Family Office Global

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WINTER/SPRING 2022

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Global Partnership Family Offices

A GLOBAL PARTNERSHIP FAMILY OFFICES PUBLICATION

FUTURE VIEW

Hello, and welcome to the latest edition of *Family Office Global* (FOG).

Since the autumn of 2021 it has been all change at Global Partnership Family Offices (GPFO) as we have gone back to the future and been able to undertake face-to-face activities. At the time of writing, the Omicron variant is still a cause of some concern but we all hoping that 2022 is going to be a year where we are not locked down; that travel restrictions are eased further; and we can welcome more members into the GPFO community as we resume our travels around the world.

I was recently asked 'If you were writing the history of family offices in 20 years' time, what would you call the chapter on COVID-19?' My response, although imperfect, was "The Great Divergence". Few crises have impacted day-to-day activities as much as COVID-19. Each family and family office has tried to adapt in their own ways, some successfully. Health and longevity have been viscerally front of mind. Governance and administration structures have been tested; many have failed.

From an asset allocation perspective: for families and family offices with a high concentration of exposure it has been boom or bust; those that are well or fully diversified have fared in most cases well due to generally well performing equity and equity related markets. Some 'safe harbours' (e.g., property) have been exposed as not so safe. This will divide mindsets and cultures, emboldening risk takers and striking fear into many conservative minds. This period's greatest impact has been operational. The next period will likely be the most treacherous for markets and investment teams.

Making predictions is fraught with danger, but we are all hoping that all our hard work during the pandemic has enabled us to be well placed for the coming year. During 2021 we have improved how we communicate to members by adopting new technologies and we have worked more closely with our ambassadors and our excellent partners, International Deal Gateway and the Lorange Network. We have also embarked on a large campaign to speak to as many of you as possible so that we can understand your concerns more, which in turn enables us to try and assist in any way we can. In 2021, our successful Family Office Solutions programme was formed through this approach, and we will have more topics to discuss into 2022.

The three-pillar approach of GPFO – best practice and thought leadership; investment ideas; and research and advocacy – enables us to cover a lot of ground, and whilst it can sometimes be challenging to address everything which keeps the family office awake at night, the rich diversity of our membership is a constant source of inspiration for all our team. The range of topics we cover each year is always best illustrated at the European Conference, which after being furloughed in 2020, returned in force in November 2021. GPFO members spent an engaging day at the Royal Society hearing from experts across the wealth management spectrum, as well as from family offices who shared their experiences with each other.

I want to look forward to the spring and summer when we will continue to see more of you, wherever you are in the world. Please reach out to us if you have any comments, thoughts or ideas on how we can do more to bring families and family offices together and share insights. I look forward to seeing more of you in person during 2022.

Michael Oliver

Co-Founder,
Global Partnership Family Offices

EDITOR'S LETTER

Martin Barrow,
Editor

Welcome to the first edition of Family Office Global of 2022. It is great to be back, and after the disruption of 2021 we are looking forward to an exciting new year.

Whatever your line of work, it is hard to escape the uncertainty around UK politics at the moment. We asked **Bruce Anderson**, the preeminent political commentator and writer, to share insights into what the future holds for Boris Johnson and the Conservative Party. Will Johnson's leadership survive the twin challenges of Brexit and the pandemic?

The pandemic has caused many of us to consider what kind of future we want for ourselves and for our children. Our contributors consider some of the issues facing family offices as they take steps to prepare for the next generation.

Martin Stadler, CEO of Altoo, offers some advice on succession planning; **Peter Lorange**, Chairman and CEO of the Lorange Network, plots the transition from heritage to portfolio family business; and Standard Bank's **Lisa Forster**, Head of Family Office and Family Business Solutions, looks at the support that families need to thrive in today's challenging environment.

FOG also takes a forensic look at the ever-shifting investment landscape as the global economy begins to rebuild after COVID-19. **Matteo Dante Perruccio**, President International of Wave Financial Group, is your guide through the evolving world of cryptocurrencies, while the World Gold Council's **Krishnan Gopaul** looks at the enduring appeal of gold as an investment for family offices.

Graham Dallas, Head of Business Development, EMEA, at the Toronto Stock Exchange and TSX Venture Exchange, explains how his organisation supports innovative companies looking to raise venture capital.

Our cover story is written by **Dominic Jermey**, Director General of the Zoological Society of London. Dominic makes a passionate appeal for support for ZSL's international work to protect biodiversity as the climate crisis deepens.

Finally, **Martin Bloom**, CEO of Emblem Ventures, submits to our quickfire Q&A to tell us about his passion for history, how he is inspired by Jimmy Carter and the joy of a month-long bus trip from Sydney to Adelaide.

Enjoy!

Martin Barrow,
Editor

Multi-generational investing requires multi-generational diversifiers

By Krishan Gopaul

Recent surveys of family offices have shown a clear trend: continued appetite for returns. In this depressed yield environment, many are looking to increase their exposure to alternative assets. But while assets such as real estate, infrastructure and private markets have the potential for improving returns, they also bring added risks. In this article ***Krishan Gopaul****, Senior Analyst at the World Gold Council, looks at this change in strategic asset allocations and how gold may play a part.*

Rising inflation: Fiat currency debasement is a risk to the outlook of family offices

Change is inevitable. But sometimes change happens faster than expected. This was certainly true in March 2020, when the pandemic swiftly and significantly impacted economies across the world. As we seemingly move past the eye of the COVID storm, thoughts turn to its consequences and how the world may change going forward. What comes next is uncertain, but something that investors must navigate. And for family offices, this could have a significant impact on strategic asset allocation decisions.

Greater allocations to alternatives increase portfolio risk

The 2021 UBS Global Family Office Report shows that family offices maintain a risk-on mindset. In 2020, 40 per cent of family office assets were invested in alternatives such as private equity, real estate, and hedge funds. The latest findings show an intention to reduce low-yielding bond allocations in favour of even greater exposure to equities and alternatives. This points to family office portfolios taking on more risk.

According to Goldman Sachs, this increasing comfort with more illiquid investments reflects a need for higher return hurdles and long investment horizons. The expected returns offered by alternative assets appear to have become more attractive to family offices prioritising capital appreciation. This is especially true in the current prolonged low interest rate environment. But wealth preservation and diversification are also identified as top priorities.

