Welcome to the October edition of Family Office Monthly. We finished up our second of the two-part Family Office Deal Flow series, this time in New York. It was an excellent opportunity to hear from direct investors and co-investors on what they look for in a private company, real estate asset, or early-stage investment. We’ve put together some of the best takeaways in the article on page 5 for those of you who weren’t able to attend.

Now that Houston has had a chance to recover (though we know, of course, that there are many who still need assistance), we are pleased to return to the energy capital of the world for the Family Office Energy Summit on November 2nd. If you plan on attending our upcoming conferences, we encourage you to RSVP as a Charter Member in the new login platform online at www.FamilyOffices.com/Login. If you are not yet a Charter Member, be sure and visit www.FamilyOffices.com/Association to learn why membership keeps growing.

German Family Office Seeks Manager for €100 Mandate
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India's Growing Family Office Industry Fuels Private Equity & Venture Capital Investments

It's a good time to be an Indian entrepreneur. Indian family offices are increasingly injecting capital into private companies and start-ups. The family office vehicles have enabled India’s wealthy families to make these private investments. Often, the dollars aren't as important to the entrepreneurs on the receiving end, so much as the benefits of associating with a major family office, the mentoring by a successful family, and the credibility of the endorsement—especially as the start-up raises capital from other investors. Read more at: https://www.ft.com/content/39d9c776-a9cb-11e7-ab66-21cc87a2edde

Many have set up family offices through which they are investing some of this wealth, focusing on traditionally lower-risk assets such as property, treasuries and alternative investment funds. But the family offices of some of India’s most respected entrepreneurs are also allocating some of their wealth to private equity and venture capital, making small but highly symbolic investments in promising Indian start-ups...

...These investments are usually no more than $10m-$15m and are often made early in the start-up’s life. But these funds are highly significant to young companies, as they carry the implicit endorsement of some of India’s most experienced business veterans, helping young entrepreneurs attract greater attention.

“IT’s not only about the capital, but the right mentor,” says Gadge. “If in addition to capital, you are getting the top names as your mentors, that is what makes all the difference.” Capital is available from various sources, he says, but his choice would be a family office, as a promoter could guide him and help him build better business connections.

For investors themselves, private equity provides a feeling of excitement that many other financial investments lack. “With private equity, you have a sense of adventure and high return/risk reward,” says Ronnie Screwvala, a media entrepreneur whose family office, UniLazer, has invested in 15 start-ups. “First-generation entrepreneurs have that in their DNA.”

Read the full story here: https://www.ft.com/content/39d9c776-a9cb-11e7-ab66-21cc87a2edde

Family Office Seeks Manager for €100m Property Mandate

We know that there are firms in our network that partner with family offices to manage their investment mandates. That's why we wanted to highlight this €100m property mandate for a European family office:

A family office is searching for a manager for a €100m mandate via IPE Quest Discovery. The mandate is for Europe excluding the UK, although the family office has expressed a preference for property in Germany, Switzerland and Austria.

The return target is in the 5-8% range, depending on the city and tenants involved in each asset. According to search DS-2369, the German investor is targeting core real estate and is open to different market sectors.

The allocation is to be held in a separate account and can be for either listed or unlisted property. The closing date for submissions is 6 November, 5pm UK time.

Source: https://realassets.ipe.com/news/mandates/german-family-office-seeks-manager-for-100m-property-mandate/10021250.article
What Draws Family Offices to Energy

The family office story in the twenty-first century is not complete without a mention of the major wealth events that came out of the domestic oil and gas boom. With modern exploratory techniques like fracking and the discovery of new reserves throughout the United States, a number of wildcatters and risk-tolerant investors minted fortunes in the oil patches and gas fields. In Texas, Oklahoma, and even Pennsylvania, new discoveries yielded gigantic profits for energy entrepreneurs. Many of the family offices formed in the last two decades manage these energy fortunes.

