



# FAMILY OFFICE MONTHLY

June 2016



Welcome to the June edition of *Family Office Monthly*. We wrapped up our full-day workshop in South Florida last month: the *Capital Raising and Institutional Investor Workshop*, and it was a tremendous success. So much so that we are looking to host even more capital raising workshops in the future exclusively for Charter Members. Please reach out to us with any feedback on the April workshop or topics you'd like covered in our next workshop series. Our next family office conference is this month, the Family Office Deal Flow Summit on June 27<sup>th</sup> at the Edison Ballroom in New York City. To register for this and any of our upcoming events, please give us a call at (305) 503-9077 or visit [www.WilsonConferences.com](http://www.WilsonConferences.com).

Beyond the events, we hope you access our extensive family office resources such as *Family Office Monthly*, database solutions, family office training programs, webinars, and more. If you would like to learn more about how we can work with you and your family office, please contact our client services specialists at [Clients@FamilyOffices.com](mailto:Clients@FamilyOffices.com) and by phone (305) 503-9077.

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If you are an advisor serving a wealthy family, you might be excited about the long-term prospects of advising the family as the wealth transfers to the next generation then you may be in for a surprise ... **Page 2**

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Silver Rock Financial has for years served as the family office for the infamous financier, Michael Milken. Now the Wall Street Journal has reported that Silver Rock Financial has formed a hedge fund and is soliciting outside investors ... **Page 3**

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For years now we have been providing advice and guidance to investment firms and funds on how to engage and work with family offices. Whether we're consulting ... **Page 6**

## Upcoming Family Office Conferences in 2016

### The Direct Investment & Deal Flow Summit

June 27<sup>th</sup>

*The Edison Ballroom  
in Times Square  
New York, NY*

Reserve your seat today

<http://WilsonConferences.com/Direct>

# GRAPPLING WITH THE \$30 TRILLION WEALTH TRANSFER



If you are an advisor serving a wealthy family, you might be excited about the long-term prospects of advising the family as the wealth transfers to the next generation then you may be in for a surprise. Studies have shown that when wealth changes hands as it's passed down to the younger generation, that younger generation is likely to relieve the existing financial advisor and replace with an advisor of their choosing. That is just a minor inconvenience for the financial advisory business typically but America is poised for a massive wealth transfer as the baby boomer generation transfers assets to their Generation X and millennial descendants.

This long-term trend creates a significant problem for family office advisors and other financial advisors that face the prospects of losing long-standing clients. Importantly, we're talking about a massive wealth transfer of \$30 trillion in assets so this is a big deal for those financial advisors relying on affluent private clients like these in question.

*"Studies regularly show that when wealth passes to another generation, in the majority of cases, the heirs change financial advisors," said Gauthier Vincent, head of Deloitte's U.S. Wealth Management practice. "The relationship between assets, asset owners and financial advisors is unraveling before our eyes."*

*How advisory firms deal with this long-term trend will determine which succeed in the future and which falter. As the 'great wealth transfer' accelerates — the oldest boomers are now 70 years old — the strengths of some business models will become more apparent and the weaknesses of others more glaring.*

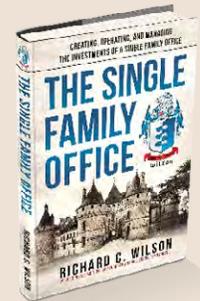
*"This is a fascinating time from a competitive perspective," said Vincent. "There's going to be winners and losers, and market shares will shift."*

*He added, "This industry will be very fluid in the next decade."*

**Source:** <http://www.cnbc.com/2016/06/15/the-great-wealth-transfer-has-started.html>

## The Single Family Office

You can order your copy of this Single Family Office book on Amazon here: <http://www.amazon.com/The-Single-Family-Office-Investments/dp/1503345033/>



If you want to listen to one of the interviews included in this book, visit [SingleFamilyOffices.com/audio2](http://SingleFamilyOffices.com/audio2) to download a free mp3 recording.

