

Family Office Direct Investment in the German Speaking Countries

Results of July to September 2014 Survey

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- V. Control vs. Non-Control
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I. Introduction to the Survey

From July to September 2014, we conducted a survey regarding Family Office Direct Investment.

- We reached out to family offices in German speaking countries.
- Data might not be representative for all German family offices, but remain interesting.
- We thank John Rompon of McNally Capital. He gave us access to the results of a survey conducted in the US in 2013 and the questionnaire.

II. Executive Summary

THE OFFICES

- For 60% of the Respondents Direct Investment plays a material role.
- A material number of Family Offices acts without written guidelines
- Family members play an active role in investment decisions and in an active control of the investment.

The INVESTMENT

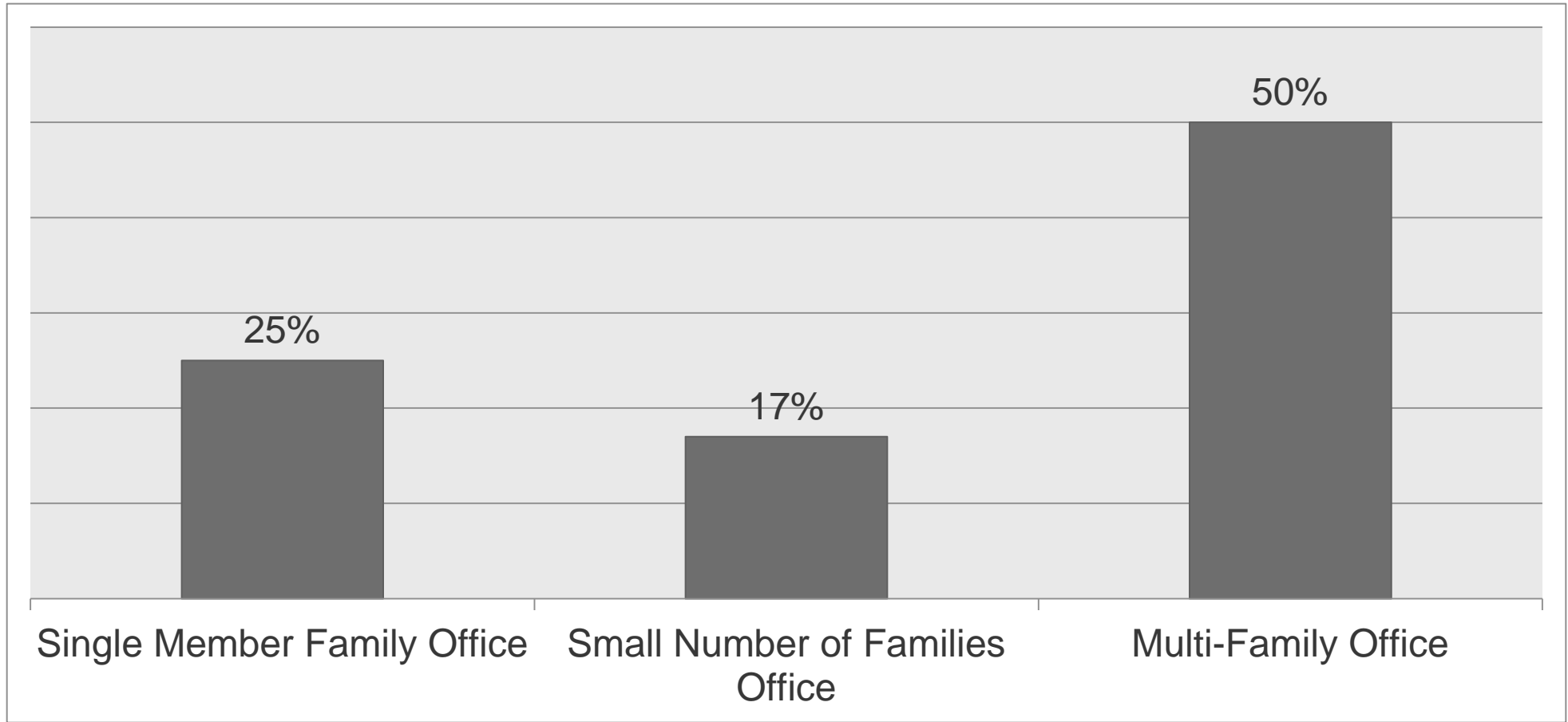
- Less than 30% of the PE investment goes into Direct Investment.
- Co-investment with other families is preferred.
- 91% plan to invest in the next 24 months.
- Drivers are financial returns and the delight in entrepreneurial activity.
- Biggest challenges are deal sourcing and the lack of time.
- Seed and venture only play a minor role.
- The majority invests with considerable leverage.
- The focus is on Germany and Europe.

REAL ESTATE, TAX & MANAGEMENT

- 50% of the Respondents invest between 25% and 50% of their money in real estate.
- 90% of that goes into Direct Investment.
- Germany (73%), Europe (36%) and the USA (36%) are the preferred regions.
- Tax goals are: Optimal low tax for exit and dividends / interests.
- Management is incentivized, in most cases with equity.

