

HUMAN CAPITAL

FAMILY OFFICE SERIES 2018



In today's market environment, it is crucial to mitigate risk while searching for yield.

We solve this by wrapping every trade finance transaction with insurance, **guaranteeing principal** while **maximizing returns**.



zenithinsured.com (212) 488.4972
641 Lexington Ave, Floor 29 | New York, NY 10022



Disclaimer: The contents of this publication is protected by copyright. All rights reserved. This publication as well as parts of this publication, may not be reproduced, stored in a data retrieval system or transmitted in any form or by any means including and not limited to electronic, photocopying, recording or otherwise, without written consent and permission of MarketCurrents LLC. Action will be taken against individuals or companies who ignore this warning.

The information set within this publication has been obtained from sources which we believe to be reliable but this is not guaranteed. This publication is provided with the understanding that the publisher and authors shall have no liability for any errors, inaccuracies or omissions therein, and by this publication, the publisher and authors are in no way offering professional or consulting advice. The contents set forth herein is not to be construed as investment advice. Any mention of a fund is in no way an offer to sell or a solicitation to buy the fund. Any information in this publication should not be the basis of an investment decision.

MarketCurrents LLC:

Sumehr Sondhi, *Publisher & Managing Director*, MarketCurrents LLC, ssondhi@marketcurrents.co
Wendy Connett, *Editorial Director*, MarketCurrents Wealth Management, wconnett@marketcurrents.co
Achuthan Kannan, *Online Editor*, MarketCurrents Wealth Management,
akannan@marketcurrentswealthmanagement.com
Vikram Kuriyan, *Trustee & Director*, MarketCurrents LLC

260 Madison Avenue, New York, NY, 10016, USA.

T: 1-917-960-8463.

E: info@marketcurrents.co

Design: Version Next Digital Pvt. Ltd.

CONTENTS

5	Editor's Foreword
7	Family Office Versus Corporate Culture
10	The Cost of Human Capital
13	Recruiting Best Practices
17	The Human Capital Landscape in Asia and the Middle East
20	Keeping Top Talent
22	Trend Outlook
26	Contact Us



05

EDITOR'S FOREWORD

The maturation and increasing institutionalization of single-family offices globally is driving demand for non-family member executives to run them. Chief executive officer (CEO), chief investment officer (CIO), chief operations officer (COO) and chief financial officer (CFO) are among the key leadership roles family offices look to fill.

Single-family offices come in many different structures and sizes. Because no two are alike, each has different hiring needs and a unique work environment. Still, there are common threads in what is required to oversee the many moving parts of a family office, which involves much more than managing wealth.

C-suite execs at family offices typically work on small close-knit teams and wear many hats beyond what their title may suggest. They also need to be adept at navigating the intricacies of family dynamics. The experts we spoke to for this issue of MarketCurrents reveal the crucial requirements needed to successfully take on a leadership role.

Human capital is a significant cost for family offices. Finding qualified C-level candidates and keeping them for the long term is no easy task. We also look at the human capital challenges single-family offices face and how to overcome them, as well as compensation trends. The family office experts we spoke to outline recruiting best practices and how to help ensure, when all is said and done, that execs stick around for the long term.

Execs at single-family offices also share how they approach recruitment, compensation and retaining top talent, in our human capital report.

Finally, this issue of MarketCurrents outlines the additional human capital challenges families in Asia and the Middle East face - markets where the family office model is less established than in the U.S. and U.K.



07

FAMILY OFFICE VERSUS CORPORATE CULTURE

More often than not, execs who work at family offices are typically recruited from financial services firms. There are distinct cultural differences between the two, which can create recruiting challenges. For one, traditional financial services firms commonly have a very structured career path. This differs from family offices where the next step in a career can be more fluid.



“The biggest challenge while hiring is cultural fit.”

TAYYAB MOHAMED,
CO-FOUNDER, AGREUS

“The biggest challenge while hiring is cultural fit,” says Tayyab Mohamed, co-founder of London-based family office resourcing and recruitment specialist firm Agreus.