Looking to meet other single family offices in person? The Family Offices Group hosts many live conferences throughout the year in great locations like Manhattan, Singapore, and Miami. At least once a year, we host an exclusive gathering for single family offices and affluent families to meet, share experiences, and build relationships.



If you would like to be considered for membership (free to single family offices) please contact us:

**E-Mail:**  
**Member@SingleFamilyOffices.com**  
**Telephone: (212) 729-5067.**

## MICHAEL MILKEN'S FAMILY OFFICE HANGS ITS HEDGE FUND SHINGLE



Silver Rock Financial has for years served as the family office for the infamous financier, Michael Milken. Now the *Wall Street Journal* has reported that Silver Rock Financial has formed a hedge fund and is soliciting outside investors. Mr.

Milken will reportedly seed the firm with “several hundred million dollars” but he won’t own or manage the hedge fund.

Given that Milken made his fortune trading junk bonds, it’s perhaps unsurprising that Silver Rock managed most of the \$2 billion Milken family funds in junk bonds, distressed loans, and cash and equities. According to the

*Journal*, Silver Rock has been frustrated by Mr. Milken’s request to have high cash reserves and the firm has made some bad energy bets.

It is a common issue with family offices that are building internal teams to face pressure from the management team to have greater autonomy and greater compensation. When a family office can open up a fund like this, it might allow management to broaden the investing mandate and earn greater fees. That last part can be key when it comes to retaining talent, which is a major challenge for single family offices.

**Source:** <http://www.wsj.com/articles/new-hedge-fund-gets-the-michael-milken-touch-1465992507>

## INTERVIEW WITH A SINGLE FAMILY OFFICE ON REAL ESTATE INVESTING



*I wanted to share an interview I recorded for my Family Office Podcast with DJ Van Keuren of Arsenault single family office on real estate investments. Real estate is an important component of most single family offices so this was a really valuable conversation with an experienced family office professional.*

To listen to this interview, simply visit <http://familyoffices.com/Interview-with-Single-Family-Office/> or click the MP3 Button below.



If you’d like to hear more interviews like this, be sure to subscribe to the Family Office Podcast.

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# WEALTH MANAGERS OFFER TIPS FOR SELECTING A FAMILY OFFICE

When I wrote **The Family Office Book: Investing Capital for the Ultra-Affluent**, I conducted dozens of interviews with family office veterans and those interviews led to some great tips for ultra-wealthy families and individuals. I wanted to share what a few of these family office executives said when I asked what questions they would ask if they were giving someone advice on how to choose a family office.

Charles Grace, an executive I interviewed with over 50 years of experience in the industry, had the following advice on how to select a family office:

*“Actually select a family office that has a history and that has all of the resources required. Once you get past that you will find there are a bunch of them that can do this. Once you get past that, it’s a question of the relationship that you are able to develop and accomplishment you feel in your communication with an individual, primarily with an individual in the organization, typically with a very senior individual in the multi-family office.”*

Graham Harrison, a co-founder of Asset Risk Consultants suggested settling this question first:

*“The first big question that a family should ask themselves before starting this process is, ‘What’s the money for?’ That might seem a fairly obvious question, but it’s surprising when you’re dealing with families, there’re very often interviews as to what a pool of assets is actually for, and of course there are only really three things you can do with money. You can bury it if you like and then preserve it. You can try to make more of it--you know, invest it--and you can spend it and trying to get that balance right is actually quite difficult for families and they quite often appreciate having an independent person kind of acting as chairman with the discussions and trying to put that down on paper.”*

Tim Vorhees, from the multi-family office, Family Office Services, offered the following advice on selecting a multi-family office:

*“The multi-family office, above all else, needs to have staff members who can understand and support the vision of each client’s family. Too often staff members may say that they understand the vision but, if the client follows up a few months after first meeting the staff, the client may be surprised to see that very often family office staffers will struggle to state the vision in a way that the client readily affirms. Even if the family office employees can articulate the vision and values of the family, staff members may struggle to explain how those ideals guide the portfolio management and the estate management process. There is often a huge disconnect between the vision statement and the practical planning.*