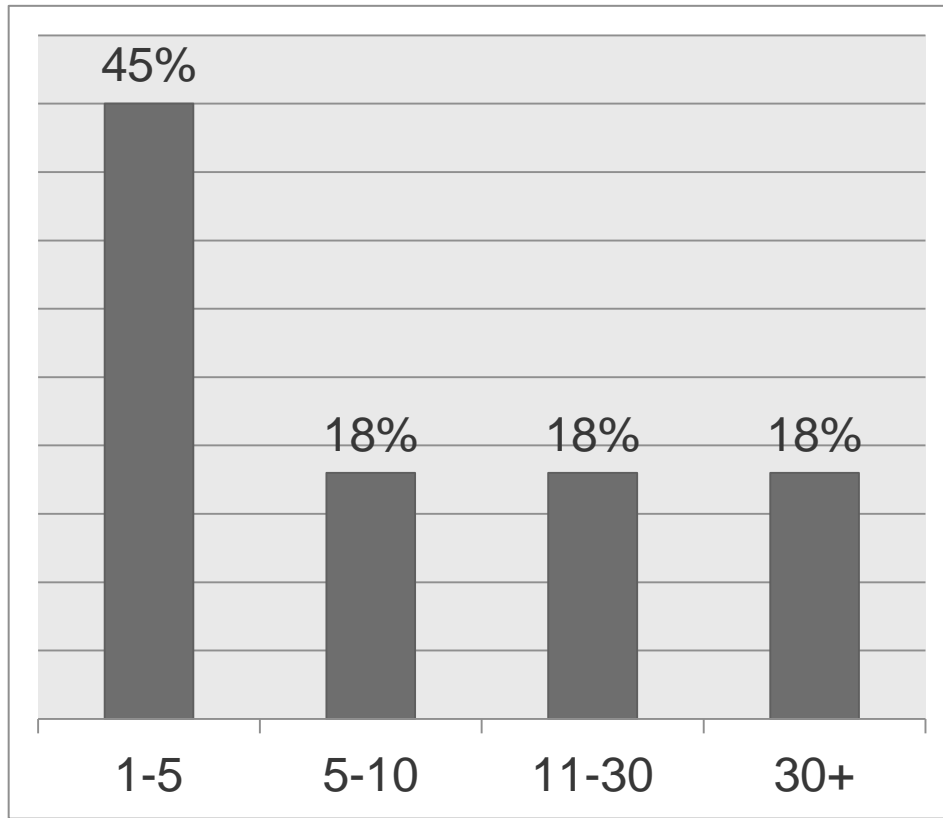
III. Background of the Respondents

III.1. Single or Multi Family Offices

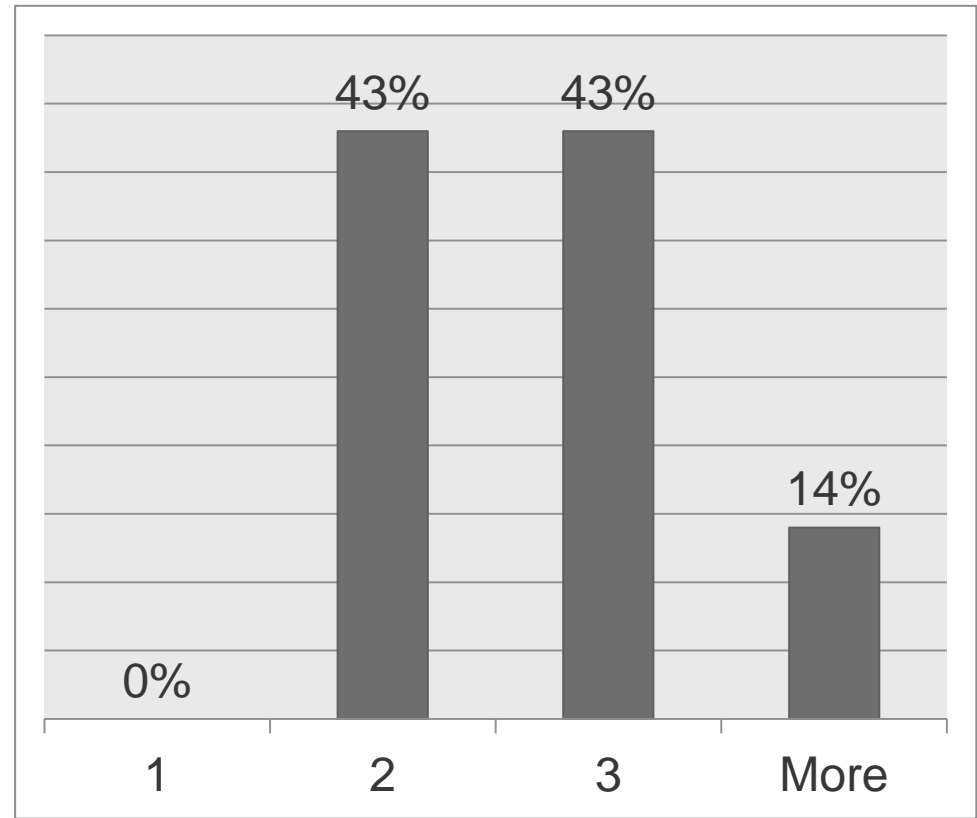


III.2. Number of Family Members and Generations Served

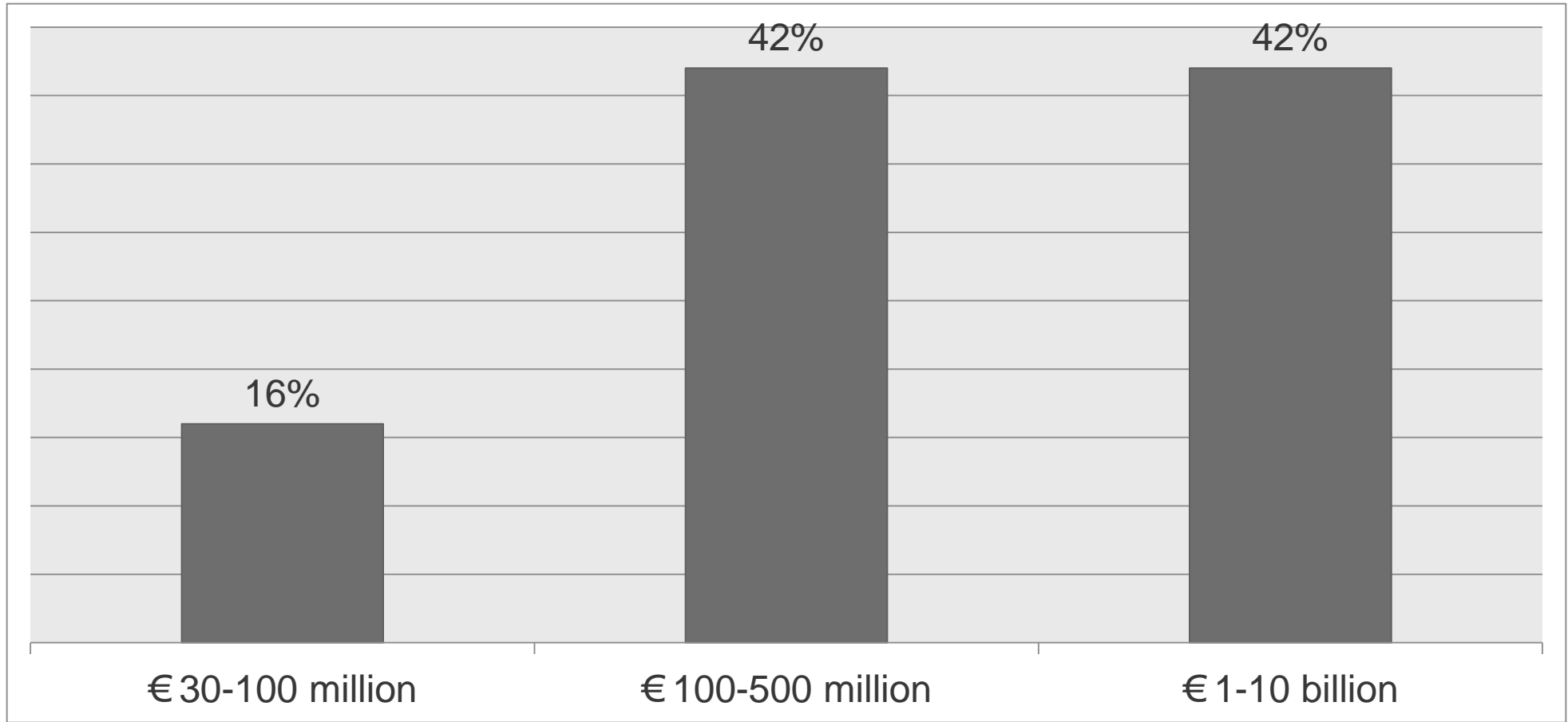
Family Members



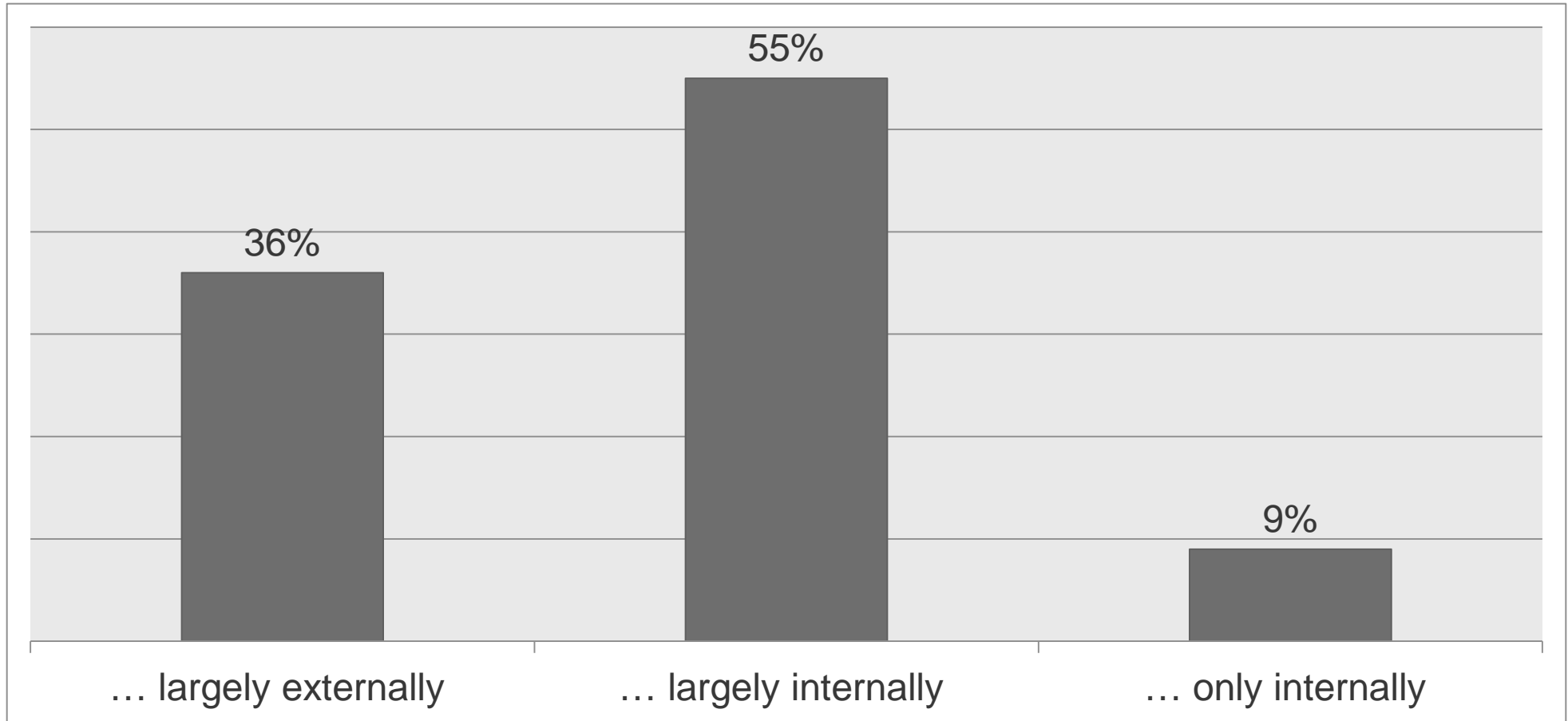
Generations



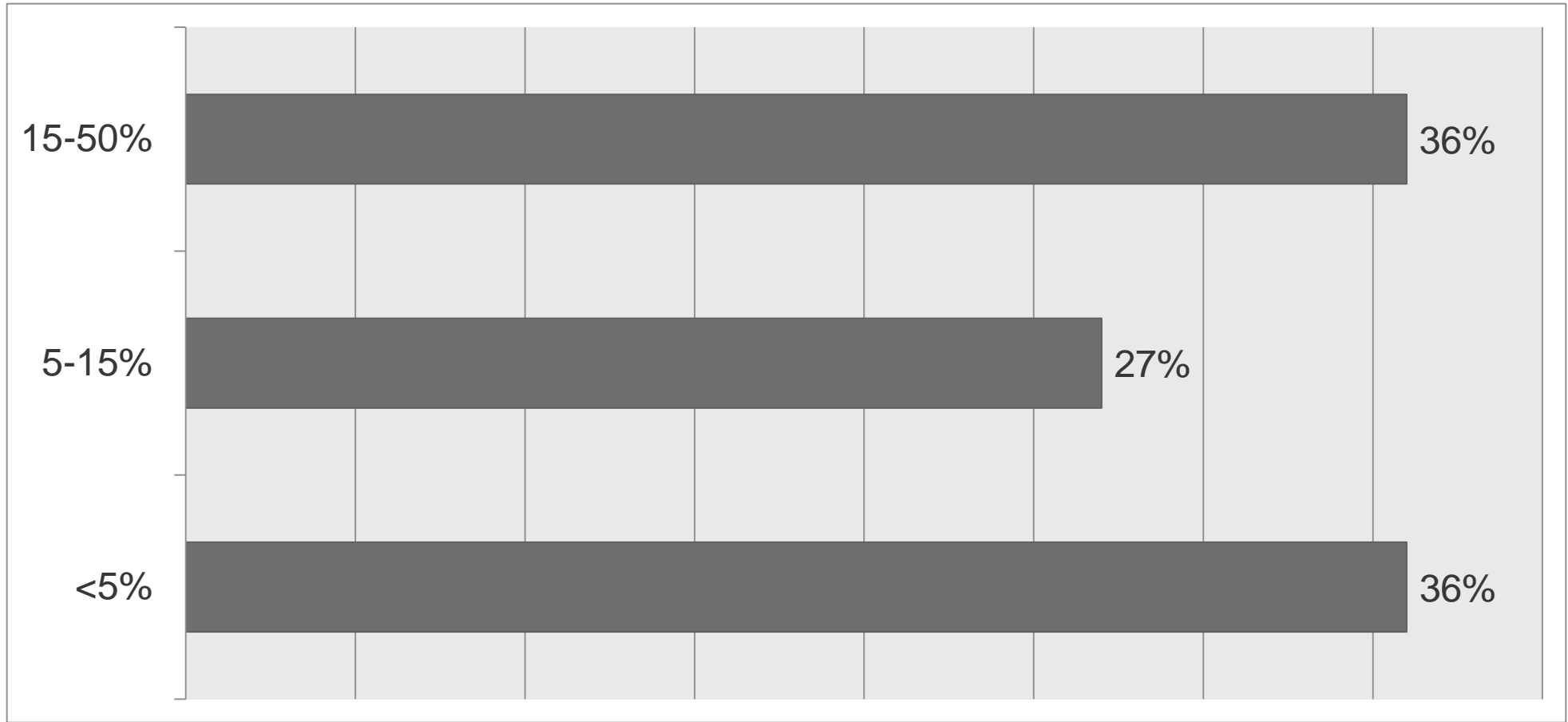
III.3. Size of Managed Portfolio



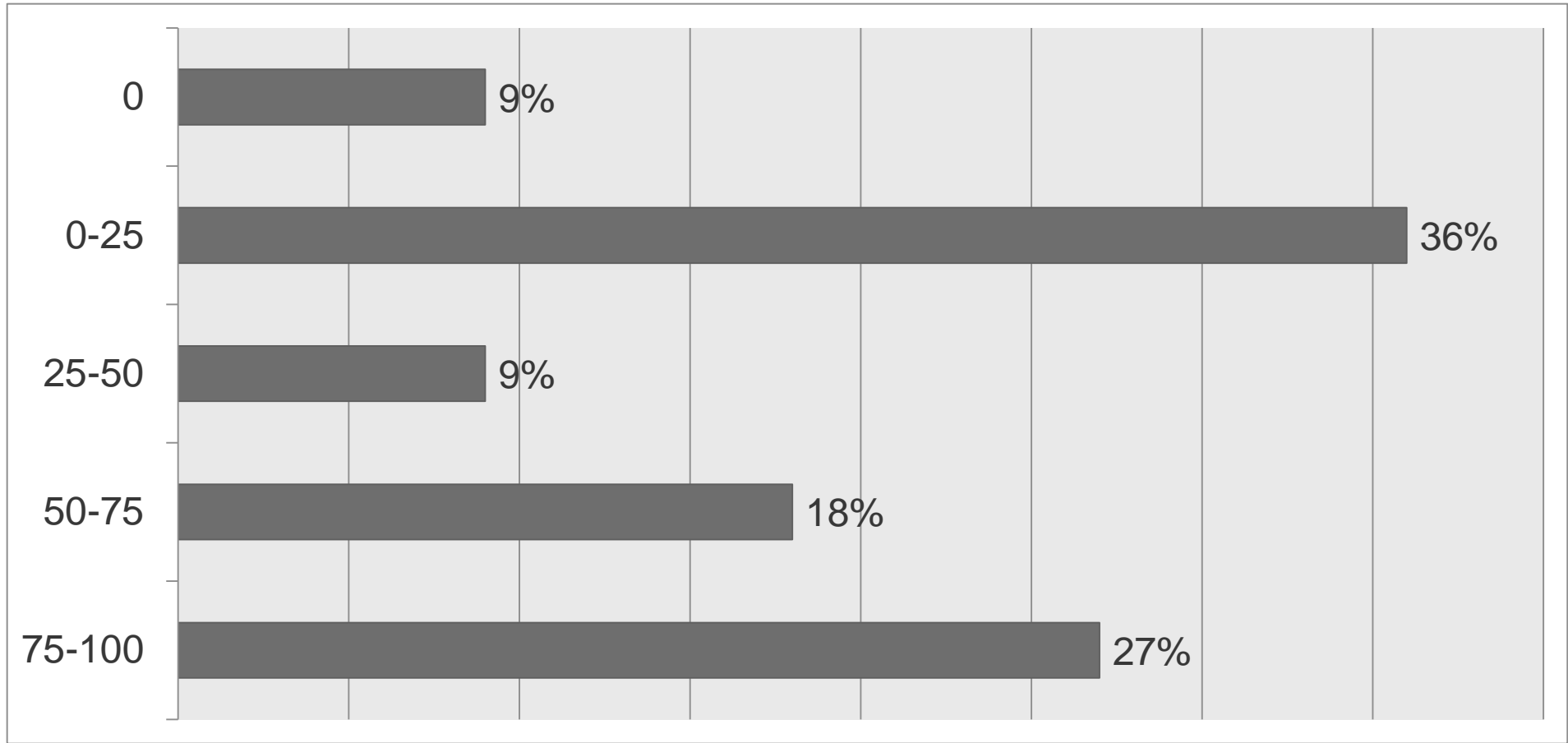
III.4. Assets are Managed...



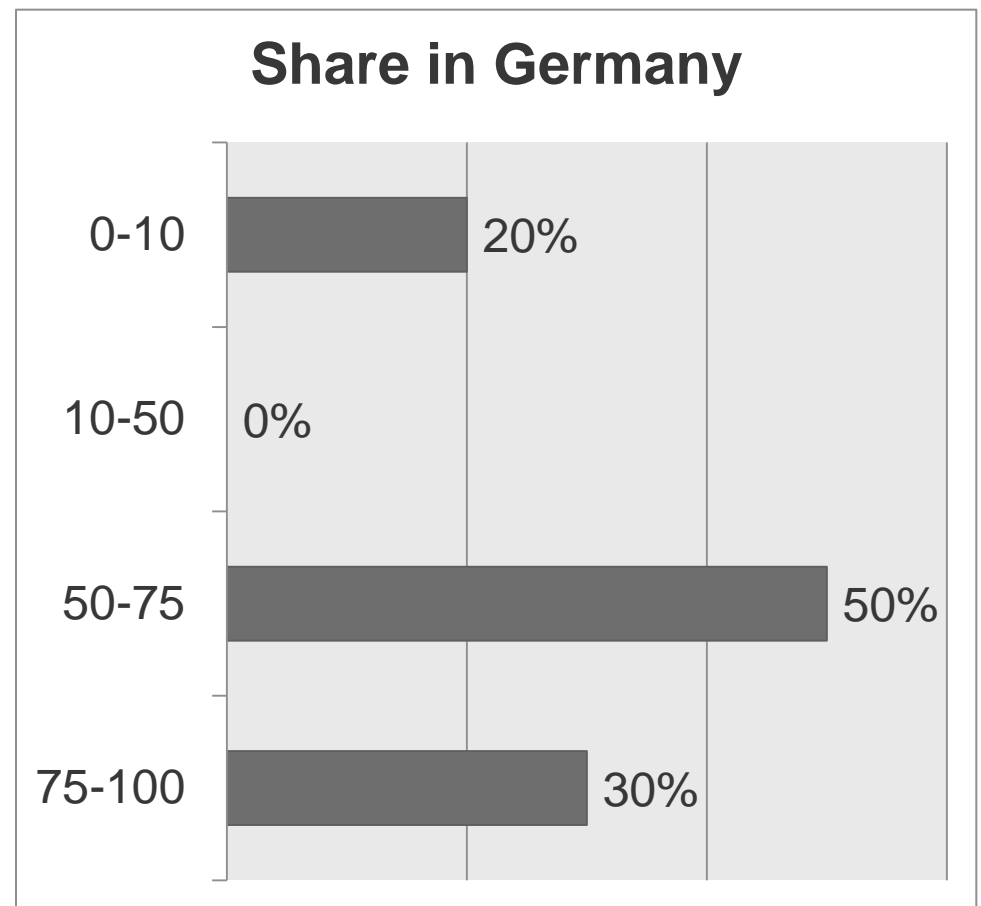
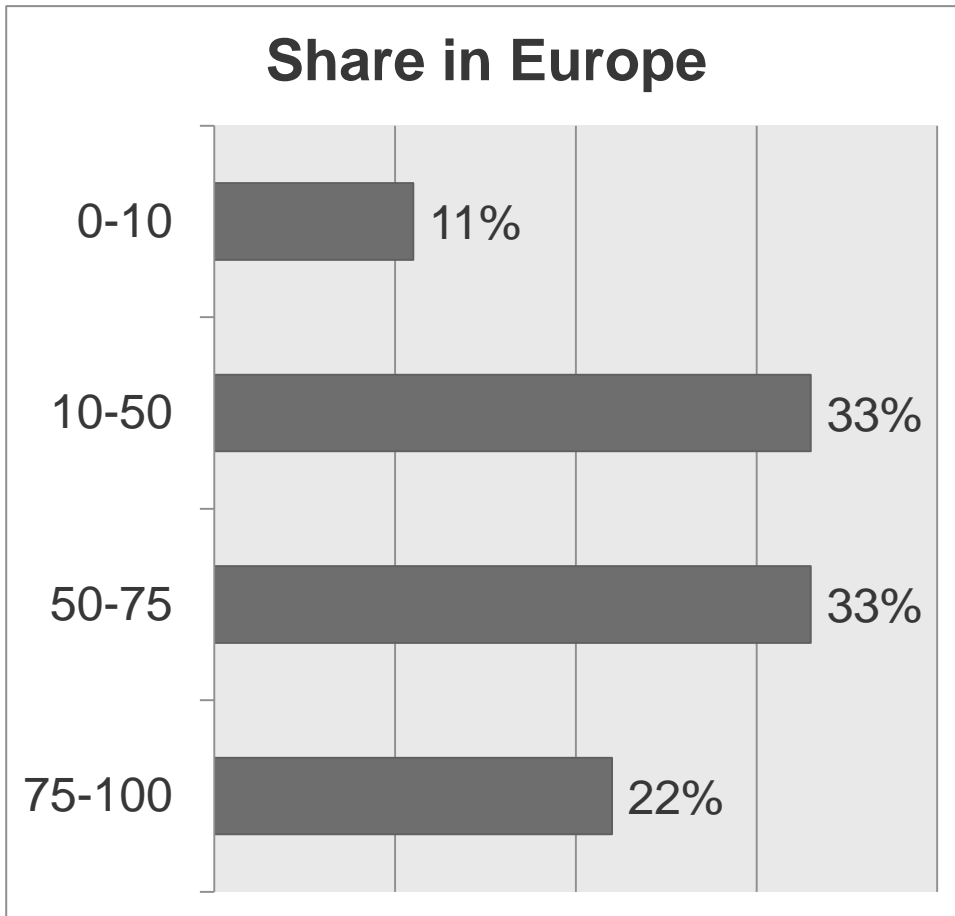
III.5. Share of Direct Investement (in Targets and Funds) of Total Assets