10%

of family offices are planning to increase their gold allocations in the next two to three years. Source: UBS Evidence Lab

> "We believe that a modest allocation to gold should form part of every investment portfolio"
>
> **Krishan Gopaul**

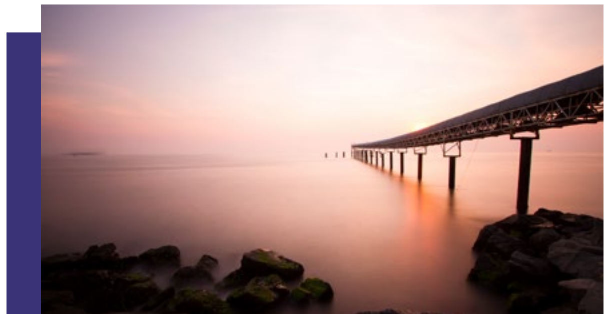
The global economic recovery is on-going thanks largely to extraordinary support from governments and central banks. This appears to reinforce the above-mentioned risk-on outlook of family offices. But despite the optimism, several risks remain. Rising inflationary pressures and potential fiat currency debasement to name a few. And with family office portfolios moving further out on the risk curve, it's natural to think about how to appropriately manage this. Multi-generational investing requires multi-generational diversifiers.

Gold may become increasingly relevant in future strategic asset allocation decisions

Family offices we engage with understandably ask us; when is the right time to buy gold? Although we cannot comment on market timing or provide price targets, we believe that a modest allocation to gold should form part of every investment portfolio, and that it will provide maximum benefits when held over the long term.

Given family offices' focus on multi-generational wealth transfer, the value of an asset which is a proven store of value over time should not be understated. And gold is, after all, the oldest store of value known to man. What's more, an allocation to gold could also serve as a ballast to increasing allocations to alternative investments and acting as a source of liquidity in the event of a stock market correction.

Investors are also keen to know if history can provide a guide to how gold may behave in the future? This is a more complex question and not one we can provide a definitive answer to. We can, however, help investors assess and understand the diverse drivers of gold and how it may behave in a variety of macroeconomic scenarios.



Long term horizons: The expected returns offered by alternative assets are attractive to family offices prioritising capital appreciation

Looking at the current environment, many central banks have recently made a hawkish turn in the face of mounting inflation. Should CPI inflation indeed be more persistent than previously expected, history shows that gold could benefit. Our analysis has found that gold can be a valuable component of an inflation-hedging basket. Furthermore, continued concerns about a potential stagflationary environment could also benefit gold investment, helping to offset declines in other portfolio assets.

Planned changes to asset allocation in the next 5 years
Source: UBS Evidence Lab

	Net Increase/ decrease	Increase	Stay the same	Decrease	Don't plan on investing in this asset class
Fixed income developed markets	-18%	17%	40%	34%	9%
Fixed income developing markets	3%	22%	45%	19%	15%
Equities developed markets	35%	48%	37%	13%	2%
Equities developing markets	56%	60%	29%	4%	6%
Private equity direct investments	42%	53%	32%	11%	5%
Private equity funds/funds of funds	26%	37%	41%	11%	11%
Hedge funds	16%	25%	46%	9%	20%
Real estate	22%	36%	46%	14%	4%
Infrastructure	23%	24%	50%	1%	25%
Gold/precious metals	10%	16%	55%	6%	22%
Commodities	9%	14%	46%	5%	35%
Cash (or cash equivalent)	-18%	11%	56%	29%	4%
Art and antiques	8%	10%	56%	2%	32%

The benefit of owning gold is something that many family offices already recognise. According to the UBS survey, two per cent of family office wealth is kept in gold or precious metals. What's more, a net 10 per cent are planning to increase their gold allocations in the next two to three years (table above). Goldman Sachs also highlights that investing in precious metals is a key strategy for family offices positioning themselves for continued low interest rates or an increase in inflation.

2%

of family office wealth is kept in gold or precious metals. Source: UBS survey

It is clear that for family offices capital generation and preservation are at the core of future strategic asset allocation decisions. But uncertainty and risk remain high. The trend of greater allocations to alternative assets looks set to continue, potentially making portfolios riskier in the process. As a result, appropriate diversification strategies, which could include gold, may become even more necessary going forward.

Krishan Gopaul is Senior Analyst, EMEA at the World Gold Council

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Pippa Fowles / No 10 Downing Street

Boris
What does the future hold?

By Bruce Anderson

The farce drags on. Do we have a government, sustained by a dominant political party, or do we have an ill-run children's play-ground? The PM has suffered a humiliating loss of authority, which is surely irreversible. He is no longer the First Lord of the Treasury. He has become the first laughing-stock of state. The weight of the evidence in Sue Gray's report has deprived Boris Johnson of his last shreds of dignity.

54

The number of letters Sir Graham Brady would need to receive to trigger a confidence vote

In one respect, he was always an improbable Prime Minister. From Attlee onwards, all post-war Premiers could have claimed to be serious people. History might question whether that was really true of Harold Wilson or Tony Blair, but at various stages, they both dominated British politics. At least for a season, to use a phrase of Joe Chamberlain's, they made the weather.

That was never true of Boris, for one over-riding reason. He never seemed to take himself seriously. Indeed, he often seemed surprised that so many people bought his act. This is a very hard man to read, for there is a constant disjunction between the bumbling, goofish exterior and the inner man, a much more complex, ruthless and insecure character.

> "As he himself does not possess a sub-atomic particle of loyalty in his entire being, he cannot conceive that others might"
>
> **Bruce Anderson**

There is one bridge across the schizoid divide, which is why he became Prime Minister: driving ambition fuelled by animal energy. David Cameron recognised this and thought that it would help Bojo to reach No 10. That assessment has a piquancy. Boris was so determined partly because he was jealous of Mr Cameron. He almost took it as an insult that a younger schoolfellow should have got there first.

So he reached the top of the greasy pole, a phrase of Disraeli's, the Premier whom Boris most closely resembles. Disraeli won his overall majority after years of frustration. Boris had a quicker route. But when they got to Downing Street, neither man had a programme. They had sought power. They won it. Then neither of them knew what to do with it.

For most of the time, Disraeli was happy to be a non-executive chairman. He was drawn by glamour: the Queen becoming Empress of India. He also liked grand projects: the purchase of the Suez Canal. But he was not interested in the detail of domestic government. Regularly falling asleep during Cabinet meetings, he responded with benign indifference as other ministers pursued their agendas.

