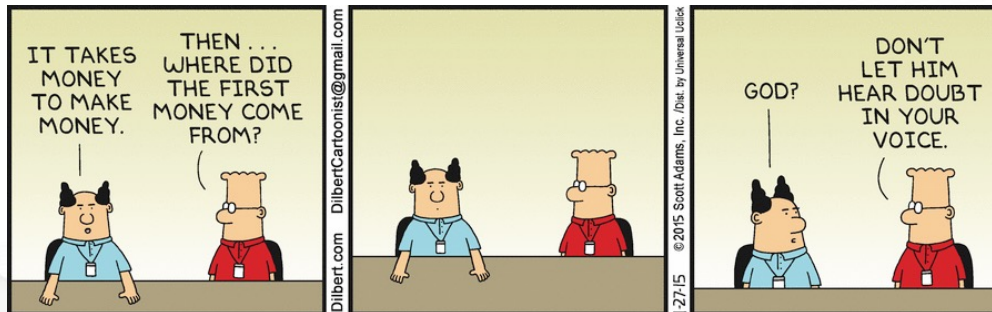




Family Office Advisory

Managing The Single Family Office

Who needs a Family Office



The Wealth Inheritors

- Inheritors of multi-generational wealth and associated legacy
- Challenge to maintain class and anxiety to further family legacy
- Rarely manage to be Acquirers as well, if able to grow inherited wealth by effort
- Inheritors' Dilemma of growing a strong identity out of an environment of wealth



The Wealth Acquirers

- Acquired through effort or chance.
- Transition between socio-economic classes
- Wealth Creators tend to stick to the source of wealth and find it difficult to let go
- Acquirers' Dilemma of integrating wealth into own identity

Family Office
Advisors Program



Peeping inside the Head



Liquidity Event and associated need for strategic deployment of wealth along with a consolidated picture



Complexity of affairs with increased wealth and family size, requiring professional advice and efficient structures to ensure continuity of business and transmission of wealth



Global trends of needing unbiased advisors and executors along with demographic considerations of the Business Owner retiring and moving from Wealth creation to preservation and transfer



Non-Investment Risks arising out of personal and professional wealth being fungible, from legal claims to conflicts related to equitable share in family assets

Family Office
Advisors Program



Demystifying Family Offices

Single Family Office

Large Size
Complex and Sensitive structure
Justifiably costly



Private Multi Family Office

Like-minded non-commercial group
Finite number (3-4) of families
Invariably common backgrounds and issues



Institutional Multi Family Office

Potentially infinite number of clients
Cookie-cutter but visibly exclusive
Tech-enabled, based on best practices

Boutique Multi Family Office

Commercial service offered to many families
Templated, but with customisations
Outsourced CFO/CIO Model