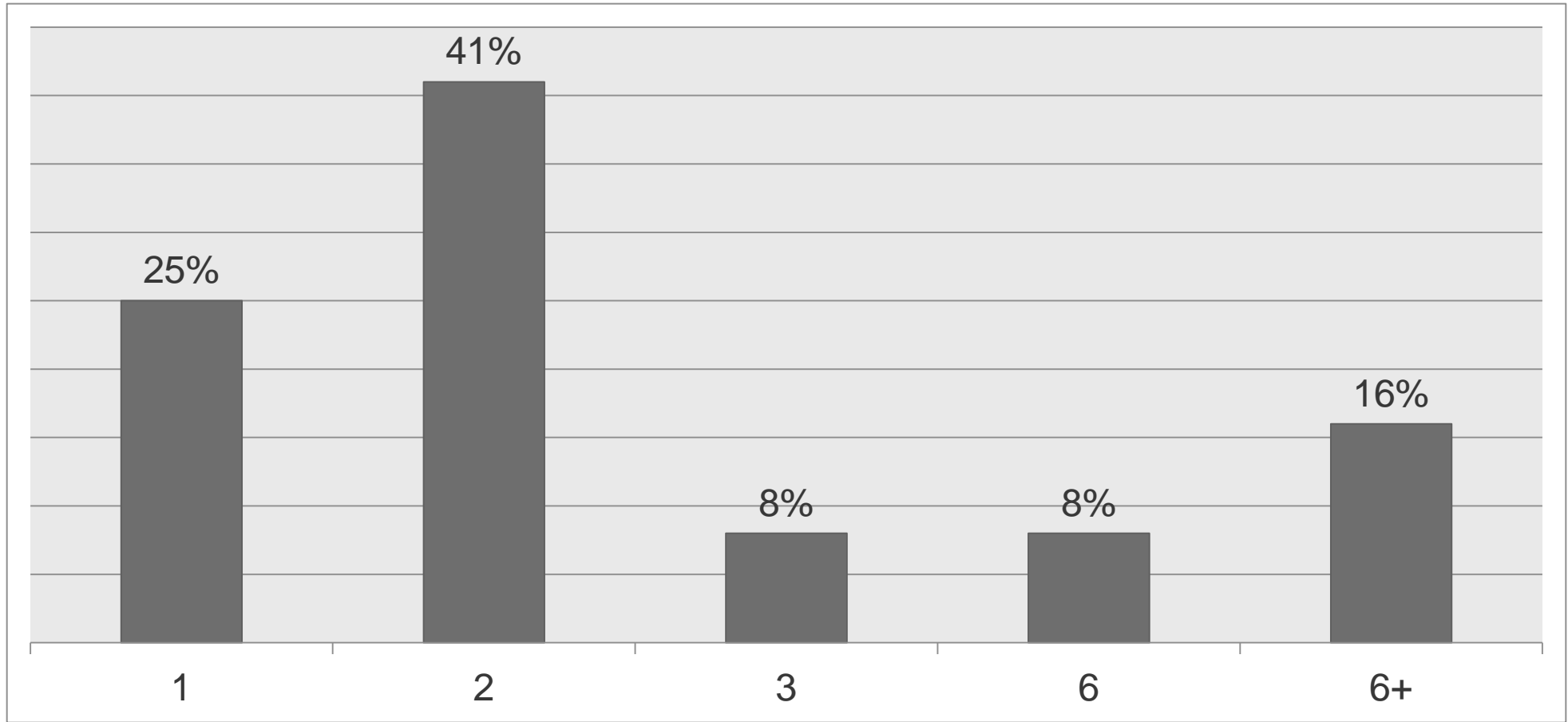
III.6. Share of Direct Investment in Overall Private Equity Investment



III.7. Share of Direct Investment in Europe and in Germany

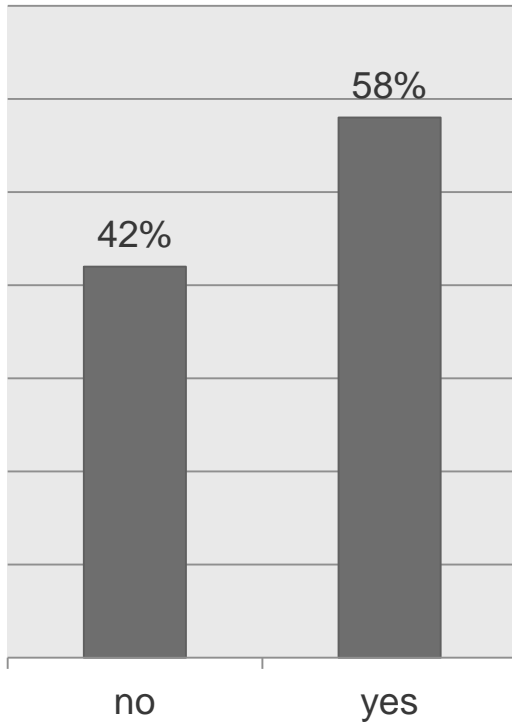


III.8. Number of Employees in Direct Investment/PE Entity/Unit

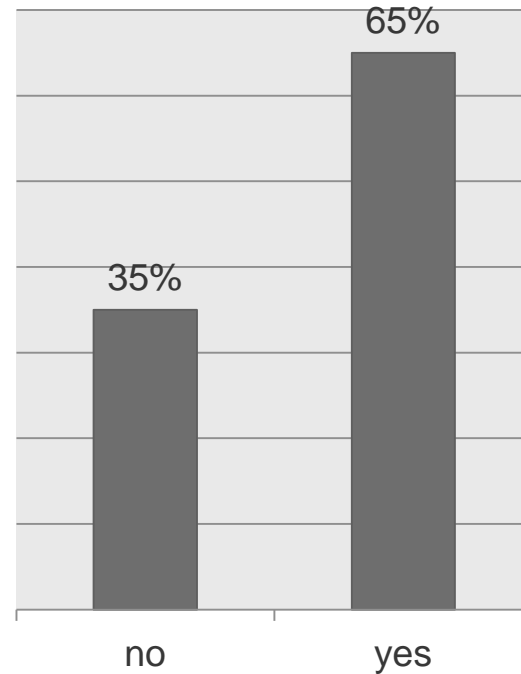


IV. Family Office Governance

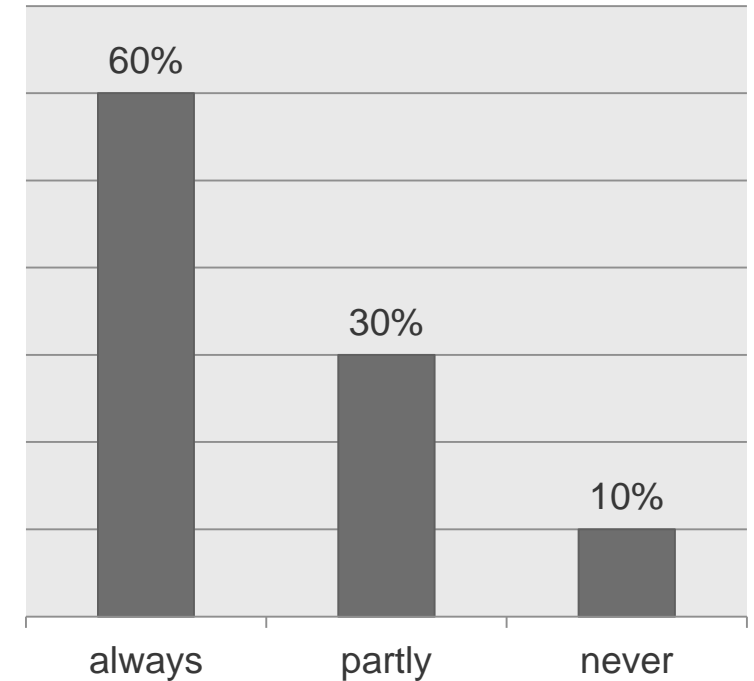
1. Written Acquisition Strategy



2. Written Guidelines for Acquisition Process and Exit

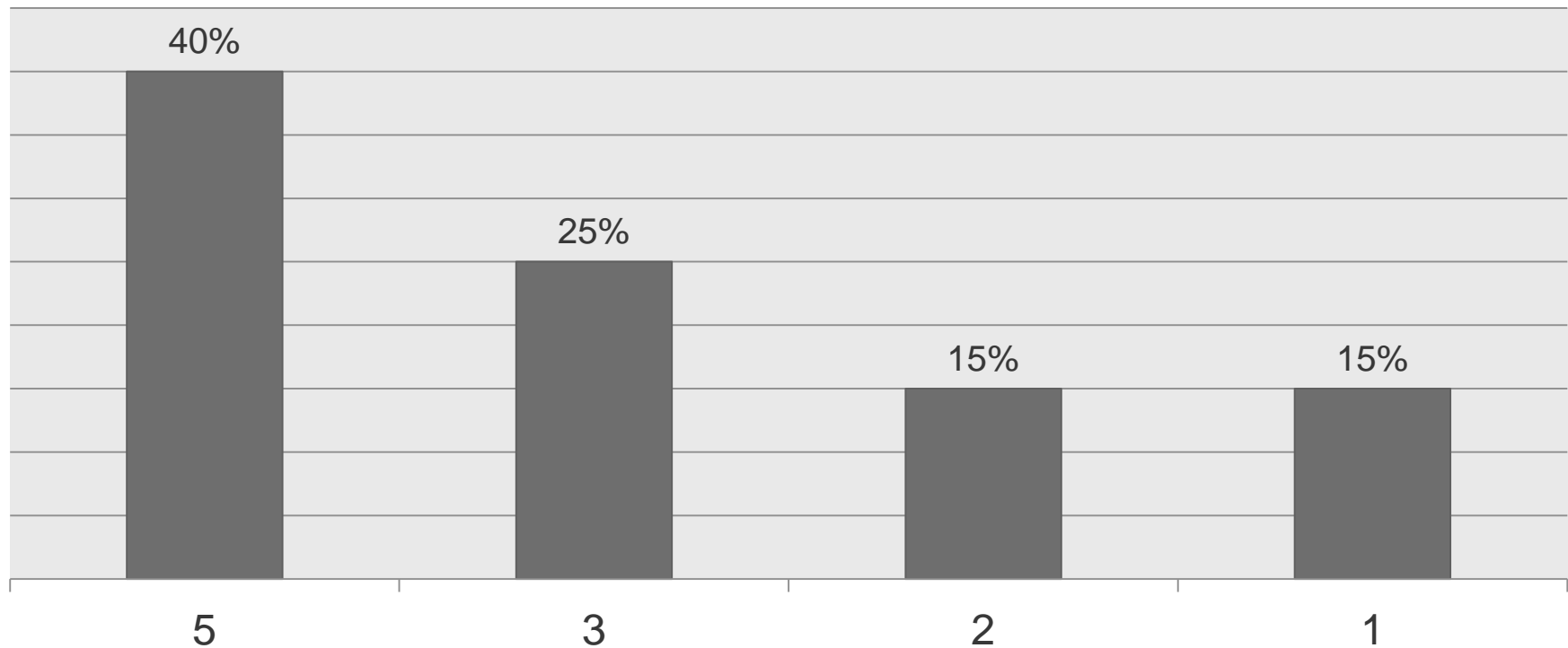


3. Inclusion of Family Members into Investment Decisions



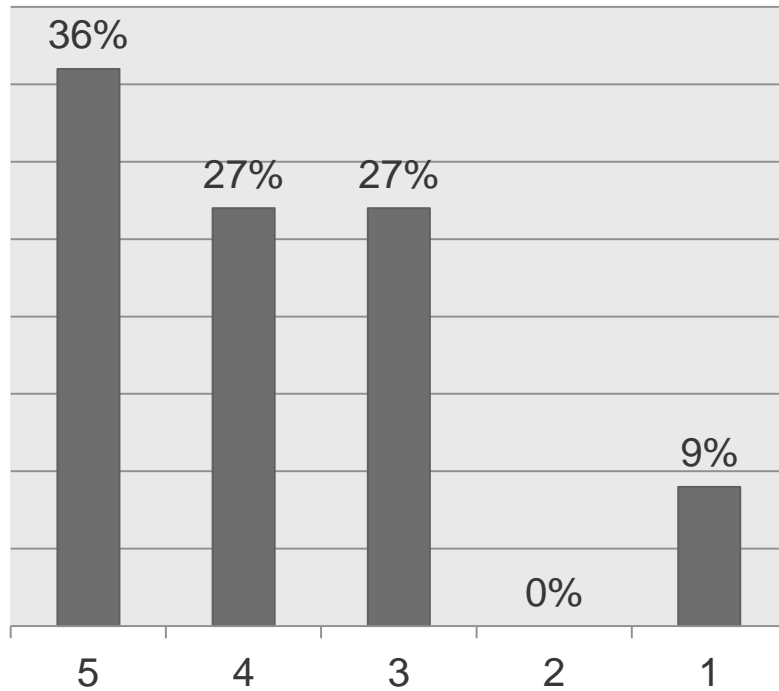
IV. Family Office Governance (cont'd)

