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VWB Insights

THE EMERGENCE OF THE MULTI-FAMILY OFFICE



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Ventures Without Borders: Facilitating Private Equity Investment in Emerging Markets

Ventures Without Borders (VWB) specializes in guiding global investors and local companies through private market investments in emerging markets. By leveraging our deep market insights, extensive network, and strategic expertise, we help investors identify lucrative opportunities while managing associated risks. VWB offers end-to-end advisory services, from market entry strategy and due diligence to deal structuring and post-investment management, ensuring that our clients can succeed emerging markets with confidence.



MarketGlide: The First Integrated Investment Platform for Emerging Markets

Currently under development by Ventures Without Borders, **MarketGlide** is the first integrated investment platform specifically designed to transform how private market investments in emerging markets are sourced, analyzed and executed.

MarketGlide not only streamlines investment processes but also places a special focus on its vibrant community of investors, local partners, and project developers. This platform is tailored to enhance connectivity and leverage the growth potential within these regions. Features include:

- **Curated Investment Opportunities:** Gain access to a carefully vetted selection of high-potential infrastructure projects across key sectors such as transportation, energy, and telecommunications.
- **Advanced Analytics:** Utilize our comprehensive analytics and data insights to assess investment viability, risk, and expected returns with greater precision.
- **Collaborative Community Tools:** Our platform facilitates seamless collaboration, enabling investors to connect, share insights, and work together with local partners and project managers.
- **Regulatory Compliance Support:** Receive guidance about complex regulatory frameworks with tools designed to ensure full compliance and operational transparency.

By integrating these essential functionalities, MarketGlide empowers global investors to make well-informed decisions and capitalize on the substantial growth opportunities that emerging markets offer.

Join our community to connect with like-minded professionals and explore the frontiers of investment in some of the world's most promising regions.



Executive Summary

- Single-family offices (SFOs) originated in the 19th century for wealthy families, evolving into multi-family offices (MFOs) by the late 20th century to pool resources and manage increasing wealth complexities.
- The 21st century saw a significant increase in high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs), driving demand for sophisticated wealth management services offered by MFOs.
- Advances in AI, data analytics, and blockchain are revolutionizing MFO services, enhancing investment strategies, reporting, and client communication, exemplified by platforms like MarketGlide.
- MFOs are expanding in emerging markets such as the Middle East and Asia, leveraging local knowledge, regulatory technology, and strategic partnerships to meet the diverse needs of wealthy families.
- For success in emerging markets, MFOs should adopt advanced technologies, ensure regulatory compliance, diversify services, build trust, and continuously innovate and adapt to local contexts. Ventures Without Borders & MarketGlide stands ready to support MFOs by providing innovative tools and resources to deliver exceptional value to their clients.

Introduction

In the 19th century, wealthy families in Europe and the United States established single-family offices to manage their substantial fortunes. Prominent examples include the Rockefeller Family Office, which was founded in 1882. With vast wealth amassing during this period, the complexity of managing these assets increased, prompting the development of more sophisticated single-family offices. By the end of the 20th century, the multi-family office model began to take shape, with financial institutions acknowledging the benefits of pooling resources to serve multiple wealthy families. This process was catalyzed through the increasing globalization of wealth, which facilitated the demand for multi-disciplinary management of family wealth. As a result, many single-family offices transitioned into multi-family offices to diversify their client base and enhance their operational efficiencies.

The substantial rise in global wealth during the 21st century has led to a significant increase in the number of high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) globally. As a result, the demand for sophisticated wealth management services that MFOs offer has ballooned. This marks a significant shift towards the multi-family office model, and this white paper will explore potential opportunities apparent in emerging markets, and how Ventures Without Borders can facilitate this transition.



The Growth of Global Wealth and Demand for MFOs

Global wealth has catapulted in the 21st century, with McKinsey research showing that between 2000 and 2021, \$160 trillion was added to paper wealth as asset prices surged. This primarily occurred due to low interest rates during this period, as for every \$1 in investment, \$1.90 of debt was generated. With this monumental rise in global wealth, we have observed a significant rise in high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) entering the market for sophisticated, and personalized, financial services. As a result, family offices have emerged to embrace the increased demand; a growing amount choosing to provide services to multiple families instead of just one.

