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Tel. +41-44-234 85 00

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News Release

Family offices anticipate market disruption

Global Family Office Report 2019: the world's leading family office research study offers insight into performance, investments and structural issues

Key findings:

- **Average investment returns stood at 5.4 percent for 12-month period**
- **Over half of family offices anticipate a market downturn by 2020**
- **Family offices believe that wealthy families will play a role in addressing global challenges**
- **1 in 3 family offices now engage in sustainable investing**
- **Upsurge in succession planning driven by generational wealth transfer**

Zurich, 24 September 2019 – UBS, in partnership with Campden Wealth Research, has today launched its annual report on family offices. The Global Family Office Report 2019 surveyed principals and executives in 360 family offices around the world, with an average of USD 917 million in assets under management.

The average family office portfolio delivered a 5.4 percent return*
Developed market equities produced an average return of 2.1 percent for family offices; falling 5.2 percentage points below expectations. Developing market equities returned -1.1 percent, trailing -10 percentage points behind expectations.

Private equity fared the best of all asset classes for family offices, achieving an average return of 16 percent for direct investments and 11 percent for funds-based investing.

The performance of real estate also held up well, with an average return of 9.4 percent. Family offices have increased their allocations to the asset class by 2.1 percentage points, and real estate now accounts for 17 percent of the average family office portfolio.

Sara Ferrari, Head of Global Family Office Group, UBS, said:
"Family offices are looking to increase their allocations to real estate and private equity, particularly direct investments which offer families greater operational control. While family offices are concerned about the uncertainty in financial markets, they remain convinced that longer-term investments can deliver superior returns."

Dr. Rebecca Gooch, Director of Research, Campden Wealth said:
"Family offices have been navigating volatile markets, and this is reflected in disappointing investment returns across most asset classes. The notable exceptions were illiquid investments, which continued to perform well. Real estate and direct private equity actually exceeded the high expectations that were set in a buoyant market at the start of last year."

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Family offices anticipate market disruption, and begin to prepare for it
55 percent of family office executives are expecting a market downturn to commence by 2020. In response, family offices are beginning to consider safeguards to moderate potential losses and capitalise on new opportunities.

Nearly half of those surveyed are currently re-aligning their investment strategy to mitigate risk (45 percent) or take advantage of opportunistic events (42 percent). Another two-fifths (42 percent) are increasing their cash reserves, while a fifth (22 percent) are reducing leverage exposure within their investments.

Family offices were also asked for their views on macro geopolitical, business and economic issues, with findings including:

- 63 percent believe that Brexit will be negative for the UK as an investment destination in the long-term
- 84 percent believe populism will not fade by 2020
- 87 percent believe that artificial intelligence will be the next biggest disruptive force in global business,
- More than half (57 percent) think blockchain technology will fundamentally change the way in which we invest in the future

Dr. Rebecca Gooch said:
"Family offices are cautious about geopolitical tensions, and there is a widespread sense that we're reaching the end of the current market cycle. While the average family office hasn't made wholesale changes to its portfolio, many have been building up cash reserves and deleveraging their investments in anticipation of disruption ahead."

Wealthy families expected to play an active role in addressing climate change and economic inequality
8 in 10 family offices believe that the world's wealthiest families will play an increasingly active role in helping to address global challenges historically reserved for governments. Similarly, two-thirds (65 percent) believe they have a role to play in alleviating economic inequality. Over half (53 percent) of family offices consider climate change to represent the single greatest threat to the world.

These values are reflected in the growing popularity of sustainable and impact investing strategies. 1 in 3 family offices now engage in sustainable investing, while 19 percent of the average family office portfolio is now dedicated to sustainability. This number is predicted to rise to 32 percent within the next five years, which is unsurprising given that 85 percent of all sustainable investments have met or exceeded expectations.

A quarter of all family offices currently engage in impact investing. Of these, impact investing represents 14 percent of the overall portfolio on average. This figure is expected to rise to 25 percent within the next five years.

Sara Ferrari said:
"We have seen family offices become much more engaged in discussions about sustainable and impact investing over the last 12 months. This is no longer seen as a 'side project' or preoccupation of the Next Gen, but a priority for the family as a whole. Many products are now recognised by family offices as fully-fledged investment tools that can generate good returns."

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Family offices step up succession planning
There has been a marked increase in succession planning. 54 percent of family offices now have a succession plan in place, up from 43 percent last year.

The average age of a Next Gen upon succession is 45 years old. Only 29 percent of Next Gens are younger than 40 at the time of succession. According to family offices, the most important challenges to succession are: discomfort in discussing a sensitive subject matter (cited by 37 percent); Next Gens still being too young to plan for their future roles (cited by 36 percent); the matriarch/patriarch won't relinquish control (cited by 33 percent) and; Next Gens are not qualified enough to manage the family wealth (cited by 31 percent).

Sara Ferrari said:
"It's encouraging to see a strong increase in succession planning. This is an issue we have been advising our clients to prioritize for some time, and it is not easy to get right. Succession often spans a series of complex matters involving business, investments and family relationships. Written plans are important, but they should be considered as part of a broader process of preparing the Next Gen to take control. The key is to start early."

* Respondents were asked for their average performance for the 12 months prior to their participation in the survey during Q1 and Q2 2019.

Links
http://www.ubs.com/gforeport

About UBS
UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS' strategy is centered on our leading global wealth management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. The bank focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

UBS is present in all major financial centers worldwide. It has offices in 52 countries, with about 34% of its employees working in the Americas, 34% in Switzerland, 18% in the rest of Europe, the Middle East and Africa and 14% in Asia Pacific. UBS Group AG employs approximately 61,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

About UBS Global Family Office Group
A joint venture between UBS's Investment Bank and Global Wealth Management divisions, the Global Family Office Group focuses on servicing our most sophisticated clientele with institutional-like profiles and requirements. It offers holistic advisory services, direct access to UBS cross-divisional expertise across the globe, institutional business opportunities and an extensive peer network with dedicated teams in New York, London, Zurich, Geneva, Hong Kong and Singapore.

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About Campden Wealth
Campden Wealth is a family-owned, global membership organisation providing education, connectivity, research and networking opportunities to families of substantial wealth, supporting their critical decision-making, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

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 Wealth publishes the leading international business title *CampdenFB*, aimed at members of family-owned companies in at least their second generation.

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

For more information: www.campdenwealth.com
Enquiries: research@campdenwealth.com
Telephone: +44 (0) 203 763 2800

UBS Group AG and UBS AG

UBS media contact

Switzerland:	+41-44-234 85 00
UK:	+44-207-567 47 14
Americas:	+1-212-882 58 58
APAC:	+852-297-1 82 00

Headland Consultancy
Del Jones – +44-20-3805 4860; djones@headlandconsultancy.com
Hannah Davis – +44-20-3725 7503; hdavis@headlandconsultancy.com

Campden Wealth media contact
Dr. Rebecca Gooch, Director of Research – +44 (0) 203 763 2806; rebeccagooch@campdenwealth.com
Masud Ally - +44 (0) 203 763 2833; masudally@campdenwealth.com

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