4. Involvement of Family Members in Direct Investments (high [5] to low [1])

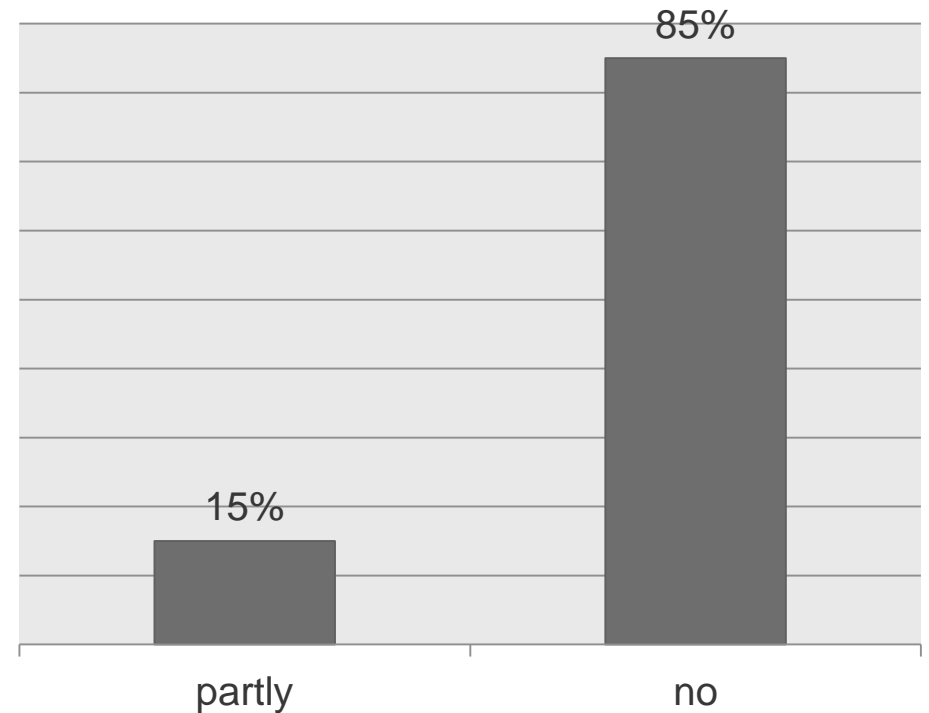


IV. Family Office Governance (cont'd)

5. Intensity of Control Over Portfolio Companies (high [5] to low [1])

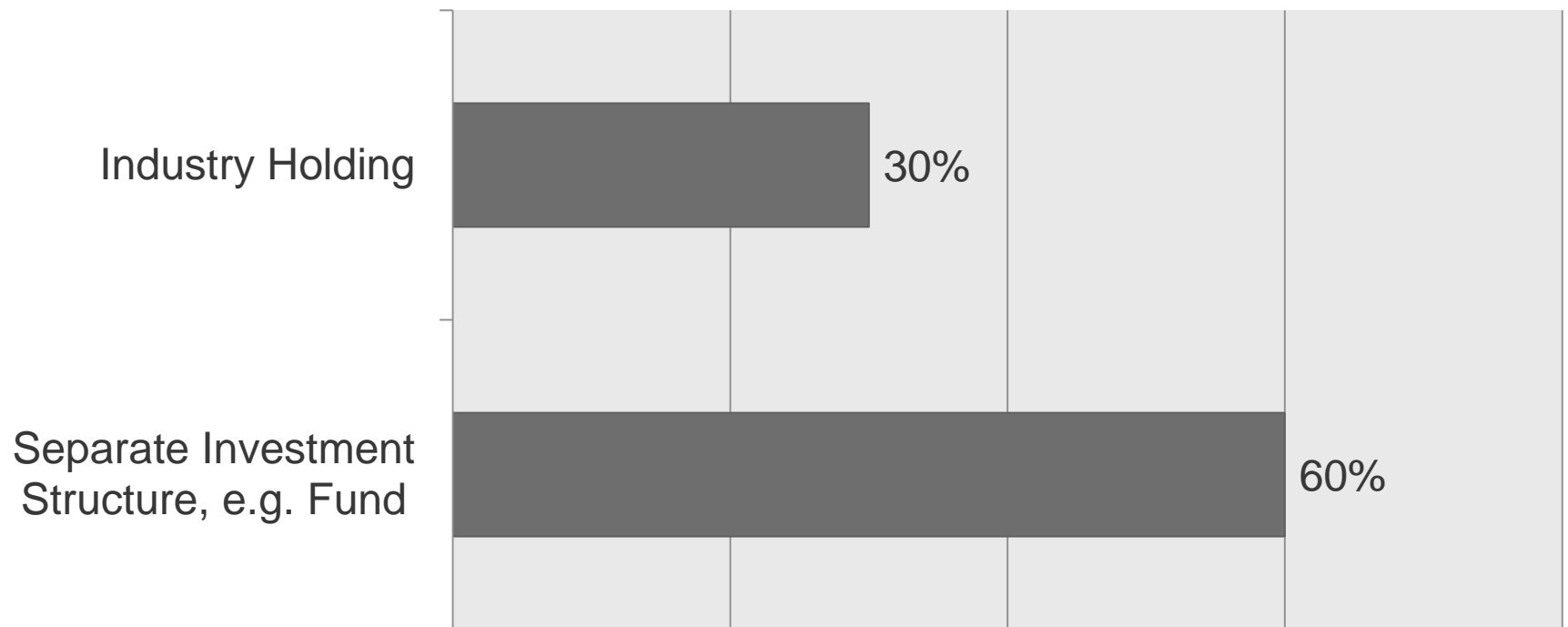


6. Do Family Members work in Portfolio Companies?



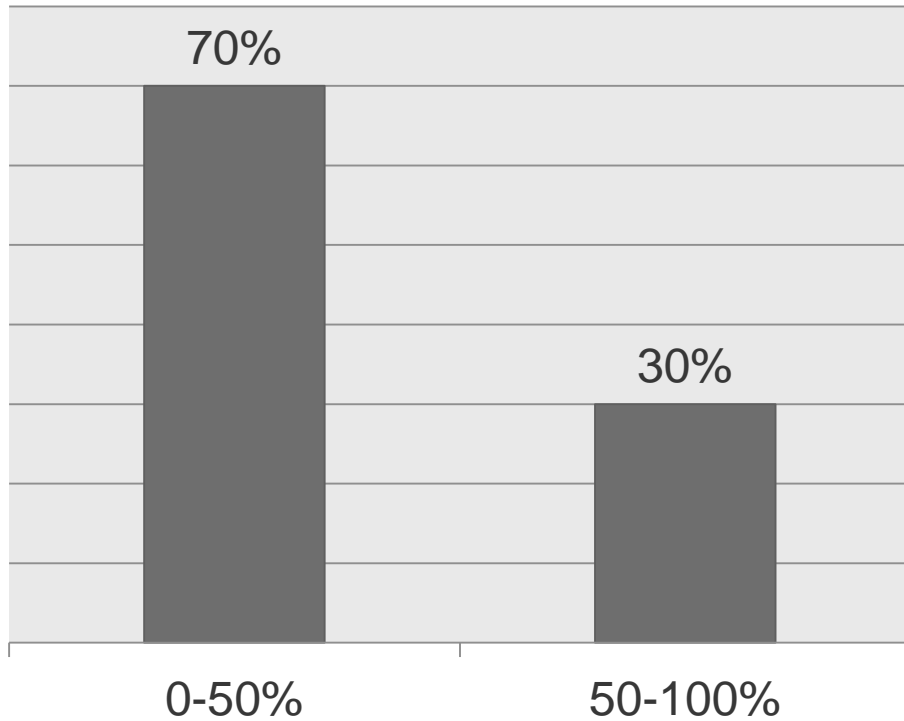
IV. Family Office Governance (cont'd)