*Within this disconnect is the starting point for true planning.”*

Arnold Bon, who is based in Luxembourg with more than 12 years of multi-family office and single family office industry experience, gave the following thoughts on this issue

*“The family itself should really first ask questions to themselves; ‘what do I want the family office for or do I simply need to do wealth management or do I want somebody who picks fund managers?’ If they want to go a step further and say ‘okay we also want them to take care of the personal administration, the house, etc.,’ then I think they should definitely ask for references, and they should ask for the experience of the team, the turnover and who are their clients because the world of the rich and wealthy is sometimes a very small world and also there are people who like each other and who don’t like each other. And heaven forbid they work with somebody who is also doing work for one of the people they don’t like.”*

I also reached out to Paul Tramontano, a co-founder of Constellation Wealth Advisors, for further advice on selecting a family office:

*“If I had a family member who was evaluating family offices, I would advise them to start with each firm’s ability to ask questions. Most people know what they want from their investments and family office services, but many people have a more difficult time distilling and prioritizing their specific goals. It is our job, as a family office, to ask pertinent questions to clearly identify and work toward achieving those goals. I would also encourage potential clients to do several solid reference checks with both existing clients and professional firms, such as reputable law and accounting firms.”*

I hope you benefit from hearing these informed perspectives on such an important decision for families.

*Richard Wilson*

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# TAURUS FAMILY OFFICE STRATEGIST EXPRESSES CONCERNS OVER U.S. ECONOMY

Rainer Michael Preiss, a portfolio strategist for Taurus Family Office, completed an interview with Rishaad Salamat of Bloomberg on the U.S. economy and the Fed not raising rates.



## JUNE WEBINAR: CHOKE POINTS

This month's webinar topic is Choke Points. If you are running a business or a family office, this webinar on choke points will show you how to identify, obtain, and defend strategic positions to attract capital, deal flow, and clients.

You can attend that webinar for free as a Charter Member or register to attend here: <http://FamilyOffices.com/Webinars> Members can also access dozens of hours of content through our webinar recording

library. Our July webinar will be on Private Debt Financing, so be sure to RSVP for that webinar, too.

We're covering all the important family office issues in Charter Member webinars, our quarterly conferences, and through educational resources like *Family Office Monthly* so be sure to receive the latest by joining the Family Office Club: <http://FamilyOffices.com/Association>

## BLACKSTONE MORPHS THE MODEL TO COURTING THE ULTRA-WEALTHY

*For years now we have been providing advice and guidance to investment firms and funds on how to engage and work with family offices. Whether we're consulting or simply responding to an e-mail from a frustrated investment executive seeking to work with family offices, the central challenge is the same: family offices are unlike any other investor and must be treated differently. I'm not talking about etiquette (although there are certain sensitives in this area) but rather the various factors that influence a family office's actions including: investment objectives, risk tolerance, structure preferences, family dynamics, liquidity and time horizon, and decision-making process.*

Blackstone Group, the massive private equity firm turned asset manager, has picked up on the unique needs of family offices compared to their other institutional investors. John Studzinski, who runs Blackstone's investor relations with the family office and HNW community, told Bloomberg that his firm has adopted more of an investment banking model working with ultra-wealthy clients instead of simply pitching its investment products.

Family offices are increasingly interested in co-investing, accessing deal flow, and getting support on the deals they're working on, Mr. Studzinski said, echoing points we've discussed frequently in this publication. Will other investment firms follow Blackstone's example?