Boris would not have done that. The praise, the limelight: that was all for him. He has never been at ease with strong ministers, partly through envy, because they had skills which he lacked, and partly through fear that a successful colleague would automatically become a rival. As he himself does not possess a sub-atomic particle of loyalty in his entire being, he cannot conceive that others might.

He could try to claim that bad luck - the pandemic - was responsible for much of his misfortune. But PMs are there to cope with anything that events fling at them. They need to be able to exert grip. The vaccination programme apart, there was no grip. Boris should have appointed a senior minister to supervise all the non-Covid aspects of domestic policy, so that there was no loss of momentum. He failed to do so. There was no momentum.

Instead, there were misjudgments and lies. As one of Boris's schoolmasters observed, he never accepted that the rules which applied to others also applied to him. As for truth, in public and in private life, Boris has always believed that the truth was what he needed it to be. At times, Tony Blair displayed similar traits. But he was even better than Boris at convincing himself that he was telling the truth.

I once made that point to Norman Tebbitt in a TV debate, drawing the comparison with King George IV, who persuaded himself that he had been at the Battle of Waterloo, claiming that the then Mr Blair did not think of himself as dealing in falsehoods. As so often, Norman cut to the nub of the issue. "That's too high-falutin' for me, Bruce. In my book, a liar is a man who tells lies."

That brings us to the Gray Report. If Sue Gray just falls short of proving that Boris lied to Parliament, the House of Commons should feel flattered. It would be the one body to which he did not tell lies. It appears that Miss Gray does not see it as her role to proclaim a verdict. But she has set out the facts which lead to a verdict: a guilty one.

Some Tory MPs seem inclined to think of May rather than Gray. Allow Bojo to fight the May local elections. If there is a massacre, as expected, then it might be easier to mobilise a large majority against him. This would be unfair to the Tory candidates who would be punished for their Leader's misdeeds. It would condemn the party to months of ridicule, during which all the opposition parties would revel in the fun of trashing the Tory Party's reputation.

> "Boris should have appointed a senior minister to supervise all the non-Covid aspects of domestic policy, so that there was no loss of momentum. He failed to do so. There was no momentum."
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> **Bruce Anderson**


The road to Number 10: Boris most closely resembles Disraeli but his route to No. 10 was quicker

This is no way to govern a country. At home, there are serious economic problems. We urgently need growth; we urgently do not need inflation, which could well lead to stagflation. How can the Government steer a course through those difficulties? Does anyone still have confidence in our Prime Minister's judgment?

Abroad, the world has never been so unstable. There are dangers on every side. In foreign affairs, the UK has usually managed to punch above its weight. Given Mr Biden's weakness, that is more necessary than ever. Although the US will always be a superpower, despite Biden, despite Trump, Britain could only be taken seriously if we had a serious Premier. Does anyone believe that this could apply to Boris?

As the days go on - such is the vigour of the ear-bashing which they will receive - most Tory MPs are in danger of contracting tinnitus. Their constituents are fed up with rule-breaking, lying and frivolity. Most of them believe that the country deserves better. If the Tories cannot provide that, many voters will look elsewhere.

Sir Keir Starmer has a certain wooden decency. No-one could accuse him of failing to take life seriously, and he gives the impression of competence. If the current mess continues, the Tory brand will be tainted, and the Tories would have only themselves to blame. Tories have always claimed that they are the only party which can be trusted to govern in the national interest. As long as Boris is Prime Minister, they would have to content themselves with another, lesser claim: that they do know how to run a piss-up in the garden of No 10.

Bruce Anderson is a preeminent political commentator and writer

The verdict
Sue Gray has set out facts which lead to a guity one.

Investing in the future of our shared planet

By Dominic Jermey, CVO OBE

Our world is facing two of the biggest crises in its history; biodiversity loss and climate change are worsening at extraordinary speeds and our collective failure to act is having disastrous consequences.

There is a growing recognition and understanding of the interconnectedness of the biodiversity loss and climate change crises, but we are yet to see united strategies on a global scale to address them. Habitat destruction diminishes nature's ability to effectively store carbon and reduces species' ability to adapt to changing environmental conditions; this then increases their risk of extinction and further exacerbates the breakdown of ecosystems.

However, we know that when given the chance, nature can recover. To drive this recovery, here at global conservation charity ZSL, we are working tirelessly to ensure biodiversity is embedded in global decisions being taken on climate change at major events this year, such as at COP26. While calling on Governments to tackle these twin crises together, ZSL continues to deliver our work in the field to protect wildlife and ecosystem health, underpinned by our world leading science.

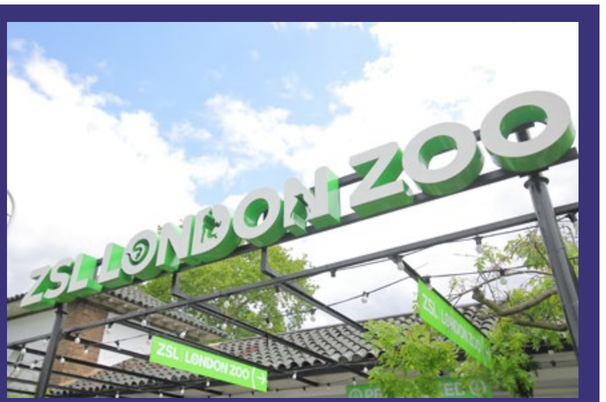
While there is scientific consensus that humanity is facing a climate crisis, biodiversity is also declining across the world at unprecedented rates. ZSL's 2020 Living Planet Index - a measure of the world's biological diversity based on population trends of birds, mammals, reptiles, amphibians and fish - recorded a decline of 68% in average species population abundance since 1970. This is unacceptable, and at ZSL we are committed to reversing these declines in conjunction with conservation strategies to support ecosystem health.

> "We know that when given the chance, nature can recover"
>
> **Dominic Jermey**

Our responsibility to protect vital ecosystems and species is not just ethical; this drastic fall in biodiversity levels erodes the foundations of economies, livelihoods, food security, health and quality of life worldwide. Investment in the future of our planet is essential to reversing these declines and supporting the health of wildlife and of people.

68%

The decline in population abundance of mammals, birds, reptiles, amphibians and fish.
Source: Living Planet Report 2020



ZSL London and Whipsnade Zoos: Connecting conservation leaders of the future with wildlife

At ZSL, a key area of our work to protect biodiversity is the employment of Nature-based Solutions – an approach to protecting wildlife, which mitigates the devastating impacts of climate change. These solutions, which include habitat protection and restoration, are low-cost yet high-impact, and provide multiple benefits to people and wildlife.