Working for a family office differs from a traditional financial services firm where potential candidates are used to climbing the corporate ladder. “Family offices have quite a flat structure,” adds Paul Westall, co-founder of Agreus.

Family offices are hiring talent from very structured and benchmarked industries, explains Mr. Mohamed. Family offices, on the other hand, are more fragmented in terms of pay and structure.

Among the challenges is finding candidates who can do the job and fit into a small team. “A job in a family office is not for everyone,” says Mr. Mohamed. “Successful family offices tend to hire problem solvers.”

Execs at traditional financial services firms also typically focus on one area but at a family office they need to be capable of performing a variety of tasks. “What family offices demand are good multi-taskers and generalists,” says Simon Foster, CEO of U.K.-based single-family office TY Danjuma Family Office.

But the cultural differences can also be viewed as a benefit for the right candidate. Family offices provide the opportunity to work with a variety of asset classes, Mr. Foster points out. A fund manager working at a pension fund, on the other hand, would only deal with fixed-income investments.

Another benefit is the ability to cross-pollinate with others on the management team instead of remaining in separate silos, Mr. Foster adds. At TY Danjuma Family Office, for example, the fund management team might work with the real estate development and management team.

“Intellectual stimulation in the family office world is second to none,” says Mr. Foster.



“What family offices demand are good multi-taskers and generalists.”

SIMON FOSTER,
CEO, TY DANJUMA
FAMILY OFFICE



10

THE COST OF HUMAN CAPITAL

The cost of human capital is significant. On average 60% of the cost of running a family office is allocated to staff, according Mr. Westall.

Recent research sheds light on the compensation practices of single-family offices. The salary for a CEO/Managing Director is on average \$396,001 or more for 38.46% of the 100 single-family offices in the U.S. Agreus surveyed for its 2018 U.S. Family Office Compensation Benchmark Report. Just over 27% of CIOs and 11% of CFOs/Financial Controllers share the same average salary.

Senior level salaries are based on a number of factors including the amount of assets managed, the complexity of wealth and the purpose of the family office, Agreus points out in its research. While salary ranges in the U.S. are consistent with single-family offices in the U.K., a larger percentage of C-level executives in the U.S. receive a higher basic salary, Agreus found.

Salary Ranges

	Under \$60,000	\$60,001 to \$72,000	\$72,001 to \$85,000	\$85,001 to \$99,000	\$99,001 to \$122,000	\$122,001 to \$159,000	\$159,001 to \$199,000	\$199,001 to \$264,000	\$264,001 to \$330,000	\$330,001 to \$396,000	\$396,001 +
CEO/MD	3.85%	0.00%	0.00%	1.92%	1.92%	3.85%	7.69%	26.92%	11.54%	3.85%	38.46%
CIO	0.00%	0.00%	0.00%	3.45%	6.90%	6.90%	13.79%	13.79%	17.24%	10.34%	27.59%
Financial Controller/CFO	2.78%	0.00%	5.56%	11.11%	8.33%	8.33%	19.44%	13.89%	19.44%	0.00%	11.11%
Accountant	6.45%	0.00%	35.48%	16.13%	25.81%	12.90%	3.23%	0.00%	0.00%	0.00%	0.00%
Investment Specialist/Portfolio Manager	2.63%	2.63%	5.26%	10.53%	15.79%	13.16%	15.79%	23.68%	2.63%	0.00%	7.89%
Investment Analyst	10.71%	14.29%	10.71%	17.86%	28.57%	3.57%	3.57%	10.71%	0.00%	0.00%	0.00%
Administrative Support and Office Manager	25.58%	30.23%	16.28%	16.28%	4.65%	2.33%	0.00%	4.65%	0.00%	0.00%	0.00%
Fiduciary & Trust Specialist	5.88%	11.76%	29.41%	17.65%	11.76%	0.00%	17.65%	5.88%	0.00%	0.00%	0.00%
Legal Counsel	5.56%	5.56%	5.56%	5.56%	11.11%	16.67%	27.78%	11.11%	5.56%	0.00%	5.56%
Concierge/Lifestyle Manager	30.00%	35.00%	15.00%	5.00%	5.00%	0.00%	0.00%	5.00%	0.00%	5.00%	0.00%
Project/Operations Manager	15.38%	15.38%	34.62%	7.69%	11.54%	0.00%	7.69%	3.85%	3.85%	0.00%	0.00%
Personal Assistant	50.00%	25.00%	7.14%	10.71%	3.57%	0.00%	0.00%	3.57%	0.00%	0.00%	0.00%
Bookkeeper	85.71%	7.14%	7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Agreus Family Office USA Compensation Benchmark 2018