7. Structure of Direct Investment

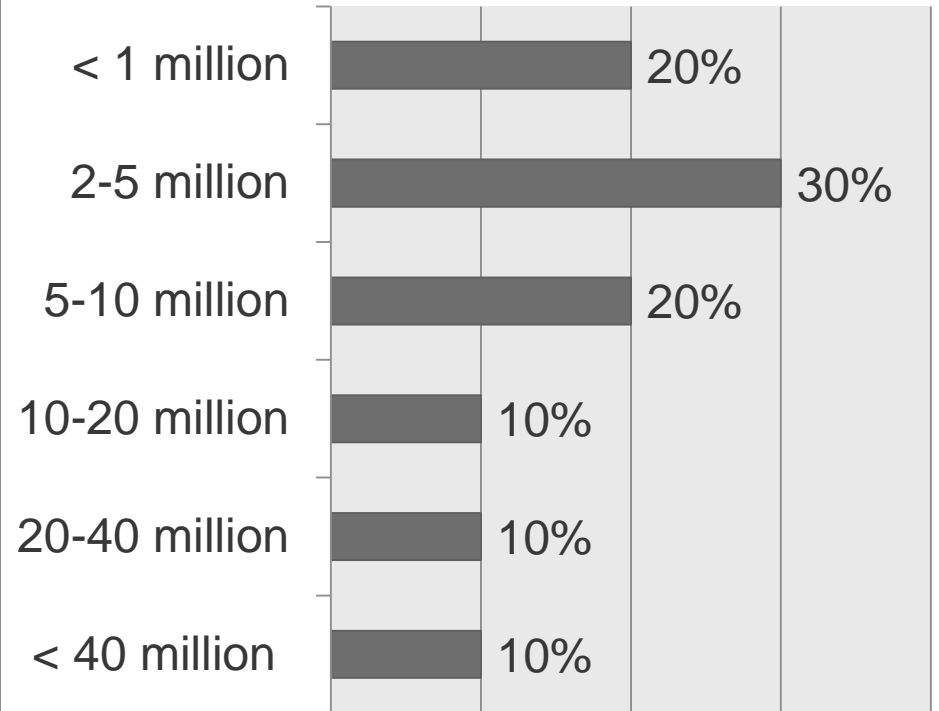


V. Control vs. Non-Control

1. Percentage of Majority Interest Investment

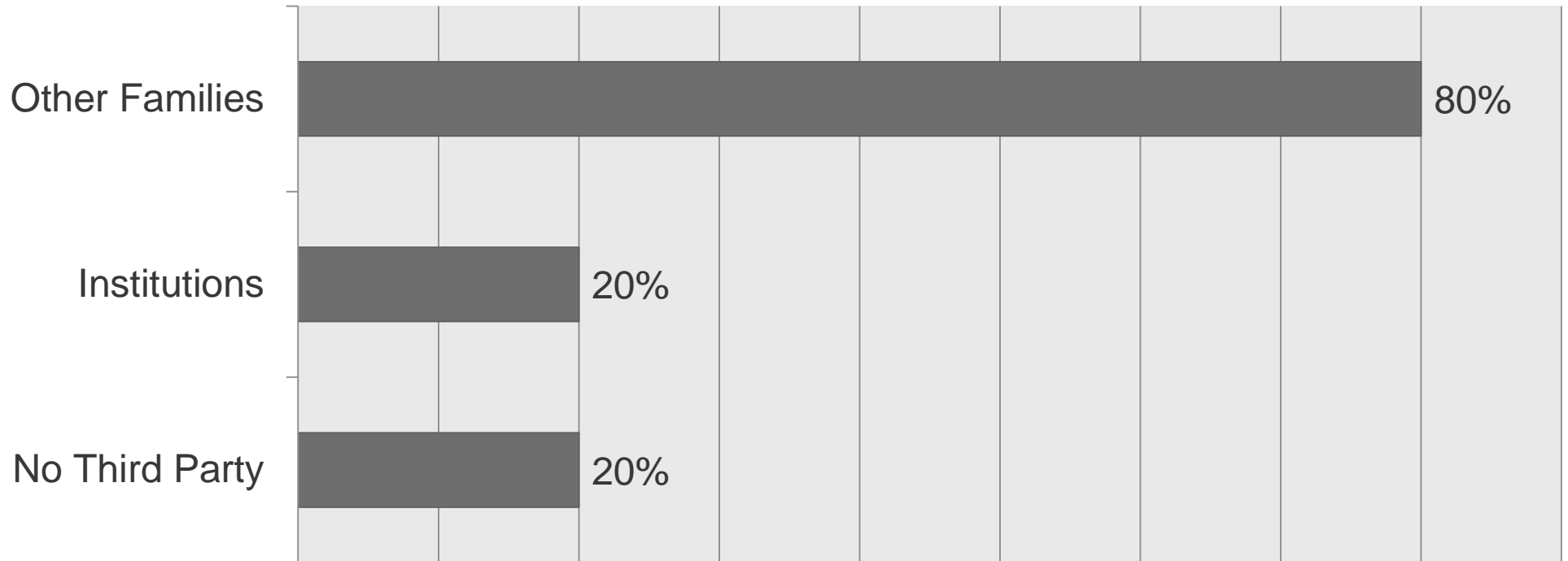


2. Overall Amounts Invested per Investment



V. Control vs. Non-Control (cont'd)

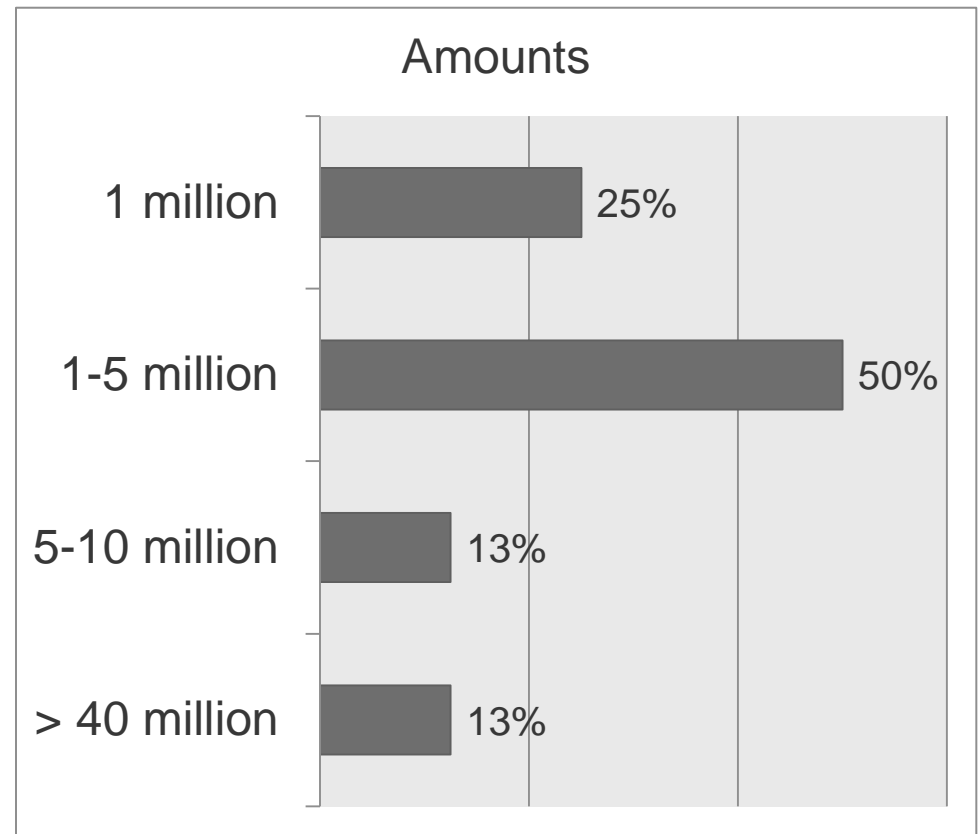
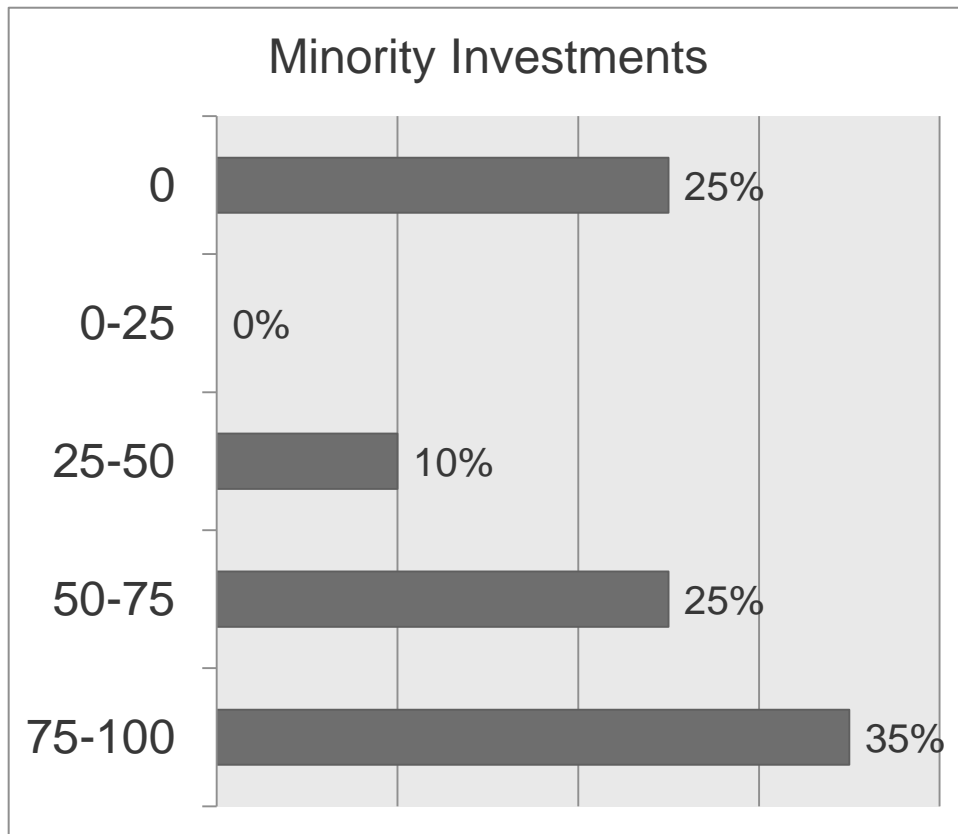
3. For Majority Investments: Do you accept Co-Investments?*



* Multiple answers possible

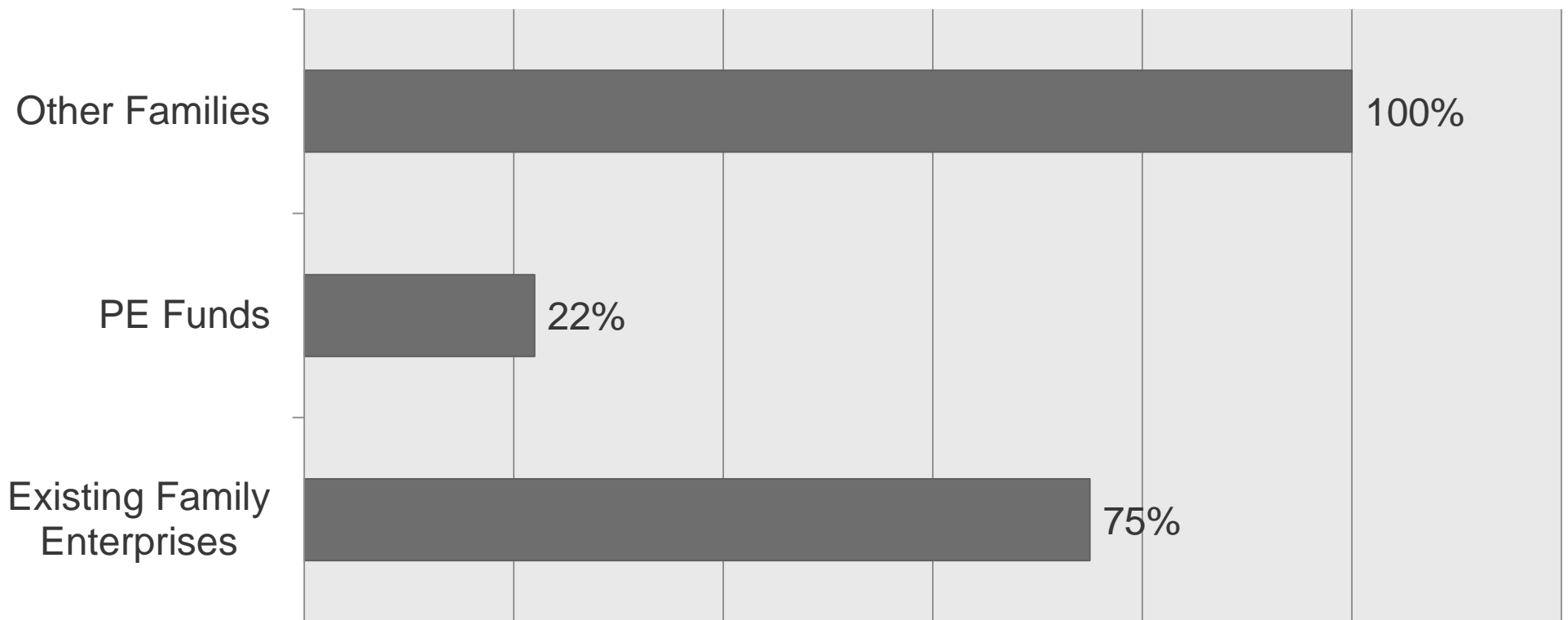
V. Control vs. Non-Control (cont'd)

4. Percentage of PE Investments in Minority Investments and Amounts



V. Control vs. Non-Control (cont'd)

5. Permitted Co-Investors for Minority Investments*



* Multiple answers possible

VI. Direct Investment Parameters

1. Direct Investment is key for Family Offices, growing even more important

Past Behaviour

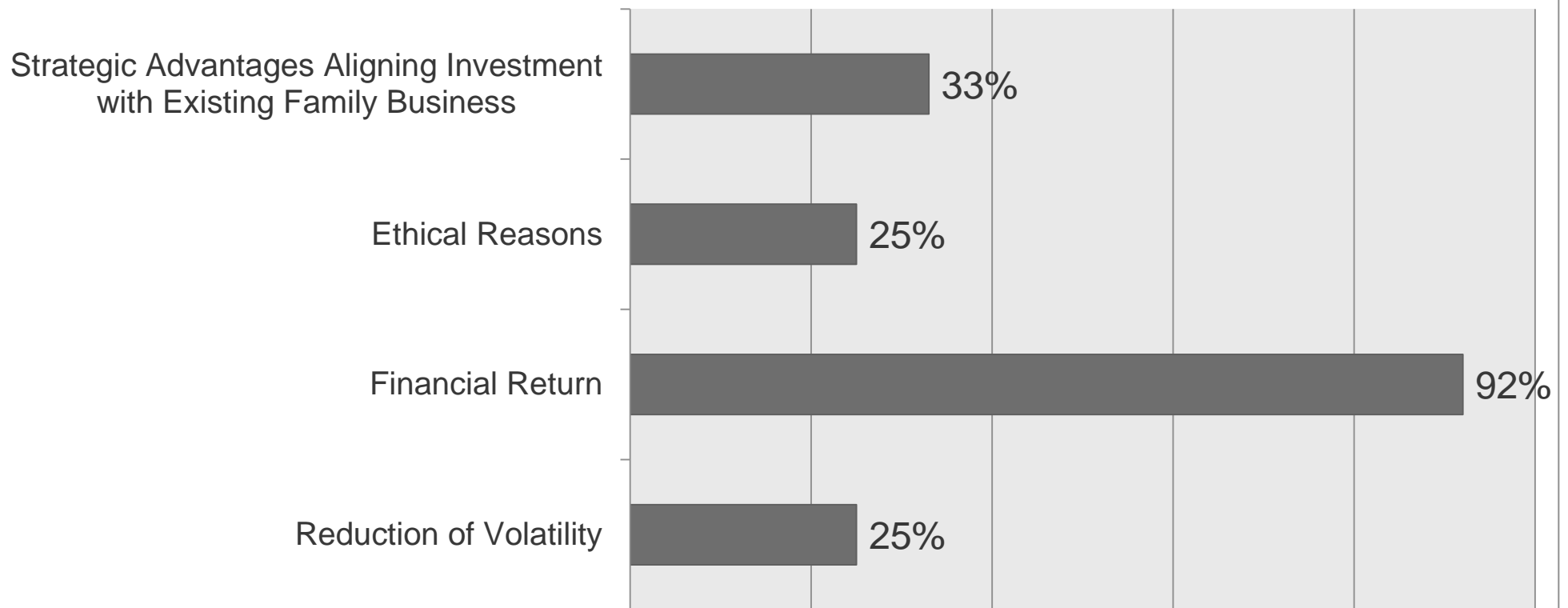
83% invested in the last 24 months

Future Plans

91% intend to invest the next 24 months

VI. Direct Investment Parameters (cont'd)

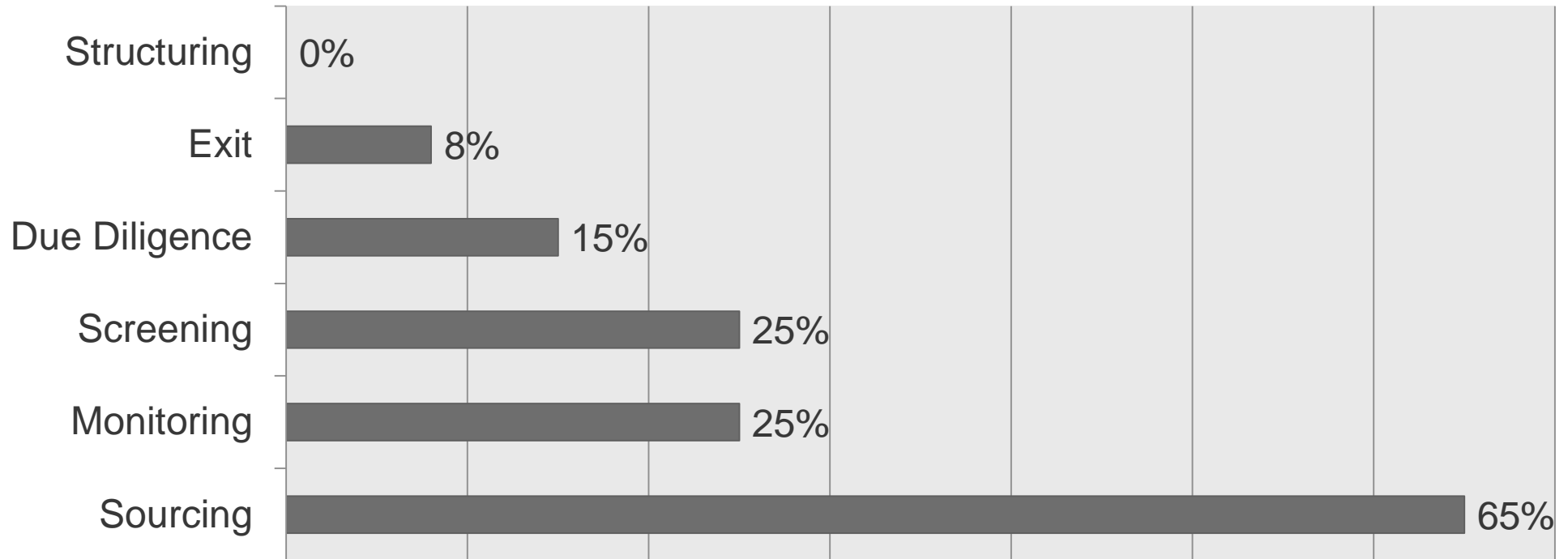
2. Material Factors for Investment Decisions*