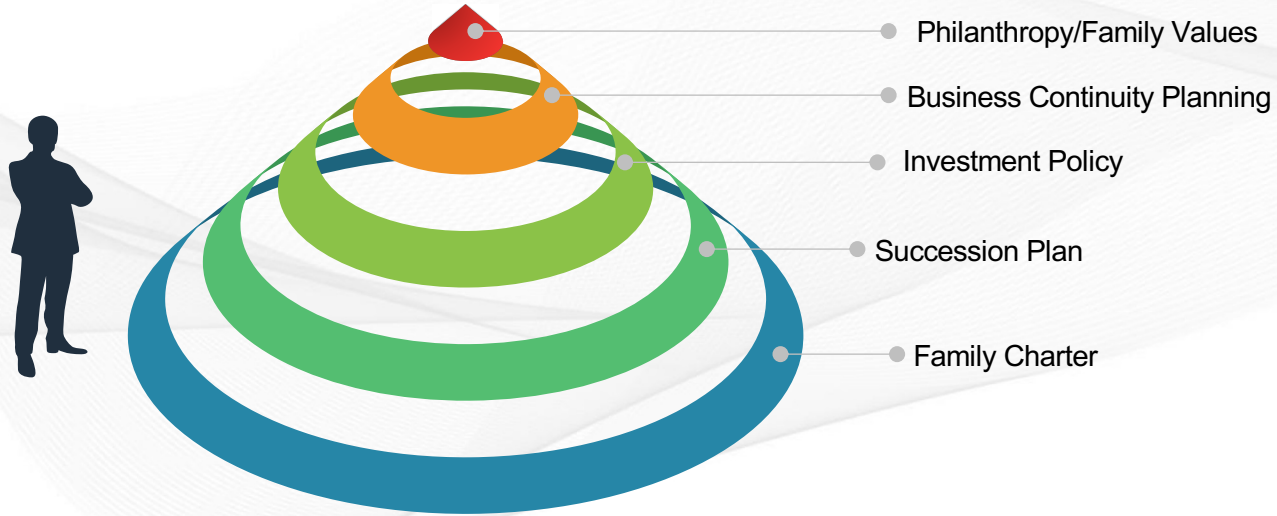


Family Office
Advisors Program





Single Family Office Deliverables



Family Office
Advisors Program



Scope of Services – Single Family Office

Investments	Family Office Administration	Financial Management	Technology	Philanthropy	Legal	Personal	Wealth Planning
Investment Policy Development	Human Resources	Accounting	Database	Philanthropy Policy Development	Contracts Management	Personal Concierge	Tax Compliance
Manager Selection	Insurance	Cash Flow Management	MIS and Tech Platform	Family Philanthropy Structuring	Regulatory & Compliance Oversight	Estate Resource Management	Tax Planning
Performance Reporting	Risk Management	Budgeting	Family and Business Information Continuity	Philanthropy Partner Selection	Litigation Management	Physical Asset Management	Succession Planning
Manager Benchmarking	Office Structuring	Financial Controls	Cloud Services	Partner Benchmarking Due Diligence	Legal Structuring	Travel	Wealth and Business Continuity Planning
Investment Deal Sourcing	Family Education		Cyber Security				Investment Structure Planning
Investment Due Diligence			Data Analytics				

Mostly in-house
 Sometimes in-house, often outsourced
 Mostly outsourced

Family Office Design Considerations

Decision Factors

- Who will the Family Office serve?
- Do complexities and size justify a Single Family Office?
- If we decide to, do we share our Family Office with some or many other families?

- What are the Family's Needs and Objectives and correspondingly, what services are required from the Family Office?
- Do these services necessitate a new structure or does our existing scope (Operating Business, Foundation) suffice?

- How self-sufficient does our Family Office need to be?
- Are our Family matters complex and sizeable enough to in-source most activities?
- Can we arrive at a balance between internal and external service providers?

- Does the existing talent pool provide for all required competencies?
- Is the existing resource pool aligned to the end objectives of our Family Office?
- Is a separate compensation structure needed?

- Have we provided for a change in family priorities over time?
- As wealth generation gives way to wealth preservation, how does our Family Office switch from entrepreneurship and business continuity to wealth management and philanthropy?

Family Governance

Investment Management

Succession Planning

Social Impact

Business Growth

Family Office
Advisors Program



Key Governance Considerations

◆ Scope & Organisation

- ◆ Family Board
- ◆ Advisory Board
- ◆ Investment Committee

◆ Policies and Documents

- ◆ Family Constitution
- ◆ Investment Policy

◆ Systems and Processes

- ◆ Investment Structure
- ◆ MIS & Reporting Systems



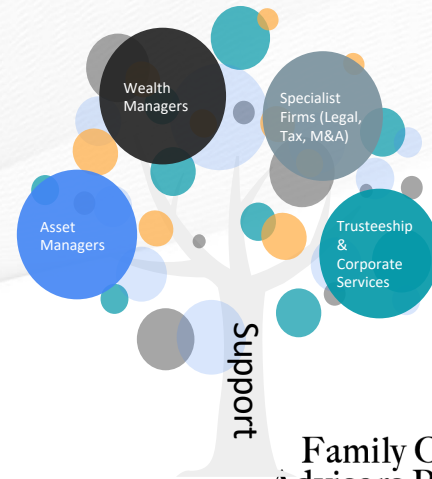
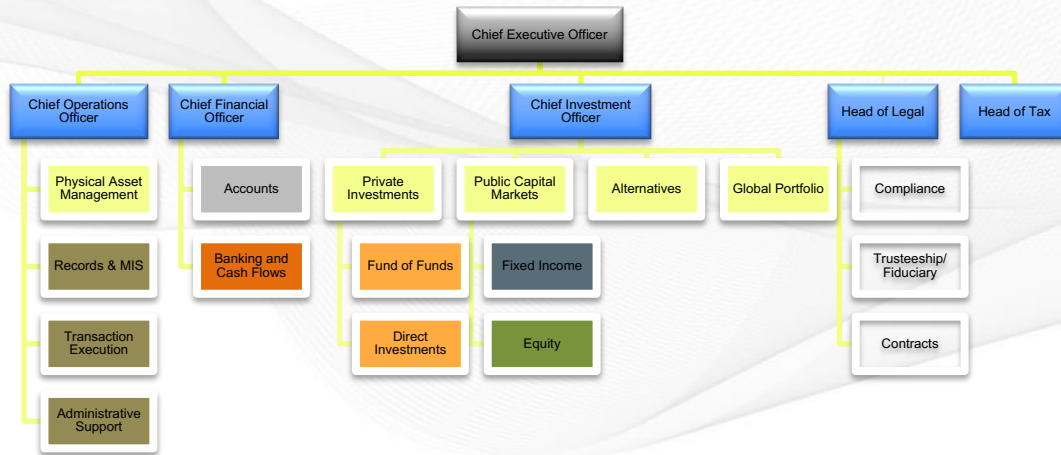
Family Office
Advisors Program

