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THE EUROPEAN FAMILY OFFICE REPORT 2021

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Private

Dear reader,

Campden Wealth delivers proprietary intelligence directly from families – guided by the principle that peer-to-peer learning can be extremely effective, and is increasingly pertinent as the investment landscape becomes more complex. The ambition is to provide reports which constitute a meaningful resource – helping families to benchmark their activities and navigate through uncertainty.

With this in mind we are pleased to present **The European Family Office Report 2021**, the seventh of its kind since our inaugural report in 2014. This year, however, it is just one of three regional reports covering Europe, North America and Asia-Pacific in order to provide richer and more granular analysis.

The picture of European family offices presented here reveals nimble dynamic organisations taking full advantage of the sophistication of financial markets, but nonetheless driven by a unique set of values encouraging them to embrace social and environmental goals which "make the world a better place". The best evidence for this comes from the extent to which they have adopted sustainable investing and their philanthropic endeavours.

The founders and principals of European family offices are high achievers. They have built companies from scratch, undertaken leadership roles in business, managed complex investments and overseen family-related responsibilities. Officers are experienced and consummate professionals, undertaking an increasing range of activities. The next generation are better educated as regards their post-succession roles. Hopefully, all three groups will find something of interest in this report, which is intended to be the most extensive study of family offices yet undertaken.

The Partners would like to thank all families and executives who took part in this research and have made a valuable contribution to the community.

We hope you enjoy the read.

Dominic Samuelson
Chief Executive Officer
Campden Wealth

Executive summary

This report is based on statistical analysis from 385 surveys with family offices worldwide, with 108 (or 28%) based in Europe. The average European family represented has wealth of USD $2.0 billion, while their estimated cumulative wealth stands at USD $216 billion (total global wealth across the report series is estimated at USD $655 billion). The average European family office has assets under management (AUM) of USD $1.5 billion and their collective AUM is estimated at USD $162 billion (the total family office AUM globally across the report series is estimated at USD $424 billion).

The key takeaways are:

Three in four families' wealth increased over the past year, despite the COVID-19 pandemic

73% of European families reported an increase in wealth over the last 12 months, with 20% describing the increase as significant. No family office reported a significant decrease. 58% of European family offices saw an increase in AUM, with 16% describing the increase as significant.

The family office space is growing rapidly

Reflecting the significant growth of the family office space, European family offices are expanding their offices, structures and services. The key areas of growth over the last year relate to IT infrastructure (noted by 47% of respondents), risk measures/structures (40%), governance/reporting structures (33%) and staff levels (27%). There appears to be a fairly even split between those outsourcing services (20%) and those bringing services in-house (16%). Furthermore, roughly one-third of family offices in Europe (32%) have two or more branches.

Family offices are bullish about the economy

European family offices are optimistic about the economic outlook for 2022. 89% expect a continuation of economic recovery, only 5% believe that removal of government stimuli post pandemic will precipitate a recession. To take advantage of economic recovery, 56% of European family offices are seeking new investment opportunities, 43% are looking to diversify their portfolios, and 35% are realigning their portfolios to pursue more growth-oriented opportunities.

European family offices performed well, but investment returns lagged behind those achieved by offices in North America and Asia-Pacific

In 2020 European family offices generated an average portfolio return of 12%, mainly from the strength of public and private equity markets. While this is notable, it lags behind regional peers in North America and Asia-Pacific, who each generated 15%.

Future investment trends: A shift towards private and public equities and away from bonds

Following a year of double-digit returns, appetite is growing for private and public equity deals. 51% of European family offices plan to allocate more to direct private equity investments, 43% to private equity funds, 24% to developed market equities and 22% to developing market equities. Meanwhile, disaffection with fixed income is likely to continue, with 18% planning to reduce their exposure to major government bond markets.

Over one in four family offices invest in cryptocurrency

28% of European family offices have a toehold in cryptocurrency in the expectation that it might become a mainstream asset class. At present, crypto assets account for just 1% of European family offices' average portfolio and 1% of portfolios globally. Although 17% of European family offices plan to allocate more to cryptocurrency in 2022, this figure trails offices in North America (30%) and Asia-Pacific (35%). This positioning reflects the fact that while 33% of European family offices see cryptocurrency as a promising investment, more do so across North America (43%) and Asia-Pacific (53%).

73%

of European families' wealth has increased over the last 12 months

45%

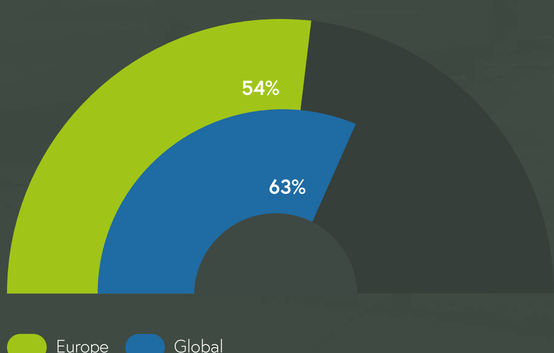
of European family offices currently engage in sustainable investing

Sustainable investment is heating up rapidly and climate change is the number one target

Nearly half (45%) of European family offices currently engage in sustainable investing, compared to an average of 34% in North America and 57% in Asia-Pacific. Amongst this European cohort, 29% of their average portfolio is currently dedicated to sustainability. However, this figure is expected to rise considerably to 44% within the next five years, surpassing the global expected average of 37%. This anticipated increase confirms that European family offices are gearing up to deploy their capital in eco-conscious businesses tackling critical social and environmental challenges, with the top sustainable investment theme being climate change (supported by 78% of European family offices, 73% globally). 83% of European family offices believe that the wealth community should do more to combat climate change, and now they are putting their words into action.

Since COVID-19, assessing and addressing risk has become a top priority

Over half (54%) of European family offices report that risk management has become more important to them over the past year (global average: 63%). The most significant market risks over the coming 12 months are perceived to be inflation (70%) and rising interest rates (55%). The most significant risks to family offices over the next three to five years are perceived to be investment risk (79%) and unpreparedness for succession (33%).



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Within the next 10 years, a third of family offices will be taken over by the next generation, but concerns loom about their preparedness

We are in the midst of a major generational transition. 32% of European-based Next Gens have already assumed control of the family wealth, while another 34% will do so within the next 10 years. In terms of preparedness for this transition, just 52% of European respondents currently have a succession plan in place (global average: 55%). Those deemed most prepared for succession are the family offices, followed by current serving family members and then the next generation. In particular, just 12% of Next Gens are perceived to be 'very prepared'. 47% are perceived to be 'somewhat prepared' and 36% either very or somewhat unprepared. While these figures show more preparedness than the global averages (12% very prepared, 39% somewhat prepared), it also suggests that more work needs to be done to prepare for this transition.

Cyber-attacks haunt the family office space, yet many remain ill-prepared

With the rise in remote working during the COVID-19 pandemic, cyber-attacks involving targeted data breaches and malware have become increasingly commonplace. 38% of the European family offices surveyed claim to have experienced a cyber-attack over the last 12 months, which is considerably higher than the global average of 30%. To fend off such attacks, less than one-third (30%) of family offices in Europe have a reportedly 'robust' cybersecurity plan in place, while 43% have a plan which respondents report, 'could be better' and 26% have no plan at all. With respect to the families, only 19% view themselves as having a robust cybersecurity plan, 37% have a plan which reportedly 'could be better' and 34% have no plan at all. This suggests that more could be done to safeguard both family offices and the families themselves against cyber-breaches that could have far-reaching consequences.