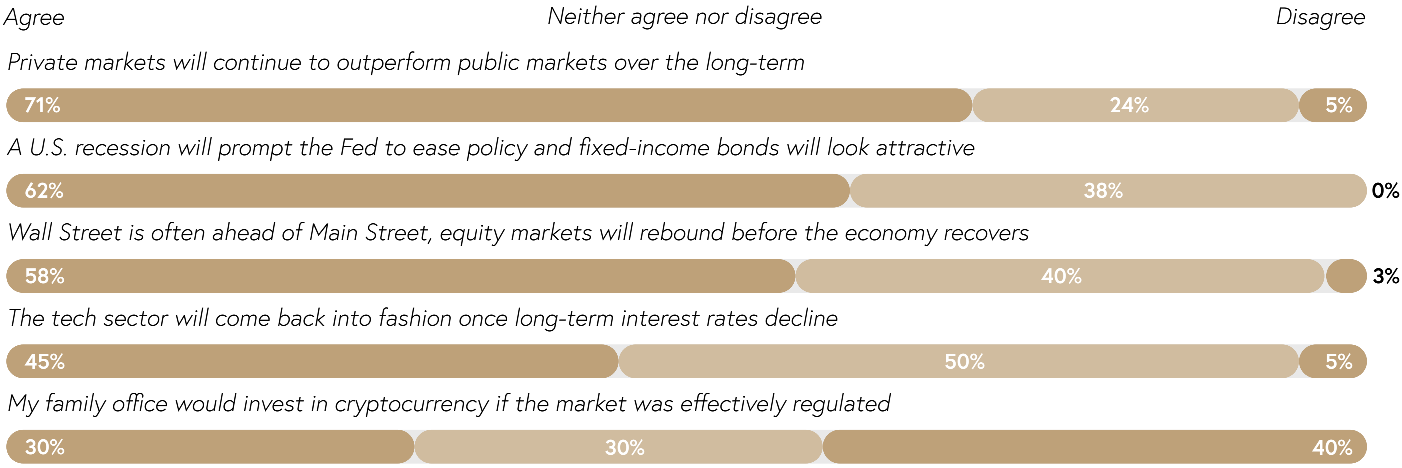
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Attitudes not platitudes

While we've emphasised family offices' preference for public markets over private markets (**Fig 2.9**) and their belief that public market equities will provide the best long-term returns (**Fig 2.7**), the attitudinal section of the survey (**Fig 2.11**) reveals the opposite; 71 percent believe that private markets will outperform public markets than any other statement. Perhaps this is best interpreted as an expression of their confidence in both public and private markets.

Furthermore, 62 percent of family offices believe that the prospect of Fed easing makes bonds look attractive, explaining the popularity of this asset class at the moment. Additionally, 58 percent believe that U.S. equities could rebound even before economic recovery is evident, and 45 percent are optimistic that the tech sector will be back into fashion once interest rates decline. Interestingly, to a considerable extent, both of these scenarios have materialised this year, even though the tech sector did not receive a boost from declining rates. 30 percent of family offices would consider investing in cryptocurrency if the market were effectively regulated, indicating a possible mechanism for rebooting investor interest.

Figure 2.11: *Considering your family office's investments, do you agree with the following statements?*



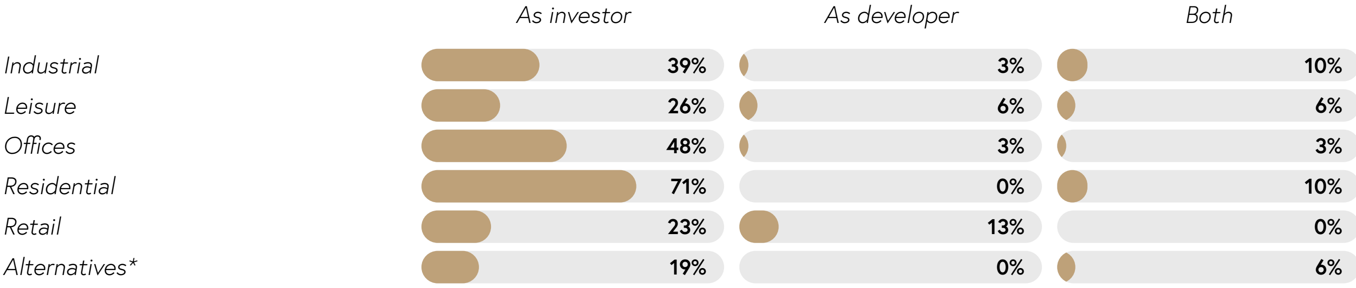
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

2.3 Alternatives

Real estate

A significant 70 percent of Asia-Pacific family offices maintain a real estate portfolio. Their investments primarily center on residential assets (71 percent), with some involvement in office and industrial properties (48 percent and 39 percent, respectively). There are also smaller percentages of family offices that engage in property development (**Fig 2.12**).

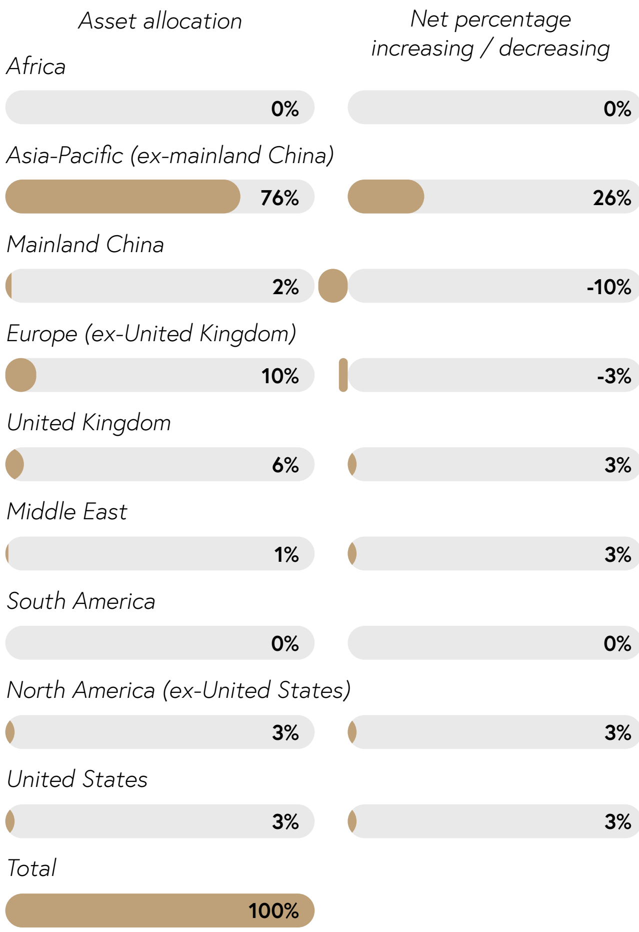
Figure 2.12: *Percentage of family offices investing in real estate having exposure to sub-sector*



*Senior housing, care homes, data centers, health centers, student accommodation
Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Notably, 78 percent of the property interests of Asia-Pacific family offices are concentrated within the region (**Fig 2.13**). China accounts for only two percent of these property interests. Consequently, the issues in the Chinese residential market are unlikely to pose significant concerns for family offices. Geographic diversification is focused on Europe (10 percent) and the United Kingdom (six percent), with North America at just six percent. When examining the net percentage of family offices intending to increase their property exposure, it appears that Asia-Pacific, excluding China, will attract the largest share of future investments.

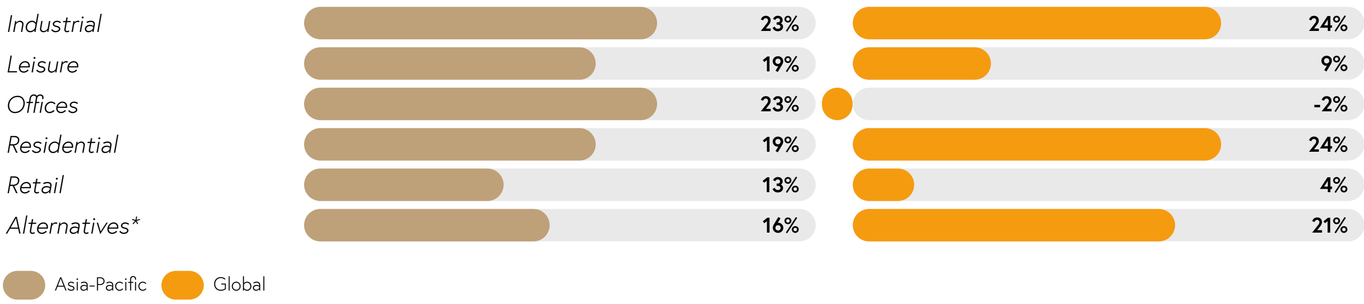
Figure 2.13: *Family office geographic allocation of real estate assets, and net percentage of family offices intending to increase / decrease their allocation*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

When it comes to individual sub-sectors, family offices appear to be relatively agnostic about where future investment will be directed (**Fig 2.14**). Approximately 20 percent of offices are open to increasing their exposure to each major sub-sector. This is noteworthy because it contrasts strongly with the global perspective, where there's little interest in retail, and office space is unloved.

Figure 2.14: *Net percentage of family offices investing in real estate intending to increase / decrease their allocation to sub-sector*



*Senior housing, care homes, data centers, health centers, student accommodation
Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Offices and retail face structural problems

While the work-from-home culture hasn't gained as much ground in Asia-Pacific as in Europe and North America, 56 percent of family offices believe that the office markets in which they invest are oversupplied (**Fig 2.15**). Similarly, 61 percent see e-commerce as a persistent challenge for the retail sector. However, as we've previously noted, (**Fig 2.14**) family offices are still interested in increasing their exposure to both office and retail real estate. The explanation may lie in the concept of bifurcation. Retail units with strong foot traffic remain in demand, as do attractive, high-quality offices with a low environmental footprint. Anecdotal comments from respondents suggest that it all comes down to the location and quality of their real estate assets. Having local knowledge about what works, or doesn't work, is a key advantage of family offices in navigating these challenges.

Figure 2.15: *Considering your family office's real estate investments, do you agree with the following statements?*

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Rethinking the foundation of future proofing your wealth: real estate

Real estate outshone some asset classes during the recent period of high inflation. For UHNWI and family offices in the APAC region, real estate holds extra significance in terms of wealth continuum and legacy planning. With this in mind, the firm launched its real estate business in 2022, driven in large part to provide holistic portfolio oversight for some of the largest families in the region. Spearheading Raffles Family Office's real estate business is Dr. Joe Kwan, a highly regarded professional in the real estate fund management world and managing partner of the firm. Here he shares his insights and outlook for this asset class.

In the year of volatility and geopolitical friction, why is real estate making a comeback? Why does real estate make a resilient asset class?

"Real estate remains a sound investment option for several compelling reasons. First and foremost, as historical data indicates, real estate remains an effective longer-term inflation hedge. This is especially relevant in a global environment fatigued by prolonged high inflation. Whilst real estate incomes are unlikely to fully mitigate the pace and intensity of recent inflation surges, corresponding growth of rental income provides a powerful mitigating impact. In turn, higher rental income and active management of real estate portfolios will enhance capital values."

"Secondly, although a high-interest environment is not conducive to real estate valuations, problems are only likely to emerge when the use of debt has been excessive. High holding costs will pressurise these investors into heading for the exit, causing yields to rise and real estate valuations to slide. But for others this will present an opportunity. The current real estate pricing correction - even in core Asia-Pacific markets where fundamental remain strong - is looking extremely interesting and is fast developing into an exceptional vintage year. This is even more significant for private wealth and family offices that are not highly indebted, can operate with long holding periods, and have a preference for iconic assets. There will be strong buying opportunities in this down cycle."

Are there advantages to indirect investing?

"Indirect investment involves investing in financial instruments or vehicles with underlying ownership in real estate assets. As a broad rule, indirect investments are often more liquid than direct real estate holdings, and often require smaller capital, making them accessible to a broader range of investors. This includes enjoying the benefit of being managed by professional parties including our firm."

"Private wealth investors, who are looking to grow and diversify their real estate holding, often adopt an indirect investment approach to achieve this. The key remains in appointing a trusted and reputable manager to do that for them. Families these days are increasingly open to entrust their portfolios to holistic managers like RFO, which has a longer-term road map to leave a legacy through generations."

Why is Asian private wealth looking at Asia-Pacific now, versus elsewhere globally?

"As the world becomes increasingly complex and volatile, transparency, perceived safety, and market liquidity are key considerations, high on any investor's agenda. These attributes can be found in selected core Asia-Pacific markets. Coupling that with strong fundamentals and continuing growth opportunities, private wealth remains relatively skewed towards this region."

"Another factor is what we call "home bias" – much of the wealth is derived from Asia. The familiarity in culture, location of their core business, even currency holdings are all contributing considerations."

"Finally, we should expand on the positive fundamentals. Asia-Pacific has a much more favourable age demographic than Europe or the US. The fast-emerging middle-income segment will lead to higher per capital consumption, and, when considered as a collective whole, has a spending power unparalleled anywhere else. This will drive real estate valuations growth over the foreseeable future."

Could you explain how demographics link to emerging real estate themes?

"Demographic changes are often harbingers of emerging themes and structure shifts within the real estate world. A growing theme is the emergence of a young generation with a preference for communal living. The underlying reason can be complex, partly due to affordability, or the lack of it. It could also be an offshoot of the way social media has impacted behaviour. Either way, co-living is gaining popularity and will be a major factor driving the shape of real estate development."

"At the other end of the spectrum, an aging affluent population will demand increased medical and residential care. Taking Singapore as an example, by 2033 nearly half of Singapore's affluent population will be aged 50 and above. The ability to serve this segment through a hybrid mix of specialist real estate is critical."

"Lastly, there have been many discussions with regards to the future of office space. The shape or form will vary from city to city. But repurposing buildings to incorporate new technology, which will enhance productivity, and communal space should serve the interests of both employers and employees."

What is the immediate outlook for APAC property markets?

"Our current focus remains locked on to the core Asia-Pacific markets as risk-adjusted returns look very attractive for 2024. Singapore benefits from its perception of safety and will continue to draw investment capital. The relatively small investible segment of the commercial market should see strong valuation growth, driven by a flood of capital, once interest rates start their downward adjustment."

"Australia has very similar attributes. Sydney and Melbourne are gateway cities for offshore capital due to transparency and the rule of law. There will be growing demand for residential units and there may be attractive opportunities in office repurposing."

"Japan and Korea continue to show strong potential within their residential rental sectors as the younger generation continue to shy away from home ownership. This drives the long leasehold segment; the best operators in this space will be rewarded."

"Hong Kong, despite all the recent issues, remains a key gateway city to Asia. The larger-than-normal decline in valuations is revealing substantial opportunities, notably in the hospitality sector."

What's Raffles Family Office's take on impact investing?

"We are deeply committed to impact investing, and we plan to expand our efforts in this area. First and foremost, prioritizing sustainability in all our real estate investments is imperative. We aim to be not only a responsible investor and operator of real estate, but also to combine it with corporate social responsibility to create a positive impact. We are focused on expanding our efforts in affordable housing. We intend to partner with the right organisation to deliver affordable housing to targeted communities. Our goal is for these initiatives to be sustainable and accretive for our clients and partners. For instance, profit generated from these projects can be reinvested in developing townships, thereby creating jobs for the community and ensuring long-term returns for investors. We believe this strategy represents a mutually beneficial opportunity, and we are actively seeking to pursue its implementation through partnerships."

The survey highlights that real estate is the most popular asset category for future investment (**Fig 2.9**). This sentiment is underscored by the 67 percent of participants who indicated that any significant decline in valuations would be seen as a buying opportunity. There is strong conviction in the long-term potential of real estate investments.

"The residential market in Hong Kong is taking a bit of a battering. Prices have been falling for several months because of higher mortgage rates and an overhang new development coming to market. However there has been a bit of an improvement in the retail sector because of more visitors from the mainland."

Chief executive officer, single family office, Hong Kong

"There's a flight to quality in Hong Kong offices. Rents in prime locations are holding up reasonably well, but in less popular areas tenants are downsizing to reduce costs. Overall, the market is soft and continues to suffer from a high vacancy rate."

Chief executive officer, single family office, Hong Kong

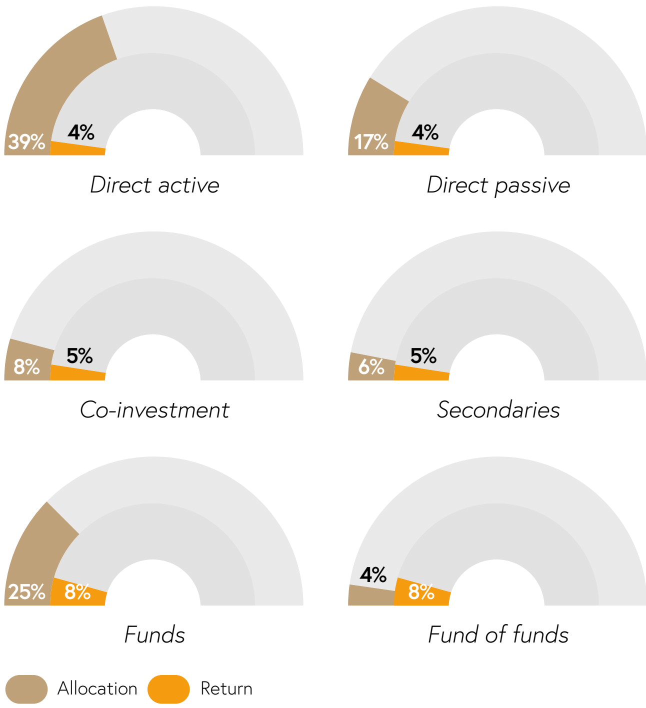
"Australia's residential, retail and office sectors have all proved surprisingly robust despite higher interest rates. I think the reason is our position as a major commodity exporter which maintained the momentum of the overall economy. Property yields have risen but rents are rising to compensate."

Chief investment officer, single family office, Australia

Private equity

Proportionately fewer family offices in Asia-Pacific (76 percent) are involved in private equity compared to family offices in Europe and North America, where 90 percent participate in this asset class. Among these Asia-Pacific family offices, 56 percent of private equity investments are direct, with an additional 29 percent made through holdings of funds or fund of funds (**Fig 2.16**). The residual includes co-investments and secondaries. As previously mentioned, returns in 2022 were lower than in previous years, and notably, direct active investments did not yield the best returns.