*Rich families globally have an estimated \$4 trillion in wealth that's up for grabs by money managers and other destinations such as private businesses or real estate operators seeking capital. The biggest alternative-asset firms, including New York-based Blackstone, Carlyle Group LP and KKR & Co., are stepping up their efforts to keep a slice of the action.*

*Blackstone put Studzinski, 60, into his current role last year after spinning off his merger and fundraising advisory groups, which combined with PJT Partners Inc.*

*Family offices pour an average of 27 percent of their assets into private equity funds, according to research firm Preqin. And family money represents 9 percent of capital in such funds, more than double from five years ago. Carlyle co-founder David Rubenstein in April said family offices, along with sovereign wealth funds, are the Washington-based firm's fastest-growing sources of new money.*

*At the same time, rich families are increasingly seeking ways to bypass wealth managers by doing deals on their own. Almost 70 percent of family offices engage in direct investing, according to an April survey of 80 families by the Family Office Exchange. The practice allows them to avoid paying fees to buyout firms, which typically charge an annual management fee of 1 percent to 2 percent while keeping 20 percent of deal profits.*

*For anyone looking for more insights into how family offices approach direct investing and what types of deals they're looking for, be sure to attend this month's Family Office Deal Flow Summit in New York.*

Source: <http://www.bloomberg.com/news/articles/2016-06-09/blackstone-turns-to-investment-banking-model-to-court-the-rich>



## *Majority of Single Family Offices Investing in Private Equity*

Single family offices have historically focused on protecting the capital of the ultra-wealthy, often pursuing relatively conservative passive investing approaches and identifying ways to reduce taxes, improve legal structures, and cater to the client needs.

Now, however, family offices are striking a more aggressive stance when it comes to managing the portfolio, putting significant amounts of capital to work and taking on more leverage, single-company exposure, and often reaping the rewards of the riskier strategy.

Private equity, of course, is an alternative asset class reserved only for qualified investors and institutions because of the significant risks involved in leveraged buyouts and venture capital.

The same goes for hedge funds, with those funds often leveraging up in risky and sometimes opaque securities. Today, we see more and more family offices pursuing a direct investment strategy that invests capital directly into private companies and even setting up internal trading units. We're covering the direct investment trend this month at the Family Office Deal Flow Summit (<http://FamilyOffices.com/Deal-Flow>).

For the private equity industry, it's very important to track this trend and see how traditional private equity funds will be able to work with family offices still in a rapidly-changing investing environment.

This month we had further evidence of this trend thanks to a study by iCapital Networks that showed just how much wealthy families are allocating to private equity. According to the research, 6 out of 10 single family offices are investing in private equity. 90% of those family offices are directing 10% or more of their investment portfolios to PE funds or direct investments.

Breaking that down further, a little more than 70% allocate between 10% and 20% to private equity, while 20% maintain allocations of 20% or more. That kind of appetite is consistent with the target allocations of many institutional investors.

Most striking is that close to 9% are allocating more than 50% of their portfolio to private investments. An ultra-wealthy family has the autonomy to invest in the ways that best suit long-term goals.

The relatively high allocations to private equity parallel the approach used by many large endowments to attempt to manage downside risk and increase return potential over extended periods of time. The high allocations may also represent something else: a very high level of comfort with the asset class.

**Source:** <http://www.fa-mag.com/news/sfos-ante-up-on-private-equity-27480.html>



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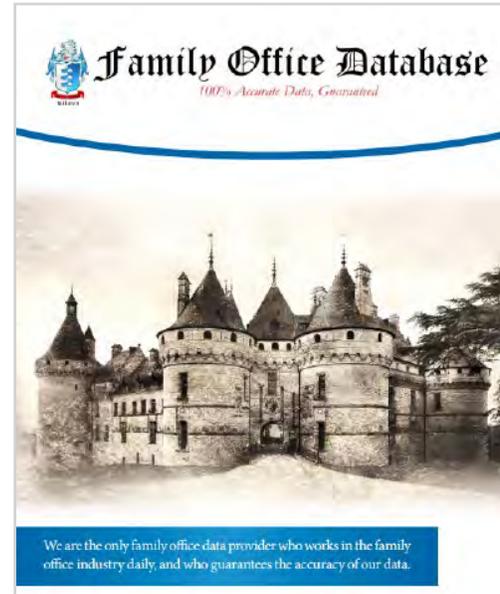
## ACCESS THOUSANDS OF FAMILY OFFICE RELATIONSHIPS

The team at the Family Office Club has put together a powerful combination of resources for professionals looking to raise capital from institutional and family office investors. The Institutional Capital Raising and Conference Package includes all of our investor databases, as well as access to our quarterly family office networking summits, educational webinars, and 5 professional designation programs offered by the Finance Training Society.