Coral bleaching: Rising ocean temperatures cause markers of stress or death.

Corals can be described as the canaries in the coalmines, and the urgent need for joined up, global decision is clearly illustrated by the world's reefs. Coral bleaching, caused by rising ocean temperatures, is an all-too-visible marker of stress or death.

Coral polyps - tiny animals - are the architects of some of the most biodiverse ecosystems on Earth. The reefs they build provide vital habitat, feeding, spawning and nursery grounds for more than a million aquatic species, while around 450 million people rely on them for food, coastal protection and their livelihoods.

ZSL's scientists have long been leading coral research with the aim of better understanding how we protect these complex and vital ecosystems. In 2010, we helped ensure that British Indian Ocean Territory (BIOT), centred on the Chagos Archipelago and home to the world's largest living coral atoll, was designated as a marine reserve. Situated 1,500km from the southern tip of India, this remote and protected place remains largely undisturbed by human activity, making it a crucial research site for understanding how healthy reefs function.

Here in the UK, we are engaging young people through our two zoos, London and Whipsnade. The next generation will most keenly feel the impacts of climate change in the future, while also potentially seeing the loss of some of the planet's most recognised species if we do not act. ZSL is committed to inspiring and educating these conservation leaders of the future to get involved, by connecting them with wildlife in our zoos, and supporting teachers with resources on climate change.

Together, we have an opportunity now to change the future of our planet. ZSL's pioneering work around the world shows that nature can return and thrive given the right combination of help. Our vision for the future, a world where wildlife thrives, is underpinned by the Sustainable Development Goals and is led by the power and insight of our world leading science, boots on the ground field conservation and practical experience of caring for endangered animals in our zoos. Vitally, our conservation interventions are low-cost and high impact.

We each have the power to secure change, but we need your help. Each small act can make a difference, from using a re-usable cup, to making a commitment to the health of our planet by donating to our work, to connecting your business with ZSL to drive our vision for the future together. At this critical moment in time for our planet, I invite each of you to make a transformative change for the future of our shared planet.

Above: Biodiversity is declining across the world at unprecedented rates.

450 million

people rely on coral reefs for food, coastal protection and livelihoods

Dominic Jermey is Director General of the Zoological Society of London

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ZSL

Succession Planning:

How technology serves as an intergenerational mediator

Passing on family wealth is an intergenerational challenge. Digital tools provide a secure way to manage the process inclusively.

Above: Preserving wealth over centuries mainly comes down to proper succession planning.

By Martin Stadler

Single-person risk: Data could be lost forever if the person safeguarding the information dies.

"Succession planning might be an uncomfortable process, but the risk of losing what has taken a lifetime to build is much worse"

Martin Stadler

A Spanish proverb says, "First generation, trader; second generation, gentleman; third generation, beggar." That's an overgeneralization, but as with most sayings, there is also some truth to it. Preserving wealth over centuries mainly comes down to proper succession planning. Families need a structured approach supported by complete documentation. That also presents a key challenge for wealth managers: How to support clients in structuring succession planning so that it considers each generation's preferences and priorities?

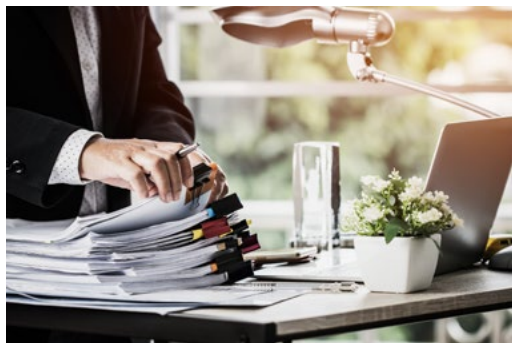
The challenges of passing on wealth

There is a natural psychological barrier to start preparing for the death of a beloved family member. But postponing the necessary steps can be a costly mistake, as tragic events often come as a surprise. Succession planning might be an uncomfortable process, but the risk of losing what has taken a lifetime to build is much worse.

The hand-over from one generation to another is a challenge that involves the whole family and their advisors: in principle, everyone should be on the same page. Those who pass on wealth are equally interested in proper succession planning as the generation taking over. However, the generation in charge may feel uncomfortable giving up control over their affairs – which is understandable. Besides, they may fear overburdening the following generation by handing over too much responsibility at once.

On the other hand, the incoming generation may be eager to take over that responsibility and would prefer to speed up the process; yet, they are often blocked because they can't access information. That can be particularly painful if the family wealth includes an operational business that needs one person to be fully in charge.

Besides the psychological barriers to succession planning, incomplete documentation adds to the struggle. Many families are still keeping their wealth data in a manual way, maintaining paper-based documents or excel files. Even worse: some data might not even be recorded anywhere. That creates a single-person risk: if the person safeguarding the information dies unexpectedly or suffers memory loss, data could be lost forever.



Drowning in documents? Many families still keep wealth data in a manual way

Technology as mediator

To avoid the pitfalls of improper succession planning, all involved parties seek an adequately managed process. The good news is that technology has made this process significantly easier: Digital wealth management platforms provide comprehensive solutions for the challenges ahead.

In the old days, passing on wealth meant discussing account statements, paper folders, and excel sheets, explaining what the family owns, where information is stored, and how to access it. The bigger the wealth, the more complex the hand-over, and the more oversights typically happened. Information might be distributed or not sufficiently documented, increasing the risk that following generations will not even know about certain family assets or how to access them.

Technology can greatly reduce these risks: on modern wealth management platforms, users can store all information in a digital vault. Ownership documents, mortgage contracts, insurance policies or account statements; the digital vault provides a single data center where everything relevant is recorded. The account owners can decide which folders, assets, and documents they want to make accessible for other users at what moment. Thus, family heads might give their children access to parts of the family wealth without passing on too much information and overloading their successors. They can subsequently open up more information, giving the incoming generation time to grow into their new role.

As such, wealth management technology becomes a mediator between generations. For those who take over wealth, technology becomes a means to access information; for their predecessors, it provides a way to share responsibilities step-by-step. And for both parties, digital platforms provide insurance against the sudden death of the person safekeeping all information. Data won't be lost; instead, it will be easily accessible, organized, and up-to-date. Family knowledge and wealth remain protected.