Figure 2.16: *Average family office private equity portfolio, allocation and the returns achieved in 2022*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

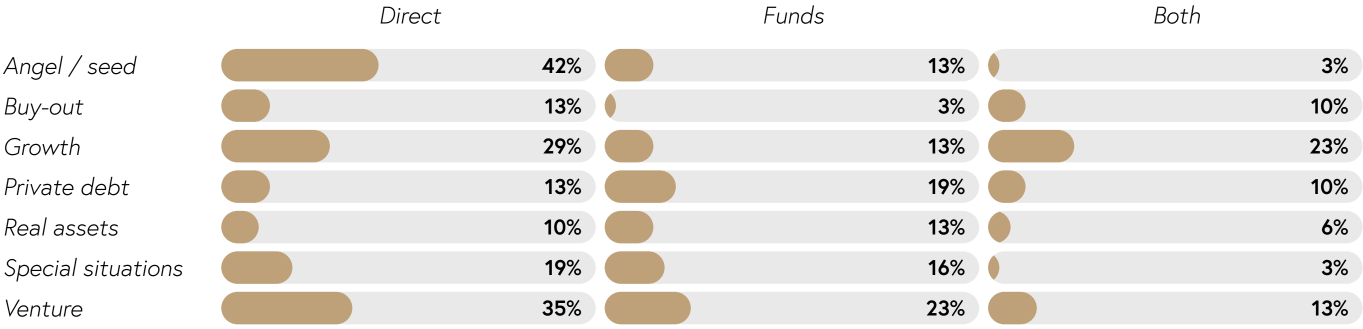
Direct v Funds

Direct investment allows family offices to work closely with the management of the investee company, giving them a chance to influence factors like strategy, ESG policies, and exit plans. However, this approach requires a hands-on mentality and often necessitates expertise in the relevant industry. Direct investment also comes with its challenges, such as illiquidity, legal complexity, and idiosyncratic risks. Not all family offices possess the investment management skill-set to handle these issues and prefer to invest through funds. In North America, most family offices opt for fund investments. In Asia-Pacific, direct investment is the preferred option for most investment strategies (**Fig 2.16**).

Venture is most popular strategy

The most attractive investment strategy, whether through direct investments or funds, is venture capital, focusing on early-stage innovative businesses, primarily though not exclusively in the technology sector (71 percent). Growth strategies also hold strong appeal (65 percent). Real asset and buy-out strategies are notably less popular among family offices in the region (**Fig 2.17**).

Figure 2.17: *Percentage of family offices investing in private equity with exposure to private equity category*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"The limited availability of capital in Asian venture capital markets presents a massive opportunity for venture capital in Asia, particularly given the huge entrepreneurial endeavour in this part of the world."

Founder, single family office, Hong Kong

"We are very comfortable investing directly in businesses, but it does take more effort. It means building an investment team to do due diligence and monitor investments, developing a network of co-investors, and creating a track record of successful investments."

Chief executive officer, single family office, Hong Kong

New technologies

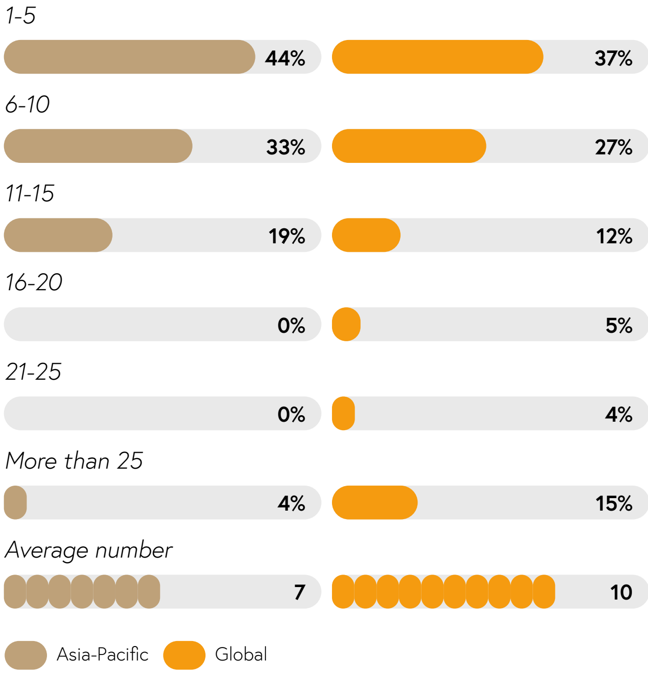
Through their private equity portfolios, family offices in Asia-Pacific are involved with exciting emerging businesses that utilize cutting-edge technologies. In particular, investments in private equity funds enable family offices to gain broad exposure to the new technologies comprehensively listed in **Fig 2.18**.

Booming AI investment

The table reveals artificial intelligence has garnered significant attention, with a net 32 percent of family offices seeking to increase their involvement and 39 percent planning to initiate an exposure. But at the other end of the spectrum, family offices have been investing in fintech and climate change mitigation for an extended period, with 61 percent and 52 percent, respectively, having an existing exposure. Hence only three percent intend to initiate an exposure for the first time. However, of those already invested, a net 32 percent intend to raise their allocation. In contrast, relatively few investors are looking to increase or initiate involvement with robotics and blockchain (possibly influenced by cryptocurrency), and there's a possibility of net disinvestment from the Metaverse.

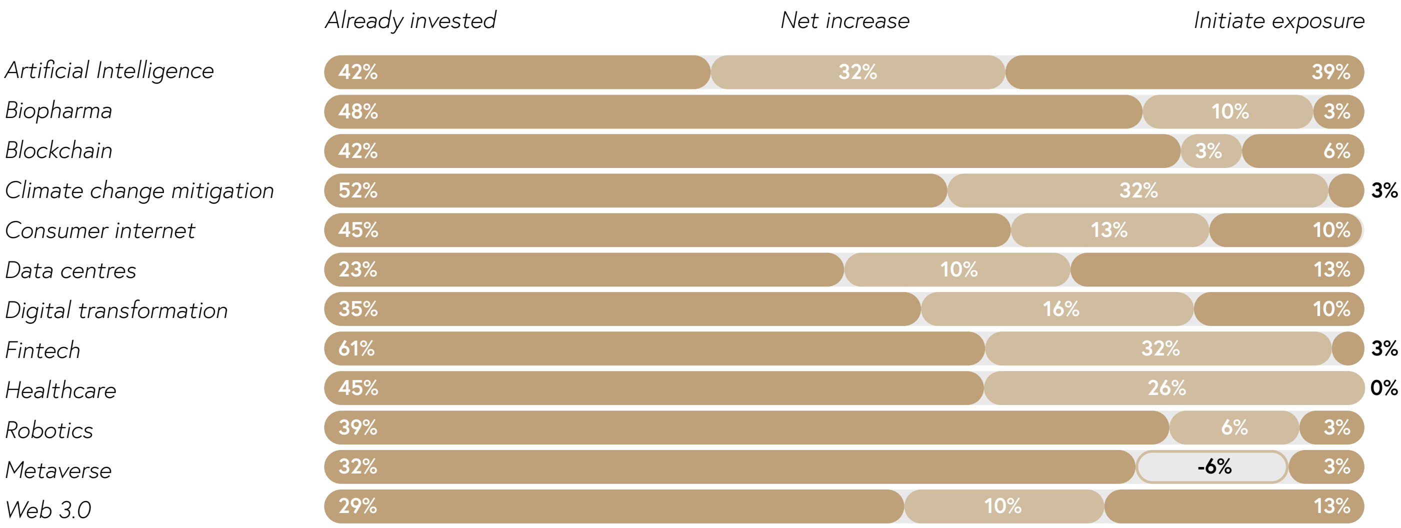
Family offices in Asia-Pacific that engage in direct private equity investments most frequently hold between one and five open positions concurrently, but the average is seven. This is lower than the global average of 10, which reflects the higher proportion of North American family offices with substantial private equity portfolios (**Fig 2.19**).

Figure 2.19: *Number of direct private equity positions run concurrently by family offices engaged in direct investing*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 2.18: *Percentage of private equity owning family offices already invested in new technology, net percentage intending to increase their allocation, and percentage intending to initiate exposure*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"There's a dedicated team within the family office handling direct investment. Originally investments focused on three verticals, fintech, data centres and renewables, but we now place much more emphasis on the abilities and trustworthiness of the entrepreneurs we are supporting and don't restrict ourselves to specific sectors. We just look for businesses with a real competitive advantage."

Chief investment officer, single family office, Singapore

"There is a wide dispersion of returns from private equity funds, not only by industry and by vintage, but also by managers. It's not always possible to get access to the best funds of the best managers, but if you do you will frequently get better than average returns. With third-or fourth-tier managers you are lucky to get your principal back."

Chief executive officer, single family office, Singapore

"We have a handful of investments of meaningful size, and then another handful of mid-size, and then long tail of venture capital tiddlers. Mostly these are co-investments with other family offices and to some we are relying on their due diligence."

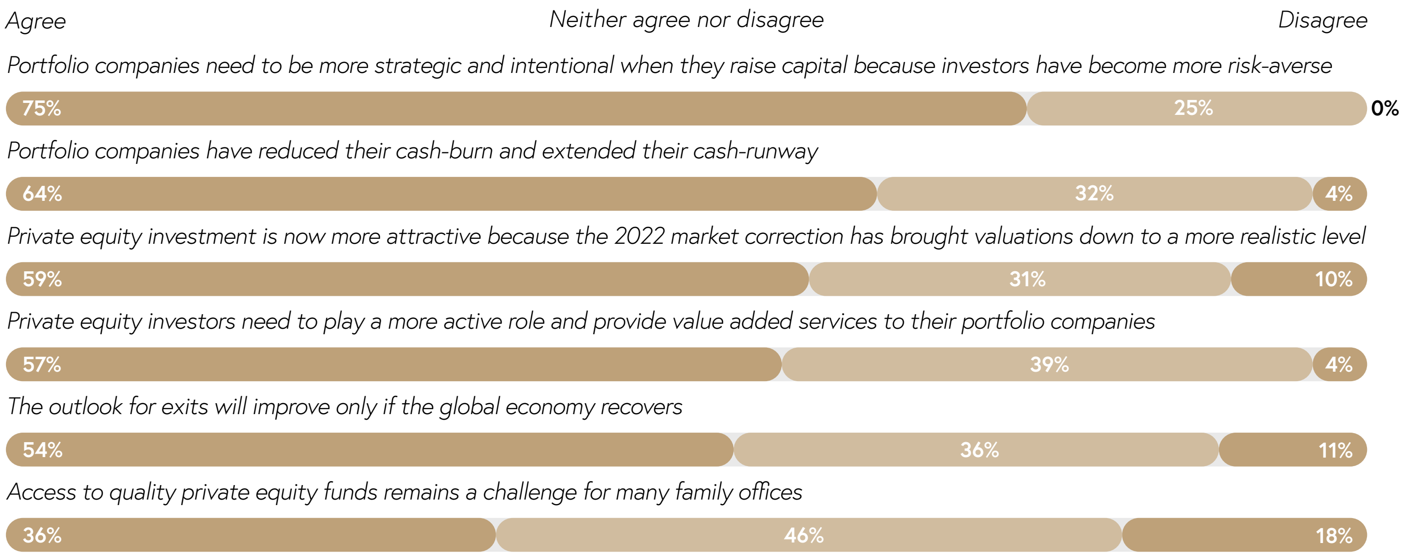
Chief investment officer, single family office, Australia

"We are creating a mini ecosystem of five or six family offices sharing information, which means we are always relatively up to speed with what's going on in various parts of the world. In my view family offices collaborate a lot more and a lot better than companies or governments, or any other stakeholder."

Managing director, single family office, Hong Kong

With the era of ultra-cheap money coming to an end and market setbacks in 2022, a sense of caution has crept into global private equity markets. Asia-Pacific family offices recognise this trend, with 75 percent agreeing that investors have become more risk-averse and companies need to make more efforts to secure funding. However, they still view the market as attractive for several reasons. First, valuations have fallen, reducing the cost of entry (59 percent). Second, companies have become more resilient by reducing their cash-burn (64 percent). As direct investors, they are also open to providing more value-add to their portfolio companies (57 percent). In the past, family offices have faced challenges accessing the private equity funds of the most successful fund managers, but this issue appears to be diminishing (36 percent).

Figure 2.20: *Considering your family office's private equity investments, do you agree with the following statements?*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Private equity: There may be trouble ahead

Our survey reveals that after several years of returns in the high teens, the private equity portfolios of Asia-Pacific family offices returned, on average, just five percent in 2022, and within that a significant number were in negative territory. Whilst recognizing that private equity remains a very popular asset class, this senior family office executive explains his continuing concerns.

Can you provide some background on the family office's direct portfolio?

"Our focus in Asia is direct investments into the non-bank financial services sector. For us this means trust and corporate services and independent wealth management businesses. These are our two main investment verticals. The former is involved in company formation, company secretarial work, bookkeeping, accounting, administration, payroll, bank account opening. So very admin-heavy, but providing important financial infrastructure to entrepreneurs, small-to medium-sized enterprises, and corporates. These businesses have wonderful economic characteristics – stable predictable annuity style revenue streams, sticky customers, and relatively low capex requirements to replicate the earnings. We've acquired a number of these businesses and started to consolidate them under a single brand. Many of the larger private-equity-backed groups are constantly acquiring these sorts of businesses as bolt-on acquisitions, and we saw an opportunity to play in that same space, because the industry is highly fragmented. We haven't been tempted to look at other industries or other verticals because I'm a big believer in sticking to your circle of competence, and knowing where the boundaries of that circle are. We are in a sense a one trick pony here but that's been a conscious decision."

Why is the present environment problematic?

"Hong Kong was in self-imposed lockdown for much of 2022, when the rest of the world was opening up. It was a challenging environment for our existing assets and challenging for us to acquire new assets, because we couldn't travel. But certainly, some factors remained favourable during the first half of last year with interest rates remaining very low and debt relatively abundant."

"Low rates and availability of debt from financial institutions has been extremely helpful for private equity valuations. Valuations were high when interest rates began to rise through the second half of last year. Public markets sold off but in private markets where there's less price discovery and everything is more opaque, sponsors have been, for a variety of reasons, reluctant to mark assets down."

"Private equity is more about financial engineering than investing. Leverage is used extensively with just the thinnest sliver of equity. These factors mean that with a favourable wind, you can get very good returns. In reality private equity is all about debt rather than equity. If interest rates remain at these levels, or perhaps go higher, many private equity assets will not be able to service the debt from which they are funded."

"The canary in the coal mine is valuations. Private equity valuations have disconnected from those in public markets continuing to rise while the Hang Seng index is 20 percent lower than three years ago. Also, the debt in those businesses is going to be refinanced. At some point in the next 12 to 24 months, debt taken out when we were in a zero-interest rate world will have to be re-financed."

So really, it's all about the cost and availability of credit?

"When general partners want to exit an asset, they have two options. They can list it on the stock market, or they can sell it to another private equity firm. What determines how much the new owner is willing to pay? It's largely a function of how much debt they can tap and how much that debt costs. With the higher interest rate environment, sellers may need to accept lower valuations in order to get deals away."

"In the good times banks would be willing to lend at six or seven times earnings before interest taxation and depreciation. Now as liquidity has dried up and rates have risen, those same banks may only be willing to lend four or five times."

We've talked about private markets, so what about public markets?

"The setback to public markets in China and Hong Kong, which occurred in the second half of 2022, wasn't tied to anything fundamental, but rather geopolitical tensions and just a general view of political risk after the authority's crackdown on the technology and education sector. For many institutional investors China has just fallen into the 'too difficult' category."

"There's a risk premium associated with China because investors may not be able to enforce their shareholder rights, or indeed their property rights."

"There's a wonderful quote from Warren Buffett, 'interest rates act on asset prices the same way that gravity acts on physical matter.'"

Digital assets

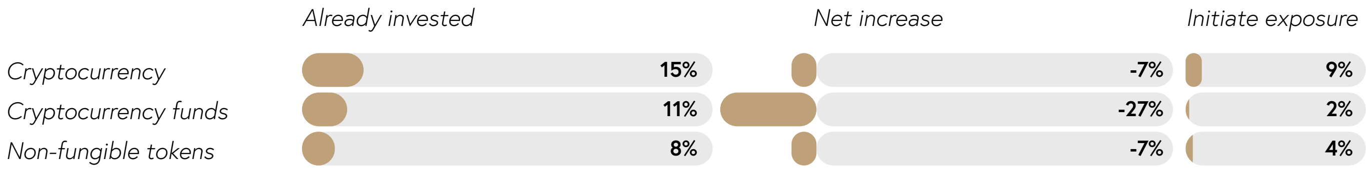
The current market value of all cryptocurrencies stands at approximately US $1.2 trillion, down from its peak just short of US $3 trillion in the winter of 2021[5]. The holdings of Asia-Pacific family offices represent less than 0.5 percent of their AUM (**Fig 2.8**).

Our survey reveals 15 percent of family offices hold cryptocurrencies, in line with the global average of 17 percent (**Fig 2.21**). 11 percent hold cryptocurrency funds, and eight percent hold non-fungible tokens. Looking ahead, while there is a trend towards rebalancing portfolios, with more offices intending to reduce rather than increase their holdings (**Fig 2.9**), it's noteworthy that nine percent of those who currently do not hold cryptocurrencies plan to initiate a position in this asset class.

Figure 2.21: *Percentage of family offices invested in digital assets category*

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 2.22: *Percentage of family offices already invested in digital asset category, net percentage intending to increase / decrease their allocation, and percentage intending to initiate exposure*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

[5] https://coinmarketcap.com/charts/

Blockchain unchained

The perspective of family office investors on the future of cryptocurrencies and blockchain technologies is evolving. While views on overcoming the drawbacks of cryptocurrencies vary, a significant portion of investors believe that a few of today's digital assets will continue to be prominent in the future (**Fig 2.23**). Additionally, a net 45 percent of family offices agree with the statement that blockchain technologies will create substantial value. Anecdotal comments from family offices indicate a strongly positive view of blockchain and its potential application to Web 3.0 due to its ability to create an immutable record of nearly all commercial transactions. However, this optimism does not necessarily translate into their investment intentions, as shown in **Fig 2.18**. A net 14 percent of family offices agree that a work of art has a certain intrinsic value, and being represented by an NFT doesn't add or subtract from that value.

"Our real interest are the companies which form part of the eco-system by using blockchain to provide smart contract functionality, or high-speed payments for Web 3.0 applications. We'd like to have some of these in our venture portfolio."

Chief executive officer, single family office, Singapore

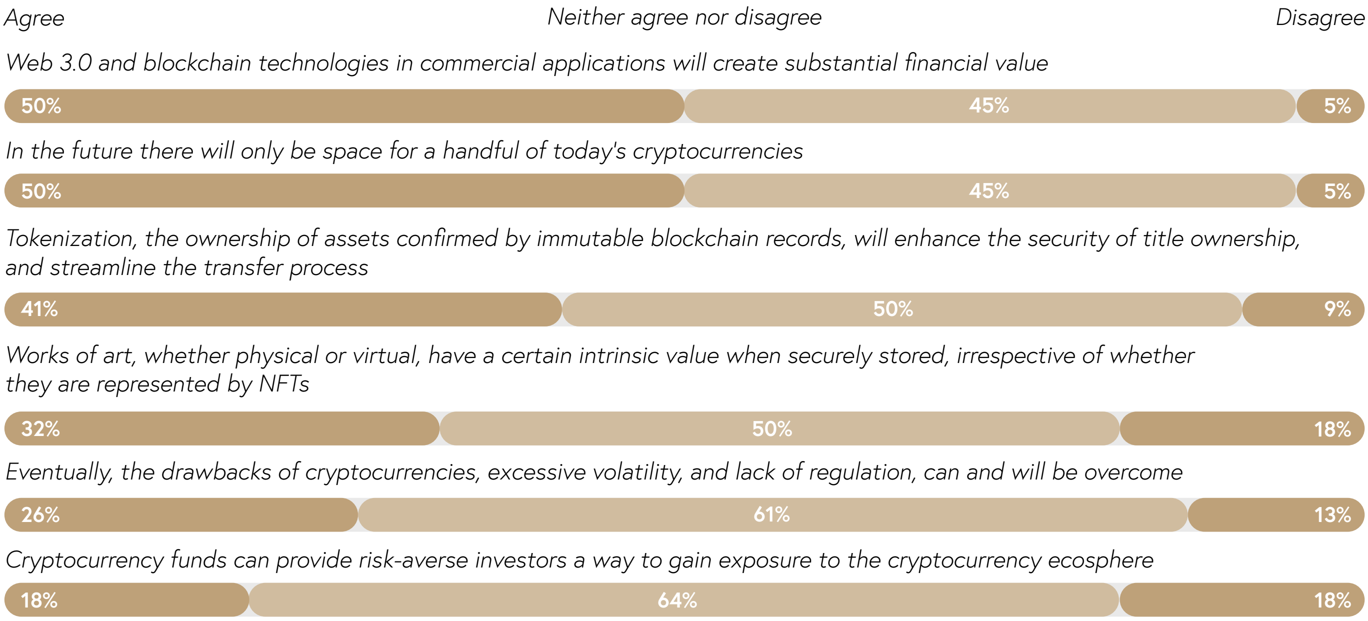
"Blockchain is transformative technology. Today it is mainly used for creating money. But long term, blockchain will provide solutions to literally millions of applications."