* Multiple answers possible

VI. Direct Investment Parameters (cont'd)

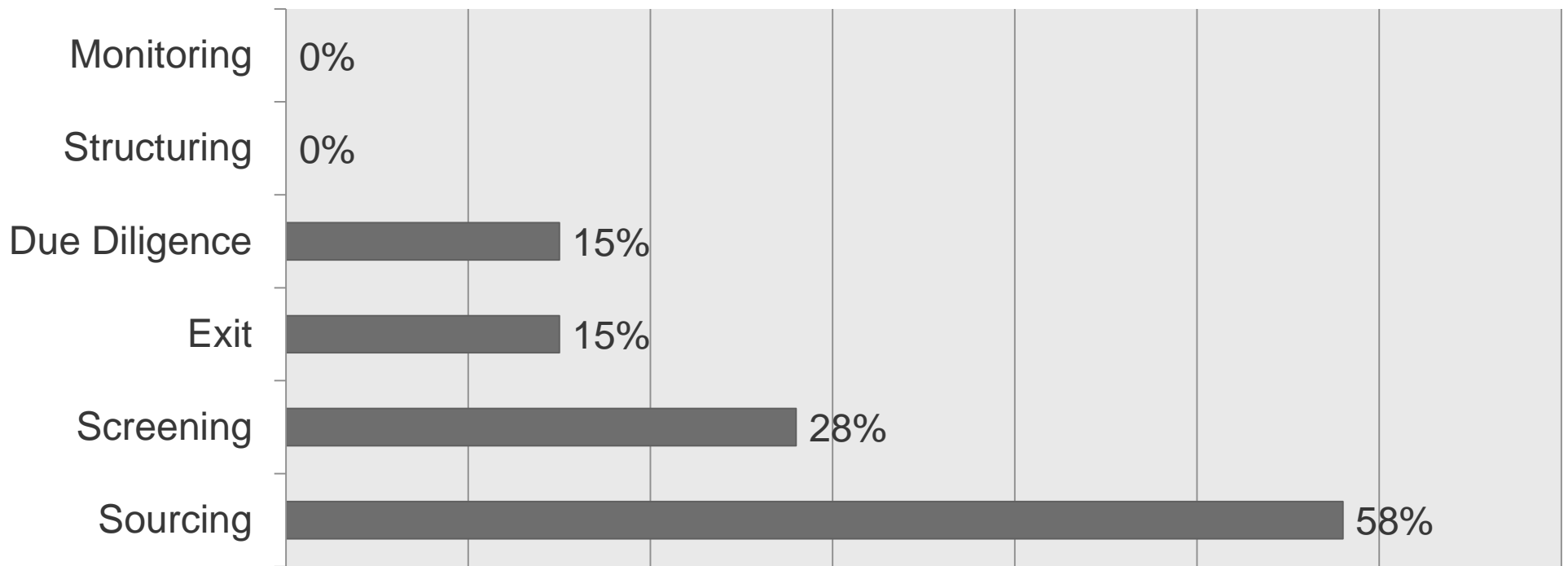
3. Most Important Aspects for a Successful Direct Investment*



* Multiple answers possible

VI. Direct Investment Parameters (cont'd)

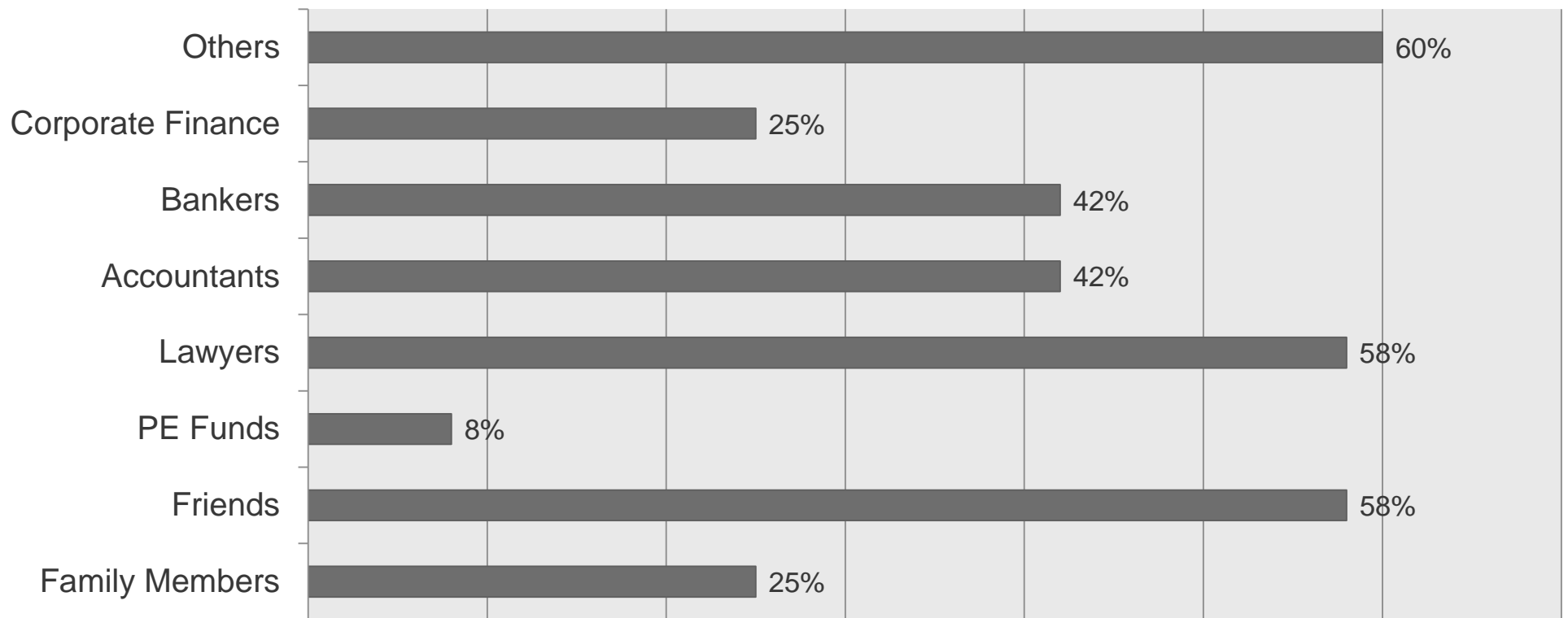
4. Sourcing is the Most Difficult Aspect of Making Direct Investments - Which Aspect of Sourcing is Most Difficult?*



* Multiple answers possible

VI. Direct Investment Parameters (cont'd)

5. Sources that Help Finding the Target*

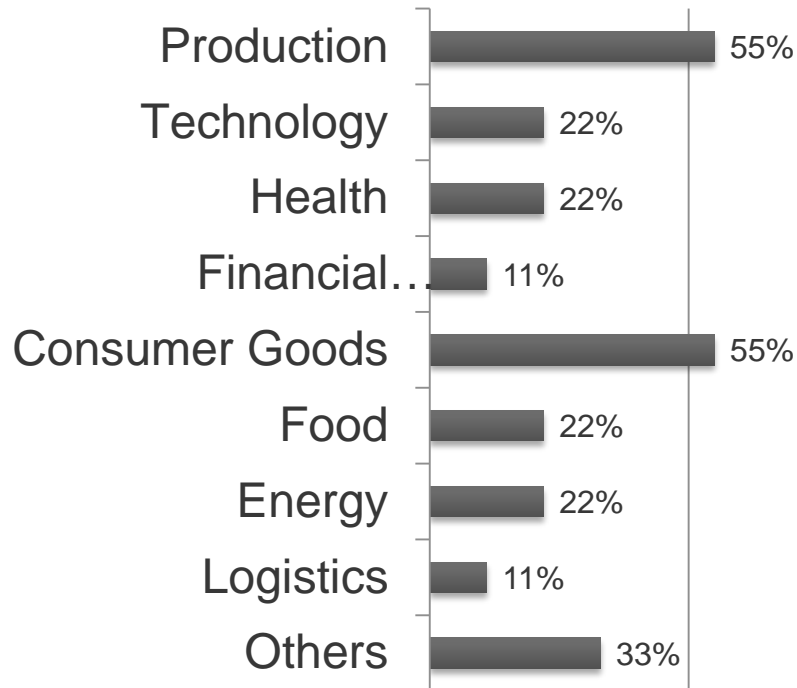


* Multiple answers possible

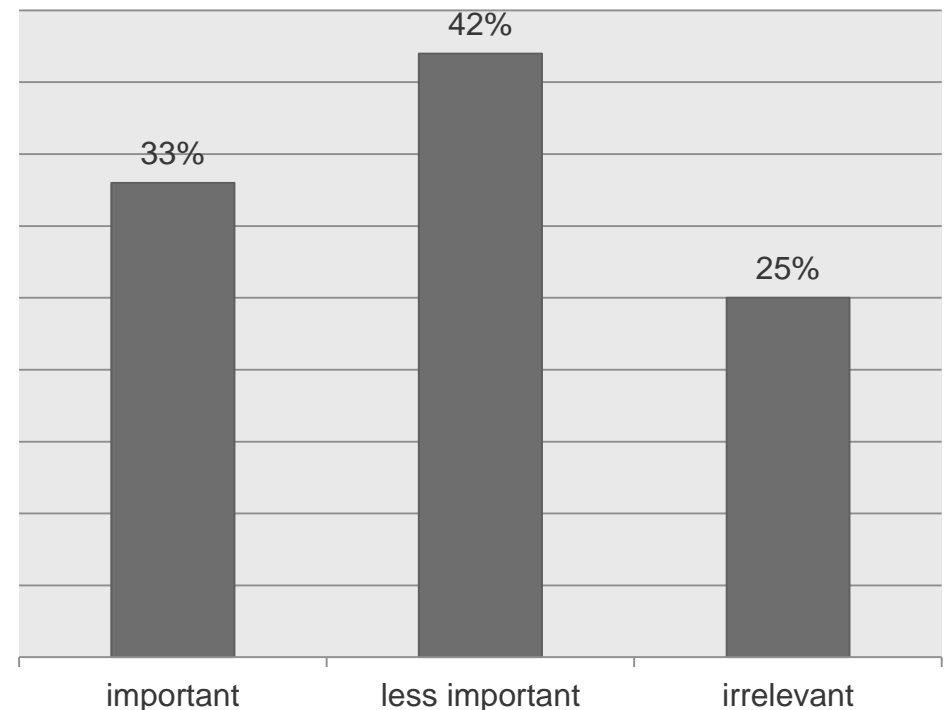
VI. Direct Investment Parameters (cont'd)

6. Preference of Certain Sectors? Importance of Former Family Assets?

Sector Preferences*



Importance of Pedigree

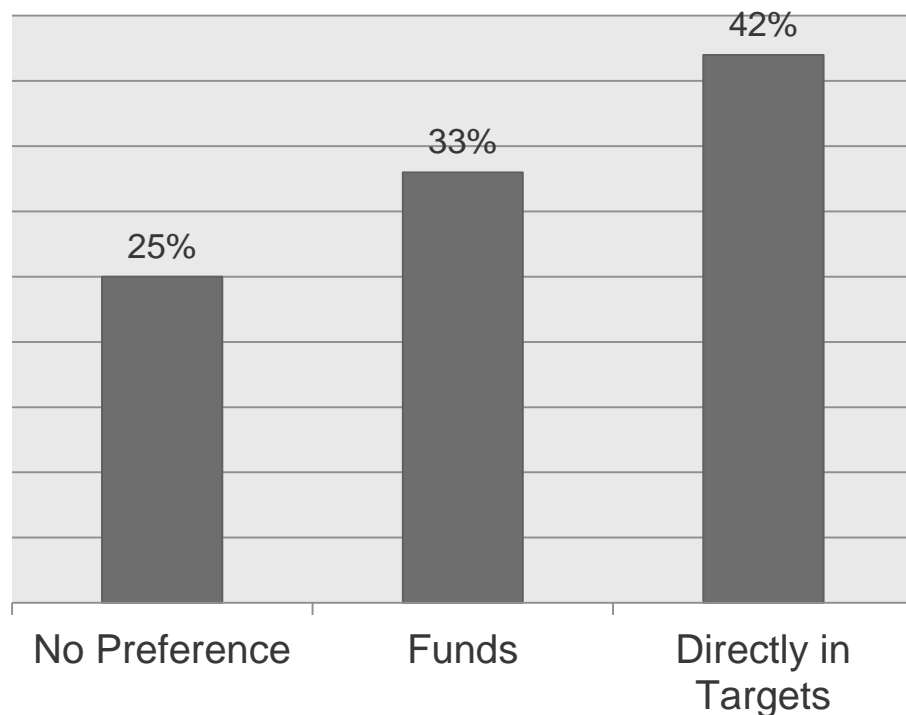


* Multiple answers possible

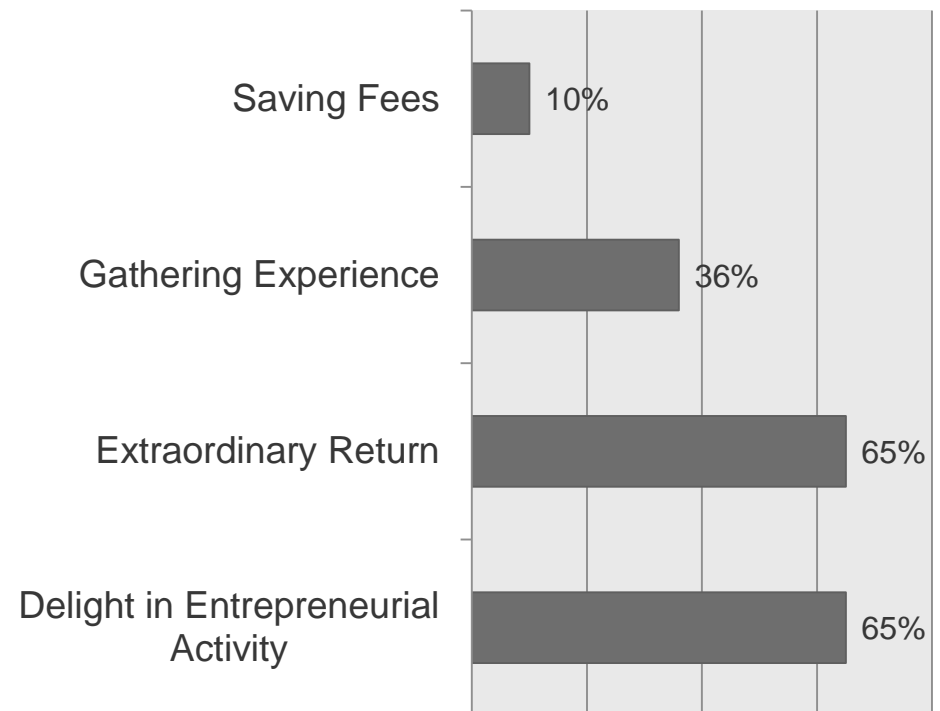
VI. Direct Investment Parameters (cont'd)