A typical Single Family Office Structure



Family Board

Advisory Board



Family Office
Advisors Program



Family Board



- ◆ Restricted to Bloodline (or once removed)
- ◆ Defined qualification criteria (Education, experience, age)
- ◆ Power to define and modify Family Office systems and processes
- ◆ Act as Protector for Family Trusts, deciding on distributions and beneficiaries
- ◆ Approval body for all Investment Committee and Advisory Board recommendations

Advisory Board



- ◆ Aimed at providing neutral advice on sensitive family matters and specific business/investment decisions
- ◆ Close friends and relatives of the family
- ◆ Professionals with long-standing relationships with the family
- ◆ Trust Administrators and Trustees
- ◆ Trusted experts in the areas of family business, family governance, investments, etc.

Family Office
Advisors Program



Investment Committee

- ◆ Headed by Family Office CEO/CIO
- ◆ Family Board Representative(s) often have veto rights
- ◆ Family's business gets a representation through Strategy Head or CFO
- ◆ Representative of Family Office Advisor brings in market intelligence and updates
- ◆ Can have Advisory Board representation (experts from different areas, full time or invitees)
 - ◆ Risk Management
 - ◆ Investment Banking
 - ◆ Business Operations



- ◆ Used to define boundary conditions for the functioning of different entities (Empanelled Advisors, Family Board, Advisory Board, Investment Committee, etc.)
- ◆ Family's values and objectives get defined in the Family Constitution
- ◆ Investment Policy specifies the guidelines for investment into Business, Financial Instruments, Ventures, Real Estate, and Philanthropy
- ◆ Used as annexes to Letter of Wishes from the Settlers to Trustees of the Family Trusts, defining rules related to the Protectors' guidance to Trustees from time to time.
- ◆ Strict definitions of clauses in the policies and properly laid down provisions for modifications lead to prevention of conflict within the Family.

- ◆ Core values and Traditions of the Family
- ◆ System of decision making and communication between Family Board and rest of the family
- ◆ Detailed objectives of family, broken up into needs related to lifestyle, business, succession, and charity
- ◆ Parameters related to involvement of Family members with the Group businesses
- ◆ Guidelines relating to Family members' conduct and public relations
- ◆ Guidelines on engagement with next generation, their grooming and induction
- ◆ Defined roles and responsibilities of Family Board members