Family Offices have become particularly popular in the Middle East and Asia, with Family Office hubs developing in Singapore, Hong Kong, and the United Arab Emirates. Globally, the number of family offices has grown to 20,000 in 2023, showing a stark increase in their influence. With this growth, Family Offices are no longer small entities with limited functionality, but bustling financial institutions in their own right. This shift was catalyzed by various macroeconomic factors, such as COVID-19, which have transformed the organizational structures of these institutions.

According to a survey by KPMG, different Family Offices prioritize different functionalities. For instance, whilst 67% of Family Offices claim their purpose is the administration of family wealth, 29% claim it is philanthropic initiative. Further differences are observed when we observe the continental split. We observe that 42% of Family Offices are located in the Americas, whilst 29% are in Europe, 7% are in the Middle East, and 9% are in Asia. Thus, with the shift in global wealth towards emerging markets, **Ventures Without Borders predicts that the global distribution of Family Offices will tend further towards the Middle East and Asia.**



Key Drivers for the Emergence and Growth of MFOs

Rising Global Wealth

Before we address the potential shift towards the Middle East and Asia, it is important to explore the key drivers for the growth of MFOs. As priorly mentioned, rising global wealth is a significant factor motivating their rise, with far greater numbers of HNWI and UHNWI coming out of emerging markets. Many of these regions have underdeveloped financial sectors, thus promoting the establishment of Family Offices to provide sophisticated wealth management solutions to the growing class of affluent families. Often, this requires establishing MFOs as pooling resources and leveraging economies of scale can combat the shortfall of financial professionals in these economies, whilst bolstering their efforts against traditional financial institutions.

Heightened Regulatory Challenges

Financial services regulations have become increasingly complex, catalyzed by globalization, regulatory changes, and nouveau financial instruments. Therefore, specialized knowledge is required to survive, which MFOs are uniquely positioned to provide. MFOs offer a multi-disciplinary approach by integrating investment management, tax planning, estate planning, and legal services under one roof. This comprehensive approach ensures that families manage their wealth more effectively and are compliant with diverse regulatory regimes.

Cost Efficiency

Undoubtedly, the primary advantage of MFOs is their ability to deliver cost-efficient services by spreading expenses across multiple families. This model allows for significant cost savings in areas such as administrative support, technology investments, and professional services. For high-net-worth families, this means access to top-tier financial advice and management without the prohibitive costs associated with single-family offices. MFOs can negotiate better deals with service providers, invest in innovative technology, and hire specialized staff, all of which contribute to enhanced operational efficiencies and better service delivery for their clients.

This march towards cost efficiency has also developed new models for managing wealth, with some modern family offices holding no assets under management, (AUM), instead offering advisory services to their clients. This model allows MFOs to cater to far larger numbers of clientele, and thus bringing their costs down even further.