More than just data aggregation

In most cases, the incoming generation will be more open to using digital technologies. At the same time, the current wealth holders might prioritize the paper-based filing systems they have used for a lifetime. Wealth management platforms need to address privacy and security concerns, provide a secure infrastructure and user-friendly interfaces. It's also paramount that account owners can share information with their successors and involve external advisors such as tax or real estate consultants. That simplifies the hand-over and allows coming generations to start working with the experts chosen by their predecessors, who know and understand the family's affairs.

That's why the ideal wealth management platform is more than just a data aggregator. It is an interactive platform where all involved stakeholders can communicate and participate. It's a single point of truth and a tool that makes passing the baton to the next generation easy. Succession planning doesn't need to be complicated; it doesn't need to make families subject to risks. Technology can provide solutions to one of the biggest intergenerational challenges of wealthy families.

Martin Stadler is CEO of Altoo AG

altoo.io

Digital vault: Modern wealth management platforms provide a single data center where everything relevant is recorded

Bitcoin is the ideal access asset to the digital currency ecosystem... but seek advice!

By Matteo Dante Perruccio

Over the past 12 months the value of Bitcoin has fluctuated from around $30,000 to a high of $68,000, and was just $9,545 as recently as January 2020. Despite this volatility, it is time to accept that digital assets are here to stay and, in fact, have a role to play in investment portfolios for their unique asymmetric risk return profile.

The first important step for those who are interested in better understanding this space is to stop using the umbrella term 'crypto currencies' but rather to think about the market as 'digital assets'. In the same way that the broad term 'hedge funds' is not particularly helpful in differentiating between the various and distinctly different investment strategies (long/short equity strategies vs macro versus CTAs), the term crypto currencies can be misleading for the newer investor in digital assets. It is important to differentiate between the various types of crypto or digital assets to understand the return potential.

$1.17tn
Total market cap for Bitcoin in November

When I think about this space, I separate Bitcoin from the rest of the universe as I believe it has distinct characteristics which set it apart. For example, it has finite supply capped at 21 million, algorithmically coded anti-inflationary characteristics with mining rewards halving approximately every four years, and it holds a special place emotionally as the first, oldest and most trusted digital asset.

Gold vs. Bitcoin. If 10% of the gold market cap was to transfer to Bitcoin, it would significantly increase Bitcoin's price.

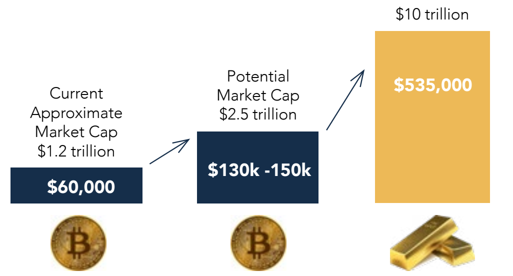
> "My strong conviction is that investors who are new to this space will inevitably want to start with exposure to Bitcoin"
>
> **Matteo Dante Perruccio**

Personally, I do not believe that the future adoption of BTC as a "currency" will be the primary driver of its appreciation, but rather its position for many new professional and institutional investors as the access asset to the digital assets ecosystem as well as its unique position as a digital store of value and effective inflation hedge. A comparison can be drawn between the perception of BTC versus the other digital assets and the special position gold has occupied relative to silver and platinum despite the fact that these other metals have similar characteristics.

In fact, institutional adoption started in earnest first with hedge funds allocating to BTC as an effective hedge for inflation and the dollar, often allocating from their gold bucket into BTC. This was followed by corporates like Micro-strategy and Tesla, who made large allocations from their corporate treasuries. This trend has continued, and as it accelerates it will be a significant driver of BTC appreciation.

Bitcoin has significant upside potential

If Bitcoin were to increase to 25% of current gold market cap the price per Bitcoin could reach approximately $130k - 150k and $535,000 if it reached the same market cap as gold.



Bitcoin price and market cap sourced from CoinGecko, as of 31 August 2021.

As can be seen in the graph above, if 10% of the current market cap of gold was to transfer to Bitcoin exposure, it would translate into significant appreciation of the price of Bitcoin.

Looking at the rest of the digital asset universe, in order to invest intelligently it is necessary to understand the various underlying protocols' business models and evaluate each case individually. For example: will Ethereum continue to be the primary go-to network for smart contracts or will it be usurped by the many challengers, like Cardano? Will it be the myspace or Facebook of smart contract protocols? Will Solana, as a protocol to optimize scalability and enabling development of dApps (decentralized applications), be the winner and so it goes on, Binance, Polkadot, Uniswap…

To answer these questions requires deep understanding of the digital asset ecosystem. The key question is, how to invest in digital assets in a thoughtful way to participate in the fast-growing market that has provided extraordinary opportunity for outsized returns?

My strong conviction is that investors who are new to this space will inevitably want to start with exposure to Bitcoin, the best-known and largest digital asset. The characteristics that I have already mentioned, combined with its uncorrelated returns, means BTC can be a useful asset allocation diversifier.

Simple regulated investment options for BTC are few. Recently, exchange traded notes (ETNs) and exchange traded products (ETPs) in Europe, and ETFs in Canada have been one way to invest. This approach provides passive exposure to BTC but is still relatively expensive for passive trackers. Another approach is to invest in an actively managed income and growth strategy which applies a covered call options strategy on BTC to allow for payment of a monthly dividend of over 1% per month, creating an income stream and smoothing the monthly volatility. This strategy captures the majority of the monthly appreciation of BTC and a premium which can then be paid out as a dividend. The investor is still exposed to BTC but can also benefit from the substantial income.

21 million
The finite number of Bitcoins that can ever exist

For those who want a broader and more diversified beta exposure to the digital asset market, there are various tracker products which will track a basket of five to 10 tokens. It is important to keep in mind that Bitcoin represents 40-50% of market cap of the digital asset market.

It is important to remember that this is a market which is evolving at unprecedented speed and it is a complex and varied ecosystem with new investment opportunities arising monthly. I encourage anyone who is considering investing seriously in this space to avail themselves of experienced professionals like Wave Financial, who are regulated, compliant, transparent and most importantly give priority to acting as a fiduciary in the best interest of the investor.

