



Campden Wealth Releases “Private Equity and Co-Investing for Family Offices”

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Study Finds Private Equity Continues to Attract New Investments from Family Offices

Key points:

- On average, private equity makes up 21% of a family office portfolio – the highest proportion of any asset class. Also, eight in 10 family offices intend to maintain or increase their allocations to this asset class going forward;
- Allocations to private equity funds represent the highest proportion (34%) of the family office private equity portfolio, with the key pull factors being diversification and consistent deal flow;
- Family office executives point to skills and resource gaps as the key challenges faced by those who choose to invest directly.

LONDON & NEW YORK--(BUSINESS WIRE)-- [Campden Wealth](#), with support from [KKR](#), today released a new study looking at the challenges and opportunities related to investing in private equity. The research, titled “Private Equity and Co-Investing for Family Offices”, builds on quantitative data collected for Campden Wealth’s Global Family Office Report 2016 (GFO). It provides insight based on interviews with family office executives, which explain and contextualise some of the key trends, including factors which motivate family offices to invest in private equity, the problematic gap between expected and realised returns; as well as advantages and disadvantages of passive and direct approaches to private equity investing.

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On average, private equity makes up 21% of a family office portfolio – the highest proportion of any asset class. Also, eight in 10 family offices intend to maintain or increase their allocations to this asset class going forward.

Based on data collected for the GFO 2016, allocations to private equity represented over a fifth (21%) of the average family office portfolio. A 2% increase from 2015 was reported among multi-year participants in the study (family offices who participated in the GFO in 2015 and 2016). Family office executives who participated in qualitative interviews earlier this year, pointed to diversification benefits and the potential of higher returns as the key factors that attract them to private equity.

Private equity is expected to further strengthen its position within the average family office portfolio as eight in 10 GFO 2016 participants indicated they intend to either maintain or increase their allocations to this asset class. There is an indication family offices will co-invest and invest more directly in the future as 51% and 40% respectively stated they plan to increase their activity within those areas.

Private Equity Allocations - % of the average family office portfolio

Private Equity includes: Direct venture capital/private equity, private equity funds and co-investing

	Average
Direct venture capital/private equity	11
Private equity funds	7
Co-investing	3
Commodities	2
Hedge funds: includes all strategies	8
Equities, developed markets	18
Equities, developing markets	6
Fixed income, developed markets	9
Fixed income, developing markets	3
Cash or equivalent	8
Real estate direct investment	15
REITs	1
ETFs	2
Agriculture (forest, farmland, etc.)	2
Tangibles	1
Other	2

Future intentions for private equity allocations - % of family offices

Row %	Stay the					
	Decrease		same		Increase	
Direct venture capital/private equity	11	%	49	%	40	%
Private equity funds	23	%	48	%	29	%
Co-investing	6	%	43	%	51	%

Allocations to private equity funds represented the highest proportion (34%) of the family office private equity portfolio in 2016, with the key pull factors being diversification and consistent deal flow.

Increase from 31% to 41% was reported among multi-year participants between 2015 and 2016.

Interviewed family office executives pointed to the benefits of diversification and consistent deal flow as the key factors that attract families to funds. They also highlighted the advantages of access to a skilled pool of investment professionals, which can be attractive to family offices with insufficient resources. One family office executive from North America explained:

“One significant advantage that private equity funds have over direct investing is the sector-specific skill-set and knowledge of their managers, and the resources that they can put towards each deal. My recommendation for those who want to invest in private equity would be – work with fund managers first, they know how to do it.”

Private Equity allocations, direct and indirect - % of portfolio share, private equity holdings only

	2016	
Active management role	26	%
Passive shareholder role	17	%
Early-stage / venture capital	8	%
ALL DIRECT	51	%
PE funds	34	%
Co-investments, club and office-to-office deals	14	%
Deals syndicated by investment bank	1	%
ALL INDIRECT	49	%

Family office executives point to skills and resource gaps as the key challenges faced by those who choose to invest directly.

Higher expected returns, absence of agent fees and greater sense of control over operations and exit are the key factors that prompt families to invest directly, say family office executives. In 2016 GFO participants expected an average return of 16% on their direct deals, compared with 14% of all indirect investments.

However, interviewees also stressed the challenges frequently faced by those who pursue this approach, including: restricted access to high quality deals, limited team resources and knowledge gaps.

They highlighted the importance of thorough due diligence and a team’s ability to grow the businesses that they intend to invest in as the key success factors. One family office executive from North America explained:

“If you want to invest directly, be aware that for the potential of generating higher returns, you will have to burn some shoe leather and get some work done. It’s very time consuming and stress levels are significantly higher.”

Notes for editors:

About the research:

Quantitative data analysed in this report was derived from a survey conducted for the purpose of the Campden Wealth Global Family Office Report 2016 (GFO 2016). A total of 242 respondents participated in quantitative survey in 2016, representing family offices with an average AUM of USD \$759. Of these, 115 responded to questions related to private equity specifically.

To provide clarification for the key private equity-related trends that emerged from the in-depth analysis of the GFO 2016 dataset, six qualitative interviews were conducted with family office executives in April 2017.

The sample of respondents came from Campden Wealth’s existing community of family offices in North America, Europe, Asia-Pacific and Emerging Markets.

About Campden Wealth

Campden Wealth is the leading independent provider of information, education and networking (in print, in person, online and via research) for generational family business owners and family offices globally.

Campden Research supplies market insight on key sector issues for its client community, and their advisors and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique and proprietary data and analysis based on primary sources.

Campden Wealth also publishes the leading international business title CampdenFB, aimed at members of family-owned companies in at least their second generation. Campden Wealth further enhanced its international reach and community with the acquisition of the Institute for Private Investors (IPI), the leading membership network of private investors in the United States, founded in 1991 and with the establishment of Campden Family Connect PVT Ltd a joint venture with the Patni Family in Mumbai, India in 2015.

About KKR

KKR is a leading global investment firm that manages investments across multiple asset classes, including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners’ capital and brings opportunities to others through its capital markets business. References to KKR’s investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE:KKR), please visit KKR’s website at www.kkr.com and on Twitter [@KKR_Co](https://twitter.com/KKR_Co).

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