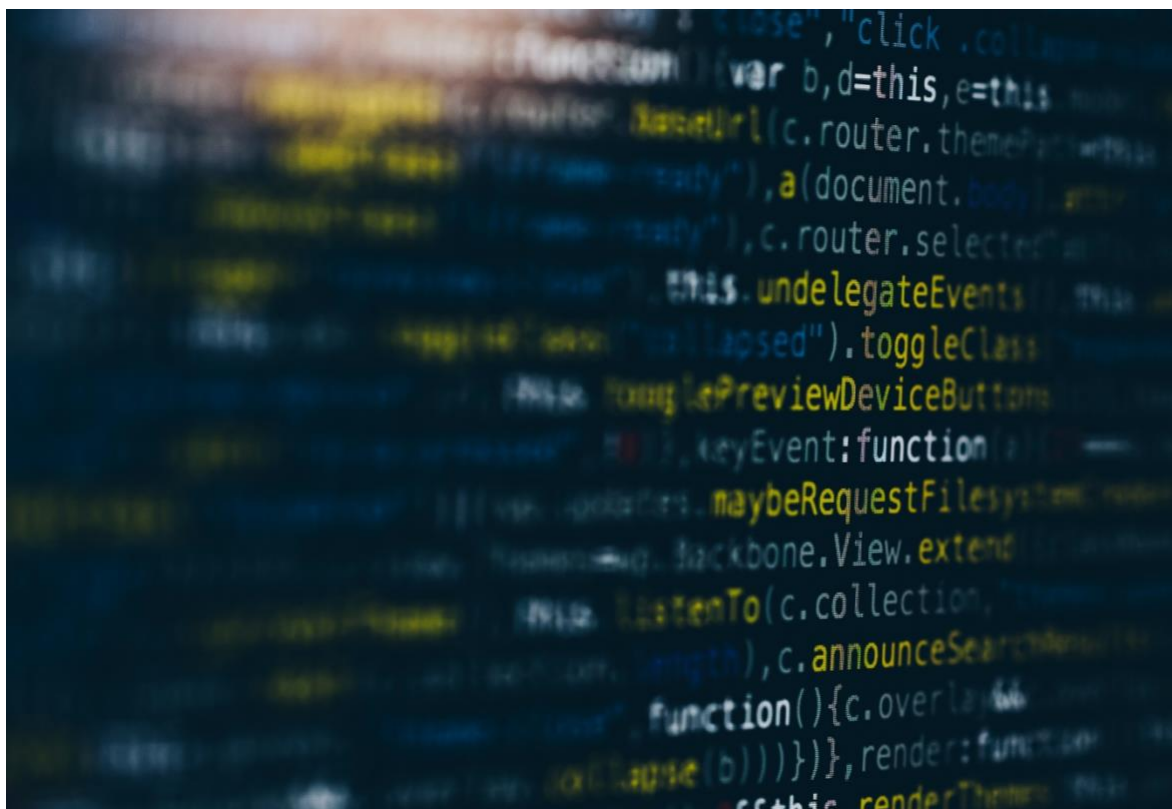


Technological Advancements

Advancements in technology have revolutionized the services provided by MFOs. MFOs utilize digital platforms and tools to facilitate better financial planning, reporting, and communication, and thus making it easier for families to manage their wealth. AI and data analytics have allowed MFOs to deliver hyper-personalized advice and proactive investment strategies.

For instance, MarketGlide identifies investors with similar preferences, informing them of fitting investments and allowing them to co-invest seamlessly. By pooling resources, MFOs can leverage their combined capital and expertise, making it easier to finance acquisitions and expansions in emerging markets. Not only does MarketGlide identify potential opportunities, but it enables the trust required to facilitate co-investment opportunities which may otherwise go unfunded.

Data is central to MarketGlide, ensuring that investors and investees possess full knowledge surrounding their potential partnerships. Users will have access to AI-Powered analytics, with the data received personalized to their specific needs. For example, if a Family Office view philanthropic initiative as a key function, MarketGlide can recommend investments which fit their specific goals, whether they be environmental, social, economic.

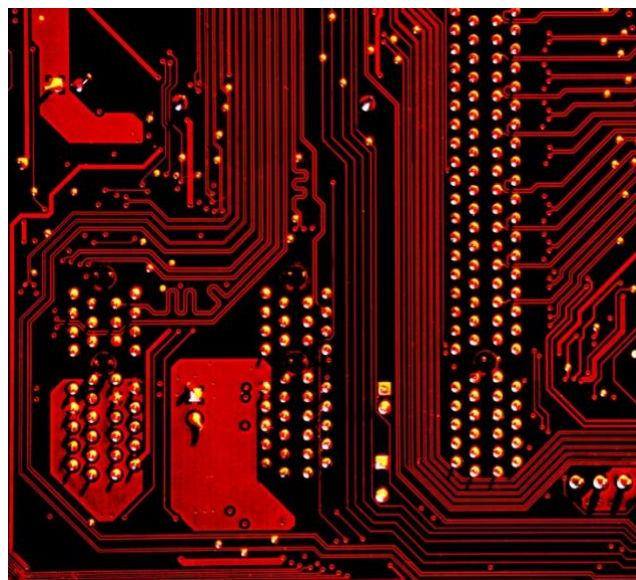


Case Studies and Examples

A notable example of a growing Multi-Family Office, in an emerging market, is Aglaia. Stephen Hunt, Gavin Tan, and Heinrich Jessen founded Aglaia, with their primary focus on wealthy Asian families. They are based in Singapore, offering services ranging from philanthropy, investment analysis, and wealth transfer planning.

