http://www.switzerland-family-office.com/investments.html

Family office investments

Although it is an oversimplification to state that the main activity of a family office is managing investments and making investment decisions, it cannot be denied that the majority of multi-family offices have investment management as their main activity.

In most cases the financial services that are actually provided do not extend beyond managing your private bank accounts and investment portfolios, but a limited number of multi-family offices also specialise in other types of investments, namely club deals, co-investing, impact investing and private equity. Below you will find a short definition of all the less common types of family office investment services.

Angel investing

Angel investing comes at the very beginning of an investment cycle. An angel investor provides the initial capital needed by entrepreneurs, often young ones, to make a start with their business, product or service – e.g. by providing extra cash for additional research, building a prototype, etc. As angel investment is provided at the earliest stage of the business, the start-up phase, the sums involved are not always very large. It is also not uncommon that angel investment is provided by the entrepreneur’s immediate social circle.

As there is an increasing number of young entrepreneurs focused on new technologies with potentially high returns, angel investing is now tending to become a real investment category. The angel investor normally aims to acquire equity in the company or exchangeable debt.

Club deals

Club deals are investments in private companies (or other large investment objects) that are made jointly by two or more investors. Originally the term club deal was used primarily in theprivate equity industry when two or more private equity firms formed a syndicate to take over a private company which was too big for them to acquire alone.

As both single- and multi-family offices have over time become more professional, and diversified their investment approach, they increasingly often tend to form this type of syndicate between themselves or with private equity firms to gain access to larger deals and the above-average returns that often come with taking over privately owned companies.

Although financially attractive, club deals can be difficult to orchestrate as one party needs to take the lead and be able to perform all the necessary due diligence on both the target and the participants, and also actually execute the deal on behalf of all the investors.

Co-investment

Co-investments are investments made alongside a main professional investor. Co-investments can be made across a range of asset classes, such as private equity, real estate and hedge funds. Through a co-investment an investor can participate in investments that are normally not available to the general public.

Contrary to club deals, co-investments have a clear principal investor who takes the lead and makes the biggest investment. The attractiveness of co-investing lies in the fact that the secondary investors can directly benefit from that principal's expertise, unique deals and deal-pipeline. In most cases co-investments have a single layer of fees, which also makes them attractive from a cost perspective.

Hedge funds

Hedge funds are alternative investment vehicles whose main benefit lies in their flexibility. Hedge funds can invest in a wide variety of asset classes (fixed income, equities, currencies, and commodities) and can implement their trades through long and short positions, derivatives and/or leverage. The word "hedge" is therefore somewhat misleading as many hedge funds do not really hedge against all kinds of risks, but rather show a real positioning in relation to the markets. These characteristics enable hedge funds to play a key role in asset allocation, providing uncorrelated return drivers and reducing the overall risk of a portfolio.

Hedge funds are usually split into the following main investment strategies:

- Long/Short Equity, whose approach is to take long and short positions in stocks and sectors;
- Macro, whose approach is to take long and short positions based on macroeconomic considerations (predominantly investing in rates, sovereign credit, and currencies);
- Relative Value or Arbitrage, whose approach consists of taking minimal directional market exposure, or none at all;
- Event Driven, whose approach is to take positions in companies affected by events such as restructurings, mergers, spin-offs, and bankruptcies.

Not many multi-family offices specialise in hedge fund investment. There are also very few hedge fund investment specialists among private banks. Union Bancaire Privée's founder, Edgar de

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Picciotto, was one of a select few who were quick to recognise, as early as the beginning of the 1970s, the above-average return hedge funds could offer sophisticated investors.

Impact investing

Impact investments are investments that are not only made to make a financial return on your assets but also to have an 'impact'. This means such investments have an additional goal, often an environmental or a social one, which the investor tries to achieve. Contrary to philanthropy, when making an impact investment, one aims to at least get the invested sum back, preferably with a positive return.

Impact investments are often best explained with examples, such as microfinance. In this case a rather large sum of money is loaned to a local organisation in a developing country, which gives out very small loans to the local population, to start businesses or for other purposes. Those people will normally not be able to obtain such a small loan with a regular financial institution. The party providing the initial loan aims not only to earn some interest on the loan, but also to make financing available to a large group of people who would not otherwise have access to it, thereby enabling them to make a living. With this approach, a social impact is achieved.

Other examples include improving the environment, medical research or developing sustainable energy solutions. Impact investments occur in different asset classes such as funds, private equity, direct investments and loans, and are focussed on different industries and regions.

A very small number of multi-family offices, which usually also have expertise in philanthropy, can help you with impact investments. Are you looking for such a family office? Please do not hesitate to contact us.

Passion investments (trophy assets)

The term speaks for itself: passion investments are investments that are not made because of their financial return, but primarily because of the 'passion' the investor feels for the particular object(s). Fortunately enough for most wealthy families, the objects they are so passionate about often also bring a decent return.

Typical examples of passion investments are investments in:

- Well-known works of art such as paintings
- Classic cars such as rare Ferraris or Bugatti's
- Vineyards
- Unique pieces of real estate (landmarks)
- Top-class luxury hotels

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- Sport clubs
- Watches, sizeable gems and jewellery
- Rare bottles of fine wine or spirits such as whiskey and cognac

This type of investment is sometimes also referred to as trophy assets, as a considerable number of investors are not only investing in this asset class because of their passion for it, but also because of the level of prestige that comes with owning rare collectibles. A prime example of trophy assets are European football clubs, which are selling like hot cakes and being invested in by billionaires from all over the world.

Private equity

Private equity investments are investments that are made into existing operating companies (mostly mature ones) that are not quoted on the stock exchange. Private equity investments can be made in equity or by providing financing (loans). Private equity investment firms often aim to acquire a controlling stake in the company they invest in. An investor can get exposure to private equity directly via private equity firms or via private equity funds. It is of course also possible for family offices to make direct private equity investments.

Private equity investments are normally long-term investments, which aim to generate a stable revenue stream in combination with an ultimate exit via an IPO or sale. The management of private equity firms normally obtains a lot of influence in the company they acquire. This influence is often used to restructure the company considerably.

Although definitely not the majority, a considerable group of multi-family offices has experience with private equity investments. Some have the necessary know-how in-house; others cooperate strategically with external private equity firms.

Real investments

Real investments are direct (non-quoted) investments in tangible assets such as for example dairy farms and forests, which produce a direct return for the investors. Real investments are entirely privately owned, but professionally managed. Contrary to financial investments such as bonds and securities traded on the stock exchange, real investments are tangible, which enables investors to actually visit the location of their investments.

As real investments are normally made in basic needs such as the production of food, they mostly offer a constant return and can be an attractive way of diversifying a traditional investment portfolio.

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Only a very limited number of family offices have experience with real investments. If you are looking for this type of multi-family office, please do not hesitate to contact us.

Venture capital

Venture capital is a direct investment (financing) made into a privately held start-up company in order to financially support it with its next level of growth. Venture capital investments are often made into Internet- and biotechnology-related companies.

Most venture capital is provided with the aim of receiving an above-average investment return when the company is ultimately brought to the stock exchange via an IPO, or taken over by an established name (the exit).

All well-known names related to new technology and the Internet, such as Facebook, Uber, Airbnb, andTwitter, received large sums in their early stages to grow their businesses via venture capital financing. Normally, venture capital investors do not acquire a controlling stake (majority) in the company they invest in.

About FOSS

If you are interested in working with a multi-family office in connection with one or more of the above-mentioned types of investment, but find it difficult to find a multi-family office with enough experience in this field, please contact us. We can help you find the most suitable multi-family office with the specific investment expertise you are looking for.

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