

# Family Office investment in private equity Survey

In association with Investec Bank plc



# Dealflow is everything

**It may seem** obvious, but whenever we talk of investment appetite or seek to assess the mood of the market, we always come back to the same home truth – investors need access to quality deals.

The figures presented in this survey raise almost as many questions as they answer; be it the desire expressed by family office respondents to see more deals in the oil and gas sector, to the hugely optimistic view that two-thirds of family offices hope to complete 1-5 deals this year yet most survey view fewer than 20 investment opportunities per year.

When asked at the *Family Office Investment Summit* earlier this year why they may not achieve their desired number of direct investments this year, 57% of the audience responded saying it was the quality of the deals presented that was slowing down their progress (quantity of deals and costs of transacting lagging way behind on 5% and 10% of the vote respectively)

With regards to sector preference, the audience indicated that familiarity with the sectors they are investing in coupled with current market trends and the anticipated return of certain “hot” sectors were the main drivers of investment.

This puts immense pressure on family offices deal-doers, constantly trying to find the ideal investment opportunities which allow them to exploit the family’s historical industry knowledge in what they believe to be the sectors that will form the economy of the future.

Ultimately though, it all boils down to dealflow and without access to high quality deal origination, expertise and desire alone will not complete successful deals. ■

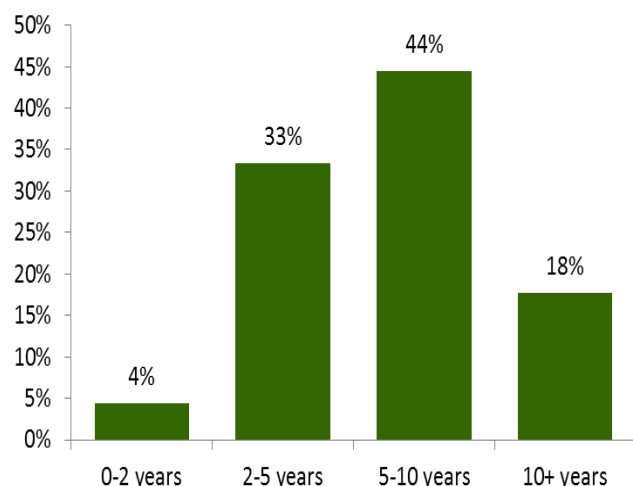


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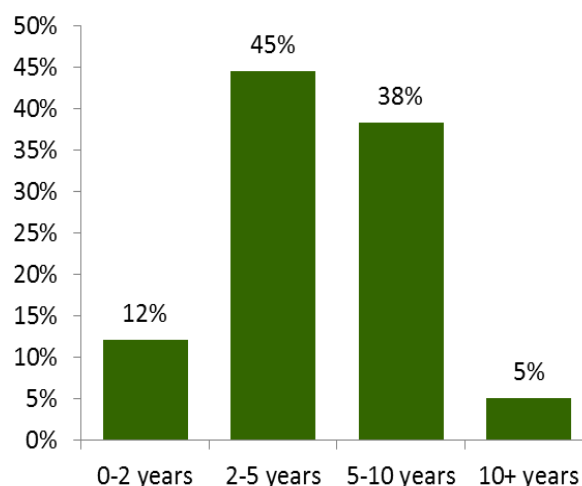
## What is sought by family offices

