May 31, 2023

News Release

UBS Global Family Office Report 2023: Family offices planning the biggest shift in strategic asset allocation for several years

- **Shift comes in light of potential inflection points in inflation, interest rates and economic growth**
- **Refocusing private markets exposure by increasing holdings in private equity funds and reducing direct private equity, look to increase allocations to private debt, and infrastructure**
- **Main global concern is geopolitics, as regional investment preferences are shifting**

Zurich, May 31, 2023 – UBS, the leading truly global wealth manager, today announced the launch of the UBS Global Family Office Report 2023, which surveys 230 single family offices around the world, with an average total net worth of USD 2.2 billion.

Family offices plan biggest shift in strategic asset allocation for several years

In light of potential inflection points across interest rates, inflation and economic growth, this year's report shows that family offices are planning the biggest shift in strategic asset allocation for several years. Following the end of close-to-zero interest rates, balanced portfolios with active management are returning to favor.

The biggest turnaround family offices are planning to make is in developed market fixed income, where after three years of cutting back on bonds, almost four in ten (38%) are planning an increase over the next five years. Fixed income is now the most popular source of diversification, as more than a third (37%) of family offices move to high-quality, short-duration bonds for potential wealth protection, yield, and capital appreciation. At this time, increased fixed income exposure reflects general reallocation from a broad mix of asset classes. Over the next five years, those surveyed still foresee greater allocation to risk assets, with 34% planning increases in emerging market equities following a peak in the US dollar and the reopening of the Chinese economy.

As shown in last year's report, there continues to be a strong trend among family offices for including alternatives to help diversify a portfolio, but they are refocusing their allocations. Hedge fund allocations have risen to 7% from 4% and in contrast, direct private equity allocations decreased to 9% from 13%. Family offices also plan to reduce real estate allocations in the coming year. Collectively, this is due to an increased allocation to private equity funds, private debt, and infrastructure.

"This year's report comes at a defining moment in time. It's the end of an era for low or negative nominal interest rates and the ample liquidity that followed the global financial crisis. Against that backdrop, our research shows that family offices are making major changes to ensure they're positioned for growth and success" said George Athanasopoulos, Head Global Family and Institutional Wealth, Co-Head Global Markets at UBS. "While current market and geopolitical trends have prompted a shift to liquid, short-dated fixed income, 66% of family offices still believe that illiquidity boosts returns in the long-term and they're looking to further increase allocations to alternatives like hedge funds, private equity funds and private debt to further diversify their private markets allocations."

Opportunities across the full range of alternatives

Active management is back in favor with 35% of family offices relying more on investment manager selection and active management to enhance diversification. Family offices have confidence in hedge funds' ability to generate investment returns, as monetary policy reduces excess financial liquidity and macroeconomic uncertainty persists. Almost three quarters (73%) believe that hedge funds will meet or exceed their performance targets over the next 12 months.

Overall, 41% plan to raise private equity direct investments over the next five years. While these will be reduced in 2023, this is partially offset by increased allocation to private equity funds, as well as planned increases in private debt and infrastructure. Family offices with private equity investments prefer to invest using funds (56%) as typically, they deliver diversification and can allow family offices to enter markets where they do not have in-house expertise.

Looking to the next 12 months, they appear to be hoping for value opportunities, with 45% of family offices with private equity investments planning to over-allocate their portfolios towards the secondary private equity market, anticipating that some institutional investors will be forced to rebalance portfolios following declines in public markets, and as exits remain difficult to achieve through IPOs.

Family offices are cautiously planning to cut real estate allocations in 2023, but over five years, a third (33%) of them foresee moving to higher allocations. This fits a picture of interest rates remaining high in 2023, with some softness in real estate prices, before easier money and lower valuations start to support the asset class once again.

Geopolitics is the main concern, as regional investment preferences shift

Overall, family offices were cautious about current markets in the face of an uncertain growth outlook in developed economies, as well as tighter lending conditions and heightened geopolitical tension. Geopolitics overtook inflation as the top concern among family offices globally, followed by a recession and inflation.

Family offices are also increasing their allocations in regions that have been less favored in the past. While they still have almost half of their assets in North America, over a quarter are planning to increase allocations in Western Europe over the coming five years, and almost a third planning to raise and broaden their allocations in the wider Asia-Pacific region.

Regional findings:

US:
According to the report, the main purpose of family offices created in the US is to support the generational wealth transfer (76%). Sixty-three percent have a wealth succession plan in place for family members, but only 38% have created a succession plan for the overall family office. Investment allocation to real estate (21%) and hedge funds (10%) was the highest among global peers. In contrast to other regions, a recession is the greatest concern for US family offices and their cash allocations were the least conservative (7%).

Latin America:
Compared to global peers, family offices in Latin America had the highest allocation to fixed income (30%). Their allocation to real estate was the lowest (5%) and only a fifth (20%) use hedge funds as a portfolio diversifier. Sixty percent of family offices in Latin America do not invest in decentralized payments or technologies.

Asia-Pacific:
Compared to global peers, family offices in Asia-Pacific had the highest allocation to equities (37%), and almost half (46%) use hedge funds as a portfolio diversifier. Of those with private equity investments, they also make direct investments more than other regions (31%) and 77% of their private equity investments are invested in technology. From an investment theme perspective, medical devices and health-technology resonates best (76%). Family offices in Asia-Pacific have a home bias, with 51% of assets invested in the region, including Greater China.

Europe ex. Switzerland:
Family offices in Europe allocated 11% of investments to real estate, with 30% planning to increase allocations in the next five years. Ninety-four percent manage strategic asset allocation in-house and 75% agree that illiquidity increases returns. Following digital transformation (79%), automation and robotics is the second most preferred investment theme (75%).

Switzerland:
According to the report, the main purpose of family offices created in Switzerland is to support the generational wealth transfer (73%). Forty-three percent have a wealth succession plan in place for family members, but only 35% have created a succession plan for the overall family office. Compared to global peers, they have the highest allocation to real estate (18%), cash (13%) and art & antiques (4%), with the lowest allocation to hedge funds (4%).

To learn more and download the report, visit: https://www.ubs.com/family-office-uhnw

Notes to Editors

About the UBS Global Family Office report 2023
This year's UBS Global Family Office Report was compiled entirely in-house for the fourth year and provides the world's largest and most comprehensive study of single family offices. UBS surveyed 230 UBS clients globally between January 19 and March 5, 2023. Participants were invited to partake in the survey via an online methodology, which was distributed to over 30 markets worldwide. In 2022, UBS surveyed 221 UBS clients across 30 markets.

About UBS
UBS convenes the global ecosystem for investing, where people and ideas are connected and opportunities brought to life, and provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as to private clients in Switzerland. UBS offers investment solutions, products, and impactful thought leadership, is the leading global wealth manager, provides large-scale and diversified asset management, focused investment banking capabilities, and personal and corporate banking services in Switzerland. The firm focuses on businesses that have a strong competitive position in their target 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 more than 50 regions and locations, with about 30% of its employees working in the Americas, 29% in Switzerland, 20% in the rest of Europe, the Middle East and Africa and 21% in Asia Pacific. UBS Group AG employs more than 72,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

UBS AG

Media contact:
mediarelations@ubs.com

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

www.ubs.com/media