Matteo Dante Perruccio is President International of Wave Financial Group

wavegp.com

Prepare for a devaluation of China's currency as Xi pivots to 'common prosperity'

Above: Shanghai, on China's central coast, is the country's biggest city and a global financial hub

By Russell Napier

How easy is it for any policy maker to deliver a 'common prosperity' for the people while maintaining a stable exchange rate? You might think that this is a question of no practical import for those seeking to preserve the purchasing power of their savings but is more a question for politicians. However, financial history suggests that for savers there are, in the long-term, few more important questions.

Finding the right answer to this question is particularly important today because the President of China, Xi Jinping, has made it clear that his key political goal is now 'common prosperity.'

Since 2004 I have run a course called The Practical History of Financial Markets (www.didaskoeducation.org), soon to be available in an online version), which is based upon feedback from experienced fund managers on what they consider to be the key issues that investors need to understand. Based upon their feedback we teach that the key factor behind both returns from bonds and equities is changing inflationary expectations. You really should care whether President Xi can reduce China's very high debt levels and redistribute wealth without the flexibility to control the price of money, the quantity of money and the rate of inflation. If he needs those powers, can he regain them without moving to a flexible exchange rate? If he has to move to a flexible exchange rate to meet his own political goals, what does this mean for global inflation and asset prices?

Hard currency: In the 19th century only property owners tended to get the vote and favoured a gold standard

"You really should care whether President Xi can reduce China's very high debt levels and redistribute wealth without the flexibility to control the price of money, the quantity of money and the rate of inflation"

Russell Napier

Politicians have not always considered a common prosperity to be worth pursuing. In the 19th century only property owners tended to get the vote and, not surprisingly, they favoured a hard currency, in most instances a gold standard, that reduced the prospects of inflation destroying the purchasing power of their wealth.

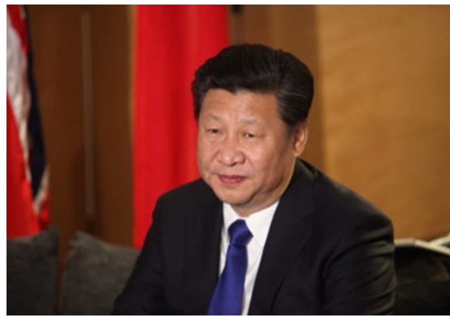
"Taiwan devalued because the cost of maintaining their exchange rate link to the USD was higher interest rates"

Russell Napier

This changed in the 20th century as men without property and eventually women got the vote. The gold standard and the orthodoxy promoting hard money disappeared. In the democratic era politicians needed the flexibility of monetary policy to attempt to redistribute wealth. In an era when independent central bankers held the reins of monetary policy, inequality of wealth has increased primarily for reasons associated with lower interest rates and higher asset prices. There is now a backlash against their stewardship of money and the low inflation they delivered, with some help from some major structurally deflationary forces.

Across the world governments are taking control of the price and supply of money in pursuit of goals not dissimilar to those they pursued post WWII. Total non-financial debt-to-GDP ratios are at all-time highs and the growth of nominal GDP needs to be pushed higher while the growth in debt needs to be constrained. The wealth impact is to move real purchasing power from savers to debtors and from old people to young people.

The social necessity of governments regaining control over the price of money, the quantity of money and also the direction of credit is clear to politicians and these powers are being taken back from central bankers. Can President Xi engineer similar outcomes but without controlling the price and quantity of money which requires moving to a more flexible exchange rate?



Power: Can President Xi regain control over the price and quantity of money?

As I discuss in my new book (*The Asian Financial Crisis 1995-98: Birth of The Age of Debt*), countries with large current account surpluses and very high foreign reserves still can be forced to devalue their exchange rates. The Asian financial crisis of 1997 may have begun in South East Asia but capital flight from Taiwan, a country with a current account surplus equivalent to 3.0% of GDP and some of the highest foreign exchange reserves in the world, also forced a devaluation. Taiwan devalued because the cost of maintaining their exchange rate link to the USD was higher interest rates. Higher interest rates and their impact on economic growth and financial stability forced Taiwan to devalue its exchange rate.

President Xi can find himself with the same problem as a credit quality deterioration, a burgeoning Cold War and falling property prices lead to accelerated capital outflows. Will President Xi allow foreigners to have such an impact on Chinese monetary policy? How can Xi deliver 'common prosperity' if his exchange rate targeting regime passes power over monetary policy to forces he cannot control?

An understanding of how key political goals align with exchange rate policy and monetary policy has been essential for anyone seeking to preserve the purchasing power of savings, particularly over the past 100 years. The conclusion of this financial historian is that President Xi's political goals are now incompatible with a stable exchange rate and thus savers should prepare for a devaluation of the Chinese currency.

Professor Russell Napier advises global financial institutions on their asset allocation. He is author of the book Anatomy of The Bear, Chairman of Mid Wynd International Investment Trust and runs a course in investing at The Edinburgh Business School.

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Canada's TSX Venture Exchange supports innovative companies to raise venture capital

By Graham Dallas

Venture capital is a powerful tool for both wealth creation and technological development. However, without suitable access to venture funds, the next generation of growth companies may find it hard to realise their potential, and without access to the right companies, investors may find it hard to achieve their desired returns.

Venture funding comes from multiple sources; typically, these include angel investors, specialist VC funds, family offices and HNWIs. The business of introducing private companies to potential sources of venture capital is complex and time-consuming for companies and requires high levels of due diligence from the sources of capital. This process is not very efficient.

C$900 million

The average funding raised by TSXV companies each month during 2021.*

This inefficiency is well known and recognised, and stock exchanges around the world have tried to establish platforms where growth companies can list at a comparatively early stage of their lifecycle and access equity capital more efficiently and from a wider range of investors. There are many examples, but by far the most successful is Canada's TSX Venture Exchange (TSXV), which has more than 1,600 listed issuers.

> "Stock exchanges around the world have tried to establish platforms where growth companies can list at a comparatively early stage of their lifecycle"
>
> **Graham Dallas**

Venture funding via an equity exchange, such as TSXV, is different from the private model. Growth companies have to go through a tested and transparent regulatory process in order to be listed; in return, they gain far more efficient and ongoing potential access to the funds they need, without the downsides outlined above. For investors, the knowledge that the companies have to satisfy a transparent and consistent set of initial and ongoing requirements provides a certain level of comfort; of course, investors still need to research and understand the specifics of the individual companies. However, they are not starting from zero, and they have additional advantages: they can assess a company in the context of a similar listed peer group, and they have access to a liquid secondary market.