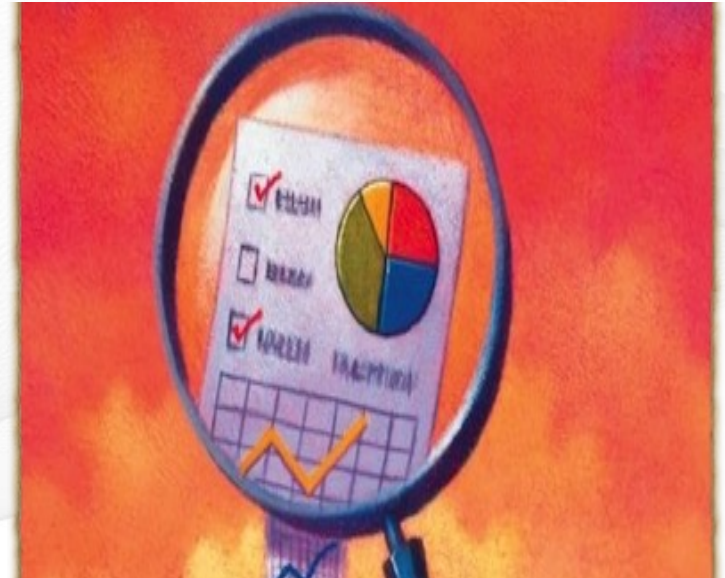


- ◆ **Vision:** Perpetual process to preserve assets, grow them as per accepted risk parameters, and distribute to beneficiaries as per family guidance. Follow fair and ethical principles while managing family affairs, contributing to society and family.
- ◆ **Structure:** Roles and responsibilities, composition, qualification criteria, selection/appointment methods for Family Board, Advisory Board, Investment Committee, and Trustees
- ◆ **Processes:**
 - ◆ Detailed deployment process for various portfolios (contingency, lifestyle, growth, strategic, philanthropic) along with principles of allocation to the same.
 - ◆ Code of conduct and Public relations policy of the family.
 - ◆ Communication process for the larger family with regard to activities of Family Board and Investment Committee and ways of receiving their feedback
- ◆ **Themes and Principles:** Definition of themes (including constraints, preferences, and exclusions) for philanthropy, family run ventures, and financial investments
- ◆ **Distributions:** Clear directions on deployment of investment income and redeemed corpus, along with defined processes for distribution to family members (minimum distribution, one-time distribution for emergencies or venture funding, regular annual or milestone/age based distribution, etc.)



Investment Policy Basics

- ◆ Define allocation, goals, cash flow requirements, and rules for different portfolios, each linked to a specific objective
 - ◆ Contingency Portfolio - Linked to Inflation
 - ◆ Lifestyle Portfolio - Linked to Economy Growth
 - ◆ Growth Portfolio - Long term value creation
 - ◆ Strategic Portfolio - Locked-in for business
 - ◆ Philanthropic Portfolio - As per Family Constitution
- ◆ Identification of constraints and preferences across portfolio
- ◆ Setting up prudential exposure limits - by manufacturing house, scheme, strategy, etc.
- ◆ Defined process for review and monitoring of different portfolios, entry and exit
- ◆ Defined roles and responsibilities of Investment Committee members





Detailed Investment Policy

- ◆ **Corpus and Goal Definition:** Starting Corpus and goal (including risk-return numbers) definition for each portfolio along with rules on how future income and redeemed corpus is to be treated
- ◆ **Asset Allocation:** Define strategic asset (and sub-asset) allocation for each portfolio as per respective risk/return objectives along with provisions and rules for tactical deviations
- ◆ **Roles and Responsibilities:** Defined boundaries for each individual and group's role, including meeting frequency, making and approving investment decisions, delegation of authority for investment activities including signing documents, appointing and dealing with external agents (advisors, bankers, investment managers)
- ◆ **Reviews and Reporting:** Defined parameters for reviews of different portfolios, format and frequency of MIS reports, periodicity of cash flow reviews
- ◆ **Prudential Limits:** Defined limits for exposure to single investment (<5%), single fund (<15%), single house (<20%), specific sectors, minimum liquidity (bank accounts and otherwise), maximum lock-in (weighted average number of months for portfolio, considering tax and exit rules), clearly defined allowed investments and exclusions for each portfolio
- ◆ **Risk Management:** Defined risk types associated with each portfolio including liquidity, market, interest rate, credit default, legal and regulatory, fraud and corruption, market participant counter-party, etc. Mechanism to measure such risks and defined frequency to discuss the same
- ◆ **Updates, Modifications and General Principles:** Defined frequency and mechanism to update or modify the investment policy as long as it's true to stated general principles (skill and prudence to select investments, diversification of investments and of managers, effective risk management and continuous monitoring)

- ◆ Holding Structure (Company/Trust) governed by Family Charter, with defined objectives, processes, and people
- ◆ Family Board to be the final decision maker in case of any exceptions or modifications to Charter
- ◆ Supported by Advisory Board, Investment Committee, Trustees, other External Advisors and Agents
- ◆ With increase in Family size over generations, the Family may in future, need a Family Council out of which Family Board is chosen/nominated/elected
- ◆ External Advisors and Agents
 - ◆ Role/ Authority defined by Family Charter and Investment Policy
 - ◆ Family Office Advisor
 - ◆ Trustees/ Administrators
 - ◆ Bankers, Deal specific Advisors, and Investment Fund Managers
 - ◆ Product Distributors (Wealth Management Firms) and Deal-flow Partners (Incubators, Accelerators, Boutique Investment Banks)
 - ◆ Tax and Legal Consultants (in-house liaison for coordination)



- ◆ Consolidation across service providers, asset classes, and product types
- ◆ Simple access to accounting systems for statutory compliances
- ◆ Remove/Minimise manual data inputs
- ◆ Manual maker and automated checker provisions to record and verify all transactions
- ◆ Fixed format Reports as well as capabilities to slice and dice data as per ad hoc requirements
- ◆ Source for research data (on companies, investment products, and people)
- ◆ To be managed through
 - ◆ Central MIS system
 - ◆ Subscriptions to research publications
 - ◆ Integrations with existing accounting systems



Thank You