Founder, single family office, Hong Kong

"Blockchain technology has a huge role to play in streamlining global trade, managing documentation and legalities. This process won't be simple because every country has its own legal requirement, there will be some serious roadblocks which need to be overcome."

Managing director, single family office, Hong Kong

Figure 2.23: *Considering your family office's digital asset investments, do you agree with the following statements?*



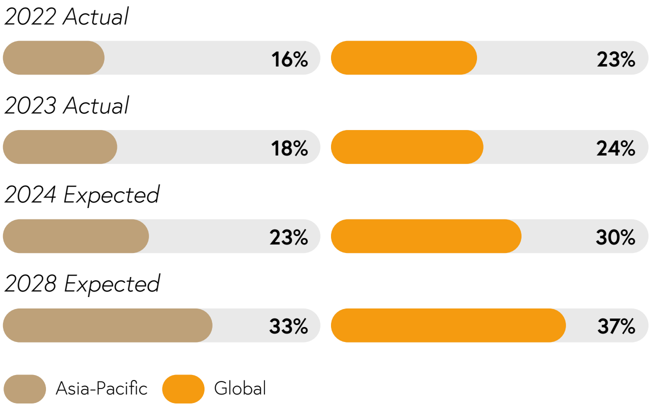
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Sustainable investing

A total of 43 percent of Asia-Pacific family offices are engaged in sustainable investing, which is lower than our global average of 50 percent and represents a relatively small increase on the 42 percent reported in 2021. This indicates a slowdown in the rate of adoption, likely due to the strategy maturing and becoming mainstream rather than a lack of commitment on the part of investors.

Every family office portfolio has a distinct percentage of AUM allocated to sustainable investments, ranging from almost zero to 100 percent, but most frequently falling in the eight to ten percent range, with an average of 18 percent (**Fig 2.24**). Family offices expect this figure to increase strongly over the coming year and continue to rise until at least 2028. Therefore, even if the number of family offices pursuing sustainable strategies plateaus, they will continue to make an increasingly positive impact.

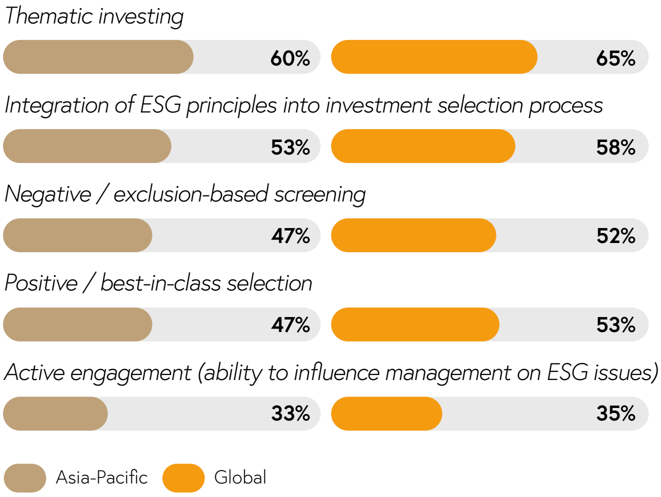
Figure 2.24: *Sustainable investments as percent AUM for families engaged in sustainable investing*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

The two most commonly employed approaches to sustainable investing, both in Asia-Pacific and globally, are thematic investing and the integration of ESG principles (**Fig 2.25**). Thematic investing involves investment in themes aligned with the family office's particular interest in sustainability issues, with climate change mitigation being the most popular (**Fig 2.26**). ESG integration entails considering a prospective investment's environmental, social, and governance actions. Our survey reveals that most family offices do not use any one of these listed strategies exclusively, but often employ elements of two or more of them.

Figure 2.25: *Sustainable investment methodologies used by family offices*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

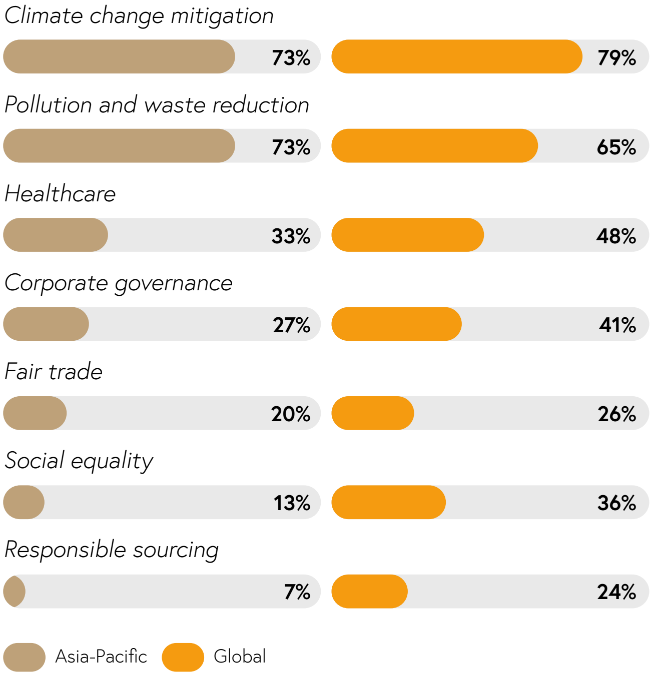
"In this race to meet our climate goals, governments are almost irrelevant. The U.S., China, Russia, India, they're never on same page about anything ever. The fact is none of them have ever met a single goal they've set except for India achieving a 30 percent renewable energy target. The problem won't be solved until governments start actually doing what they tell us they are doing."

Founder, single family office, Hong Kong

"Some investors see sustainability as a risk to corporate profits. But what about looking at it the other way? Not investing in sustainability is a risk of not having a planet."

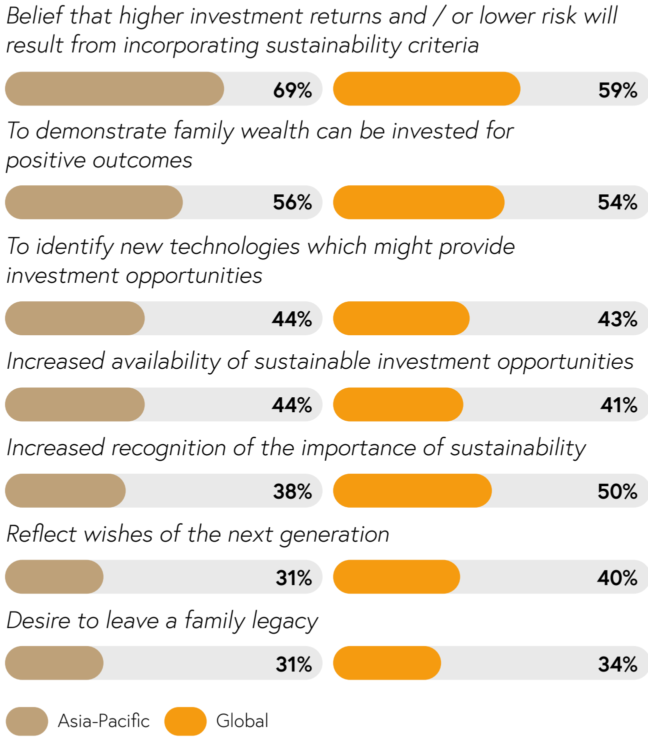
Managing director, single family office, Hong Kong

Figure 2.26: *Sustainable investment themes supported by family offices*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 2.27: *Main motivations for investing sustainably*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Motivations

Family offices' adoption of sustainable investment is not purely driven by altruism. Instead, 69 percent of them state that their investment in sustainability is motivated by the belief that it will lead to higher investment returns and lower risk (**Fig 2.27**). This is also the primary motivation for family offices globally. Additionally, 44 percent of Asia-Pacific family offices view sustainable investing as a means to identify new technologies that could offer attractive investment opportunities. Beyond financial motivations, 56 percent of family offices engage in sustainable investing to demonstrate that family wealth can create positive outcomes; 38 percent recognise the importance of sustainability, especially for the next generation, who will contend with long-term environmental and social challenges.

"There's been a generational shift. The older generation of Asian patriarchs are not interested but for the next generation sustainability is part of their vernacular, it's part of their world."

Chief executive officer, single family office, Singapore

"We use our influence with the private equity business in which we invest directly, to encourage them to adopt more sustainable sourcing of raw materials and remove unnecessary packaging."

Managing director, single family office, Hong Kong

"I'm amazed at how quickly sustainable investing has been taken up in the region. It's visible from the number of participants and the range of ESG investments available. Climate change is the poster boy. There are no end of funds investing in technologies which offer a solution. Through these investments family offices are rising to the challenge."

Chief investment officer, single family office, Singapore

Repairing the planet at no cost

The majority of families, over 80 percent, believe that they have a responsibility to make the world a better place. About 60 percent also anticipate that the proportion of their portfolios allocated to sustainable investing will continue to increase. The claim that sustainable investing doesn't require compromising financial returns is supported by empirical evidence. Looking at the performance of sustainable investment funds relative to traditional funds between 2018 to 2021, Morgan Stanley estimates that sustainable funds outperformed by 8.3 percent[6]. However, it's worth noting that this outperformance is not guaranteed; in 2022, the trend reversed, with traditional funds outperforming by three percent, partly due to a re-assessment of the prospects for fossil fuel companies. Interestingly, despite some cynicism about companies adopting ESG principles, relatively few (20 percent) family offices take this stance.

Figure 2.28: *Considering your family office's involvement with sustainable investing, do you agree with the following statements?*

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

[6] https://www.morganstanley.com/ideas/sustainable-funds-performance-demand

"We believe that if you have a well-governed organisation and you're thinking sustainably about a business, you're going to get better investment outcomes over the long term. So, that's exactly what we look for."

Chief executive officer, single family office, Singapore

"2022 was not brilliant for sustainable investing because in the public markets energy stocks outperformed. The trend for ESG-compliant investment to always outperform has been broken".

Chief investment officer, single family office, Singapore

Link to impact investing

Sustainability naturally aligns with impact investing, which targets positive social or environmental impact alongside financial returns. Impact investing is especially suitable for sustainability because, theoretically, improvements in sustainability can be measured. While technically challenging, it is, for example, possible to measure the reduction in greenhouse gas emissions from a new process.

"Across South East-Asia about 50 percent of emissions come from food and agriculture, and a large element of this is methane from rice production. We own a stake in an impact venture which advises farmers on how to replace continuous flooding with sprinkler irrigation of rice paddies. This not only saves the farmer money but can reduce methane production by 70 percent. The business is profitable and rigorously validates its impact on emissions."

Managing director, single family office, Hong Kong

"I look at venture capital, early-stage startups that are focused on climate action. I want to know what the product is, and the impact that it's expected to have. To track this, I follow their most important key performance indicators. They need to be built into the DNA of the company. Otherwise, it's not about impact, it's about money."

Founder, single family office, Hong Kong

All down to the top one percent

Shipping, while essential for trade, is estimated to contribute three percent of greenhouse gas emissions worldwide. The managing director, and family member of a Hong Kong family whose wealth has been derived from the industry, feels an acute sense of responsibility. He describes the efforts his business and family office are taking to mitigate climate change. Ultimately, though, he believes that success or failure will be down to the top one percent of wealth owners.

Can you describe the scale of the challenge?

"The essence of the climate challenge is that we need to rebuild 2000 years of civilization in 27 years. Every system of production, consumption, trade, transportation, agriculture, whatever it is, has something within it which needs to change. We invest purely in climate technology, so that's everything from biofuels to organic farming to waste management, anything that has the capacity to halt or reverse climate change. I think every incremental dollar should be spent on climate change, given how important it is and how far behind the curve we are."

I read that transportation accounts for 20 percent of global greenhouse gas emissions, and shipping must be responsible for a fair share of that.

"Of course, we have to be reasonable, you can't expect a global industry like shipping to turn round overnight. There are global supply chains to consider, complex regulations, government legislation, so many categories of ship and so many ports. So, a whole host of issues have to be considered before the industry is anywhere near getting to net zero."

"European ship owners are well positioned; they have the capital to transform their fleets. Maersk, the world's largest shipowner with 700 container ships, ordered 25 green methanol ships as part of a net-zero emissions target for 2040. But I'm not sure that other ship owners in our part of the world, in Korea, Indonesia, and India are so well placed. The Chinese will probably get there because the government will fund it. We have a joint venture shipyard in China, and they are looking at the process of building biofuel powered vessels."

"Our private equity is geared towards investing in both new and existing businesses which will be synergistic to our operating business which is shipping. I'm looking after all the family office's ESG, impact, and sustainable investments and there's a lot going on in this sector; biofuels, new engineering techniques, steel recycling, all sorts of stuff relevant to shipping and ship building. We can either acquire stakes in these businesses and let them to provide services to our clients, or we can buy them outright and build them up."

When we did our survey last year, we found that family offices in Asia-Pacific were generally behind those in Europe in terms of their sort of commitment to ESG but I wondered if you felt the mood was changing?

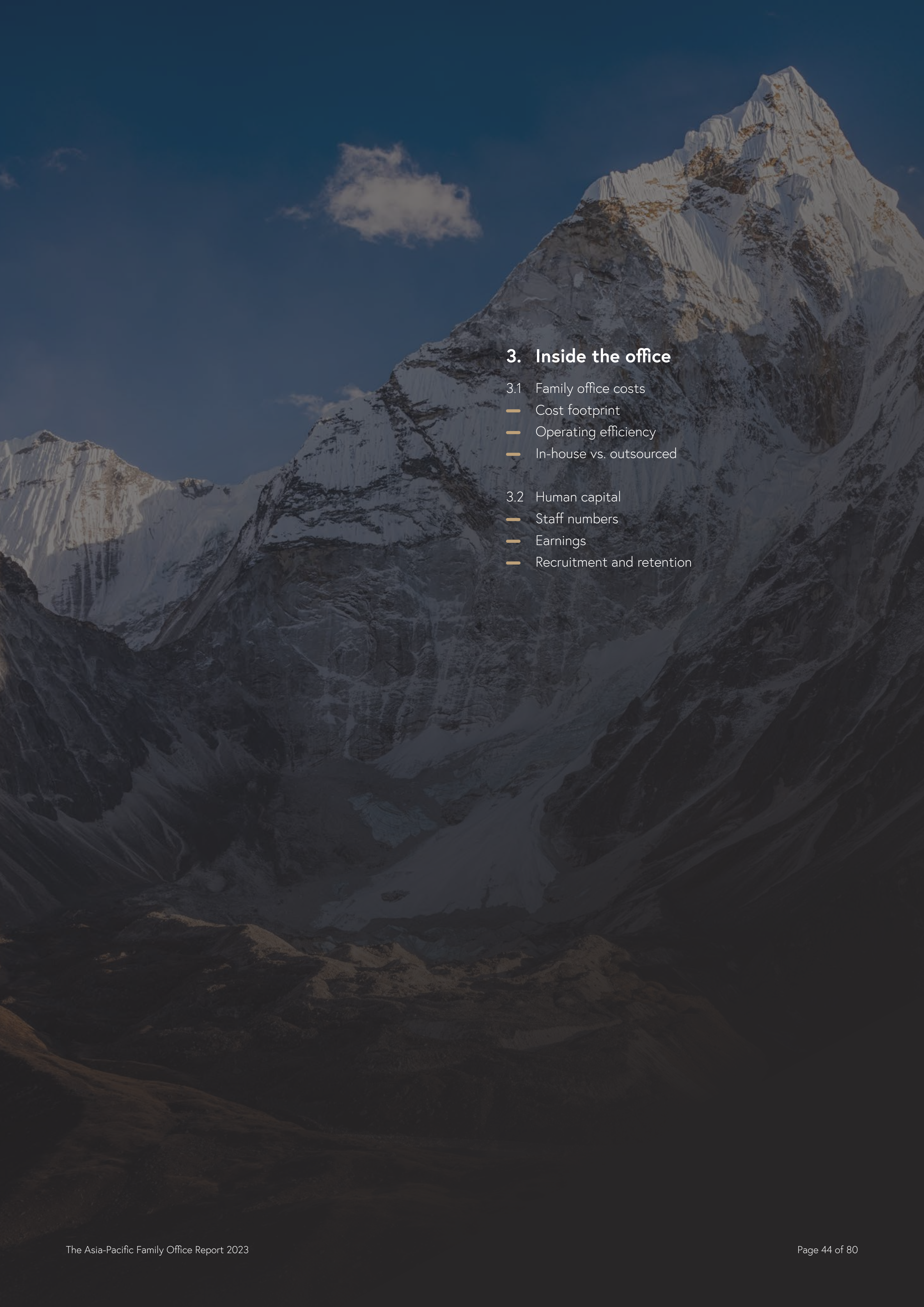
"I think the answer is yes, but slowly as the next generation assumes control. People of my generation are now becoming involved in sustainability, recognizing that sustainability isn't a cost, it's an investment in the future. If your business isn't sustainable, if you're not meeting emission standards or targets set by your clients, you'll be out of business in three to five years. Similarly, with our suppliers, we're going to set standards for them to achieve."

"Despite past failures to meet targets, I'm optimistic because of what I see on the ground in terms of the next generation of investors. For them, climate change and saving the planet are basically ingrained in their DNA. By 2050, I'll be in my seventies and at the tail end of all this. But for my kids, and I don't have any yet, it'll be affecting them at a primal level. It's my responsibility to do as much as I can for them. Effectively it's paying back for what we borrowed from the planet to live the lives we've been living for the last 50 years. We've got to pay that back with interest. Otherwise, the average temperature will be about two and a half degrees higher by the end of the century, which means the polar icecaps will have melted, and rising sea levels will displace over a hundred million people in China, India, and Asia alone. The elimination of food production capacity will probably result in humanity being extinct 100 years after that."

Is there a solution or has irreparable damage already been done?