Salaries for investment pros at single-family offices are on the rise, other research shows. About 40% of family offices increased salaries more than 4%, according to a compensation survey of 303 investment professionals at 152 single-family offices by McNally Capital, Botoff Consulting and Mack International.

Family offices pay discretionary and formulaic bonuses or a combination of both. Discretionary bonuses are the most common way to reward employees at family offices globally, according to Agreus. The highest percentage of salary as a bonus is paid to those with C-level and investment-related roles. A majority of formulaic bonuses are paid to individuals in leadership and investment roles.

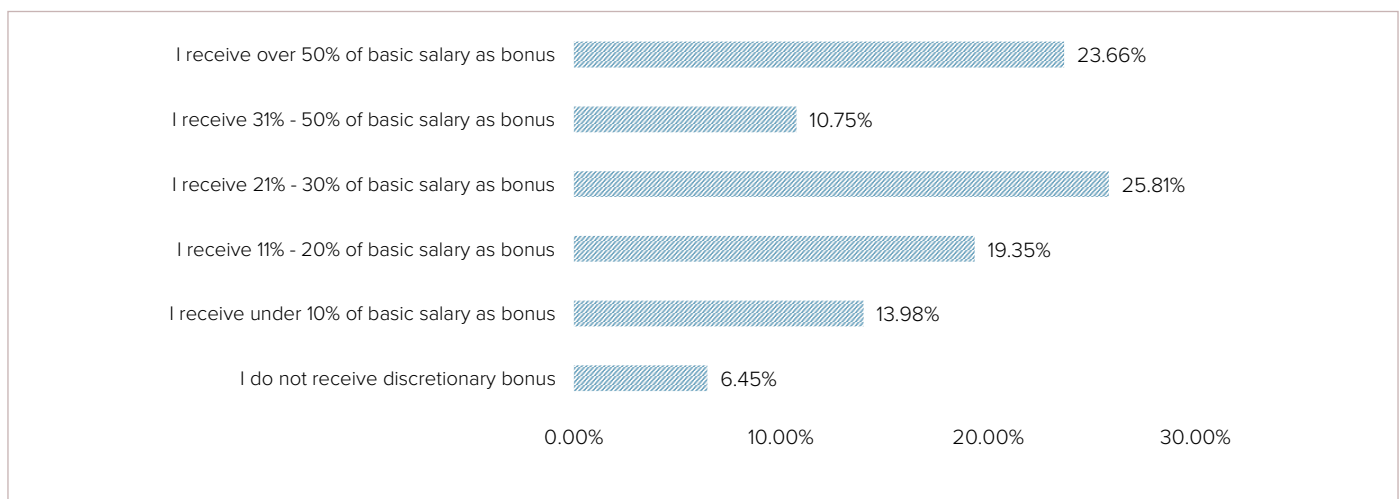
Established and successful family offices tend to have long-term incentive plans, which align employees' interests with that of the family, Agreus has found.

How bonuses are calculated varies depending on the family office's structure and objectives. Established family offices are more likely to have a formulaic structure, while those that are new tend to start with a discretionary model, according to Agreus.