7. Preference for Direct Investments: Target Companies or Funds and Reasons for Direct Investment

Target or Fund



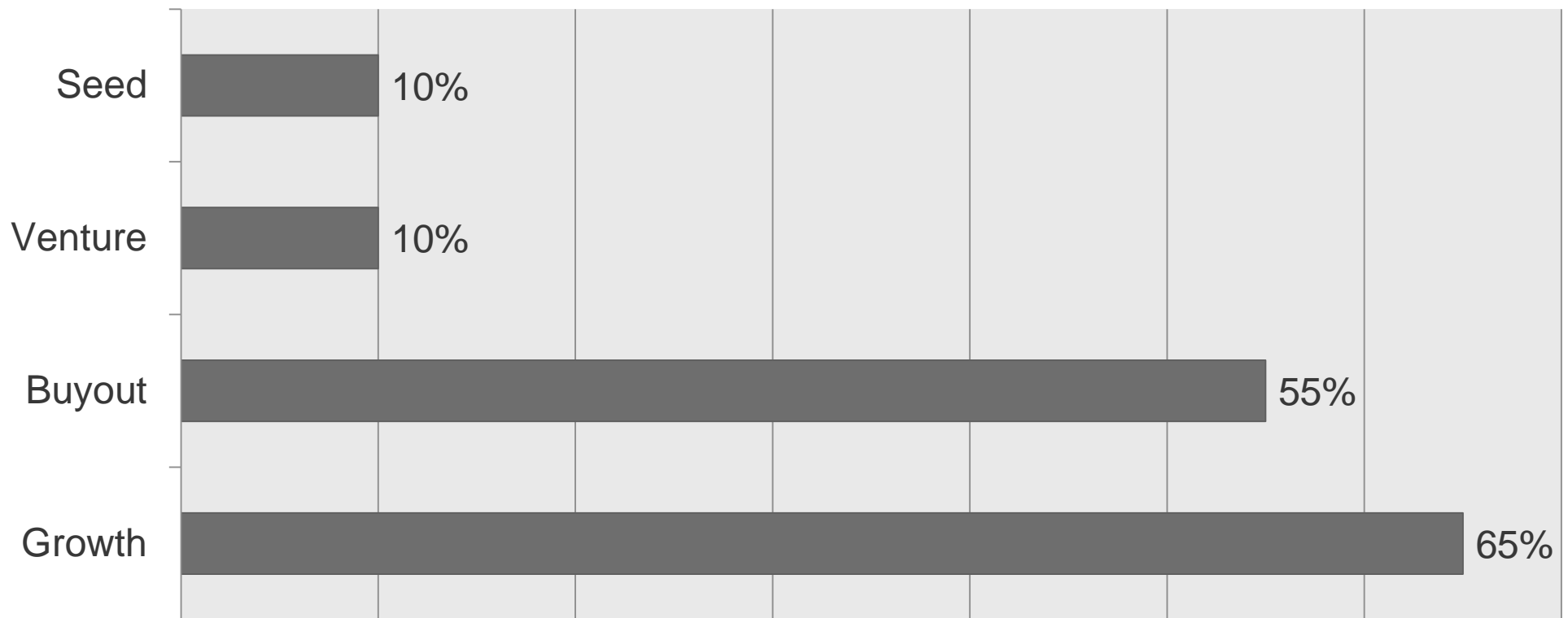
Reason for Direct Investments*



* Multiple answers possible

VI. Direct Investment Parameters (cont'd)

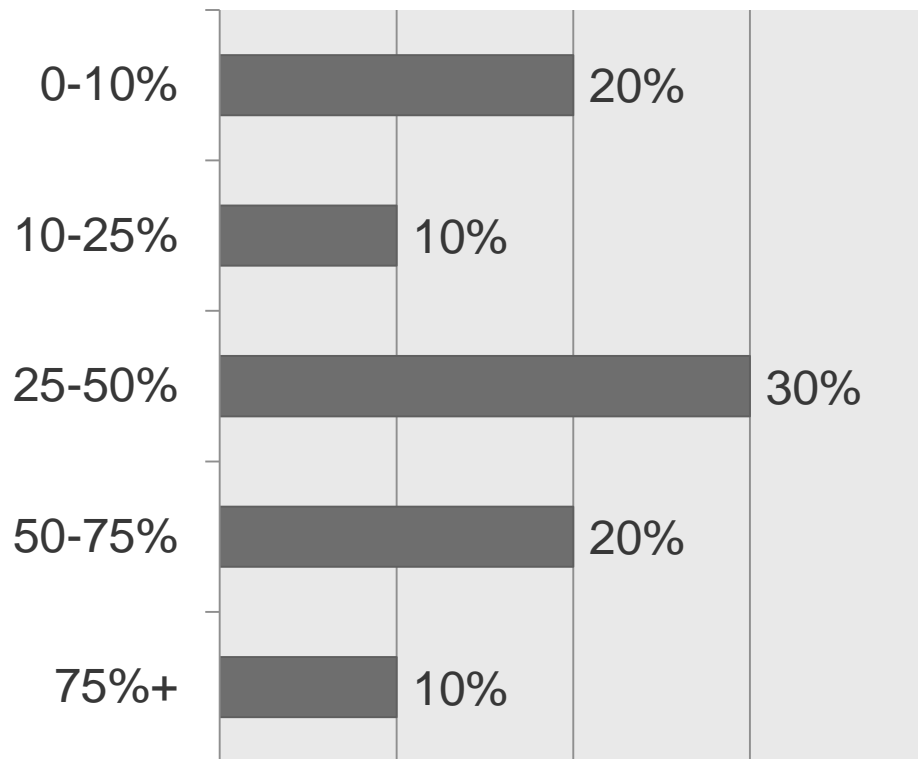
8. Preferred Development Stage of Target*



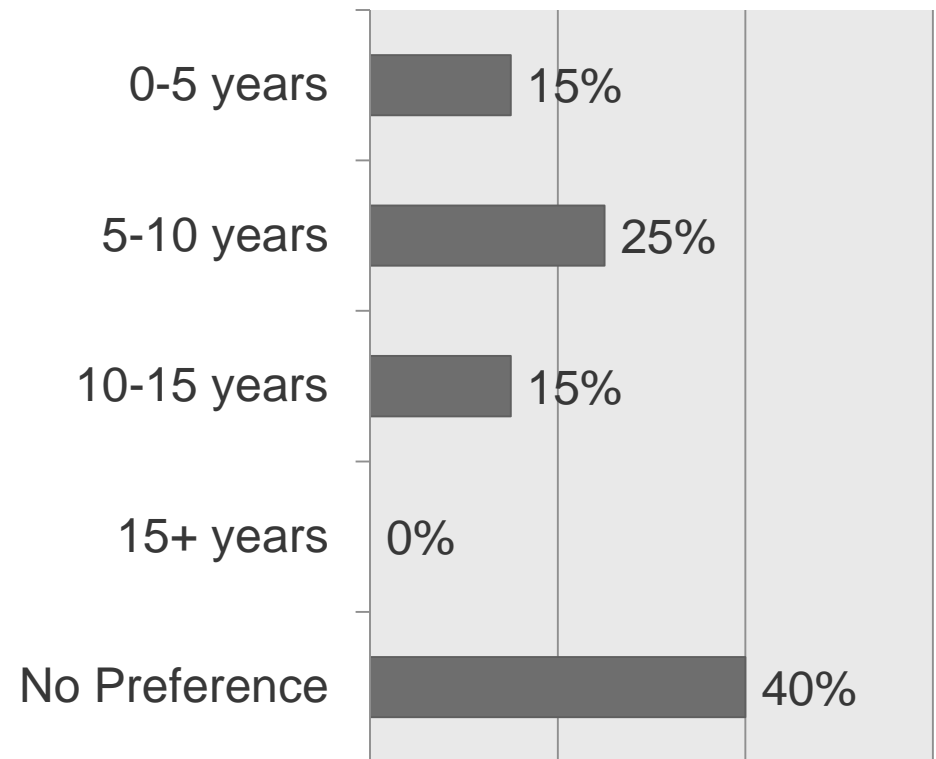
* Multiple answers possible

VI. Direct Investment Parameters (cont'd)

9(1). Leverage for Direct Investment

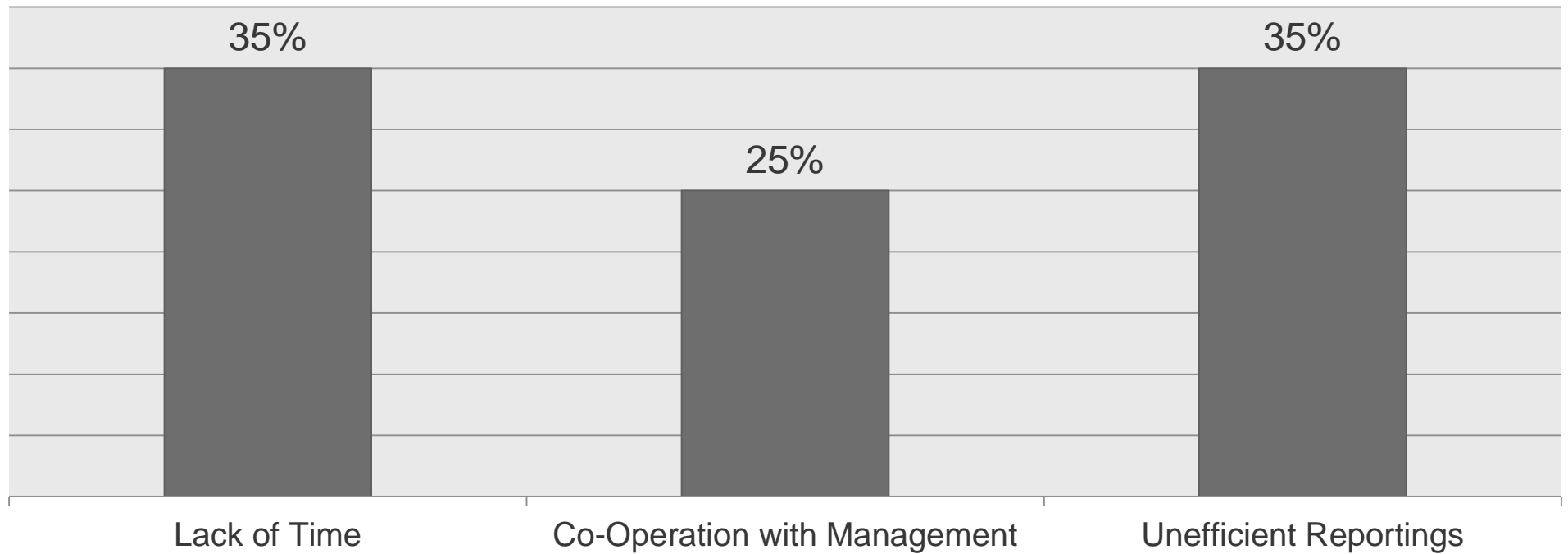


9(2). Average Tenure of Portfolio Company



VI. Direct Investment Parameters (cont'd)

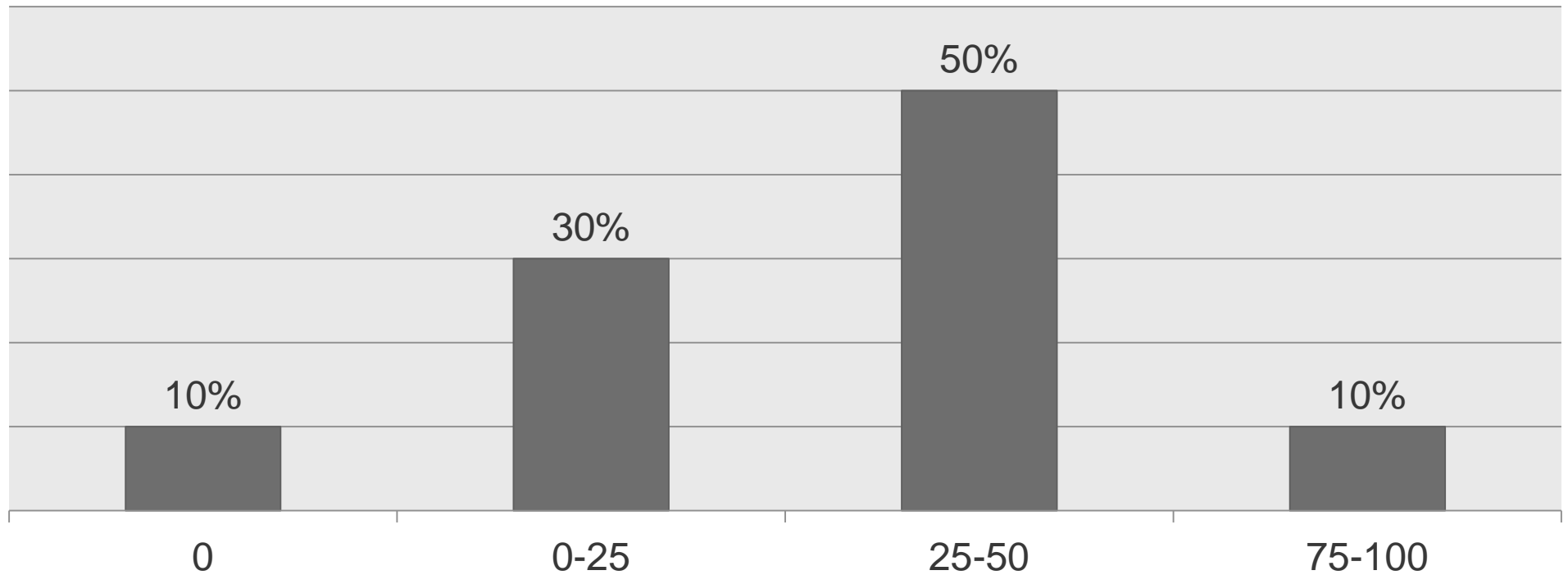
10. Biggest Challenges in Direct Investment Activity*