"We will need a multitude of solutions, and they could be interconnected. The biofuels we could use to power our vessels produce, as a by-product, biochar, which is used in the production of carbon-negative concrete. Carbon-negative concrete absorbs carbon emissions in the atmosphere up to a quarter of its own weight. Compare this with conventional cement, which is estimated to be responsible for eight percent of global emissions. This is an interesting example of developments in one industry feeding through to developments in another. Carbon capture is also going to be important. We are also looking at a company which manufactures air purification units for household, commercial and industrial use. Within the next few years, you could be sitting in your room with a device that looks a bit like a laptop and which removes a kilo of carbon out of the air every week."

"60 percent of the world's population, at the bottom of the wealth pyramid, don't have the resources or education to do anything about this. The next 39 percent, the middle classes, are too distracted by consumerism to even think about it, and that means it's up to the top one percent to solve it."



3. Inside the office

3.1 Family office costs
- Cost footprint
- Operating efficiency
- In-house vs. outsourced

3.2 Human capital
- Staff numbers
- Earnings
- Recruitment and retention

3. Inside the office

- The average operational costs for Asia-Pacific family offices that participated in the survey were around US $3.1 million in 2022. This is about two-thirds of the global average, but it's important to note that Asia-Pacific family offices tend to be smaller in terms of AUM, which results in a cost-to-AUM ratio of 58 bps, slightly higher than the global average of 56 bps.

- There's a significant variance in operational costs depending on the AUM size. Family offices with less than US $100 million in AUM average 229 bps in operational costs, while those with AUM exceeding US $500 million average 21 bps. Generally, at equivalent AUM sizes, Asia-Pacific family offices tend to have lower costs compared to their global peers.

- Family offices typically offer services through a combination of in-house employees and external outsourcing. While 13 percent exclusively provide all their services in-house, only seven percent outsource everything. Most family offices (80 percent) adopt a mixed approach, outsourcing some services while performing others in-house. Advisory services are often outsourced, while administration and family services tend to be handled in-house.

- Chief executives of Asia-Pacific family offices received an average base salary of US $309,000 in 2022, but this figure varies significantly, with the top decile earning US $500,000 and the bottom decile only US $117,000. Approximately 70 percent of CEOs in these family offices are family members.

- Asia-Pacific family offices often face challenges in recruiting and retaining professional staff. About 47 percent of them consider the pool of potential talent to be too small, which can be a constraint on their ability to hire qualified personnel. When it comes to retaining staff, salary and benefits are perceived as the most important factor for employees (35 percent), followed by career progression (26 percent) and work flexibility (22 percent).

$3.1m

(US$) average operational cost of family office

58 bps

of AUM efficiency ratio

$309k

(US$) average CEO basic remuneration

3.1 Family office costs

Cost footprint

In 2022, Asia-Pacific family offices experienced significant expansion, with approximately 20 percent of respondents reporting an increase in their staff numbers (**Fig 3.1**). Moreover, more than 40 percent of these family offices invested in expanding their IT infrastructure. A noteworthy trend was the preference for outsourcing functions to third-party service providers, rather than insourcing these tasks. Additionally, a double-digit percentage of family offices expanded their physical presence by establishing new offices.

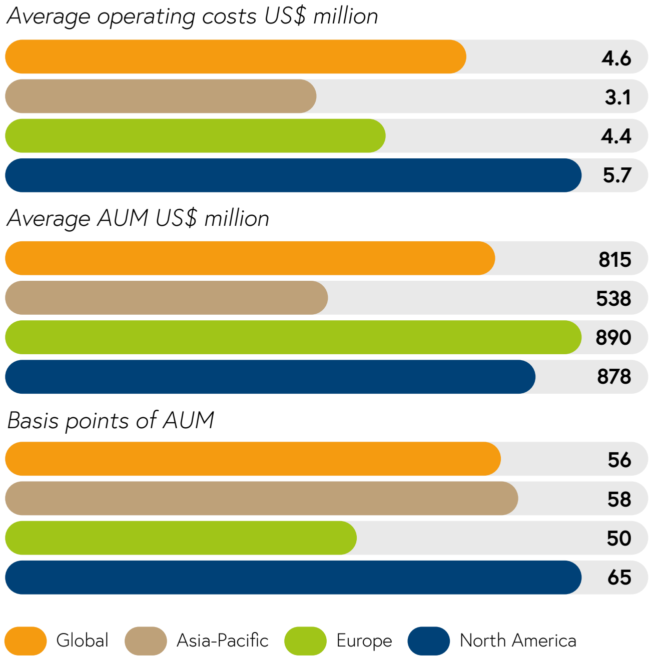
Figure 3.0: *Percentage of families reporting change during 2022*

	Significant increase >10%	*Modest increase <10%*	*No change*	*Modest decrease <-10%*	*Significant decrease >-10%*
Family office staff	5%	15%	75%	0%	5%
Professional non-family staff	5%	24%	68%	0%	3%
Investment in IT infrastructure	10%	31%	59%	0%	0%
Outsourcing functions to third parties	8%	22%	68%	2%	0%
Moving functions in-house	3%	10%	80%	7%	0%
Number of offices	3%	9%	88%	0%	1%

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

The estimated operational costs for Asia-Pacific family offices averaged US $3.1 million in 2022. This amount represents roughly two-thirds of the global average. However, Asia-Pacific family offices are smaller than their global peers in terms of AUM. Consequently, their operational costs translated to a cost-to AUM ratio of 58 bps, slightly higher than the global average of 56 bps.

Figure 3.1: *Family office operating costs as basis points of AUM*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

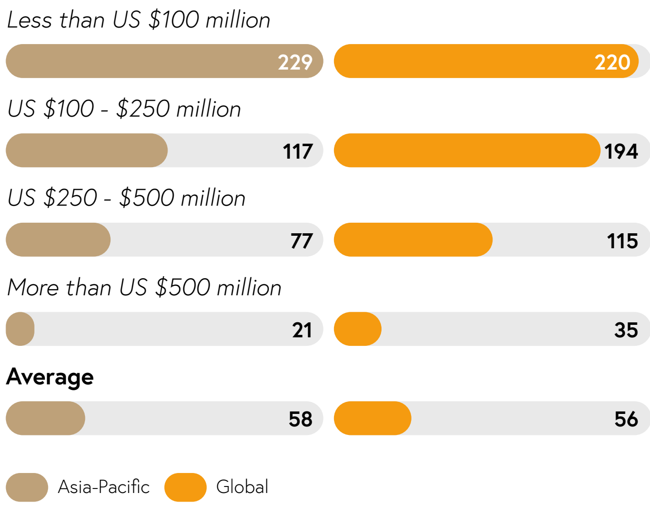
Family office expenses are typically categorised into four main groups: advisory, investment-related, family services, and administration. Advisory expenses, which encompass costs related to estate and financial planning, as well as legal services, account for approximately 35 percent of total expenses. Meanwhile, investment-related costs, including asset allocation, due diligence, and real estate management make up around 27 percent of expenses. Family services expenses, covering aspects such as travel and security, constitute 15 percent of total costs, with administration accounting for 23 percent. A full breakdown of operational costs is given in **Fig 3.2**.

In terms of absolute numbers, Asia-Pacific family offices' spending on investment-related and family services is approximately half of the global average. This confirms Asia-Pacific family offices are able to manage their operational expenses effectively and maintain cost-conscious practices.

Operating efficiency

Fig 3.2 is based on the average costs reported by survey respondents. However, it's important to note significant variance within this aggregate. This variance becomes even more pronounced when we take into account the assets under management (AUM). The largest family offices may have more than ten times the average AUM. Consequently, although the average cost-to-AUM ratio for Asia-Pacific family offices is 58 bps, this ratio ranges between 229 bps for those with less than US $100 million of AUM to 21 bps for those with AUM exceeding US $500 million, as illustrated in **Fig 3.3**. In general, at equivalent AUM size, Asia-Pacific family offices exhibit lower costs than their global peers. However, their average cost-to-AUM ratios are quite similar due to the relatively smaller number of large Asia-Pacific offices.

Figure 3.2: *Family office operating costs as basis points of AUM by AUM*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"Staff salaries are the biggest element in the cost base, at around 75 percent. When it comes to allocating costs across the different categories of expenditure, then it's necessary to think about how much time individual staff members spend on different functions."

Chief executive officer, single family office, Hong Kong

"Every family office is different so it's misleading to compare costs. Most of our back-office functions are shared with the family business and we don't pay the full price for them."

Chief financial officer, multiple-family office, India

"We try to keep operating costs at around 100bp of AUM, and looking back at our track record over the past decade, we've generally managed to achieve that."

Chief executive officer, single family office, Singapore

Figure 3.3: *Breakdown of average family office operating costs 2022*

	Percent average family office operating costs	Basis points	Operating cost of average family office US $ million	Percent average family office operating costs	Basis points	Operating cost of average family office US $ million
Estate planning	3%	2	0.1	4%	2	0.2
Financial planning	14%	8	0.4	8%	4	0.3
Insurance	3%	2	0.1	4%	2	0.2
Legal	3%	2	0.1	5%	3	0.2
Succession	2%	1	0.1	2%	1	0.1
Tax planning	11%	6	0.3	5%	3	0.2
Advisory	**35%**	**20**	**1.1**	**28%**	**16**	**1.3**
Accounting	5%	3	0.2	7%	4	0.3
Asset allocation	5%	3	0.2	6%	3	0.3
Due diligence	5%	3	0.2	7%	4	0.3
Real estate	4%	2	0.1	5%	3	0.2
Reporting	4%	2	0.1	4%	3	0.2
Risk management	4%	2	0.1	5%	3	0.2
Investment related	**27%**	**15**	**0.8**	**35%**	**20**	**1.6**
Concierge	4%	2	0.1	5%	3	0.2
Next-gen education	2%	1	0.1	4%	2	0.2
Security	2%	1	0.1	4%	2	0.2
Travel	7%	4	0.2	5%	3	0.2
Family services	**15%**	**9**	**0.5**	**18%**	**10**	**0.8**
Human resources	8%	5	0.2	7%	4	0.3
Information technology	4%	2	0.1	5%	3	0.2
Premises	11%	6	0.3	7%	4	0.3
Administration	**23%**	**13**	**0.7**	**19%**	**11**	**0.9**
Total operating expenses	**100%**	**58**	**3.1**	**100%**	**56**	**4.6**
Administration		3	0.2		4	0.4
Custody and reporting		5	0.3		4	0.4
Performance		5	0.3		7	0.6
External investment management fees		**13**	**0.7**		**16**	**1.3**
Total operating and investment management		**71**	**3.8**		**72**	**5.9**

Asia-Pacific Global

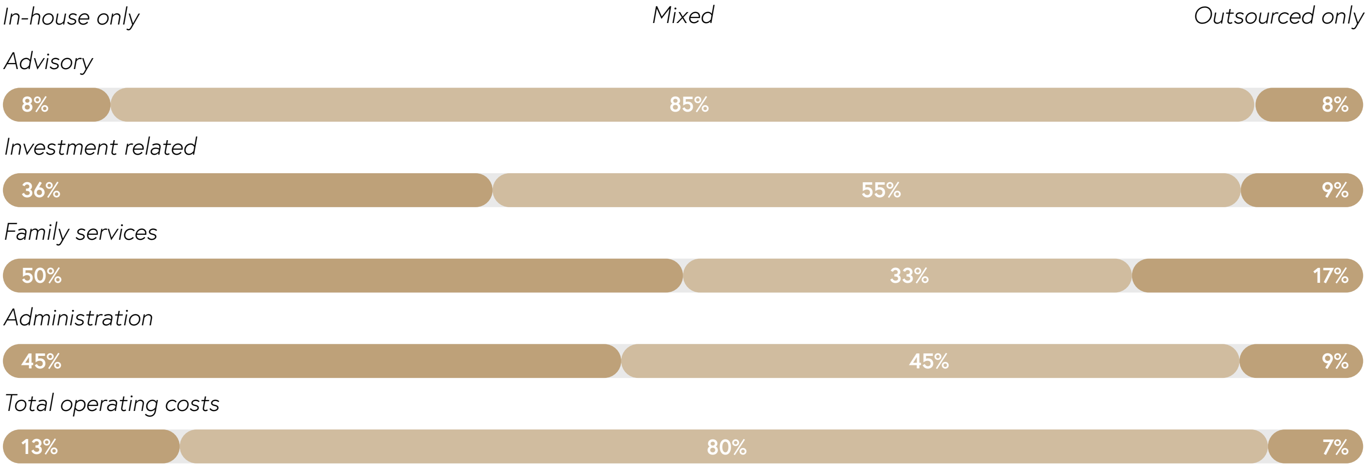
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

In-house vs. outsourced

Family offices typically offer services through a combination of their in-house employees and external resources. It's common for services to be sourced from both elements. A relatively small percentage (13 percent) of family offices exclusively provide all their services in-house. An even smaller percentage (seven percent) of family offices, referred to as virtual offices, outsource everything to external vendors. Advisory services are often outsourced to external professional vendors, with 85 percent of family offices adopting a mixed approach for these services (**Fig 3.4**). On the other hand, administration and personal services provided to family members are primarily handled in-house by family office employees.

Family offices take mixed approach

Figure 3.4: *Percentage of family offices providing services exclusively in-house, exclusively outsourced and mixed*



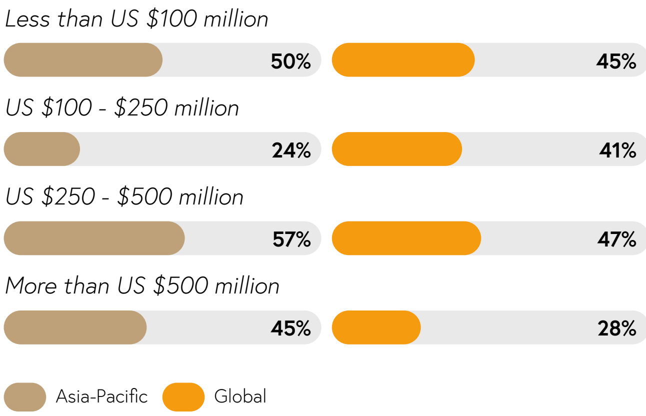
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

The decision to perform a service in-house or outsource it is typically influenced by a combination of factors such as cost, frequency, and complexity. Functions that are frequently repeated and less complex can often be cost-effectively handled by generalists within the family office. On the other hand, more complex and specialised functions may require the expertise of external professionals. Frequency plays an important role in this decision. With larger family offices expected to have more frequently performed functions, a higher percentage of their expenses should be incurred in-house. Globally, the evidence supports this hypothesis (**Fig 3.5**). However, in the case of Asia-Pacific family offices, the relationship between size and the percentage of expenses incurred in-house is less clear cut.

"We outsource specific functions to external vendors, who have their own established processes and serve a diverse client base, capitalizing on their strengths, especially when it proves cost-effective. However, certain aspects of our operations require a higher degree of control and specialised attention, which are best managed internally. This approach ensures that while we benefit from external expertise, critical areas are meticulously handled in-house to meet our unique needs."

Chief investment officer, single family office, Singapore

Figure 3.5: *Percentage of operating costs outsourced and family office AUM band*



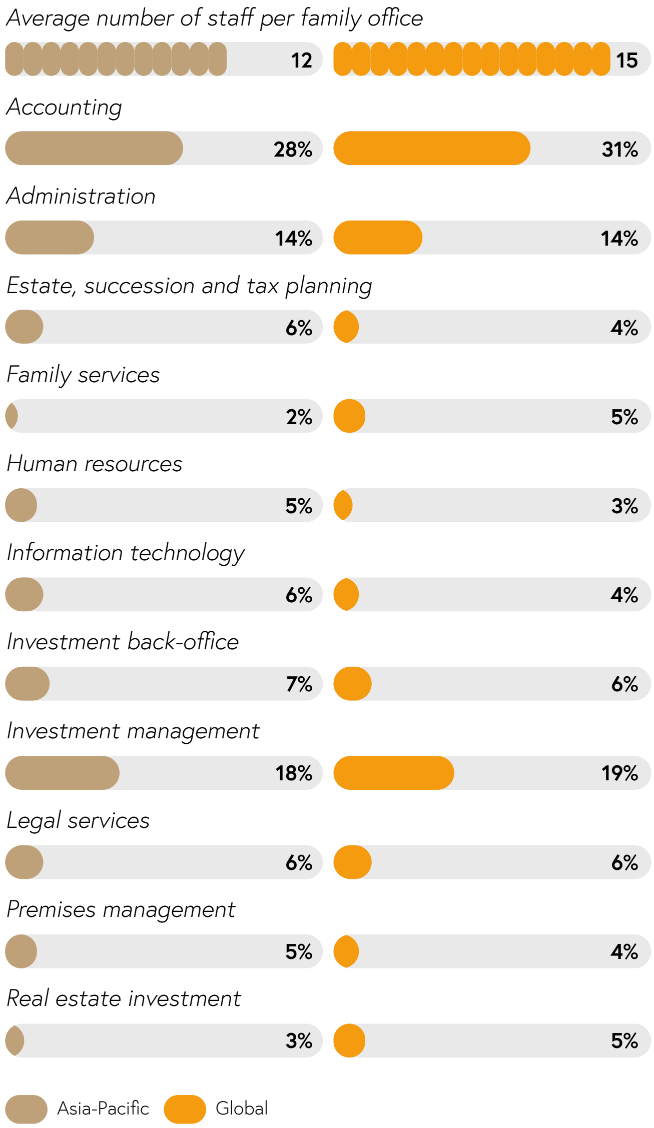
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

3.2 Human capital

Staff numbers

Around half of Asia-Pacific family offices have no more than five staff members. About a third of them have up to 20 staff, resulting in an average of 12 employees per family office, which is somewhat lower than the global average of 15 (**Fig 3.6**). Their primary functions are accounting, investment management, and administration. The rest are divided between legal services, estate planning, and IT.

Figure 3.6: *Number and function of family office staff*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

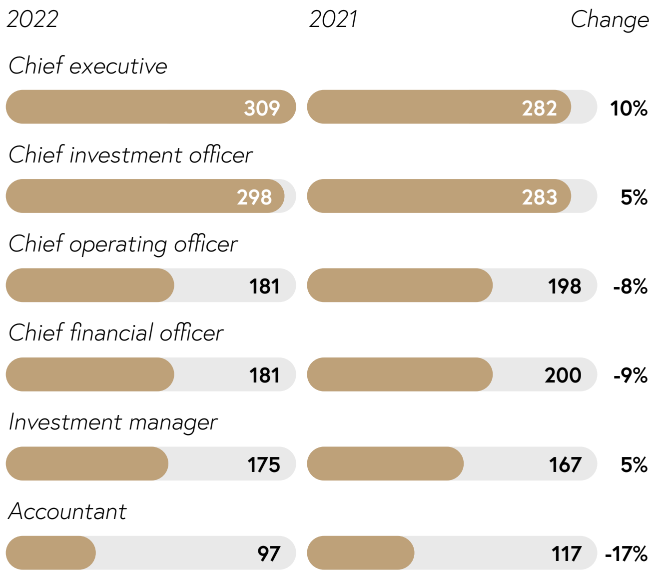
Earnings

Average basic remuneration of Asia-Pacific CEO US $309,000

In 2022, the chief executives of Asia-Pacific family offices earned an average base salary of US $309,000, representing a 10 percent increase from 2021 (**Fig 3.7**). However, this average salary hides a wide range, with the top decile earning US $500,000 and the bottom decile earning only US $117,000. Slightly more than 70 percent of these CEOs are family members, and their salaries are marginally higher, averaging US $328,000.