### ***Family Offices desired investment holding period (for direct investments)***



## How PE firms managed their investments

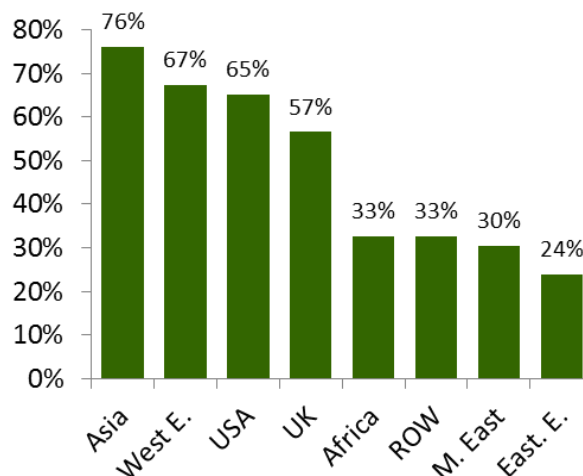
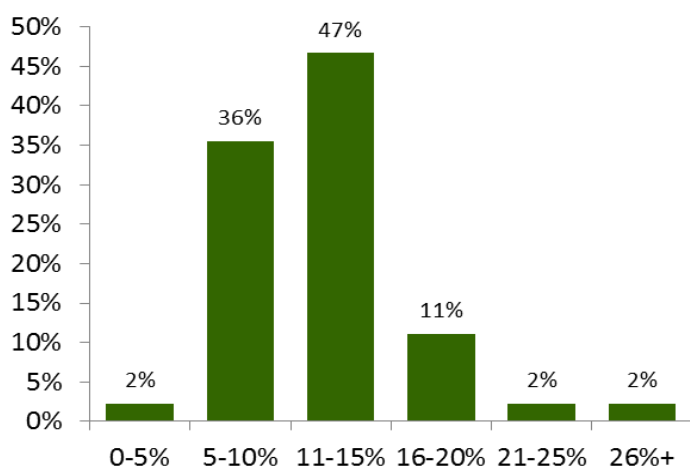
### ***Private Equity firms holding period in the UK since 2003***



According to the unquote” Investec Family Office Survey, professionals are willing to hold-on to their investments for a longer period than private equity professionals. 62% of respondents are considering keeping their direct investments for more than five years against 43% for their private equity counterparts.

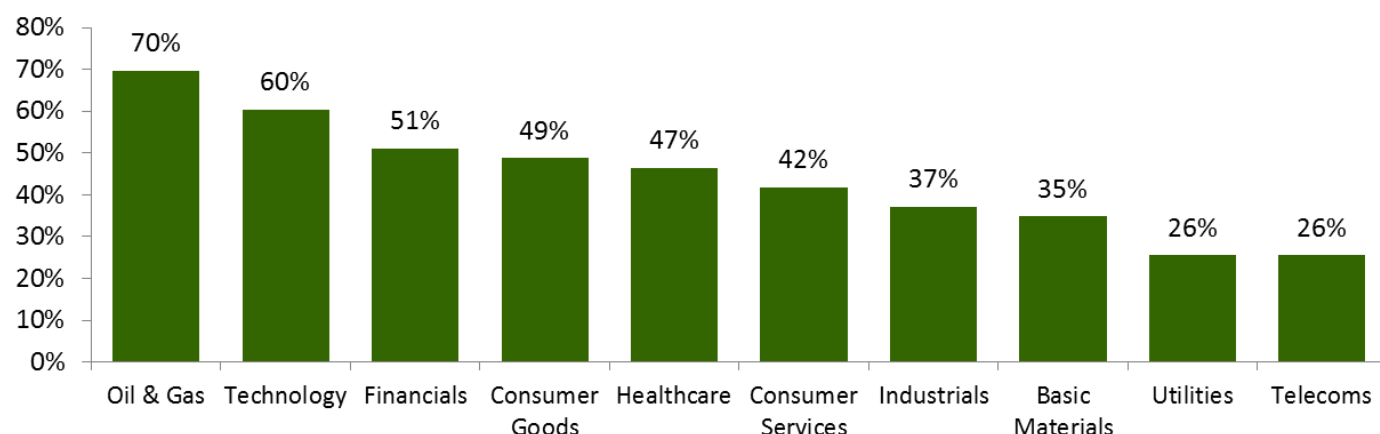
## ***Expected minimum target return & Geographic preferences***

Family Office professionals have great expectations for their investments. 98% of respondents believe the money invested will return more than 5% and an optimistic 15% expect a return of more than 16%. To make it happen, 76% of respondents intend to rely on Asian investments. While the vast majority of the professionals surveyed are based in the UK, “only” 57% of respondents believe their national market will prove to be a good investment.