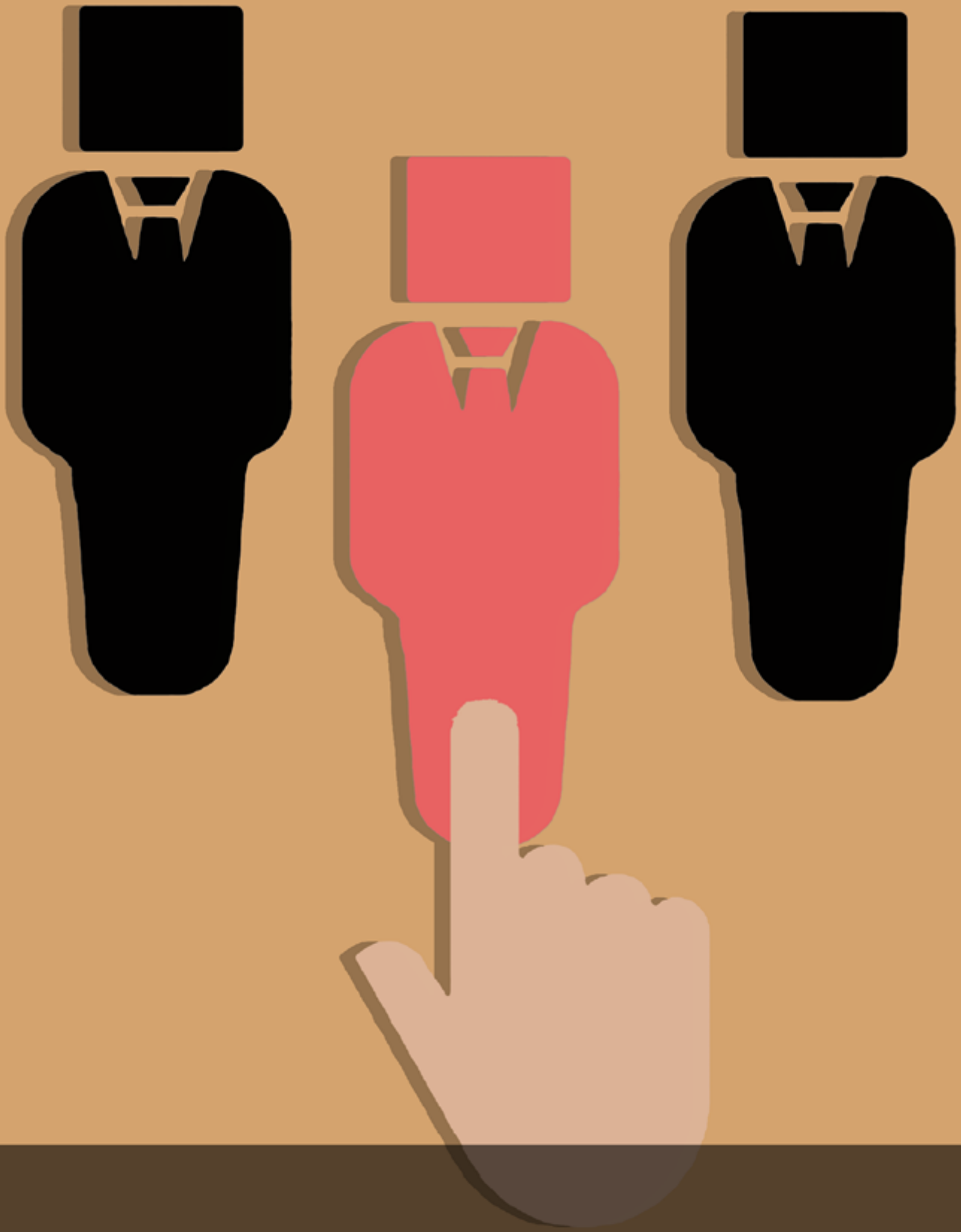
More than half (55%) of family offices use formalized incentive plans or a combination of formalized and discretionary plans to compensate investment pros annually, according to the McNally Capital, Botoff Consulting and Mack International report. This reflects an increasing trend toward more structured plans. In general, the higher the assets under management, the greater the likelihood of a formalized structure, it found.

Overall, more than 60% of family offices and 87% of those with more than \$1 billion in assets have a long-term incentive plan. Co-investment and carried interest are the most common plans. This suggests that families are using long-term incentives to create alignment with executives and investment staff, the report maintains.

Discretionary Bonuses



Source: Agreus Family Office USA Compensation Benchmark 2018



The first step in the recruiting process, the experts we spoke to all agree, is clearly defining what the role requires.