### What's all included in this package?

- 1 Multi-Family Office Database (1,000+ Firms)
- 2 Single Family Office Database (500+ Firms)
- 3 HNW Wealth Management Firms & Private Banks (925 Firms)
- 4 Merchant & Investment Banks (405 Firms)
- 5 Fund of Funds (350 Firms)
- 6 Institutional Investment Consultants (225 Firms)
- 7 Endowments & Pension Funds (650 Firms)
- 8 Library of Educational Webinars (More Information at <http://FamilyOffices.com/Webinars>)
  - BONUS: Two 12-Month VIP Passes to all our Family Office Summits (More information at <http://Wilson-Conferences.com>) - \$5,500 Bonus Value
  - BONUS: Master's Certificate in Finance & Investments Training Package (More information at <http://FinanceTraining.com/Masters>) - \$1,985 Bonus Value

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## SINGLE FAMILY OFFICE MANAGEMENT



At Single Family Office Management, we provide hands-on assistance in launching, managing, and improving your single family office.

If you are seeking help forming a single family office or want expert support for your existing family office, visit <http://SingleFamilyOffices.com> or call (305) 333-1155 to speak with an experienced single family office advisor.

## SAN FRANCISCO-BASED SINGLE FAMILY OFFICE SEEKING INVESTMENT ANALYST

A Single Family Office based in San Ramon—about 45 minutes from downtown San Francisco—is looking for an associate to join their team with 2-3 years of experience in financial modeling, due diligence, real estate or investment banking. Currently seeking a candidate with a record of academic excellence, preference is given to candidates with graduate degrees from Wharton, Stanford, Harvard or similar Ivy-League Institutions.

Family Office experience is beneficial, but not required; applicants with Family Office connections will be considered first.

Candidate must be discrete, committed, technology savvy and maintain utmost professionalism.

### Key Responsibilities May Include:

- Help conduct due diligence on different portfolios.
- Light travel to potential investment locations
- Attending meetings with head of Family Office and assisting with Real Estate and Investment deals.
- Helping with financial modeling and valuation projects.
- Attention to detail.

All interested applicants please apply below.

You can apply for this position at <http://FamilyOfficeJobs.com/Family-Office-MBA/>

## CENTAUR VENTURES RECEIVES \$100MM CREDIT FACILITY FROM UAE SINGLE FAMILY OFFICE

Centaur Ventures, the investment arm of Centaur holdings focused on mining and natural resources assets, has signed an impressive financing according with a UAE-based single family office.

According to reports, Centaur Ventures, signed a deal giving the firm \$100mm in capital at a 4% coupon so that it can pursue its mandate of buying mining and natural resources assets in South Africa, USA, UK, and Australia—though it looks like this funding is more focused on South Africa.

*The funds will be used to expand the mining and natural resources projects of Centaur Mining predominantly in South Africa. Centaur's Mining arm, which is based in South Africa, have received reserve bank approval for 1.5 billion ZAR for the funds to be deployed in South Africa...*

*... The Centaur Asset Management team manages all*

*investments on behalf of Centaur Ventures, and employs a focused and systematic investment process which aims to create value through rigorous analysis and selection of prospective investments, proactive portfolio monitoring and management, and carefully identified exit strategies.*

*Commenting on the news, Daniel McGowan, Chief Executive Officer of Centaur Holdings, said, "This is a significant development for our business, and will allow us to place considerable investment in a number of our ongoing projects. There is a real sense of momentum behind the business at present, and we expect this deal to further boost our mining capabilities in South Africa, as we seek to deliver even stronger returns to our investors."*

**Source:** <http://www.cpifinancial.net/news/post/36323/centaur-ventures-signs-100-million-credit-deal-with-uae-based-family-office>