Chief investment officers, the next highest in the management hierarchy, earned an average salary of US $298,000. They also saw a modest increase in earnings from the previous year. Chief financial and operating officers earn considerably less, and may have seen some slippage last year.

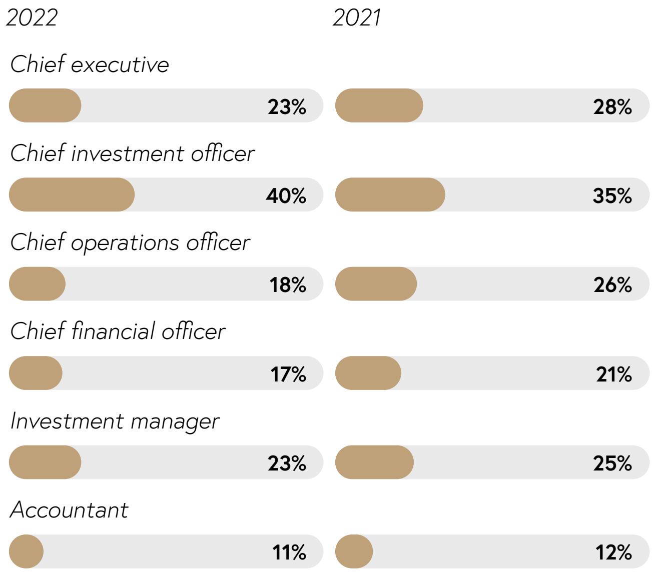
Figure 3.7: *Average base salaries of senior family office executives (US$'000)*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Over 85 percent of family offices in Asia-Pacific provide bonuses to their senior management and executives (**Fig 3.8**). These bonuses are typically discretionary or have a formulaic element linked to investment performance. They commonly range between 20 to 30 percent but were slightly lower than usual in 2022.

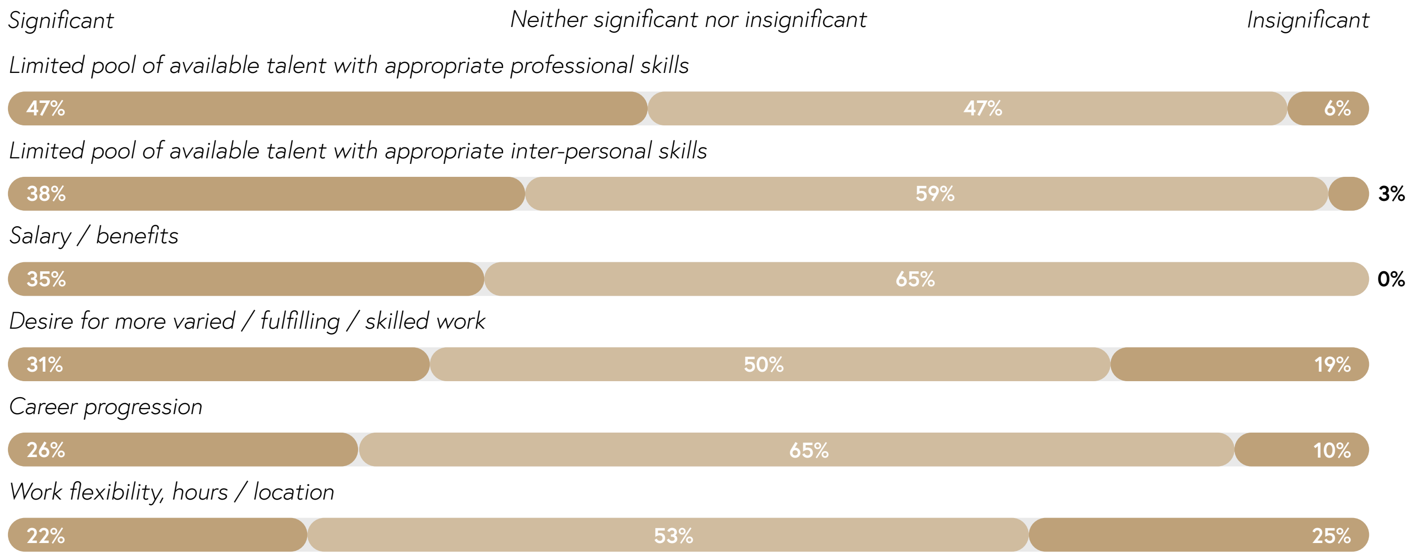
Figure 3.8: *Value of bonus as a percentage of base salary*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Talent pool too narrow

Figure 3.9: *Significance of issue in staff recruitment / retention*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Recruitment and retention

Recruiting staff with the right skill-set is critical for family offices, and 47 percent of them find it challenging due to a perceived shortage of talent (**Fig 3.9**). Additionally, 38 percent see this talent shortage as a constraint on their ability to hire staff with appropriate interpersonal skills. When it comes to retaining staff, 35 percent of family offices believe that salary and benefits are significant, followed by career progression at 26 percent, and work flexibility at 22 percent.

"Once we upgraded technology to eliminate more repetitive back-office functions, we found it easier to retain people. They had more demanding roles, found work more worthwhile and tended to stay longer."

Chief investment officer, single family office, Singapore

"Hiring good people is always challenging. This is because we need to recruit from the legal, banking, and accounting fraternities. But many potential applicants recognise that if they move to a family office it will be quite hard for them to move back to the mainstream later in their careers, and this is a major constraint for them."

Founder, single family office, Hong Kong

"There's a slightly romantic view attached to working in a family office. You can shed all the shackles of corporate life and enjoy a new friendly, warm, and cuddly family environment. Some family offices are really like that, but not all."

Managing director, single family office, Hong Kong

4. Operations and Governance

4. Operations and Governance

- Wealth aggregation platforms, which offer a consolidated overview of financial data from multiple banks and investment managers, are currently employed by 30 percent of family offices, but there's a growing desire to take advantage of these platforms.

- Although the primary operational concern of family offices, as identified by 64 percent of respondents, is cybersecurity, only three percent claim to have experienced a cyber-attack in the past 24 months, which is much lower than family offices in Europe and North America. Manual processes, which expose the family office to risks such as human error and data loss, is a concern for 57 percent of respondents.

- In response to cybersecurity risks, 75 percent of family offices employ backup servers and have data security policies. However, less than half use dual authorisation for payments, a key defence against theft and fraud.

- The primary governance structure in 61 percent of family offices is an investment committee. Family offices typically have one or two governance structures, with the investment committee being one, and the other being an audit committee, a family business board, or family council.

- Around 71 percent of respondents believe their family offices are effective at informed decision-making, protecting family values, and ensuring capable leadership. However, they are perceived as less effective in fostering collaboration and averting conflict between family members.

- Successful succession planning involves early exposure of the next generation to the family office (94 percent) and family values (93 percent). The willingness of existing family leadership to embrace the succession is deemed critical by 75 percent.

- Approximately two-thirds of Asia-Pacific family offices engage in philanthropic activities, focusing on education (75 percent), healthcare (55 percent), community development (45 percent) and healthcare (46 percent). They aim to address the root causes of problems rather than providing temporary solutions.

64%

cite cybersecurity as primary concern

75%

have back-up servers

71%

view their family office as effective decision-maker

4.1 Technology

The latest thing

Asia-Pacific family offices have readily adopted various technological solutions, including cloud-based data storage, access to financial market information, and automated payroll systems, with adoption rates exceeding 65 percent for each of these technology types (**Fig 4.0**).

However, in comparison to family offices in Europe and North America, Asia-Pacific family offices have been slower in adopting other technology solutions, such as mobile access, customizable accounting software, and automated investment reporting. Interestingly, a significant percentage of family offices that have not yet incorporated these technologies have expressed interest in doing so. For example, 46 percent of family offices that do not currently use customizable accounting software are interested in adopting it.

The reluctance to adopt certain technologies may be attributed to concerns about initial costs and the limited scope of some family office activities that may not justify the investment. Nevertheless, it's important for family offices to consider the long-term benefits and increased efficiencies that technology can bring, even if there are upfront implementation costs.

"Technology is progressing very quickly; AI is the latest element. But this creates a problem because we don't know what the end product will look like. Should we buy a software package now or wait for two months and buy something better?"

Chief investment officer, single family office, Singapore

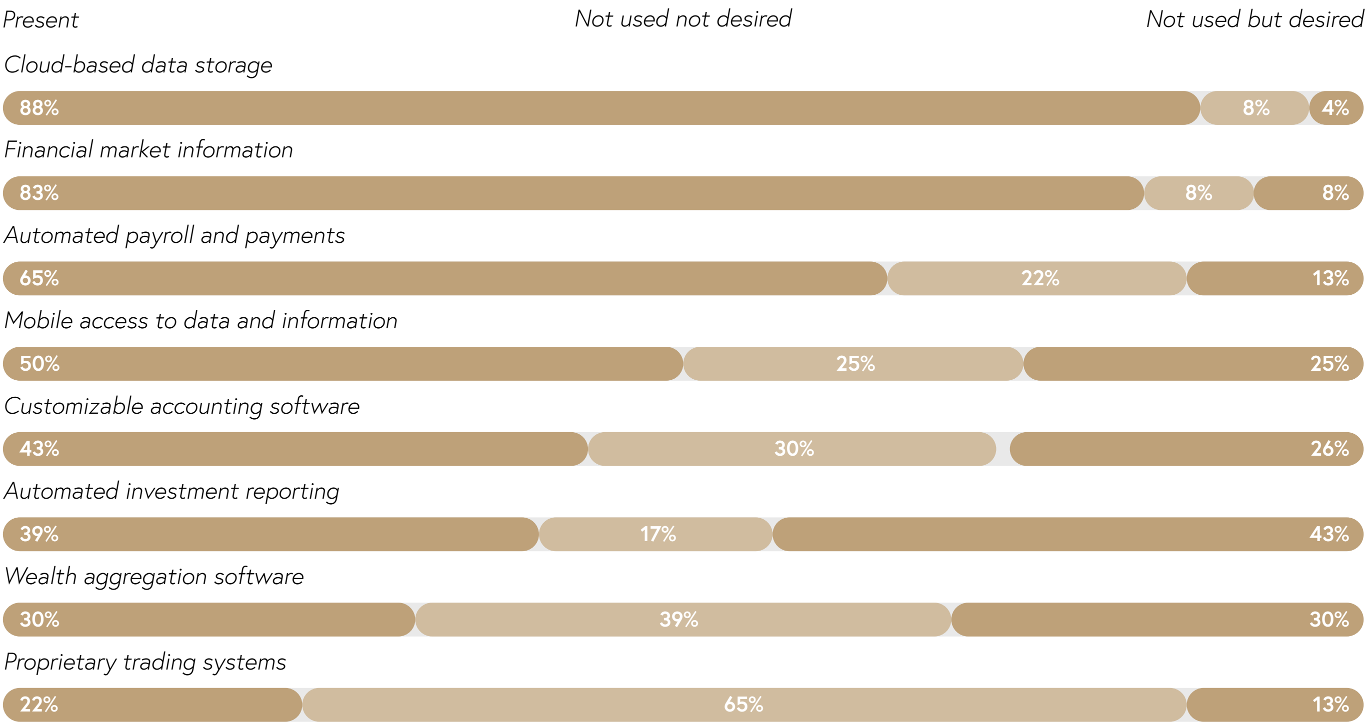
"It's quite common to focus on the upfront costs of new technology and fail to appreciate future benefits. This is most likely to be true when staff costs are relatively modest so that the efficiency gains from technology are also modest. This has been a factor in the slow adoption of technology solutions."

Chief financial officer, multiple-family office, India

"Following a failure in our old accounting system, we decided to update with a cloud-based system. We had to figure out how to invest, pay, and update information online. This took quite a lot of time and effort. Money isn't the only cost to consider when it comes to adopting new technologies."

Founder, single family office, Hong Kong

Figure 4.0: *Presence and usefulness of technology platforms used in family offices*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"For standard financial investments, automating investment reporting is relatively easy and straightforward. But when it comes to alternative asset classes, for us principally real estate and private equity, much has to be done on a manual basis with Excel spreadsheets. The technical possibilities are improving, but they are still not that sophisticated."

Chief investment officer, single family office, United Kingdom

Aggregation software

Wealth aggregation platforms are the next "thing"

Wealth aggregation platforms and similar software solutions that offer a comprehensive overview of an organization's financial position by consolidating data from multiple banks and investment managers are relatively recent additions to the tools available to family offices. The adoption rate for these platforms remains low, with 30 percent of Asia-Pacific family offices and 36 percent globally currently utilizing them. However, it's expected that this will increase rapidly in the future, since 30 percent of family offices express a keen interest in leveraging these solutions (**Fig 4.0**). The most effective wealth aggregation platforms are flexible enough to accommodate the unique characteristics of various asset classes, such as the redemption cycle of debt securities, the capital call structure of private equity, and lifestyle assets such as art or cars.

"Junior accountants and bookkeepers spend months preparing balance sheets and profit and loss accounts for all the different operating assets and then trying to produce consolidated reports, not only for family office but the individual family members. The principal would love to press a button and immediately get an accurate picture of what all the assets are worth. But we don't have that. Everything is very spreadsheet-based and people-intensive."

Managing director, single family office, Hong Kong

"The family office ecosystem is a mix of trusts and limited liability companies. Then there are nested structures where family members own some assets jointly and some separately. This makes tracking any individual's ownership rights very difficult."

Founder, single family office, Hong Kong

"Currently we are not using any sophisticated technology in the family office. Possibly, this is connected to decisions taken by the older generation. Every month, we add a new column to our spreadsheet. There is no way of extracting timely information from it and it is subject to manual errors. We should be looking for something better."

Chief financial officer, multiple-family office, India

4.2 Operational risk

Operational risk is a significant concern for family offices, given the unique challenges they face, ranging from ensuring the physical security and personal privacy of family members to safeguarding financial assets. Protecting against operational risk is crucial, as family offices are often targeted by scammers and fraudsters, making vigilance a constant requirement.

Cybersecurity

In the realm of operational risk, cybersecurity is a primary concern for Asia-Pacific family offices, with 64 percent expressing worry about data breaches and cyber-attacks (**Fig 4.1**). The remaining family offices are either not concerned (32 percent) or entirely unconcerned (five percent), likely due to their confidence in the strength of their own cybersecurity measures.

Another major aspect of operational risk is linked to manual processes, a concern for 57 percent of family offices. Manual processes introduce the risk of human error and data loss, and, at the worst, theft or fraud. These risks are more likely to materialise when key staff members leave or retire. Failure to upgrade technology, which can perpetuate manual processes and pose a risk to the family office's efficiency, is an issue for 46 percent of family offices. Notably, concerns related to tax, regulation, compliance, and retirement of senior executives do not rank highly, likely reflecting the controls and plans in place to address these issues.

Cybersecurity and manual processes head operational risk concerns

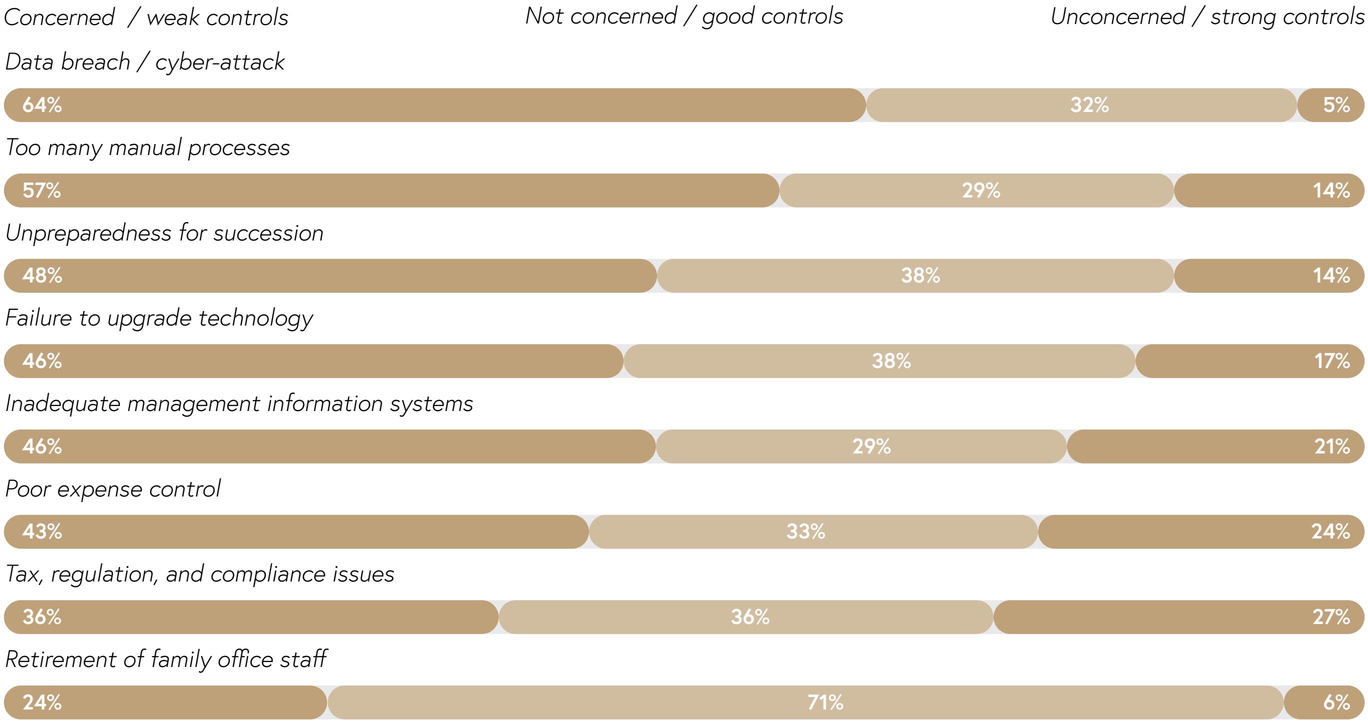
"There are a lot of related-party transactions and payments between different operating entities. All these payments have to be processed, managed, accounted for. So, operations become overly complex, reliant on manual processes and errors occur. There are too many Excel files floating around, and too much knowledge in the heads of individuals. If they suffered the misfortune of being run over by a bus it would be very problematic for us."

Chief investment officer, single family office, Australia

"Family offices are complex entities because of the ad-hoc way they develop. Progressively, new operational companies and special purpose vehicles get added. Then there's a liquidation event or succession, or regulation changes and individual units have to be moved around. The analogy would be to a creeper growing up a wall, it twists and turns and new shoots spring out all over the place. All this leads to the internal arrangements being much too complicated. In my view much of the operational complexity could be removed."