Of course, the flip side is also true: many family offices were burned by energy investments or saw their whole fortunes disappear when commodity prices fell precipitously in recent years. Most family offices fall somewhere in the middle. They have made a strong return on select investments and may even have formed a company that benefited from the energy boom, but they also have had to stomach some losses in the energy part of their portfolio. One truth remains, though: America, and the world, needs energy, whether it be fossil fuels, LNG, or renewable sources.

The question is how the energy industry will change and how family offices can best position themselves in this dynamic environment. That's why we're hosting The Family Office Energy Summit next month in the energy capital of the world. Most family offices will continue look to invest in energy for a number of reasons: they've made money investing in the sector before; the modern economy needs a strong energy supply; many assets are perceived to be mispriced or substantially discounted; presenting an opportunity for savvy investors; and they have the competency and experience to navigate even the choppy waters we've seen in the last few years.

Join us in Houston for this energy conference: http://FamilyOffices.com/Energy

Spotlight: Private Equity Eyes Family Office Cash

Top private equity firms have had little trouble raising cash, especially compared to their hedge fund peers, but at least one private equity titan expanding beyond institutional investors to the RIA and family office channels. Blackstone's Steve Schwarzman spoke of this development on a recent earnings call:

"The power of the Blackstone brand is perhaps best illustrated in the high level of demand we’re seeing for our funds across different subchannels: including...the RIAs [registered investment advisers] and family offices. These channels and investors, by and large, have been under-allocated to alternatives within their portfolios, some dramatically.


New Capital Raising Book


To download the first four chapters of this book visit http://CapitalRaising.com/book and complete the simple download form to receive the book.

Looking to meet family offices in person? The Family Office Club hosts many live conferences throughout the year in great locations like Manhattan, Singapore, and Miami. Once a quarter, 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: Team@SingleFamilyOffices.com
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Video: 8 Billion Dollar Family Deal Sourcing Strategy

A few stories in the news have drawn attention to something that I've been talking about for a few years now: family offices are more and more winning deals from traditional buyers like private equity and strategic investors. As family offices take on a bigger role in the world of private equity and alternative investments, a big part of their successes will come from having superior deal flow to their competitors.

Many family offices are already experts at sourcing exceptional, off-market deal flow and I'm always talking to trying to soak up new strategies so I can help my clients and share these insights with you. In this video, I provide some of these lessons and strategies so you can find great deal flow.

Hopefully this video helps you improve your deal flow and find new investments.

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Investment Pros Consider Making the Jump to Family Offices, Positions Limited

Once upon a time, working at a family office was considered a step down from the high-flying world of private equity and hedge fund management. Lately, though, investment executives have started to sniff around the formerly stayed industry of family office wealth management. Many of these executives quickly discover that they aren't the only ones looking and the competition for coveted family office positions has intensified according to anecdotal accounts and recent stories in the press. Among the drivers of this would-be migration are: compensation more in line with investment industry expectations; greater willingness by families to expand the portfolio into active management and alternative strategies; and a resulting demand by family offices for talented fund managers and investment executives.

One big hurdle for investment firms looking to join a family office is, ironically, the pocket books of the families. As the founder of the Family Office Club, Richard C. Wilson, noted in his book, The Single Family Office, families should be careful in not hiring too quickly or taking on a payroll that exceeds the needs of the family. For example, some families will emulate a full-fledged private equity shop with multiple fund managers, Bloomberg Terminals, analysts, etc. only to find that even strong performance doesn’t cover the costs of high-priced Wall Street talent. Institutional Investor had an insightful article on this trend. One quote came from a family office in NY speaking about the cost issue:

"There’s a lot of demand from investment pros, but there are relatively few opportunities to find positions," says Brendan MacMillan, chief investment officer of Akkad Capital Partners, a family office in New York. "My goal is to have more investment pros, but that’s a function of what the family will bear in cost."