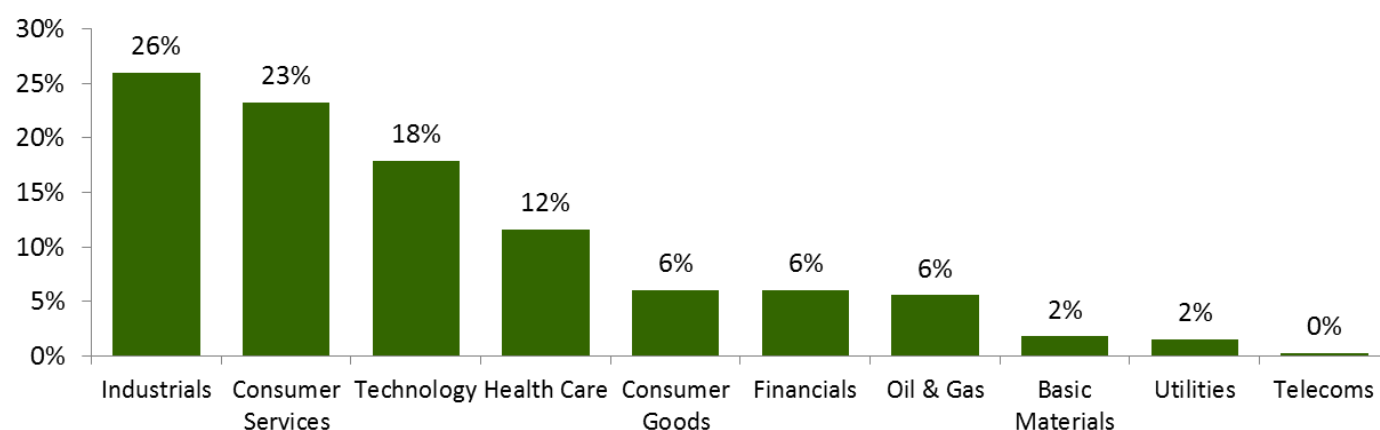


## Sector preferences

### *Which sectors are most appealing to family offices?*



### *Private Equity's most active sectors Q2 2012 - Q1 2013*



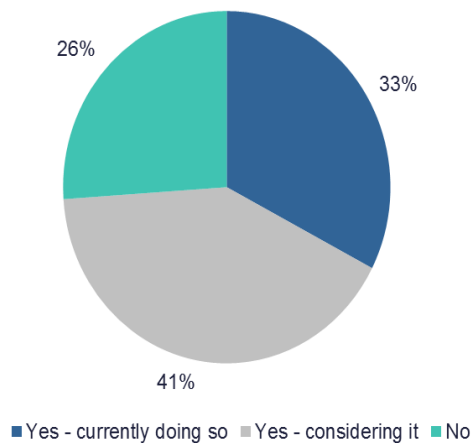
Oil and gas is the most appealing sector for family office professionals. The interest for the sector is really surprising considering the potential amount of money involved as well as the volume of investments generated by private equity firms in the sector.

Respondents of the survey also favour the technology and financials sectors. Over the last 12 months however, 60% of private equity investments were made in industrials, consumer services and technology, with financials only representing 6% of the deals completed.