Managing director, single family office, Hong Kong

Figure 4.1: *Percentage of family offices expressing concern over specified operational risk*



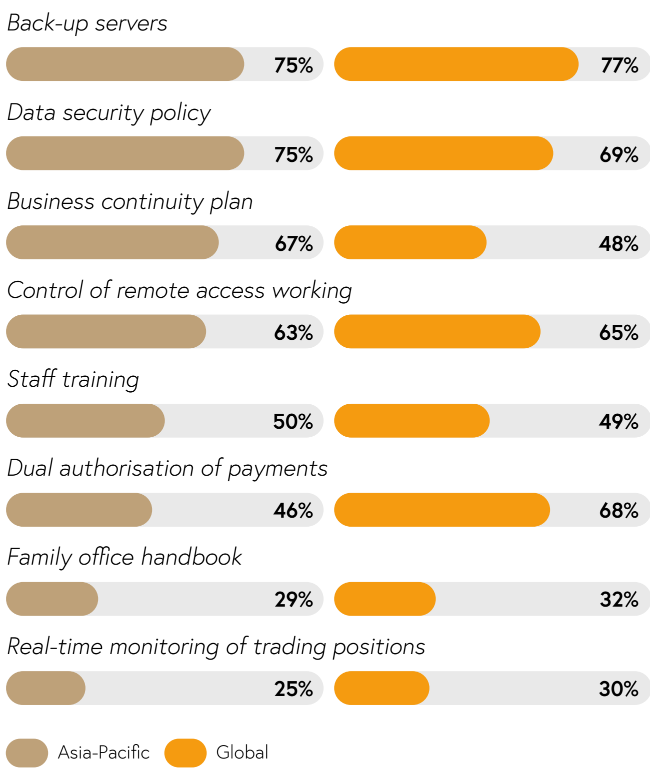
Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Risk mitigation

The mitigation measures family offices adopt to counter operational risks are highlighted in **Fig 4.2**. To defend against cyber-attacks and IT system failures, 75 percent of family offices employ backup servers and implement data security policies. Furthermore, 63 percent manage remote access working. These figures align with the global average. However, when it comes to defences against theft and fraud, Asia-Pacific family offices appear somewhat weaker than their peers. Dual authorisation of payments, a key anti-fraud measure, is implemented by only 46 percent of Asia-Pacific family offices, whereas the global average is higher at 68 percent. On the upside, Asia-Pacific family offices are more likely to have business continuity plans that outline how operations could continue in the event of a natural disaster or other emergencies.

Absence of dual authorisation is potential weakness

Figure 4.2: *Percentage of family offices with identified measure to reduce operational risk*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

The worst nightmare

Despite cyber-attacks being a top concern, the actual incidence of such attacks is relatively low. Only 3 percent of Asia-Pacific family offices have experienced a cyber-attack, including phishing, in the past 24 months. This contrasts with 11 percent for European family offices and 19 percent for those in North America.

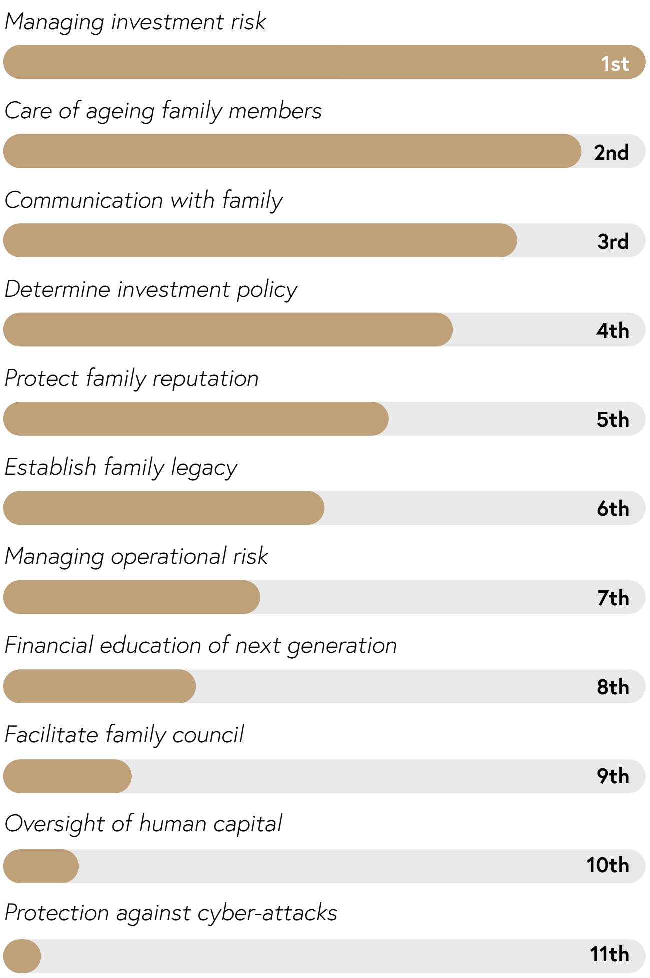
"It's a race between us and the hackers. Our protocols and cybersecurity plan need to be constantly updated. We can't afford to be complacent."

Founder, single family office, Hong Kong

"Although we have had our systems reviewed by security experts, our staff are still critical. We rely on them to check the authenticity of emails and report anything suspicious."

Chief investment officer, single family office, Australia

Figure 4.3: *Ranking of family office governance priorities*



Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

4.3 Governance

Purpose

The primary purpose of family offices in Asia-Pacific, as in the past, is the collaborative management and preservation of family wealth for current and future generations. Managing investment risk is the top governance priority for Asia-Pacific family offices as highlighted in **Fig 4.3**. Additionally, they place a strong emphasis on communication with, and where necessary the care of, family members. Interestingly, certain tasks that might be considered high priorities for any family office, such as safeguarding the family's reputation or establishing a family legacy, are ranked quite low on the list, perhaps because these are seen as the responsibility of individual family members themselves.

Investment management seen as primary purpose

While investment management is generally considered the primary purpose of a family office, there were some dissenting voices.

"The primary governance priority is to establish a family legacy. But before that's possible it's necessary to establish the family's values and consider how they can be propagated and protected."

Chief investment officer, single family office, Australia

"The asset management business is managed by a team of research guys under a CIO, who is directly accountable to the family. He has strict position limits but, within those, can trade without consulting the family. Every quarter, we discuss and formulate an investment policy. There's pretty substantial governance, we operate very much like an institution."

Managing director, single family office, Hong Kong

"Family engagement is something we take very seriously. The family office board is the best vehicle for achieving this dialogue. It's imperative the composition of the family office board includes leading influential family members."

Chief investment officer, single family office, Singapore

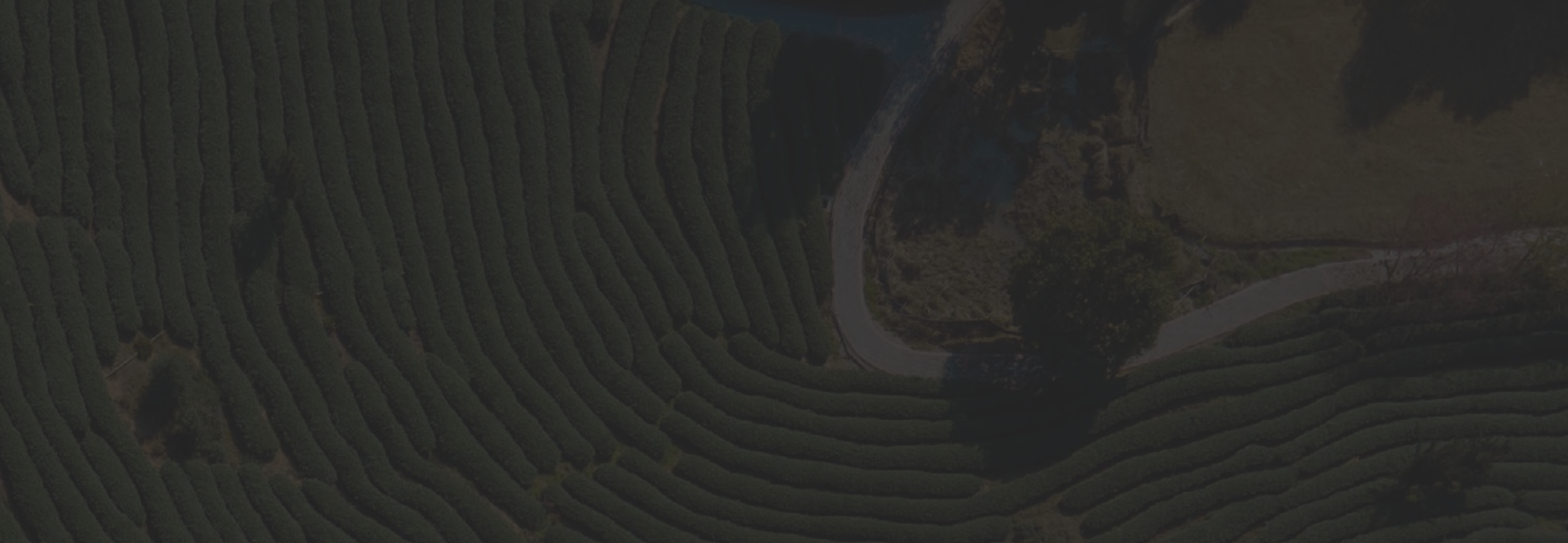
A lesson in risk management

Earlier in the year we saw an unfortunate echo of 2008's Global Financial Crisis when contagion from the U.S. resulted in the demise of Credit Suisse, which was the world's second largest private bank wealth manager with US $1.4 trillion under management. Although the bank's customers didn't bear any losses, the chief financial officer of a Singaporean family office warns the event is a timely reminder that risk management needs to consider the health and regulation of the financial institutions which have custody of their assets.

Why did this happen?

"2023's banking crisis was U.S. focused, involving the failure of a handful of second-tier institutions. But it had a very significant impact on the Asia ultra-high net worth banking market. Just as we saw in the great financial crisis 15 years earlier, jitters in one banking market can quickly spill over into another. In this case the concern jumped from Silicon Valley and First Republic banks on the west coast of the U.S. to Switzerland and the world's second largest wealth manager, Credit Suisse."

"The causes of Credit Suisse's failure were very different from those of the U.S. banks, which revolved around losses on securities portfolios and volatile deposits. Rather, the problem with Credit Suisse was the lack of investor confidence after a succession of scandals and management failures over the past decade. The scandals involved money laundering in Bulgaria, tax evasion in the United States, and bribing Chinese officials in Hong Kong. Management failures included exposure to a failing U.S. hedge fund and internal accounting irregularities. These incidents came thick and fast, and investors lost confidence that Credit Suisse could reform itself, the share price collapsed and depositors rushed to the exit. The Swiss authorities saw the failing bank as source of contamination for the entire banking system and, over the course of a weekend in March, arranged for it to be taken over by its rival UBS. This was a great deal for UBS; it cemented their position as the world's largest wealth manager and the Swiss government guaranteed it against losses."



What does this mean for family offices?

"There are repercussions for high net worth individuals and family offices, even those that didn't have banking relationships with Credit Suisse. Normally they have to think about portfolio diversification, that's the distribution of their holdings across different asset classes and geographies. But now they also have to consider the health and regulation of the financial institutions which have custody of those assets."

"The answers are not always as simple as you might think. For instance, the Swiss Deposit protection scheme guarantees deposits of up to CHF 100,000 per depositor per bank. So, is it better to have your cash in one very large well-capitalised bank, or two slightly less secure smaller ones?"

"We can see that the Credit Suisse debacle has encouraged the family offices to shift their assets to other banks in other financial centres. True, we don't know this first-hand from family offices themselves, but we can see from financial reports that in the first half of this year Credit Suisse saw outflows of US $80 billion from its wealth management division."

So where did the Credit Suisse assets go?

"It's difficult to tell because families, particularly Greater China families, tend to have half a dozen banking relationships. So, assets formerly held with Credit Suisse could now be distributed over a large number of institutions. Naturally enough, I'd expect them to look at the larger regional banks and there's one specific factor that may encourage them to steer clear of Swiss banks in the future. As part of the Credit Suisse takeover the Swiss regulator wrote off some of bank's bonds even though they were not the highest-risk element within its capital structure. Regulators and authorities acting in unpredictable ways sets alarm bells ringing for ultra-high net worth individuals and family offices."

This brings us on to the rivalry between Hong Kong and Singapore as they both seek to attract family offices.

"Hong Kong's Commerce and Economic Development Bureau launched an initiative to encourage more family offices to set up shop in the city. They see their biggest opportunity as the Greater Bay Area of Mainland China which is Hong Kong, Macau, and nine other cities surrounding the Pearl River delta. It is home to about 70 million people, produces 37 percent of the country's exports, and if it was a country itself, it would have the twelfth largest economy in the world. There are already half a million millionaires in the region and as their businesses grow, they will establish family offices, which will need the kinds of financial and legal services that Hong Kong provides."

"To increase the attractiveness of Hong Kong to Chinese families, the government has recently granted an exemption from profits tax for family-owned investment vehicles managed by a single-family office. This seems designed to encourage investment in Hong Kong's abundant venture capital and private equity opportunities. Whilst the older generations of Hong Kong and Chinese wealth-holding families made their money in, and tend to invest in, real estate, younger generations are attracted to new technologies like blockchain and artificial intelligence."

"But Hong Kong won't have it all its own way, it faces tough competition from Singapore, and more recently Dubai. This year Singapore has also revised its taxation regime for family offices, which is characterised by generous allowances for investment in local businesses and the equity market. Aside from direct investment, incentives are also used to encourage public / private finance initiatives, climate change mitigation projects, and philanthropic donations."

So, who is winning?

"Singapore is undoubtedly bigger. I've seen reported that there are 1,100 family offices in Singapore up from 700 in 2021. This is from the Monetary Authority so it's probably fairly accurate. There are believed to be 400 in Hong Kong."

Structures and documents

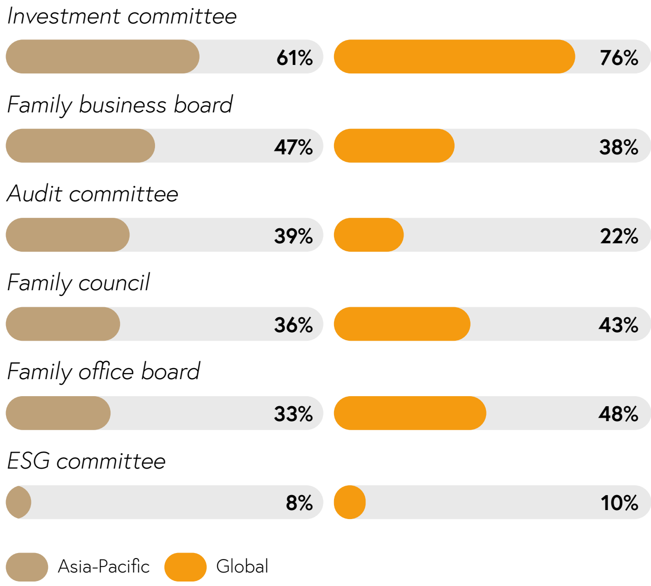
Structures and documentation play a vital role in shaping the operations of Asia-Pacific family offices. The most common governance structure is the investment committee, found in 61 percent of family offices, followed by the family business board found in 47 percent (**Fig 4.4**). This figure is notably higher than the global average and reflects the significant presence of Asia-Pacific family offices linked to a family business. In contrast, just 33 percent of family offices have their own family office board. Typically, this only becomes a necessity when the family office is fully professionalised, with day-to-day operations no longer solely controlled by the family itself. Additionally, slightly more than a third of respondents have a family council. This is often more common in larger extended families that stretch across multiple generations. It's important to note that two-thirds of families have more than one of the governance structures mentioned in **Fig 4.4**, of which, one will invariably be the investment committee.

Investment committee oversees governance

Reflecting the significant role of investment management in family offices, 55 percent of them have documented strategic investment guidelines, and 39 percent have established a risk management framework (**Fig 4.5**). However, only 32 percent have a mission statement, which is notably lower than the global average of 53 percent. This might represent a missed opportunity, as such statements can instil a sense of purpose and contribute to a more cohesive family unit. On a different note, Asia-Pacific family offices seem to prioritise succession plans more than their global counterparts. The relatively limited number of documented family histories may be attributed to the relatively young age of the family offices represented in our survey, with almost two-thirds founded since the early 2000's.

In most cases, family office governance is determined by two or three of the documents listed in **Fig 4.5**, with one of them typically being the strategic investment protocol.

Figure 4.4: *Governance structures commonly found in family offices*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Figure 4.5: *Documentation commonly forming part of family office governance*

Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Effectiveness

According to the survey results, approximately 70 percent of respondents perceive family offices as effective in making informed decisions, protecting the family legacy, and ensuring capable leadership. However, their effectiveness in the core function of wealth transfer from one generation to the next receives a slightly lower approval rating at 60 percent. Similarly, family offices are viewed as only partially effective at facilitating collaboration among family members and preventing conflicts.

"The different generations within a family look at everything from a different perspective. In terms of investment, older generations may want a higher level of income, the younger generation want investment in new disruptive technologies. The governance structure has to be strong enough to balance the interests of the different generations."

Chief investment officer, single family office, Australia

"The family office has to be more than a babysitting service for the family. We can do this by acting proactively, advising the family on the best course through all strategic, investment and governance matters."

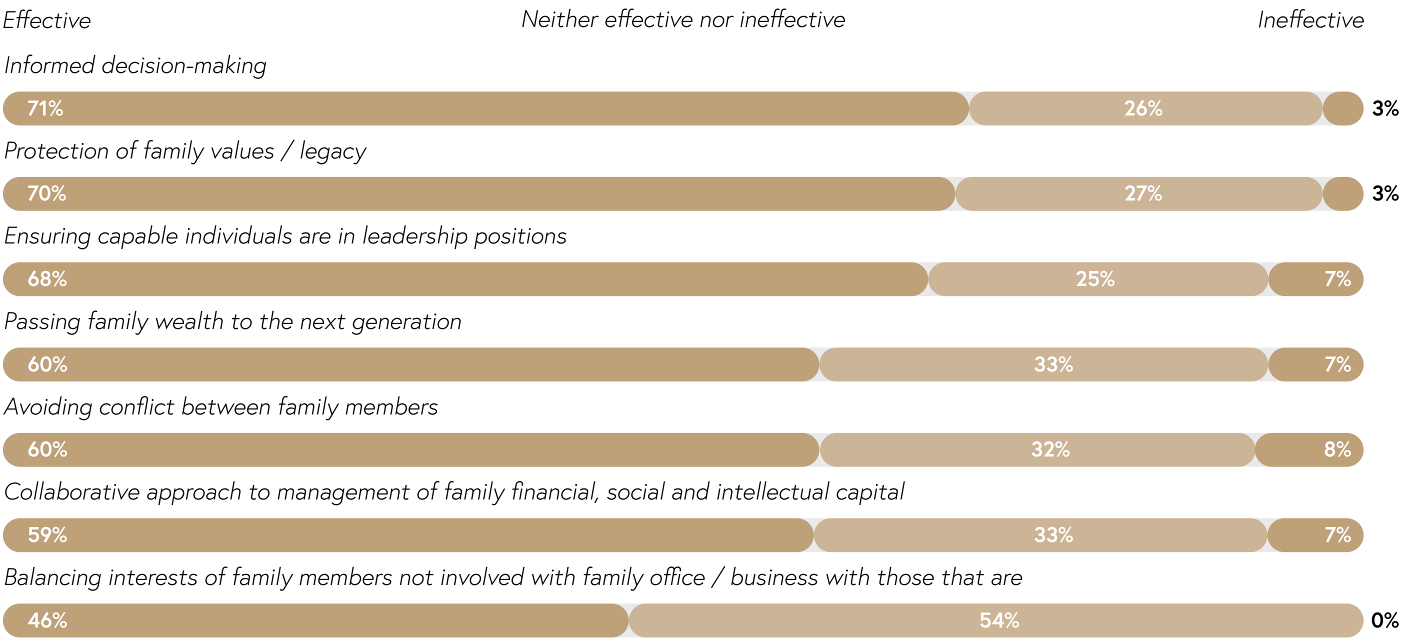
Chief investment officer, single family office, Singapore

"A small family office may have no governance structures, leaving all decisions in the hands of the principal. He or she could wake up one morning, decide to sell everything and close down the office against the wishes of other family members. Large family offices have so much governance they are essentially small institutions."