Plant-based nutrition: One of the high growth sectors increasingly taking the CPC route to market.

Despite the obvious benefit of venture funding via an exchange, TSXV is one of only a few real venture exchanges left anywhere in the world. Other growth markets in Europe, Asia, North and South America have not achieved the requisite and useful balance between recognising the financing needs of small, early stage companies in their high growth phase and being able to offer sufficient levels of regulatory oversight to satisfy investors. Some of those that started as venture exchanges have now become inaccessible for many growth companies due to a combination of factors, including cost and the minimum size requirement to attract investor interest. Others have failed to build critical mass or to nurture true success stories.

Above: Over 700 TSXV companies have graduated tothe senior Toronto Stock Exchange

> "Innovative companies hungry for venture capital are an alluring asset class for investors"
>
> **Graham Dallas**

TSX Venture Exchange has managed to achieve this balance. It is cost-effective for small companies to raise capital (the average financing size is C$6 million)*. There are numerous successful growth stories – over 700 TSXV companies have graduated to the senior Toronto Stock Exchange, and many of these are now constituents of major benchmark indices. During 2021, each month has seen an average of C$900 million raised by TSXV companies. By any standard the market is flourishing.

TSXV companies are supported at the exchange level and by a complete ecosystem of professional advisers, specialist investors and market participants, not just in Toronto but across Canada. Additionally, there is a continual investment in the quality and accessibility of the market. For example, TSXV has, for the last two years, partnered with Global Partnership Family Office to give exposure to interesting investment opportunities offered by TSX Venture companies. Another example is the relaunch of the Capital Pool Company™ (CPC™) Program at the beginning of 2021 to make it more attractive for international issuers and sponsors.

In concept, a CPC resembles a SPAC. However, unlike SPACs, they are not new. CPCs have been a feature of TSXV for decades; over 2,600 companies have used this way of going public and many of them have grown and graduated to the senior exchange, Toronto Stock Exchange. In fact, two companies that began their listed life via a CPC are now in the blue chip S&P/TSX 60 Index*. This is not the place to go into detail, but the recent rule changes make CPCs much easier for international companies, in Europe and further afield, to take advantage of. They also ease the process of forming CPCs for founders outside Canada, making this a viable and highly attractive route for growth companies from Europe and beyond to access and take advantage of the growth funds they need. International companies in high-growth sectors such as pharmaceuticals and plant-based nutrition are increasingly using this route to market.

C$6 million

The average financing size for small companies on the TSX Venture Exchange.*

Innovative companies hungry for venture capital are an alluring asset class for investors. They can provide the opportunity for excellent returns, but they can also be hard to find and identify. TSX Venture Exchange provides a transparent, liquid platform for such companies, and an efficient way for investors to participate in their growth.

Graham Dallas is Head of Business Development, EMEA at the Toronto Stock Exchange and TSX Venture Exchange
tsx.com

*All data sourced from the Market Intelligence Group of TMX Group on December 31st 2021

Helping phenomenal families to thrive in today's challenging environment

By Lisa Forster

For the second year Standard Bank gathered a collection of insights from leading institutions, independent advisors and families in business. Across 23 episodes and over five weeks, the series unpacked the full spectrum of insights and what this means to those pondering "What makes a family phenomenal?"

The objective was to address the key issues and trends affecting family offices and family enterprises in today's environment, and to create a collection of thought leadership content to help our families preserve and grow their wealth and leave a legacy for many generations to come.

Clients face challenges in accessing deal flow or alternative asset classes and appropriate networks that they trust.

"Our strongest competitive advantage is our ability to engage a significant client base across 20 countries to create and facilitate a platform for peer-to-peer engagement."

Lisa Forster

Key themes

Trust

Working and collaborating with the right advisors, colleagues and partners has never been more important. Trust is built over time and destroyed in an instant. The impact of strong levels of trust, can free decision makers to take action swiftly and with a greater degree of confidence. Decisive actions over the past two years have been crucial to building and maintaining legacies.

Connectivity

Access to timely insights, the best advice, and other business owners has made the difference between surviving and prospering during the pandemic.

Sustainable Focus

A widely used term, more so in the past five years, which means different things to different people. For families in business, it is often about enduring and adapting. About benefiting collective stakeholders, as well as shareholders.

What does this mean for families and Standard Bank's Family Office clients and UHNWI private investors, who have expressed a desire for us to play a super co-ordinator role connecting business opportunities between client, capital expertise and our network? Some of the themes that have emerged as a result of COVID-19 pandemic include a significant increase in risk appetite of high-net-worth investors and wealthy families looking for diversification of their wealth, while still protecting and preserving the wealth.

One of those opportunities was in the form of directly-held private equity investment. What was motivating many of these families seemed to be driven by an underlying entrepreneurial confidence and experience in running their own businesses, and of course the desire to search for higher yielding and more exciting returns vs returns achieved through traditional asset classes such as equities and real estate.

Super co-ordinator: Our role is connecting parties and introducing high-quality opportunities

Some clients believe their own personal business experience gives them an advantage over the professional investment community and are now starting to also consider co-investment prospects with other "like-minded" families to share in "off market" opportunities and to de-risk.

However, this sounds far easier in theory than it is in practice. The challenges that clients come across almost without exception are getting access to deal flow/alternative asset classes and appropriate networks that they trust. Standard Bank has proven to be valuable to our clients on playing the role of super co-ordinator of relationships and introducing high quality opportunities, to which we are exposed to by virtue of our inter-connectedness and the ecosystem of deep financial expertise that we enjoy within the Group. Connecting parties is where we see the role and vision of our Global Family Office.

We believe that one of our strongest competitive advantages is our ability to engage a significant client base across 20 countries, to create and facilitate a platform for peer-to-peer engagements to do meaningful business and to share insights and experiences.

With that in mind and based on the immense feedback we have received from one of our content pieces from the Phenomenal Families Series, we have subsequently established a Global Investment Club, which is designed to bring deal flow and opportunities for private investment to the fore.