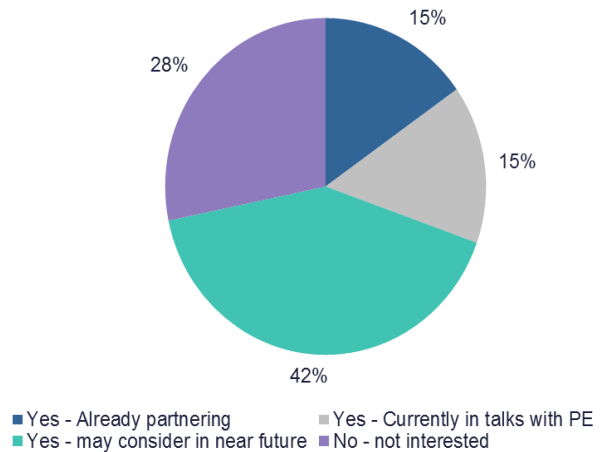
On the other hand, basic materials, utilities, and telecommunications are the least appealing sectors for both family office and private equity professionals alike.

## Co-investment Opportunities

### *Alongside other Family Offices*

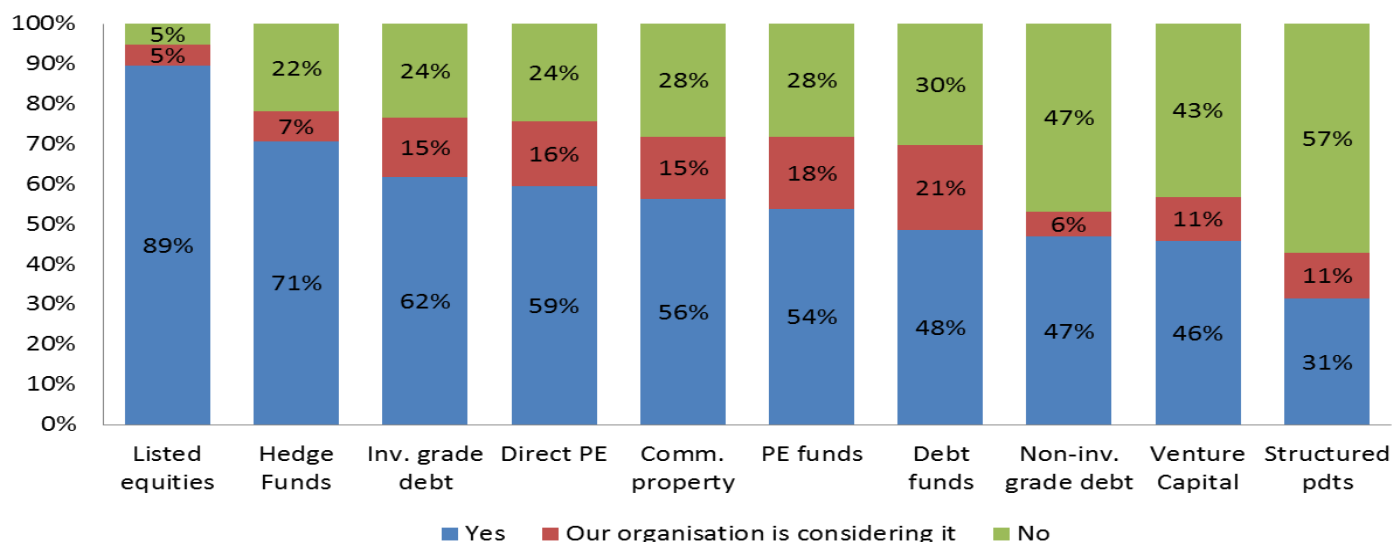


### *Alongside Private Equity Firms*



- 41% of respondents are considering co-investment with other family offices as a viable option.
- 57% of respondents are considering co-investments alongside PE firms, of which 15% are currently in discussion.
- Co-investment is not for everyone, as stated by 28% of respondents. Those respondents are neither prepared to participate in investment opportunities with other family offices, nor private equity firms. Co-investment requires a variety of skills to do the due diligence, make the investments and then monitor them, which not all family offices are prepared to spend time on.