Managing director, single family office, Hong Kong

Good at decision-making and protecting family legacy

Figure 4.6: *Perceived effectiveness of family office governance at facilitating*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

4.4 Succession

Family leadership

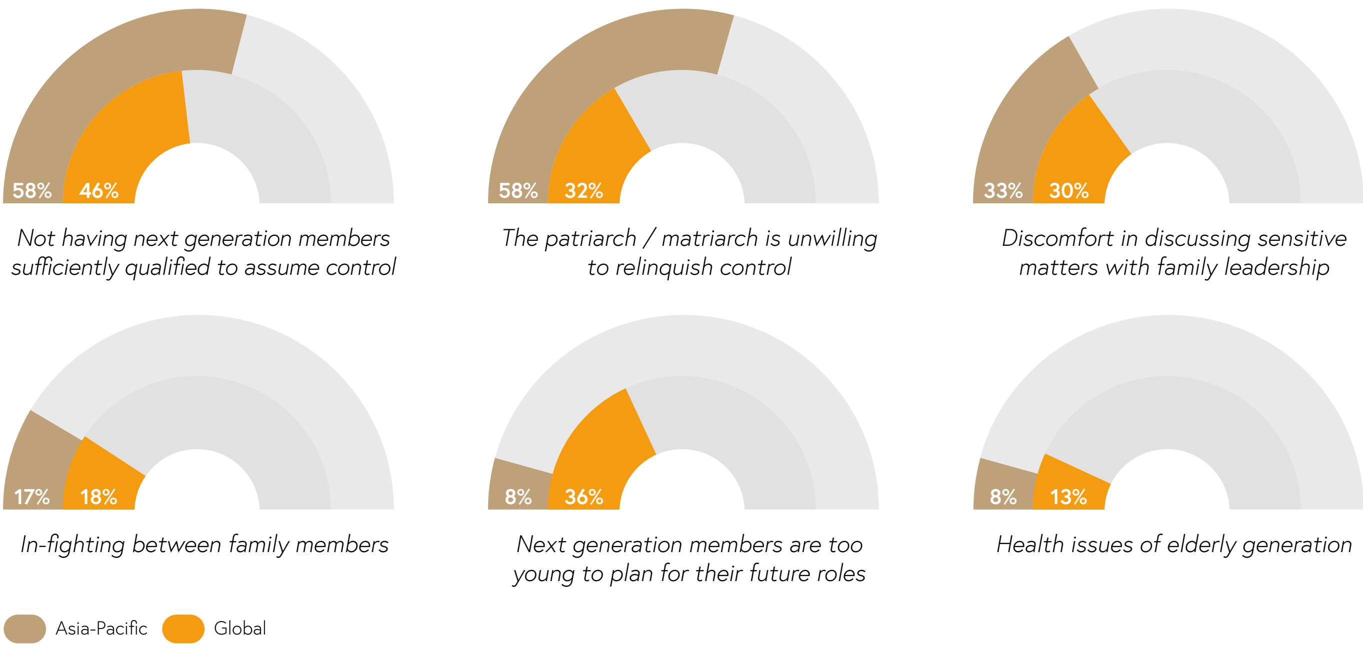
Succession planning within family offices presents unique challenges, particularly when it comes to determining who should assume top leadership positions such as Chairman or Chief Executive. Family offices tend to excel at placing qualified individuals in various roles; however, the decision for these top leadership positions remains within the family's purview.

Next-gens are often simply too young

Two significant challenges to succession planning are evident (**Fig 4.7**). First, a common perception is that next-generation family members are inadequately qualified (58 percent) to take on leadership roles. This perception is not necessarily related to their age, since this is covered by a different option (eight percent). Further, it may be unfair, since in many cases next-generation members are required to gain work experience within external institutions before assuming roles in the family office.

The second challenge is the reluctance of the matriarch or patriarch to relinquish control. This situation seems to be more prevalent in Asia-Pacific compared to Europe or North America. It may explain why a third of respondents report discomfort when discussing sensitive issues with senior family members. Succession planning can sometimes lead to conflict among family members due to these challenges.

Figure 4.7: *Challenges to succession planning*



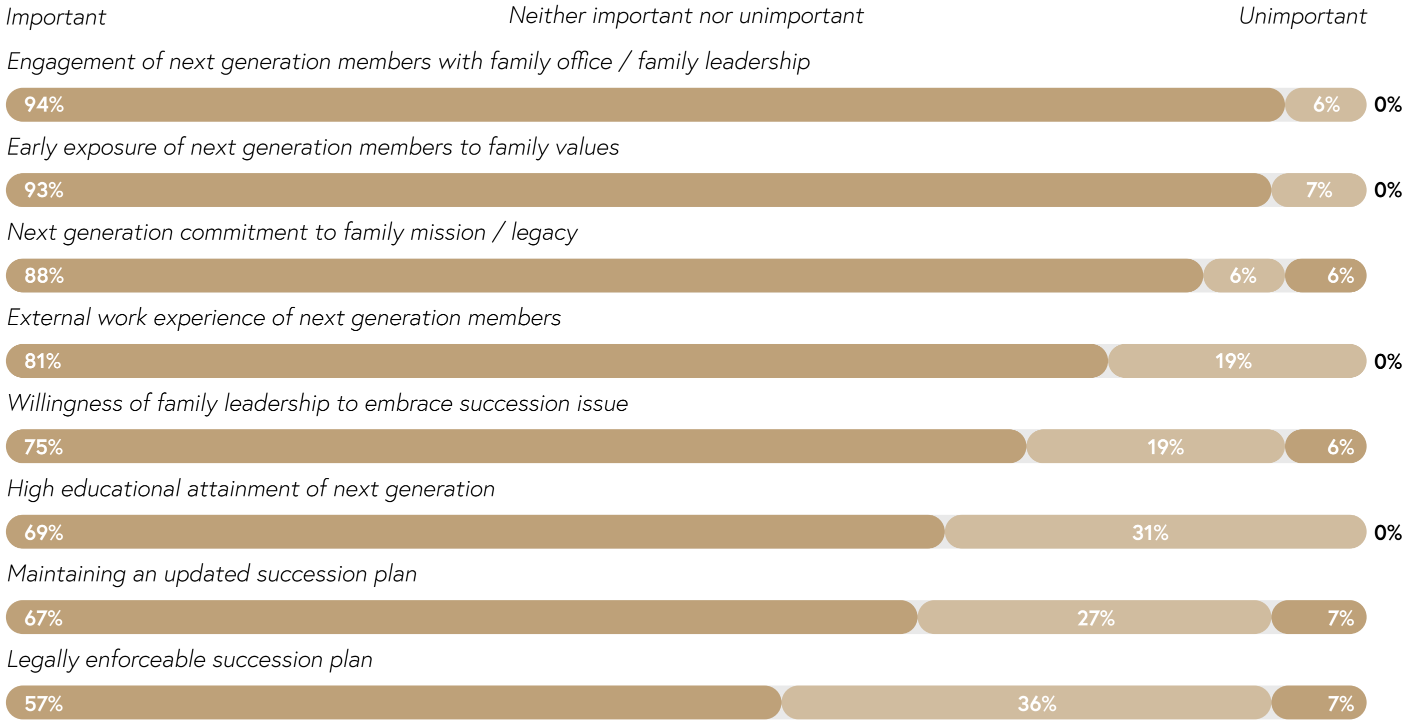
Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Start educating early

For successful succession planning (**Fig 4.8**), family offices should consider introducing next-generation family members to family leadership (94 percent) and instilling family values (93 percent). These aspects are deemed more important than educational qualifications and external work experience. However, the willingness of the current family leadership to address and embrace the issue of succession is a critical factor (75 percent). Open and early communication within the family can help mitigate challenges and ensure a smooth transition of leadership roles.

It's important to note that having an updated and legally enforceable succession plan is a necessary but of itself insufficient requirement for achieving successful succession planning.

Figure 4.8: *Factors important / unimportant for successful succession planning*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

"It's never too early to start educating your children. They will begin to realise that they are in some way different from their peers in their early teens. They won't understand everything at that age but an introduction to the family's history and heritage will encourage them to become involved in the future."

Chief executive officer, single family office, Hong Kong

"When we talk about the next generation they are actually in their forties and fifties with children who are teenagers or older. Neither the parents, who have their own careers, or their offspring, who are at school or university, have any interest the family office or the family business. We can only hope this changes."

Chief investment officer, single family office, Singapore

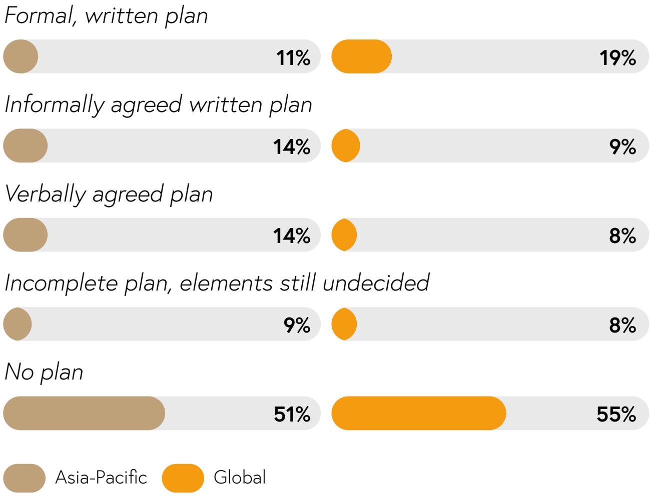
"Sometimes family offices close because there is no capable successor when the patriarch or matriarch passes. But sometimes the reverse is true. If there are several brothers working in the family business, it's often the case that they decide to sell out to avoid future conflict. The future of the family business and family office may depend on how many family members are working in them."

Chief financial officer, multiple-family office, India

Succession plans

While a legally enforceable succession plan doesn't guarantee success, it certainly adds value. However, the data shows only 49 percent of Asia-Pacific family offices have any form of succession plan, and merely 11 percent have a formal, written plan that is legally enforceable. **Fig 4.9** reveals that succession planning by Asia-Pacific family offices is less structured and formal compared to their counterparts in Europe and North America.

Figure 4.9: *Percentage of family offices with succession plan*

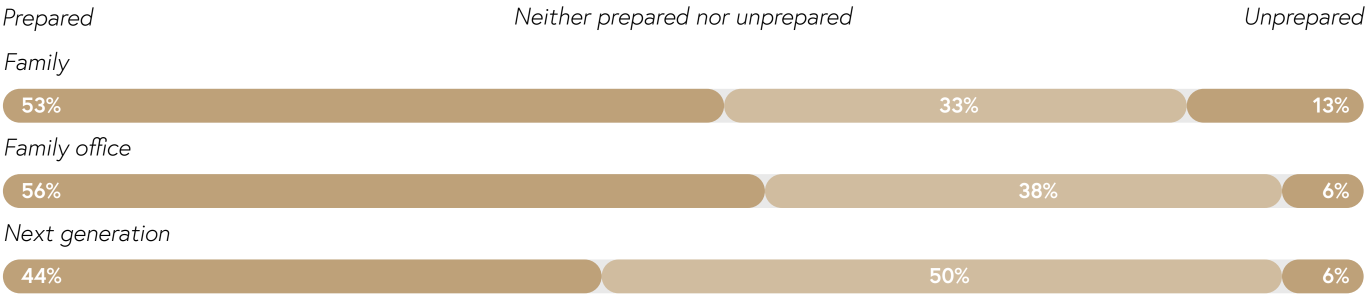


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Less than half have a succession plan

Confidence levels are also not very high; only 56 percent of family offices feel well-prepared for succession (**Fig 4.10**). Interestingly, family offices in the region consider their families' degree of preparedness to be comparable to their own (53 percent). The problem lies with the next generation. Only 44 percent believe their next-gens are sufficiently prepared, which aligns with the finding in **Fig 4.7** that they are insufficiently qualified.

Figure 4.10: *Preparedness for succession*

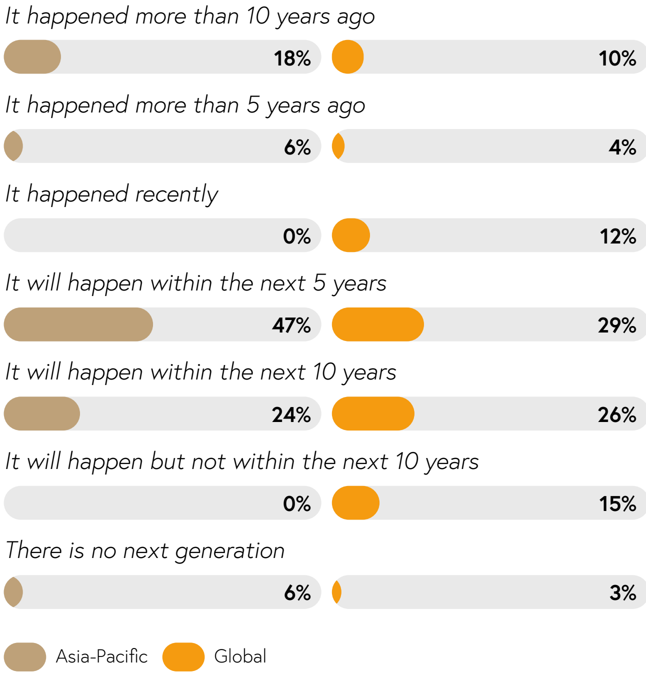


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Generational wealth transfer

A significant generational shift in control is on the horizon for Asia-Pacific family offices. Currently, about a quarter of these family offices have the next generation in control (**Fig 4.11**). Over the next five years, it is expected that this number will increase by 47 percent, and over ten years, a substantial 71 percent anticipate a generational shift. This acceleration is noteworthy, particularly in comparison with the expectations for family offices globally, where 55 percent foresee such a shift. The trend is largely attributed to the surge in Asia-Pacific family office formation since 2010. Almost half the regions' family offices came into existence over the subsequent 10 year period and many of this generation of founders will be looking at retirement a decade or two from now (**Fig 1.8**). The changing of the guard in family office leadership reflects the upcoming generational wealth transfer in the region.

Figure 4.11: *When the next generation is expected to assume control*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

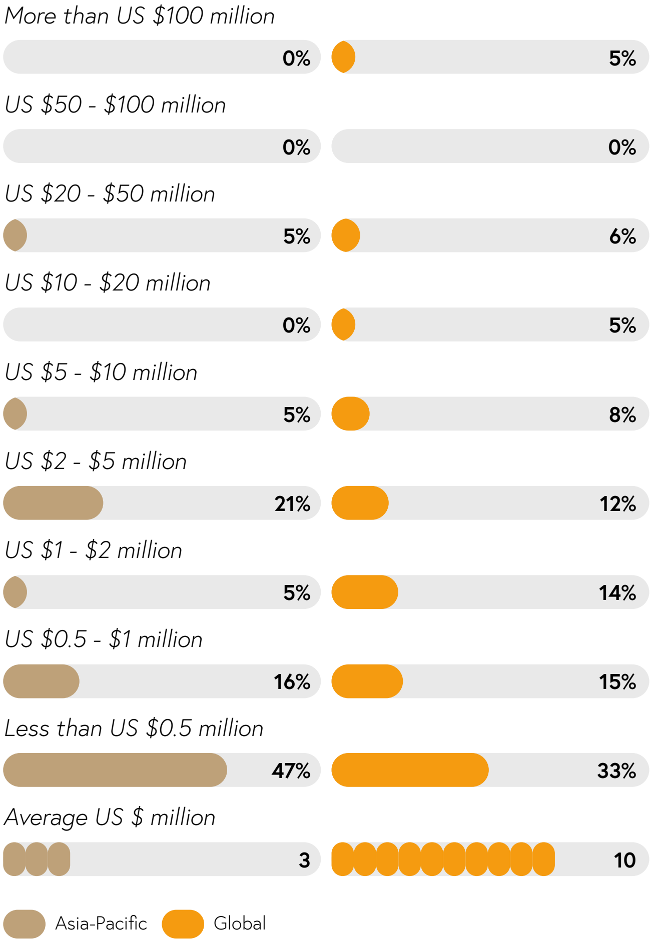
4.5 Philanthropy

Charity vs. philanthropy

Family offices in Asia-Pacific are actively engaged in philanthropy. Two-thirds of them make philanthropic donations, similar to their European counterparts (65 percent), but lower than the percentage in North America (75 percent). While most annual donations are typically less than US $0.5 million, some larger contributions raise the average to US $3 million (**Fig 4.12**).

Average donation US $3 million

Figure 4.12: *Percentage of philanthropic donations within band*

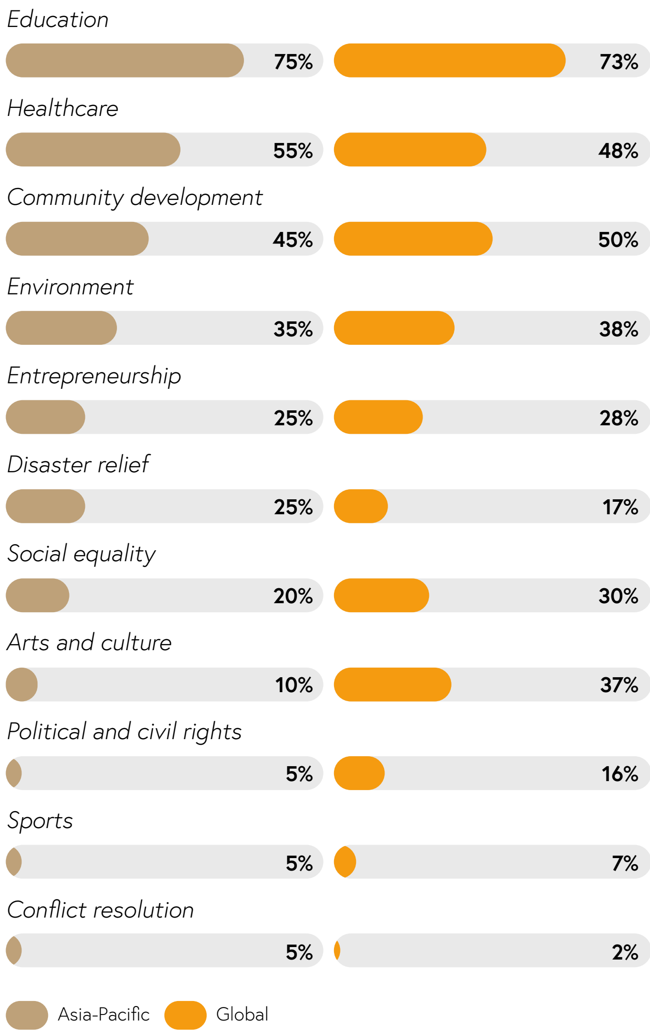


Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Long-term commitment

What sets these donations apart is the emphasis on philanthropy rather than charity, with the focus on addressing the root cause of issues by providing permanent solutions. Top causes supported by Asia-Pacific family include education (75 percent), healthcare (55 percent), and community development (45 percent), all requiring sustained commitments (**Fig 4.13**). In contrast, fewer family offices support disaster relief efforts, as these often relate to one-off events. Areas such as arts and culture, social equality, and political and civil rights receive proportionally less support from Asia-Pacific family offices compared to those in Europe and North America.

