

A close-knit business you can bank on

THE BIG PICTURE

They are a US alternative to private banks and have their eyes on European expansion. **Tom Stabile** looks at the world of multi-family offices

The multi-family office model that has grown swiftly in the US is set to spread across Europe as an alternative to private banks for families with \$50m-\$500m in assets. About 100 US multi-family offices advise on upwards of \$300bn (£152bn, €193bn) in a market topped by firms such as Bessemer Trust and Rockefeller & Co.

US family office firms are sniffing around and deciding whether to expand overseas. Indeed, Sara Hamilton, chief executive of the Family Office Exchange, a Chicago-based association of investors and family offices, says one large family office in her organisation is deliberating on whether its next step is to "have a branch in Europe".

Highmount Capital, a multi-family office in New York and Boston, is discussing collaboration with firms in London, Switzerland and the Netherlands. "Probably in the next six to 12 months, we will see partnerships formed," says Christopher Hoch, partner at Highmount.

Florida-based GenSpring Family Offices, a subsidiary of SunTrust Banks in Atlanta, last year acquired Miami-based TBK Investments, which serves clients in Latin America, Spain, and Italy, and the now-rebranded GenSpring International has big plans, says Santiago Ulloa, its chief executive.

"[GenSpring] wants to become the first global brand in the multi-family office business," he says. "We hope to grow in Europe by the end of the year, either on our own or through an acquisition."

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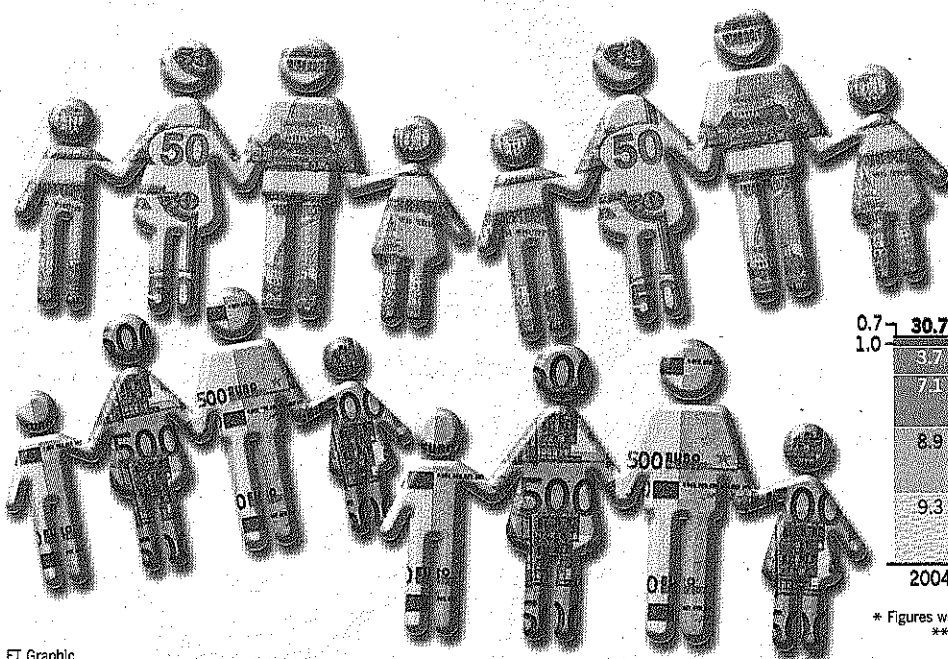
Several top US firms see Europe as fertile ground, partly because of an expected wave of families selling privately held businesses and seeking objective investment advice. But observers say any transnational multi-family boutique will need local roots.

The US multi-family office has evolved over 20 years, adapting the centuries-old concept of the single-family office – which dynasties of vast resources create to run their personal and financial affairs – to groups of wealthy families that want co-ordinated and objective advice but are not big enough to establish their own firms.

The main distinctions between these operations and European private banks are an emphasis on open architecture investing and a boutique structure.

Private banks tend to offer broad services but promote in-house investment products, says Domenico Romeo, head of investment management advisory and risk management at Four Partners, a year-old wealth advisory firm in Milan. And when European advisers use outside investment products, they often pocket rebates or "retrocessions" from the money managers as revenue alongside the advisory fees charged to family clients.

In contrast, the US multi-family office model positions the firm "on the client's side of the table", says Maria Elena Lagomasino, chief executive of GenSpring Family Offices. Such firms typically collect revenue only



FT Graphic

from complex, multi-household family clients; recommend best-of-breed external managers for investments; and tackle functions such as tax and estate planning.

"The European market is one step behind the US with regard to open architecture [investing]," says Mr Romeo. "Some of the UK [family offices] are moving in the same direction, but in terms of continental Europe, there are not so many."

Private banks are often large organisations that connect clients to relationship managers who pull products and services off a core menu. But multi-family offices are difficult to scale because high service levels offered to clients, both in terms of sophistication and breadth, are expensive to replicate, says Mr Romeo.

"As you get bigger, or go global, you develop a higher cost structure, and inevitably you need more clients," he says. "There is 'collateral damage' if you need to grow your client base in a way that can affect the quality of service."

While Four Partners specialises in areas that family offices do not address, such as corporate finance and company research, Mr Romeo says he nevertheless believes the US multi-family office has "a winning model" that will be attractive to ultra-wealthy European families. Whereas Europe has its fair share of single-family offices, multi-family boutiques were rare until recently, says Mr Hoch, of Highmount Capital.

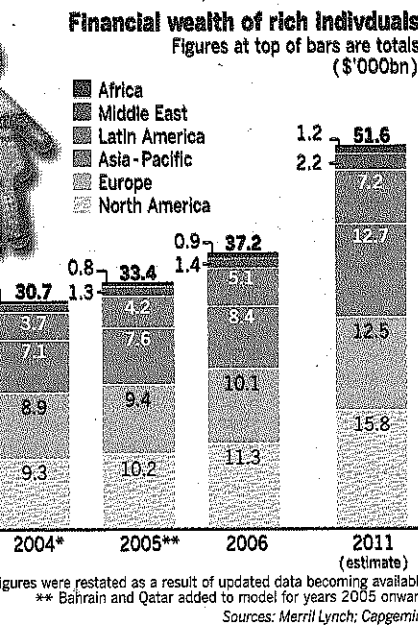
"There are a growing number of multi-family offices in Europe, either single-family offices that tried to expand or new ones opening from scratch," Mr Hoch adds. Prominent examples include London's Sand Aire and Fleming Family & Partners, Zurich's Marquard Family Office, Geneva's Pictet & Cie, and Amsterdam's VermogensGroep.

The fuel for expanding multi-family offices is new wealth. Leveraged buy-outs in the 1980s helped US families sell off privately held businesses, and created a new class of wealthy investor hungry for independent advice that took shape as the multi-family office. Several sources say that trend should echo in Europe, which has a strong stock of family-held businesses because of traditional cultural pressure to preserve that structure.

Interest in the US model is building, says Ms Lagomasino, who has heard from European, Brazilian, and Canadian wealth managers studying best practice. Calls come from around the globe seeking similar information from the Family Wealth Alliance, says Thomas Livergood, chief executive of the Illinois-based association of

ultra-wealthy families and family offices.

Taking a multi-family office across borders requires local expertise in new markets, because the service model must be able to navigate multiple currencies and regulations, says Charles Lowenhaupt, chairman, chief executive, and president of Lowenhaupt Global Advisors. His St Louis-based



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