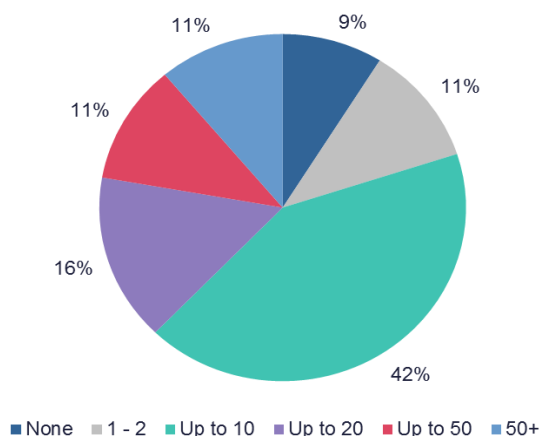
## Product Preferences



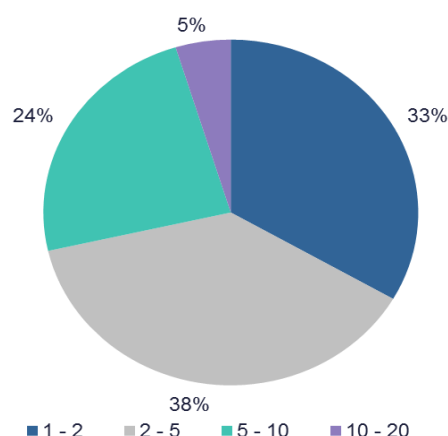
- Strong preference for listed equities
- Structured products viewed unfavourably with a sizeable number of respondents no longer investing in this category
- Considerable number of respondents considering debt-related products

## Deals forecast

### *Number of deals considered per annum*



### *Desired number of deals to be completed per annum*



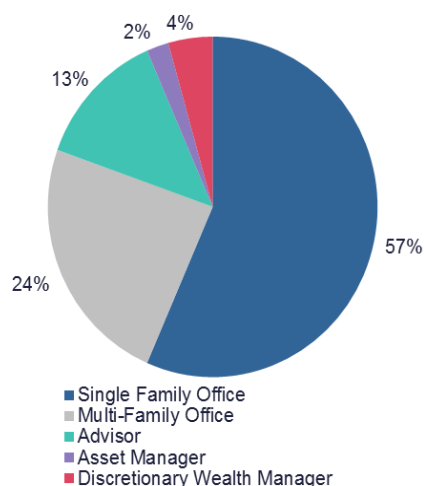
To many professionals' surprise, respondents of the Investec Family Office survey are bullish on private equity deals considered and completed. 38% of the professionals surveyed are considering more than 10 deals per year while 29% wish to complete more than 5 deals a year.

## Key findings

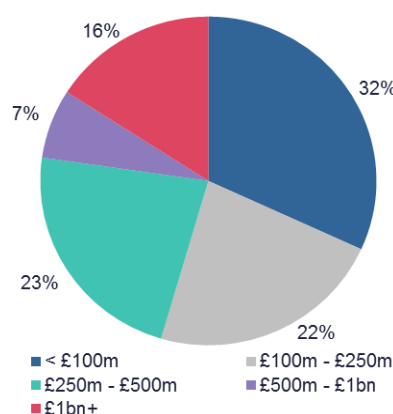
- Family Office investors in Private Equity are predominantly single and multi-family office operations with in-house investment management capabilities that seek a capital growth over a medium to long-term horizon.
- They look for investment growth opportunities in Asia but remain committed to the traditional investment destinations of Western Europe, United States and United Kingdom.
- Investors have a strong preference for listed equities but the survey shows a fair amount of consideration to potentially invest in debt-related products and PE funds.
- Investors demonstrate a strong appetite to complete deals.
- A majority of respondents are considering co-investments alongside family offices and PE firms.

## About the survey

**Type of company**



**Assets under management**



- 81% are single or multi-family office operations.
- 83% manage portfolios directly in-house
- 77% have Asset under Management (AuM) under £500m



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