Figure 4.13: *Percentage of families supporting cause*

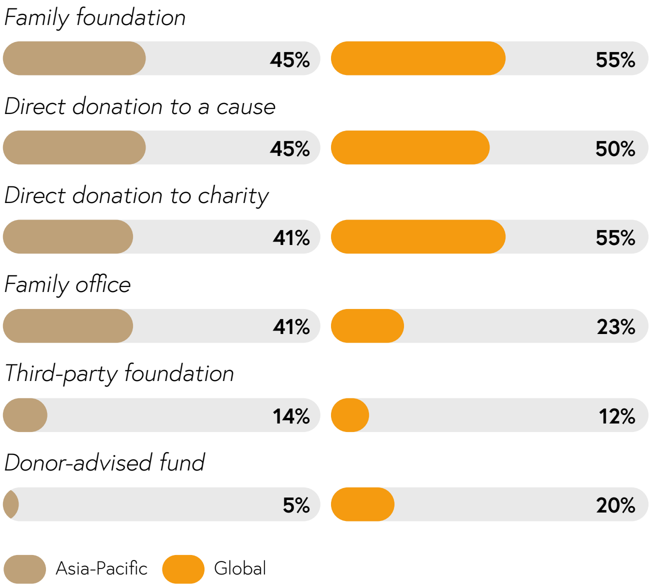


Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Family foundations, which offer charitable status, are employed by 45 percent of Asia-Pacific family offices to facilitate philanthropic donations (**Fig 4.14**). These foundations serve as vehicles to establish a family legacy, house expertise for evaluating non-profit organizations and impact investments, and optimise the deployment of philanthropic funds. Donor-advised funds, which rely on a third party for administration and disbursements, are another option that's gaining traction but is relatively new to the region.

While foundations in the region may not enjoy the same tax advantages as U.S. institutions due to the absence of inheritance and capital gains taxes in some jurisdictions, eligible donations to foundations and donor-advised funds typically attract upfront tax deductions. In Singapore, from next year, families will be able to claim tax deductions even for donations to foreign charities. It's common for families in Asia-Pacific, as elsewhere, to make direct donations to causes and charities and use their family offices for this purpose.

Figure 4.14: *Percentage of families using vehicles for philanthropic giving*



Note: Multiple answers permitted.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

Family cohesion

Asia-Pacific family offices recognise philanthropy as a force for strengthening family values and cohesiveness, with 70 percent agreeing that family foundations have this positive effect (**Fig 4.15**). They also express support for "Giving while living", with 85 percent believing it is more likely to align with the donor's intentions. However, they hold a more ambivalent view towards other supposed advantages of philanthropic strategies. For instance, only 40 percent believe that a match-funding strategy brings donors closer to the communities they support. Most notably, only a net 10 percent believe impact investing might, in some circumstances, be a more appropriate approach than traditional philanthropy.

"Philanthropy is the most important element in the family's legacy. It should be set out in the family mission statement in relatively broad terms because different generations will have different views about what the focus of their philanthropic efforts should be."

Chief executive officer, single family office, Singapore

"We operate a mix of sustainable investing and philanthropy, but I'd expect the philanthropy element to increase. This is because not every problem is susceptible to fixing by market solutions; some require human intervention."

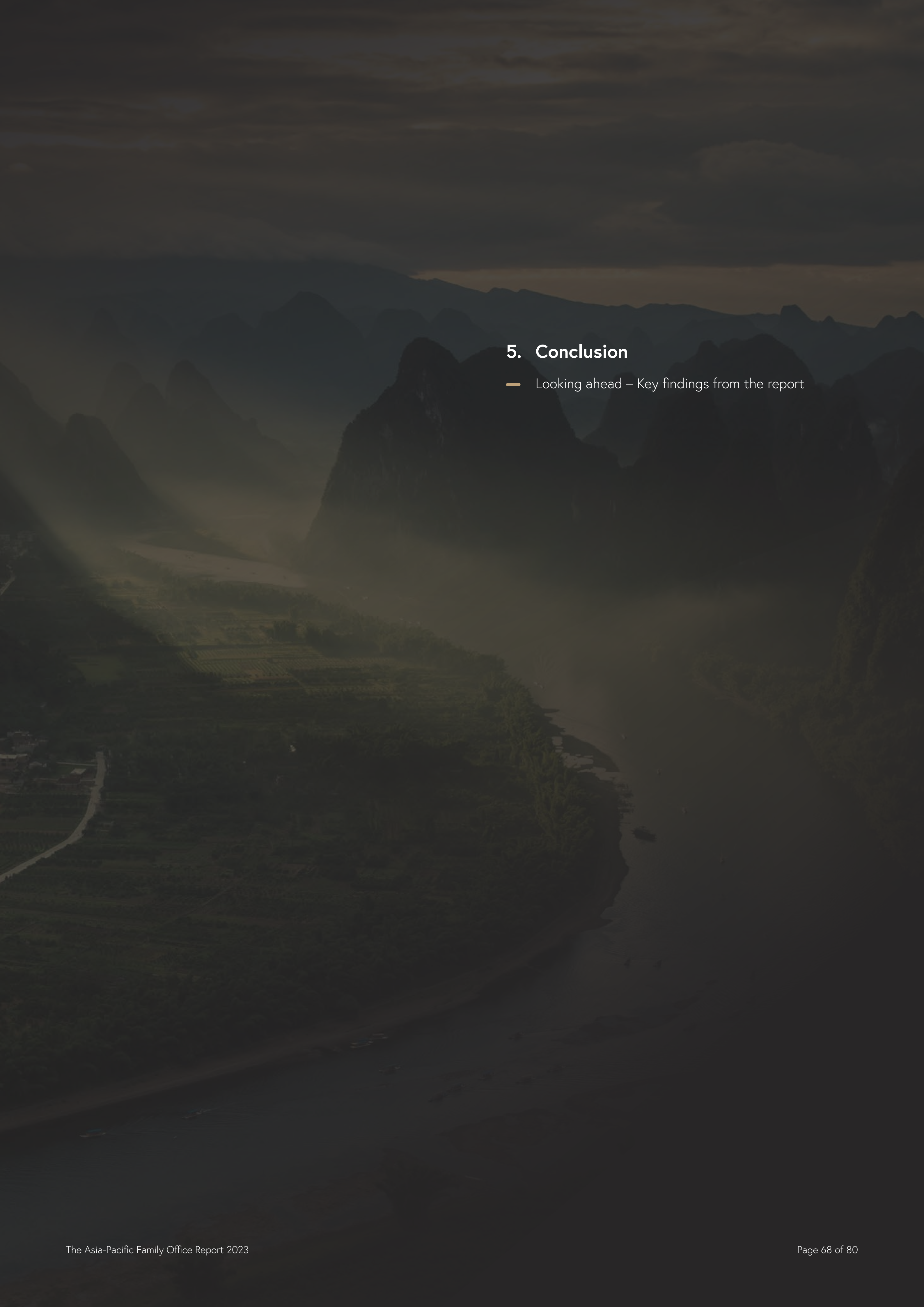
Chief executive officer, single family office, Hong Kong

"Australian families can donate through a private ancillary fund which has some of the characteristics of a U.S. family foundation, namely tax deductibility and five percent minimum distribution requirement. Once money is donated to the fund the donor receives a tax deduction and can determine, with agreement of the trustees, which charities benefit."

Chief investment officer, single family office, Australia

Figure 4.15: *Thinking about the family's attitude towards philanthropy, do you agree with the following statements?*

Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023



5. Conclusion

— Looking ahead – Key findings from the report

5. Conclusion

Looking ahead – Key findings from the report

In conclusion, this report provides valuable insights into Asia-Pacific family offices, highlighting their strengths and areas for growth as they adapt to a changing landscape.

High Satisfaction:

Almost 70 percent of respondents express satisfaction with the investment options, scope of functions, and staff dedication of their family offices. Estate and tax planning and next-generation education are well-regarded, and 57 percent believe they offer value for money.

Room for Improvement:

Family members and executives see potential for enhancements in areas like outsourcing, succession planning, and handling complex transactions.

Proactive Management:

Despite challenging financial markets in 2022, Asia-Pacific family offices performed well, with 68 percent reporting an increase in family wealth. Proactive actions to mitigate the impact of rising inflation and interest rates likely contributed to this success.

Technology Adoption:

There is a notable interest in adopting technology solutions, which can streamline operations, reduce manual tasks, enhance security, and mitigate risks.

Investment and Governance:

While managing investment risk is the primary focus, there's room to strengthen governance, with only 45 percent having succession plans and 35 percent having mission statements.

Cultural Shifts:

A generational shift in leadership is expected within the next 10 years, which may bring changes to work-life balance and the family office culture, especially with new talent joining from commercial backgrounds.

Successful Planning:

Starting early and introducing next generations to family values are viewed as critical for successful succession planning, alongside the existing family leadership embracing succession.

Risk Mitigation:

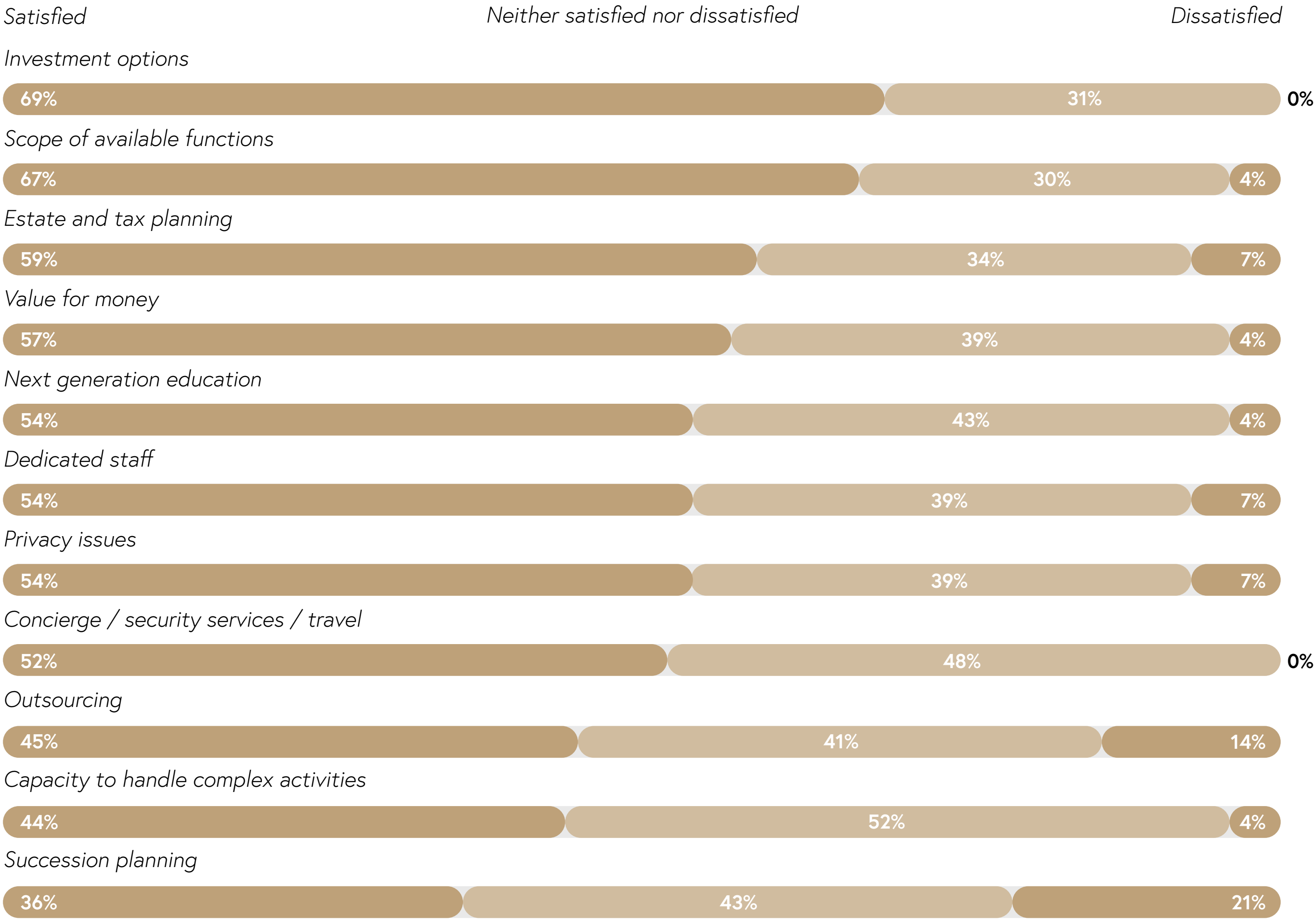
While cybersecurity defences are reasonable, there's room for improvement in dual authorisation of payments, to prevent theft and fraud.

Effectiveness:

Family offices are seen as effective in making informed decisions, protecting family values, and ensuring capable leadership, but could focus more on fostering collaboration and avoiding conflict among family members.

Overall, Asia-Pacific family offices exhibit strengths, proactive approaches, and potential areas for refinement as they continue to navigate the evolving landscape.

Figure 5.0: *Degree of satisfaction with family office attributes / functions*



Note: Figures may not sum to 100% due to rounding.
Source: Campden Wealth / Raffles Family Office, The Asia-Pacific Family Office Report 2023

About family offices

What is a family office?

A family office is, in its simplest form, the private office for a family of significant wealth. The number of staff working in the office can vary from one or two employees to 100 or more staff, depending on the type and number of services it provides.

The purpose of an office can range from handling key family assets and core holdings (tax and accountancy, property and estate management) to include more sophisticated wealth management structures, while often providing family members with educational, professional and lifestyle services.

Generally, family offices manage key areas of family assets, including real estate holdings and direct or indirect investments, tax consolidation and estate management.

They can serve as the central hub for a family's legacy, governance and succession. They can furthermore support the education and development of family members, facilitate family governance, coordinate communication and resolve issues within the family enterprise. A typical family office:

– Affords structure to the management of family wealth, establishing increased control and oversight of the family wealth strategy and costs of managing investments;

– Consolidates tax, accountancy and wealth management reporting execution under one roof;

– Provides a clearly-articulated, efficient governance framework for investment decision-making, as well as family legacy and succession functions (including philanthropic foundations and initiatives);

– Coordinates with service providers, achieving economies of scale (especially in the case of multi-family offices) and preferential deal access and products;

– Ensures confidentiality and privacy for family members, liberating them from the burden of wealth.

Who would benefit from using a family office?

Families with private wealth in excess of US $150 million are ideal candidates for establishing a single family office structure. While it is not uncommon for first generation entrepreneurs to establish a family office, these offices often support families with greater complexity in terms of households and generations. This is a key characteristic of family office structures and one that offices must account for when designing and executing investment strategies and family governance plans.

While each household will share some similar needs, from the perspective of the family office, each household merits special consideration. Such consideration cannot always be restricted to typical generational needs (i.e. retirees require income, while younger family members can accommodate more risk and longer horizons), because households themselves have differing liquidity requirements (for example, sibling benefactors may hold quite distinct professional ambitions).

Multiple wealthy families which might not necessarily be related to each other but nonetheless share some common values or goals may opt to consolidate and leverage resources by creating a multi-family office, rather than a single family office to manage the family wealth. Such a structure provides the benefit of economies of scale and investment deal opportunities that formal collaboration and a consolidated management structure afford. Naturally, family complexity factors arise for the multi-family office, only on another level of magnitude.

Here things can get quite messy. As such, traditionally, for a multi-family office to be successful and sustainable, families should share a common purpose, interest and risk appetite or, alternatively, comparable levels of wealth.

Traditionally for multi-family offices to be sustainable over the medium to long-term, they must manage cumulative assets of more than US $3.5 billion. For the sake of clarity, a number of terms with specific meaning in this report are defined below:

Private multi-family office: These will all have had a founding family before widening out their offering to multiple families. These offices are owned by families and operated for their benefit.

Commercial multi-family office: These will look after the interests of multiple families, often with wealth of less than US $150 million. Unlike private multi-family offices, they are owned by commercial third parties.

List of figures

About the creators

About Raffles Family Office

Raffles Family Office (RFO) is a multi-family office that offers a full suite of wealth management services for ultra-high net worth individuals. With an integrated platform that combines independence with advisory expertise across a broad range of asset classes and an expansive global partnership network built for seamless collaboration with the world's leading financial institutions, the firm is uniquely placed to provide comprehensive, lasting and highly bespoke wealth growth and preservation solutions. RFO is dual-headquartered in Hong Kong and Singapore and has branch offices in multiple Asian financial centres, including Shanghai, Beijing and Taipei. For additional information, visit www.rafflesgroup.co.

Independent Asset Management

Working in partnership with RFO's dedicated client advisors, the company's Independent Asset Management arm provides world-class advisory and discretionary management services pertaining to listed equities and fixed-income assets across global markets. Highly experienced and solely driven by client objectives, the team offers exceptionally informed and strictly unbiased counsel and support.

Advanced Wealth Solutions

Raffles Real Estate (RRE) is a diversified investment platform with a comprehensive suite of real estate offerings for clients in the ultra-high net worth segment. Its key services include portfolio strategy management and optimization; as well as acquisition and repositioning support. Catering to a variety of risk profiles, from core through to opportunistic, RRE specializes in the hospitality, commercial and residential segments. The firm's 360-degree and highly bespoke approach is purpose-built to safeguard and enhance real estate portfolios across multiple generations. RRE is a wholly owned subsidiary of Raffles Family Office, a pan-Asian multi-family office with a full range of wealth management services covering numerous asset classes.

Risk and Resilience Services

RFO additionally provides a host of supporting offerings under its Risk and Resilience Services unit to ensure continuity and succession in line with the intent of family principals, but also shifting economic conditions and societal norms. The platform encompasses trusts, insurance, family governance frameworks, as well as tax, immigration, philanthropy and sustainable investing advice.

About Campden Wealth

Campden Wealth is a family-owned, global membership organization providing education, research, and networking opportunities to families of significant wealth, supporting their critical decisions, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

The Campden Club is a private, qualified, invitation-only members' club. Representing 1,400 multi-generational business owning families, family offices and private investors across 39 countries. The Club delivers peer networking, bespoke connections, shared knowledge and best practices. Campden Club members also enjoy privileged access to generational education programmes held in collaboration with leading global universities.

Campden Research supplies market insight on key sector issues for its client community and their advisers and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Education delivers a virtual training platform empowering families with practical knowledge and the tools to make informed decisions. Drawing on deep expertise and real-world experiences, our programmes are designed to guide the whole family through all stages of ownership and growth.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991. In 2015 Campden Wealth further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai.

For more information:

www.campdenwealth.com
research@campdenwealth.com
T: +44 (0)20 3941 8015

Brien Biondi
CEO, Campden Wealth & Institute for Private Investors
bb@memberlink.net
Direct: 703-944-2183
www.instituteforprivateinvestors.com

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Adam Ratner
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