Recently, Aglaia has developed in-house portfolio management and reporting systems which allow them to track and monitor family assets in real time. Utilizing these systems, they provide monthly consolidated reports, which can be customized to show the information most useful to their clients. Hence, the development of these systems has simplified and streamlined MFOs abilities to tailor their services to multiple clients without disrupting the quality of their services.

Therefore, such systems have been developed by various MFOs. For instance, Credence, an MFO also operating out of Singapore, has expanded its presence into other emerging markets, including Indonesia, Malaysia, and Thailand. In the past, such geographic expansion was unheard of, but with the development of modern client portals, MFOs can tend to an increasingly diverse pool of clientele across the globe. Such portals allow secure communication between MFOs and their clients, the secure distribution of sensitive financial materials, and real-time portfolio tracking. Certain MFOs have even developed mobile applications, allowing clients to access their services on the go.



Naturally, the rise in artificial intelligence suggests that there is significant potential for its usage by MFOs. Dan Conner from the CFA Institute claims that artificial intelligence has the potential to generate investment recommendations, analyze scenarios, run simulations, and monitor various investment factors – significantly increasing MFOs capacity to administer to family wealth effectively and securely. By leveraging AI, Family Offices can reallocate their human capital to where it brings most value – developing relationships with clients and tending to problems that artificial intelligence cannot solve (yet). Despite this, rollout of artificial intelligence software has been slow, but will be a significant variable for MFOs to monitor in the upcoming year.

Strategic Recommendations for Emerging Market MFOs

Adopt Advanced Technology Solutions

Emerging market MFOs must leverage technology to enhance their service offerings and operational efficiency. Implementing advanced client portals, mobile applications, and AI-driven tools can significantly improve client experience and investment outcomes. For instance, AI and data analytics can be used to provide personalized investment strategies and real-time portfolio monitoring. Blockchain technology can also be explored for transparent and secure transaction management.

Embrace Regulatory Compliance

Navigating the complex regulatory environment in emerging markets requires a robust compliance framework. MFOs should invest in regulatory technology (RegTech) solutions to automate compliance processes and ensure adherence to local and international regulations. Regular audits and compliance training for staff can further mitigate regulatory risks.

Diversify Service Offerings

To cater to the diverse needs of HNWIs and UHNWIs, MFOs should offer a broad range of services beyond traditional wealth management. This can include philanthropic advisory, estate planning, tax optimization, and family governance services. Tailoring these services to the specific cultural and legal contexts of the region can provide a competitive edge.

Establish Strategic Partnerships

Forming strategic alliances with local and international financial institutions, legal firms, and technology providers can help MFOs expand their service capabilities and reach. These partnerships can facilitate access to new markets, innovative financial products, and innovative technologies.

Emphasize Transparency and Trust

Building trust with clients is fundamental for MFOs, especially in emerging markets where financial systems may be less mature. Implementing transparent reporting practices, regular client communication, and ethical business conduct can help establish and maintain trust. Ensuring data security through robust cybersecurity measures is also critical.



Leverage Local Knowledge

Understanding the local market dynamics, cultural nuances, and regulatory environment is essential for the success of MFOs in emerging markets. Hiring local experts and engaging with local communities can provide valuable insights and foster client relationships. This local knowledge can also help MFOs tailor their services to better meet the needs of their clients.

Innovate and Adapt

The financial landscape in emerging markets is rapidly evolving. MFOs must be agile and innovative to stay ahead of the curve. This includes exploring new investment opportunities, adopting flexible business models, and continuously improving service delivery. Keeping abreast of global trends and adapting them to the local context can drive growth and success. Advancements in technology should be central to these efforts, allowing human capital to be leveraged where it is most effective – nurturing relationships and providing high-touch client services.



Conclusion

The emergence of Multi-Family Offices (MFOs) marks a significant shift in the wealth management landscape, driven by rising global wealth, complex regulatory environments, and advancements in technology. With the increasing number of HNWI and UHNWI, especially in emerging markets, MFOs have a unique opportunity to provide tailored and sophisticated financial services. By adopting advanced technologies, enhancing regulatory compliance, diversifying service offerings, and leveraging local knowledge, MFOs can thrive in these dynamic markets. Ventures Without Borders, and our innovative MarketGlide platform, stands ready to support MFOs in navigating these opportunities and challenges, ensuring they can deliver exceptional value to their clients.