That cost-conscious reality usually surprises those new to the family office industry. Some mistakenly assume that a family worth $100 million won’t think twice about paying an analyst or a PM a six- or even seven-figure salary. After all, it's just a drop in the bucket right? Some family offices surely take a less discerning view toward the bottom line when it comes to staffing up but many family offices are wary of investing too much in a full-time staff to manage the portfolio. There are also simply a limited number of available openings. That said, the industry is certainly expanding and more family offices are looking to staff up, at least anecdotally, than in years prior. More from Institutional Investor:

Others say cost is an issue, too, with many family offices watching their pennies. Akkad Capital has hired three investment staffers since opening a year ago, and MacMillan hopes to bring two more on board over the next three years.

Read the full article on this trend here: https://www.institutionalinvestor.com/article/b15130k84b0qr8/the-allure-of-the-family-office
Family Offices Winning Deals Away from Private Equity Firms

We just wrapped up our Family Office Deal Flow Summit. We've been hosting that event for a few years now because family offices in our network are searching for direct investment deal flow. Back when we hosted our first Deal Flow Summit it seemed unlikely that there would be front-page stories on family offices stealing away high-profile deals from the big private equity firms. But that's exactly what Bloomberg is reporting:

Michael Gottdenker glimpsed the future over a bowl of pasta earlier this year, and he liked what he saw.

The chief executive officer of Hargray Communications, a telecommunications company servicing South Carolina and Georgia, was having lunch with billionaire Jim Davis, founder of family office Redwood Capital Investments, and his adviser David Watson. Over the previous week, the two had taken a liking to Gottdenker’s company. “I didn’t think that family offices would make direct investments,” Gottdenker says reflectively, “or if they did, I thought that it would be a lot of work to get their interest.” And yet, between bites of Italian food at a restaurant in Columbia, Md., he came to realize that he could be speaking with the new owner of Hargray, a business that he had helped turn into a half-a-billion-dollar company. He shared the story of an employee who had worked her way up the business—all the way from the company’s call center to management.

Gottdenker’s story, which highlighted the potential he saw in employees, seemed to resonate with Davis, who’d made his fortune as the co-founder of a staffing and recruitment company. And so, not long after the coffees disappeared, Davis told his would-be partners—two other family offices vying to buy Hargray—that he wanted in on their deal to acquire the company. There were other potential suitors waiting in the wings. In order to succeed, Davis and his partners would need to beat private equity, not to mention other strategic acquirers, at their own game.

Families were once regarded as slow-moving and inexperienced investors, but that’s all changed in the past few years. Looking beyond traditional investments in stocks, bonds, or even alternatives such as hedge funds, many family offices—vehicles that manage the investments and affairs of the wealthy—have pursued direct investments in companies and real estate. The most sophisticated ones are turning into investment giants, leveraging their patient capital and regularly pitting their checkbooks against private equity firms. They’re also going so far as to hire away top talent, scouring the country to beat other players to attractive targets and competing with them for big-ticket deals in companies worth hundreds of millions, or even billions, of dollars. And perhaps most surprising of all, they’re winning. That’s because one of the biggest advantages families can have over traditional private equity is speed.

This was particularly effective in the case of Hargray, whose sale to Davis and his partners became official on March 7. Its private equity owners, Quadrangle Group LLC, had periodically been seeking to sell the company as it wound down its Quadrangle Capital Partners II fund. In the fall of 2016, several attractive offers began to emerge. One came from a member of the company’s board: Kevin Wilcox, a managing director of Stephens Capital Partners, a single family office that oversees the wealth of businessman Warren A. Stephens. They sought a partner and soon caught the eye of The Pritzker Organization, the Chicago-based investment firm for Thomas Pritzker. The two firms quickly started due diligence. After two months they had the outline of a deal, but the price they’d have to pay was steep. They needed to recruit a third partner, and with other buyers looking at the company, they had to move fast. That’s where Davis came in.

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.

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Four Takeaways from the Family Office Deal Flow Summit

We just hosted our annual 400-person Family Office Deal Flow East Summit in NYC in October and here are 4 quick take aways from the event:

1) Family offices see a lot of deals, they have lots of connections in the marketplace with peers. Because of that, if your strategy doesn't meet the fundamental qualifications and have the core blocks that needs to be in place to have a great team or solid professional offering AND have several unique things about it, competitive edges, or superior structures, etc. you won't make inroads. The response to something really unique can be 5x or 10x greater than something that is pretty good but just blends in with the rest of what they are considering and being pitched daily.