And often overlooked is creating a process that recognizes the need to attract high-level talent, says Glenn Krauser, Managing Partner at Human Capital Advisors in McLean, Virginia. "This is part evaluation and part sales process."

It is also critical to tailor how candidates are sourced to the role that a family office is looking to fill. More or very specialized requirements result in a smaller pool of candidates. Specific organizations need to be targeted to find qualified talent, Mr. Krauser explains.

After defining the role and deciding the best way to source candidates Mr. Krauser emphasizes the importance of putting in the effort needed to define and articulate the culture of the family office. "Culture is the backbone of an organization's effectiveness," he says. "Leaving it to chance is not a great strategy."

One way to define culture is by asking how success is defined behaviorally. Who does the family office value the most and why? "If you think of a single-family office or any organization, culture is defined by what you do and how you do it every day." Once a picture of what the family office values is created these traits can be embedded into the process of assessing candidates.

A new family office would be starting with a blank slate in terms of culture. Families embarking on setting up a single-family office need to determine the culture that would best fit their needs, says Mr. Krauser. Culture is set and driven by leaders. "Bringing in a CEO will have a heavy influence on culture," he adds.

Traditionally, family offices have recruited trusted advisors for senior roles with whom they have worked for years, such as lawyers, tax accountants and bankers, according to George Wilbanks, founder of executive search firm Wilbanks Partners in Stamford, Connecticut. "These pros are good at what they do but



"There needs to be a level of technology sophistication to be a quarterback to put all of these pieces together."

GEORGE WILBANKS,
FOUNDER, WILBANKS
PARTNERS



“Each family office has its own level of screening.”

PAUL WESTALL,
CO-FOUNDER, AGREUS

aren’t trained general managers.” They haven’t run a significant profit and loss (P&L) with integrated and multiple facets, he explains.

Running a family office involves overseeing a series of partnerships with service providers. While each family office is unique, such services may include investment reporting, trust and custody, cybersecurity, physical security, real estate, travel, philanthropy, art and reputation management, to name a few. Coordinating interactions with a variety of outside advisors is no easy task.

Older generation leaders also often lack a deep knowledge of technology, which is critical to running a family office today, Mr. Wilbanks adds. “There needs to be a level of technology sophistication to be a quarterback to put all of these pieces together.”

In short, qualified candidates for senior roles need to have experience as a general manager, running a P&L and be tech savvy. Mr. Wilbanks says that suitable candidates, for example, can be found among the C-suite leadership at fintech and other service firms.

Family offices should have a professional approach to screening candidates, says Mr. Westall. “Each family office has its own level of screening.” Many, however, tend to hire from recommendations via friends or colleagues, he adds.

Single-family offices should reach out to established recruitment agencies in the U.S. and Europe to share the description and requirements of the job they are looking to fill, according to Kamil Homsj, founder and CEO of Global Realty Capital with offices in New York City and Dubai and GRC Investment Group, a single-family office in Dubai.

The services of such firms will reduce the stress and time involved in the hiring process, he adds. This includes screening and forwarding a short list of qualified candidates prior to scheduling in person interviews. “We rely on European staffing firms to fulfill our needs due to their vast experience in the field and familiarity with the space,” says Mr. Homsy.

Prior experience at a family office is not a prerequisite for TY Danjuma Family Office. “We are not precious about hiring people with a family office background,” says Mr. Foster. Instead the approach is to hire people with a functional background or the skill set that matches the requirements of the job. If it is hiring for a fund management position, for example, the family office would look to sign on someone with a hedge fund or pension fund background.

During the interview process TY Danjuma Family Office first screens potential candidates by vetting whether they have the technical skills required. The second step is deciding if they will fit in with the culture. Its hiring process includes deciding whether a potential candidate meets “the 24-hour test.” In other words: “Would we want to sit on a plane with them for 24 hours?” Mr. Foster explains. This is particularly important when working closely on a relatively small team. TY Danjuma Family Office also looks to hire people who aren’t in awe of the allure of a family office.

A common challenge is hiring an individual based on qualifications and experience only to find that there is a personality clash with the patriarch/matriarch or senior members of the family office, says Mr. Homsy.