Leaving a legacy: Helping our families preserve and grow their wealth for generations to come

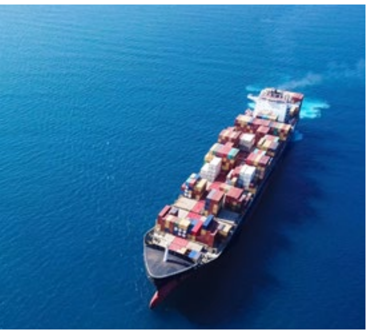
*For information about Standard Bank please contact **Lisa Forster**, Head of Family Office & Family Business Solutions **Lisa.Forster@standardbank.co.za***

Standard Bank

Watch the Phenomenal Families series at www.wealthandinvestment.standardbank.com/about-us/family-office

Transition from heritage firm to portfolio family business: challenges and opportunities

By Dr Peter Lorange



SUI was founded as a shipping company

"The portfolio entrepreneur is defined as a manager who has simultaneous ownership of multiple businesses"

Peter Lorange

One of the most remarkable factors characterizing business today is the amount of potent business opportunities. Technology is changing, consumer behaviors are taking on new forms, public policies are often taking dramatically new turns, and the epicenter of global economic progress is shifting to the east.

This opens up an abundance of new business opportunities for modern family firms that are strong in adaptation, quick, determined and flexible. But there are obviously challenges to this positive agenda.

Two overriding issues face families owning so-called heritage businesses who wish to maintain sustained business success: achieving strong business performance and ensuring family harmony.

A strategy that might be more focused on the wider set of opportunities that now are increasingly available might lead to a further strengthening of performance.

A portfolio-driven strategy typically opens up for more entrepreneurship. The portfolio entrepreneurs come alive! While family firms represent assets, i.e., "things", portfolio entrepreneurs are real people who might contribute to the growth of these assets in value.

The portfolio entrepreneur is defined as a manager who has simultaneous ownership of multiple businesses. Wealth creation seems to be an essential driver for a portfolio entrepreneur; i.e., to develop profitable new businesses, and to try out a new business concept, inspired by the creative impulse or intellectual curiosity.

A strategic commitment can result in the long-term building of family-owned portfolios over many years, even over generations. My own portfolio investment firm, SUI, for instance, was founded in 1929 as a shipping company, but is now a portfolio; I represent the third generation of ownership, and the fourth generation having just taken over. Maintaining the required level of entrepreneurship over the generations requires active commitment. A strong involvement in business activities in the portfolio seems key, including the ability to grow businesses, as well as diversify, wind businesses down, or exit certain sectors. Entrepreneurial drive is thus paramount.

The portfolio itself might be diverse. For instance, SUI's portfolio consists of five different areas of business. Some parts of a given business portfolio might yield more stable cashflow returns than others, which might perhaps be focused on more growth.

Starting a portfolio may not only be driven by financial considerations, however, as manifested as profits, cash flow, risk, and so on. There may be personal motives too, to do with career fulfillment. For instance, I have an extensive background in the business educational sector, which served as a guide to SUI's involvement in the education business.

When it comes to closing down of parts of a portfolio to free up resources for new investments, this might be seen as a "natural" entrepreneurial activity rather than a scaling back as such.

Business educational sector: A guide for SUI's involvement in the education business

Raising more capital – say, for mergers or acquisitions – is also typically a family concern, often likely impact the concentration of ownership. Is the owning family comfortable with potential ownership dilution? Acquisitions might alternatively be financed through taking on more debt, of course, implying a higher degree of risk for the firm, with no dilution of ownership other than by 'paying' with shares in the company held by the owning family. But this would also be an issue of control and affects much more than the decision about whether to merge/acquire or not. Acquisition of new capital might typically be easier in the case of portfolios rather than when having a heritage firm.

For many family business portfolios, having a particularly value-based culture is vital. Values typically directly influence investment strategies. Perhaps the most important aspect of this is the fact that as large a proportion as possible of the funds generated from the various entities within the firm's portfolio should be reinvested by the firm, with only a relatively small fraction of the firm's economic result being paid out as dividends. While some parts of a portfolio might generate reliable cash flows, others might be more suited for reinvestment. An owning family thereby has a much greater degree of flexibility when it comes to the withdrawal of cash from such business portfolio types of firms.

"While some parts of a portfolio might generate reliable cash flows, others might be more suited for reinvestment"

Peter Lorange

One way of viewing a portfolio might be according to its degree of risk. A portfolio might consist of the following four parts:

A way of looking at what might be a good portfolio for a family firm might be through the lens of the human competences in a family firm. A business portfolio might be built based on the core capabilities that exist in a company. What might be key for a leader, then, is to empower people in their organization to take advantage of what they seem to know best.

Moonshot

Very risky investments, typically found in start-ups, and with significant payoffs when successful.

Core wealth creation

Family-owned and actively managed businesses.

Steady income 'generation'

To support a family's living expenses, say, through rental incomes from real estate.

'Hurricane'

To support a family members in case of a crisis, say, by holding gold (physical rather than certificates) in various locations. Holding Bitcoin may represent another way to achieve this.

Peter Lorange *is Chairman and CEO of the Lorange Network lorangenetwork.com, which was recently transferred to the Institute for Management Development (IMD). He is Honorary President, IMD and also Founder and Chairman of S. Ugelstad Invest, his own family portfolio business. This article draws from his new book, Reinventing the Family Firm, published by IMD.*

Quickfire Q&A

Martin Bloom

What was your first job?

A summer holiday job working for two months at the Bureau of Census and Statistics in Sydney, Australia. I devised a better way to collect statistics for real estate transfers. It was followed by a month-long bus trip from Sydney to Adelaide, and on to Alice Springs, Darwin, Mt. Isa, Cairns, Brisbane and then safely back to Sydney.

What was the best advice you were ever given?

I am still waiting for it.

Which was the last book you read?

Anthro-Vision by Gillian Tett

Gillian Tett.
Author of *Anthro-Vision*

What would be the first item on your bucket list?

A trip into the future. As a historian, I always wonder how future generations will view current events, both global and personal.

Who inspires you?

Jimmy Carter.

How would you spend your ideal weekend?

Researching the next chapter of one of the books I am writing.

How long can you go without your mobile phone?

A weekend, possibly.

Daniel Kahneman.
Nobel Prize winning phsychologist and economist

What advice would you give the young you?

Don't get distracted. Focus.

What would be your luxury item on Desert Island Discs?

Sony a7R IV camera + lenses.

Who would you most like to meet and why?

Daniel Kahneman. His work in psychology has been influential in identifying human cognitive biases.

Martin Bloom *is CEO of Emblem Ventures (a family office established in 1956) and an LP and Member of the Advisory Board of Seraphim Space Fund.*

Sydney, Australia