2) The family offices speaking at our event manage billions of dollars each typically and they repeatedly talked about how they want those raising capital and wanting to work with them to do some research on them first on their websites, listen to what they say when they speak at the events, and approach them in a way that is genuine and either adds value first or speaks to only what they said they are looking for. One family office attending that has closed two deals through our events mentioned that he doesn't want hotels, he says that when he speaks at events and he always gets at least one person sending over a hotel deal. The more frantic you are running around trying to raise capital quickly the less effective you will actually be at raising capital. Make sure and listen very carefully when family offices are on stage on how they want to be approach and what deals they are looking for, that is the reason we have so many family offices speaking at our events.

3) One family office really stressed putting investors you speak with on a tight leash, a timeline that is communicated professionally but kept to so that you are putting some time scarcity and closing date on a investment opportunity. This helps the investor know what needs to get done when so they can decide yes or no on whether they want to move forward on next steps towards conducting due diligence on the deal. Without a timeline other more urgent deals or things which came in with more of a referral attached to them make quickly take over their attention.

4) Team & Pedigree is looked at first and the most weight is put on the quality of your team. Family offices on stage said that while board members can be strategically helpful to you in many ways, they are typically paid to be there, and they can be loosely affiliated, and what really matters is who is working full time on your team that has deep experience in exactly what you are doing for investors.

I hope to see many of you at our 1,000 person Family Office Super Summit in Miami this December where we will have 50 family offices featured on stage sharing their feedback on how to access family office investors and what they want to be investing in right now, that is more family office speakers on stage than more than any other family office event globally: http://FamilyOffices.com/Super

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Four Job Openings with $1 Billion+
Family Offices in New York and Boston

I wanted to introduce myself as the President of our Family Office Executive Search firm. Family Office Executive Search is a recruiting firm that engages with single and multi-family offices to help them find talent for their teams. This month we have signed two new engagements to fill four job openings, for a $10B+ multi-family office in New York and a $1B+ family office in Boston. You can see these positions available on http://FamilyOfficeJobs.com and here are direct links to the position descriptions in case you want to send in your resume and apply to be considered for them:


2) Investment Advisor Associate Opportunity: http://FamilyOfficeJobs.com/Investment-Advisor-Associate


5) Family Office Executive: http://FamilyOfficeJobs.com/Family-Office-Executive

If you are interested in these positions, the first step would be to complete the application form at the bottom of any of the open position links in this email; if we see a relatively good match we will get in touch. Since we have had 900 resumes submitted to-date in the last year for positions we have helped fill, we cannot respond to everyone. But even if there is not an immediate fit, we will do our best to keep in touch and retain your resume on file for future family office mandates.

Of course if you run a single or multi-family office and you would like to access our talent pool of over 100,000 family office professionals that are in our database globally you can contact me regarding that as well - we are a fast moving team and we would be happy to discuss how to work together.

Thank you for keeping us in mind here and please check http://FamilyOfficeJobs.com in the future for new positions being posted.

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The founder of the Family Office Club was recently interviewed about the growth in the family office industry. We've shared an excerpt here, printed with permission by preferredmagazine.ca, of the interview conducted by registered financial consultant Colin Keddy RFC.

Richard C. Wilson is the founder of the Family Office Club, a decade old leading community of over 1,500 registered family offices and when discussing the core reasons why families put family offices in place he emphasized the holistic approach to protecting the balance sheet of a family combined with the customization of what the family invests into best align costs, allocations, and team resources with the family’s own DNA, objectives, and unique abilities in the marketplace. Richard believes it is the consistent falling short by most private banks and wealth management firms that continues to add additional fuel to the family office concept which has really exploded over the past 7 years to be a more mainstream trend.