It’s important to make sure everyone on the family office team is involved in the hiring process, advises Mr. Westall. All stakeholders should be involved. Often, there are multiple family members with whom an employee will have to interact, he adds.



“We rely on European staffing firms to fulfill our needs due to their vast experience in the field and familiarity with the space.”

KAMIL HOMSI,
CEO, GLOBAL REALTY
CAPITAL AND GRC
INVESTMENT GROUP



17

THE HUMAN CAPITAL LANDSCAPE IN ASIA AND THE MIDDLE EAST



“The concept of family office in its fullest form is still relatively underdeveloped in Asia and the Middle East.”

NOOR QUEK,
CEO, NQ
INTERNATIONAL

In markets where the family office model is less established there are unique human capital challenges.

“There are additional challenges in a new market,” says Mr. Mohamed. Family offices in emerging markets can often have disorganized operating structures. They might, for example, still have assets tied up in a business entity, versus having a separate formalized structure to manage wealth. This can often be the case in India and the Middle East.

“You are essentially attracting talent from very structured industries to very unstructured family offices,” Mr. Mohamed says of recruiting challenges.

Financial services professionals in these markets are also less likely to move to the unfamiliar territory of a family office, unlike finance pros in the U.K. or U.S.

“In an emerging market it’s harder to convince someone at a bank to move to a multi-billion family office,” Mr. Mohamed explains.

“The concept of family office in its fullest form is still relatively underdeveloped in Asia and the Middle East,” says Noor Quek, CEO and founder of NQ International, which is based in Singapore and provides advisory services to family offices in Asia and the Middle East.

“U.K and U.S. family offices generally have family members who are suitably educated and qualified to oversee the business, often as a board member.” Professionals, mostly non-family members, run the family office.

In Asia and the Middle East there can be the expectation that family members will continue to manage the family business and family office, she adds. This is particularly stressful for young family members who may prefer to pursue a career not related to the family enterprise. Taking a different path can be viewed as a sign of lack of filial piety, she explains. In some instances the situation can be so tense that the patriarch decides to disinherit a younger-generation family member. This way of thinking, however, is slowly but surely changing and being replaced by practices found in the U.K. and U.S., adds Ms. Quek.

The human capital challenges family offices face is even more complex for those that are multi jurisdictional, according to Ms. Quek. Potential candidates need to possess tact, patience, maturity, deep knowledge of the key essentials of wealth management in addition to regulations in different countries, she adds. A global mindset and being culturally adept and sensitive are also desirable traits. Such candidates are in high demand but can be limited in supply.



20

KEEPING TOP TALENT



“Family offices don’t grow and change rapidly.”

GLENN KRAUSER,
MANAGING PARTNER,
HUMAN CAPITAL
ADVISORS

Once a role has been filled the question becomes how do you keep an exec challenged and engaged in the long term?

Financial services firms typically provide a clear, long-term career path, while family offices often do not, Mr. Krauser points out. “Family offices don’t grow and change rapidly,” he adds.

To keep top talent family offices need to be competitive with pay, according to Mr. Foster. TY Danjuma Family Office benchmarks remuneration packages across the world to keep up. It encourages longevity through an annual evaluation process, paying discretionary bonuses and annual pay rises.

Another way to attract and keep top talent is to pay not only for quantitative performance but also reward them for good teamwork. This helps build loyalty, says Ms. Quek.

To achieve this, some family offices establish a participative bonus pool. As an example, she cites employees being allotted shares in a publicly-traded company that is part of the family enterprise. Payouts can be staggered to encourage longevity.

Ensuring the longevity of execs goes beyond pay. It also involves providing quality of life and intellectual stimulation. The former is rare in the corporate culture of traditional financial services firms.

“We try to make sure we provide a good quality of life,” Mr. Simon says. Most of the TY Danjuma Family Office team live near the office, which is based in Surrey versus the City of London, and leave by 6 p.m. The exception is during crunch times.

Another way family offices can keep execs for the long term is to allow for innovation and keep them engaged in forward thinking, Mr. Krauser says.