* Multiple answers possible

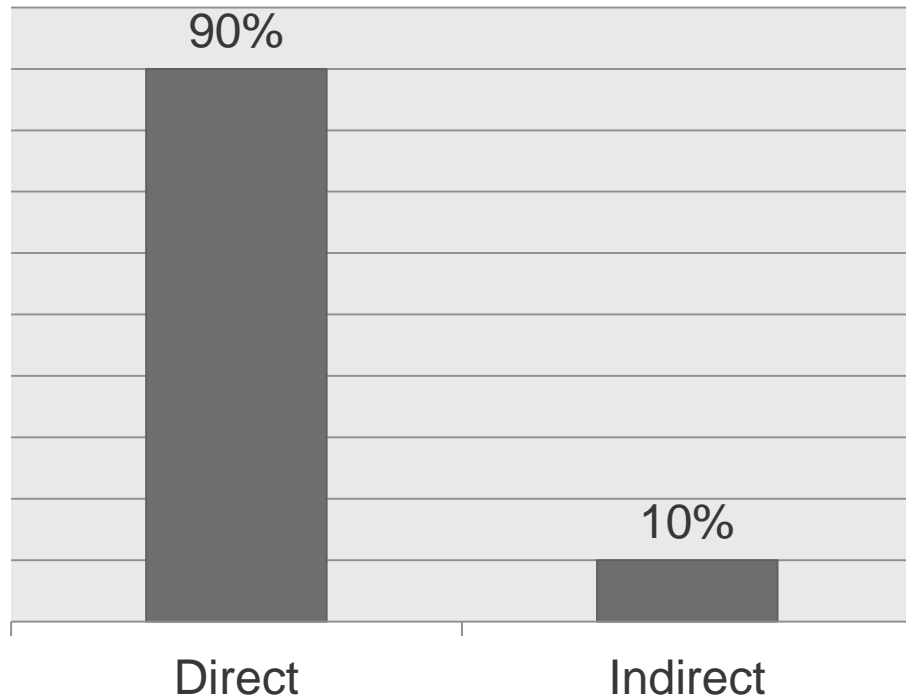
VII. Real Estate Investment

1. Percentage of Real Estate Investment to Overall Assets

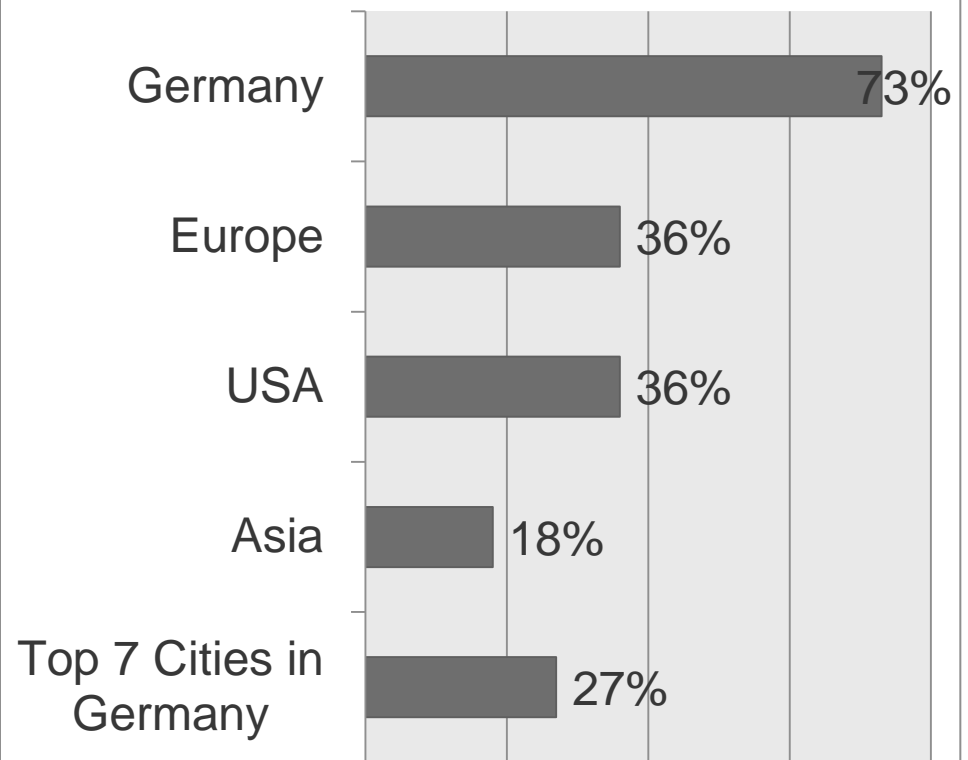


VII. Real Estate Investment (cont'd)

2. Direct or Indirect Real Estate Investments



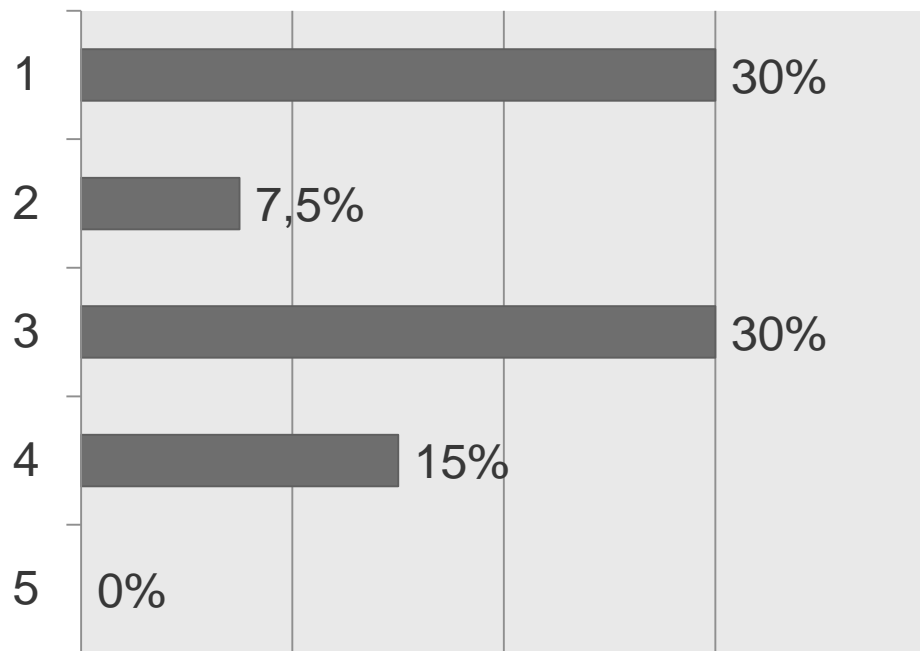
3. Preferred Region*



* Multiple answers possible

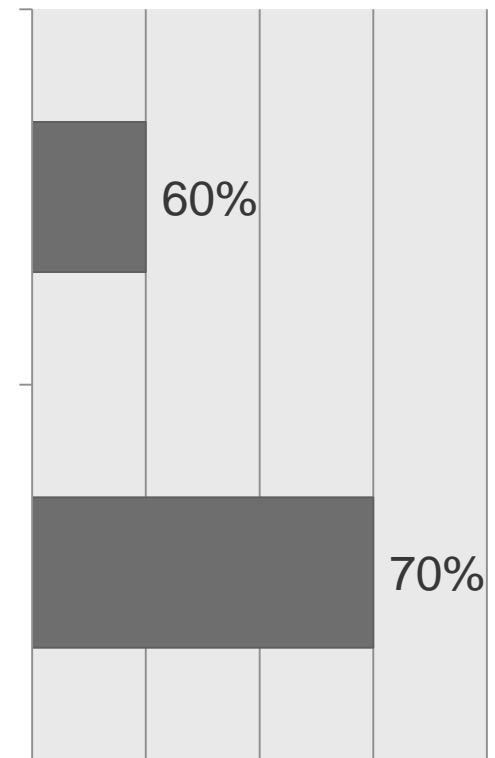
VIII. Tax Considerations

1. Importance of Residence to Optimize Tax Rate (high [5] to low [1])



2. Most Important Tax Goals*

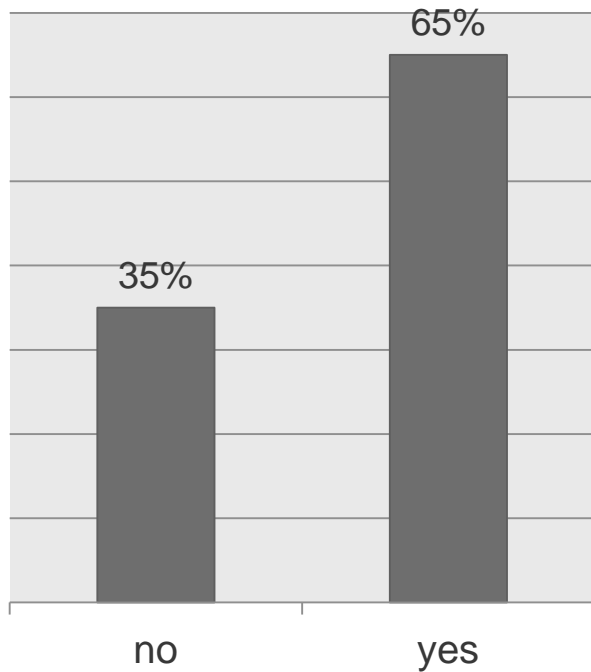
Tax Efficient Payment of Dividends, Interests and License Fees



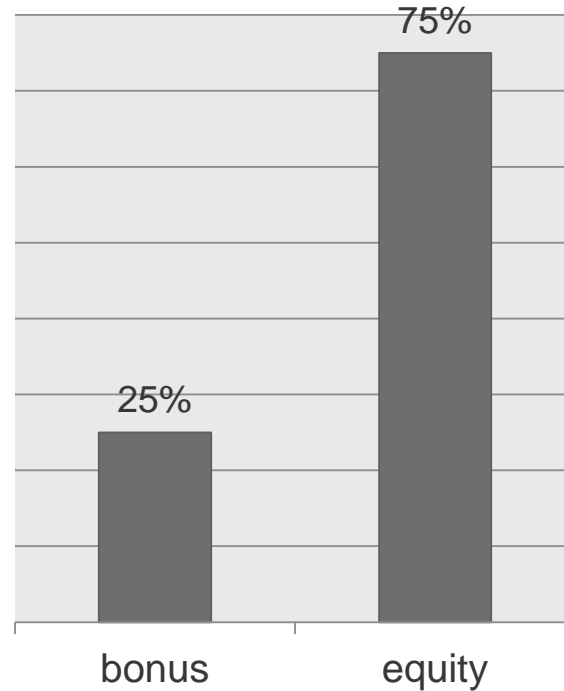
* Multiple answers possible

IX. Management Participation Parameter

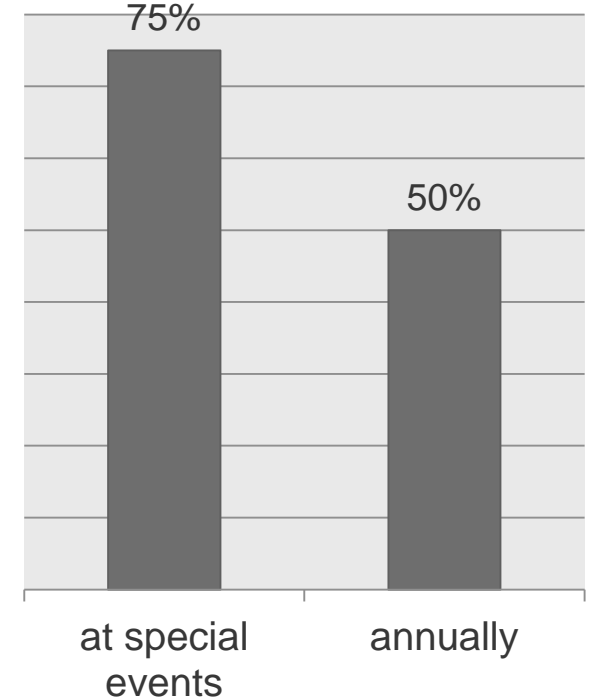
1. Management Incentive Programs



2. With...



3. Payments Occur...*



* Multiple answers possible