I was recently in NYC attending a conference put on by the Family Office Club, and I got to ask Richard a few pointed questions about the space from his experience working with families ranging from $15M to $10B+ in wealth each.

Colin For families looking at the Family Office space what do you feel are the 3 most important things to consider when selecting a Family Office?

Richard I have found that the three most important things are:

1. Knowing where you want to go, why you want to go there, your values, objectives, mission, and creating your charter document dashboard to serve as a roadmap for creating your family office is the most important step. Without this you have no idea whether the money you are spending is getting you towards your goals and your team won’t know what to prioritize or what to say yes or no to. This is critical and costs so little to do there is no reason not to at least put this together, yes most family offices don’t have a charter document and have never bothered to invest the time to create one.

2. Alignment of the model and structure of the solution with the goals, objectives, and mission of the family is the second most important component. You may meet someone you really think is sharp, who is very professional and very helpful…but if they work inside of a private bank or investment firm and you need a family office or virtual family office solution. All of the lobster dinners and great introductions won’t change that his business goal or compensation structure depends on selling you his platform solution, and it may not be the right solution for you. It is important to work with a flexible advisor or work with someone independent or to get proposals from 3-5 different groups to see which one feels like the best fit based on your charter document and mission.

3. The third most important component is your team, from the advisor you bring on, to the CPA or attorney you use, to your first 2-3 hires. The team, including your service providers that you put together, can dramatically change your results and day-to-day level of stress. Just as if you were building a business, hiring properly and paying for expertise and value instead of focusing only on cost is critical.
Interview Continued: Starting a Family Office

Colin How much wealth is required before you need to have a family office solution of some type in place?

Richard I know some families who have virtual family office solutions in place with only $10M-$20M in assets while I know a billionaire with no family office solution in place at all, in fact, he didn’t know what a family office was when I explained the model to him a few months ago. Typically though, anyone with $10M-$20M+ in wealth could use some sort of lean virtual family office solution, and once you get to $50M-$100M+ there are many benefits to having more infrastructure, processes, documentation, and higher quality service providers in place.

The benefits grow of having a family office in place if you can do so before a majority or some of your majority liquidity events so that you can be more tax efficient as you scale your wealth and acquire new assets within hopefully properly structured entities that consider next generations, current and future tax codes, optimal residence choices, etc.

For the full story, check out: [http://preferredmagazine.ca/](http://preferredmagazine.ca/)

Who is Regulating the Family Office Industry?

Family offices are emerging as a new power center in the investment industry. With the industry attracting more news stories, reports, and publicity, some new questions are being raised about what family offices are and how they are regulated. *Bloomberg* put out a helpful overview of family offices and how these entities are regulated.

3. How are they regulated?

One reason it’s hard to pinpoint how much money family offices manage is that few public records are available to track their assets. In the U.S., single-family offices generally don’t have to register as investment advisers with the U.S. Securities and Exchange Commission, or report how much they manage. That’s because a group of families and their lawyers lobbied for and won a clause in the 2010 Dodd-Frank financial reform act that exempts them from investment-adviser rules, if they only manage money for family members. Family offices that oversee more than $100 million in U.S. equities are required to disclose to the SEC a quarterly list of stock holdings.

4. So who oversees them?

No one, really. Once Steve Cohen no longer managed other people’s money, for example, he wasn’t required to register as an investment adviser or comply with numerous other SEC rules, so some of his trades receded further into the shadows. Other hedge-fund managers, such as George Soros, have returned money to outside investors and converted their firms into family offices, in part to protect their privacy and avoid compliance costs.


PODCAST EPISODE: Investing in Royalties

On a recent episode of the *Family Office Podcast*, we discuss an investment strategy that has caught the attention of family offices: royalties.

[http://familyoffices.com/investingroyalties/](http://familyoffices.com/investingroyalties/)

Be sure to subscribe to the Family Office Podcast for more lessons on working with family offices: [http://FamilyOfficePodcast.com](http://FamilyOfficePodcast.com)