Yet another is providing flexibility. This can be achieved by allowing outside engagement. Examples include interaction with other family offices or allowing time for an exec to get involved with philanthropy, such as serving on a board, he explains.



22

TREND OUTLOOK

The number of single-family offices continues to grow globally. As family offices become more sophisticated so do their hiring practices and the candidates they seek to fill C-suite roles. And as competition for qualified talent heats up the cost of human capital will continue to rise.

“Family offices are becoming more institutional in outlook and hiring practices reflect this,” says Mr. Foster. “Family offices are more sophisticated and are hiring more sophisticated people.”

Mr. Foster points out that deals are different than they were 20 years ago, such as the increasing trend toward direct private equity and direct investing.

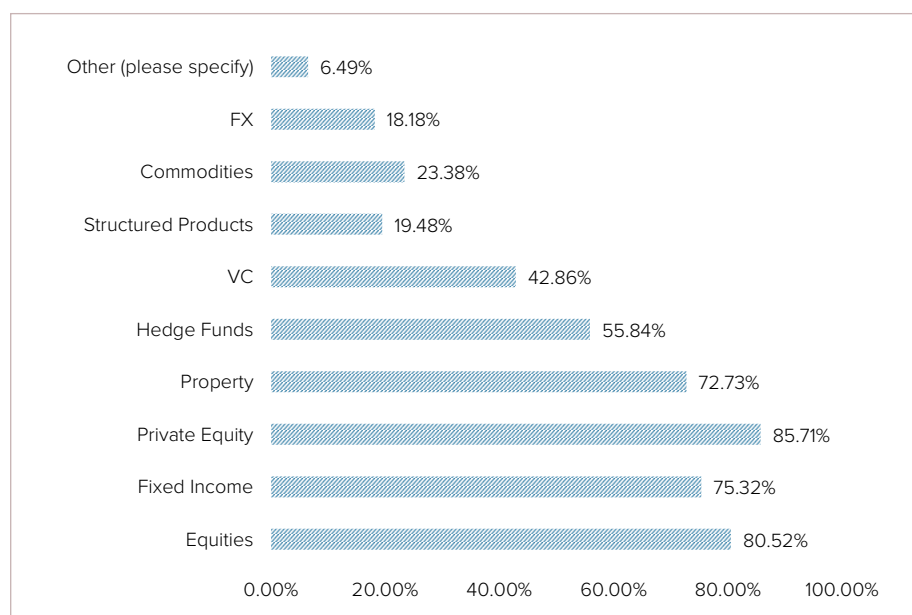
Because of the increase in direct investing among family offices a lot more specialists are being hired with this expertise, Mr. Westall has observed.

“For our family and most of our partner families it is common to have an internal CIO/CFO and experienced bookkeeper to maintain consistency and health in our deal pipeline,” says Mr. Homsy.

There is an ongoing trend since the 2008 global financial crisis to hire internal CIOs. Increasingly complex investments continue to drive this trend.

Research from Agreus shows that private equity is the largest asset class in which family offices invest. Almost 86% invest in private equity, according to its 2018 U.S. benchmark survey.

Asset Classes



A majority (92%) of family offices participate in direct investing, according to the McNally Capital, Boffo Consulting and Mack International report. Almost all (86%) manage direct investments in house versus using a third-party advisor, it found.

Source: Agreus Family Office USA Compensation Benchmark 2018

The factoring space has become overcrowded and competitive, resulting in lower returns and increased risk.

Zenith has reinvented the trade finance space through purchasing supplies primarily for manufactures and having repayments guaranteed by top insurance companies. **These structures provide unparalleled returns relative to risk.**



zenithinsured.com (212) 488.4972
641 Lexington Ave, Floor 29 | New York, NY 10022

PUBLISHING DATES: 2018

June : Technology & Operations

September : Emerging Markets

October : Investment Trends

December : An Overview of 2018 /
What's Ahead in 2019

 **MARKETCURRENTS**

WEALTH MANAGEMENT



Contact Us

260 Madison Avenue,
New York, NY, 10016, USA

info@marketcurrents.co

www.marketcurrentswealthmanagement.com

 MarketCurrents

 @currentsmarket

Copyright 2018 © marketcurrents