

Increasingly Sophisticated

Arjun Mittal Founder and Chief Investment Officer at Abbey Road Investment Group, describing growth and development within the family office market, provides insights into the current thoughts and priorities of HNWIs across our region at this time



Is advancing economic development in the region resulting in a noticeable influx of family office service providers?

There is definitely a rise in the number and range of family office service providers based out of Dubai and Abu Dhabi. Yes, some of it is due to advancing economic development, but also a large part is due to demand from family offices for top tier advice and services closer to them, as opposed to being run remotely from other parts of the world. We are fans of this trend. We have long argued that as the ecosystem grows for family offices in the region, this creates a virtuous cycle of families understanding how service providers can add value to their lives, and as more service providers set up a base here, the competition should drive higher quality advice and services at better rates for families.

Are we seeing a rise in the growth of single-family offices across the region?

The short answer would be yes. While we do not have any statistics at hand to support this fact, family-owned businesses do contribute over 60% of GDP across the region, and so it would make sense that many high-net-worth families are seeing the value in establishing a family office to manage their personal balance sheets. The regulatory framework in the UAE is also a significant driver in attracting families to set up a Family Office. The introduction of corporate tax has also spurred families to organise their non-commercial assets more appropriately, which often are then housed under the Family Office. Finally, we have also anecdotally seen a large increase in interaction with single family offices over the last 6 months, many of which have been established recently.

Arjun Mittal, Founder and Chief Investment Officer at Abbey Road Investment Group

Which currently are the most notable developments in the roles of family offices in GCC countries?

It can be tough to generalise with family offices, as by their very nature, are designed to be specific to each family. At its simplest, the role of a family office should be to help organise a family's assets in an efficient and organised manner, which then are managed with an appropriate investment methodology to create outcomes that match the family's liquidity and generational needs. And, of course, the family office should be there to make the family's life easier, whether that be financial or structuring advice, or even concierge services. From our perspective, we see all these developments happening with family offices across the region.

What do you notice as the leading priority of our region's HNWIs at this time?

The beauty and challenge of working with high-net-worth families is that no two families are alike. And, so, we are always reluctant to generalise as every family has their own set of circumstances and priorities. However, there are some requirements we do see crop up time and again. Firstly, as families become more sophisticated and knowledgeable, they are able to unbundle services which have traditionally placed them into 'boxes', and which typically lacked any creativity or depth to actually address the family's own unique situation. Secondly, high-net-worth families are keen to organise their personal balance sheets, which involves the use of structuring and tax experts to put together a framework relevant in today's multi-jurisdictional and regulatory environment. Thirdly, we see families keen to increase the quality of investment advice they receive from their financial providers. Often and depending on the family needs, they hire internally or employ external consultants to augment and improve the P&L outcome from their

investment portfolios. And, fourthly, high-net-worth families are keen to broaden their exposure to private markets and alternative investments. The pension and endowment funds across Europe and the USA have been doing this for some time now, and with advancement in information access and providers coming to the region, families now also have the opportunity to participate in these two investment areas.

Are sustainability and geo-political concerns taking greater precedence in investment decision making?

It all depends on the family and what is their priority, investment framework and philosophy. We do not see a big

How are both single and multi-family offices adapting to the inevitable progression of technology and AI?

Single and Multi-Family offices, as far as we can tell, are embracing technology. It starts with the use of portfolio aggregation software that gives an entire view of the family's balance sheet, and how successful the P&L is being run. There is also access to financial information, which in today's world is available from multiple providers, and often at cost-effective prices. This gives the families greater control and information on which to make the appropriate financial decisions. And depending on the size and sophistication of the family office, there are lots of

“ THE REGULATORY FRAMEWORK IN THE UAE IS ALSO A SIGNIFICANT DRIVER IN ATTRACTING FAMILIES TO SET UP A FAMILY OFFICE ”

push on sustainability-led decisions; it remains a nice-to-have but not critical to the decision-making process. However, before you receive a deluge of readers stating our view is wrong, I would caveat our comment with the fact that we, of course, only work with a small group of families, and maybe we are not seeing the wider picture. We are definitely seeing geo-political concerns take greater precedence in investment decisions. And this is not surprising, as high-net-worth families increasingly have access to investments across the globe, and so it is important to try and make a risk-reward decision within the context of what else is available that could be safer from a geo-political framework.

other software systems to streamline decision making, information gathering and maintaining relationships with counterparties.

Again, given our reluctance to generalise, it is hard to say to what extent exactly AI is being adopted currently. Our guess is that it is still early days for how AI will be used by family offices but it is clear the potential will be huge and adoption will increase in the coming years. We suspect AI will reduce a family's dependence on basic research and advice provided by the financial community currently, and will help sharpen both the ways portfolios will be constructed, and also how family's will interact with their financial counterparties. ♦