BNY MELLON
WEALTH MANAGEMENT

ANALYSIS

2024 Investment Insights for Single Family Offices

ENHANCING FAMILY WEALTH

A BNY Mellon Wealth Management Study

CONTENTS

FOREWORD

We are pleased to share our inaugural Family Office Investment Insights report, Enhancing Family Wealth, which delves into the evolving investment allocations, ambitions, concerns and operational priorities of 189 single family office investment decision-makers.

The 2020s have been the decade of speed, with unprecedented change over the last four years. For professional investors, the arrival of several "firsts" and rapid shift in the investment and economic landscape have made it more difficult to know which opportunities to prioritize, or against which risks to prepare a robust defense.

Sophisticated family offices find themselves at the forefront of many key trends shaping this new era of investing. Understanding their priorities is especially valuable as a barometer of the evolution of investment practices.

As this report shows, much is changing in the family office space. Direct investing is becoming a prominent trend. Investment professionals are exploring the emerging category of digital assets. And with AI dominating so many investment conversations, family offices are keen both to embrace a generational investment opportunity and to harness the technology within their own investment processes.

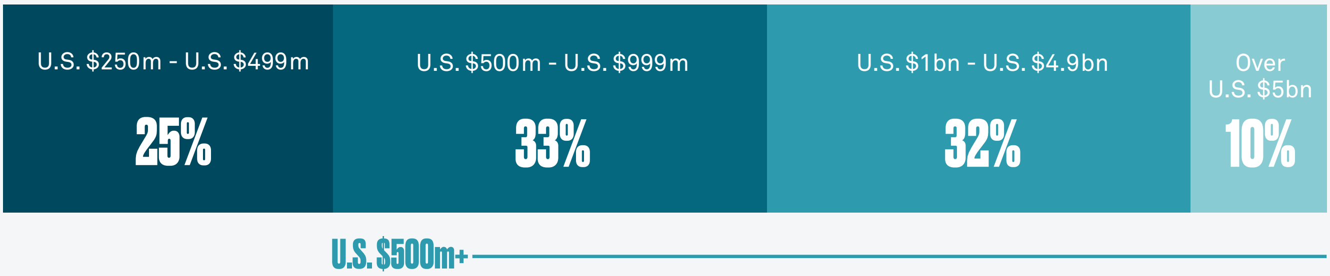
Tax-efficient investing also continues to be an important consideration. Tax-managed equity (TME) strategies are popular among family offices, although some are hesitant due to a perception that they are too complex. With many professionals planning to increase exposure to public equity and also to public fixed income, there is scope for some investors to further improve tax efficiency through TME and tax-managed fixed income (TMFI) integration.

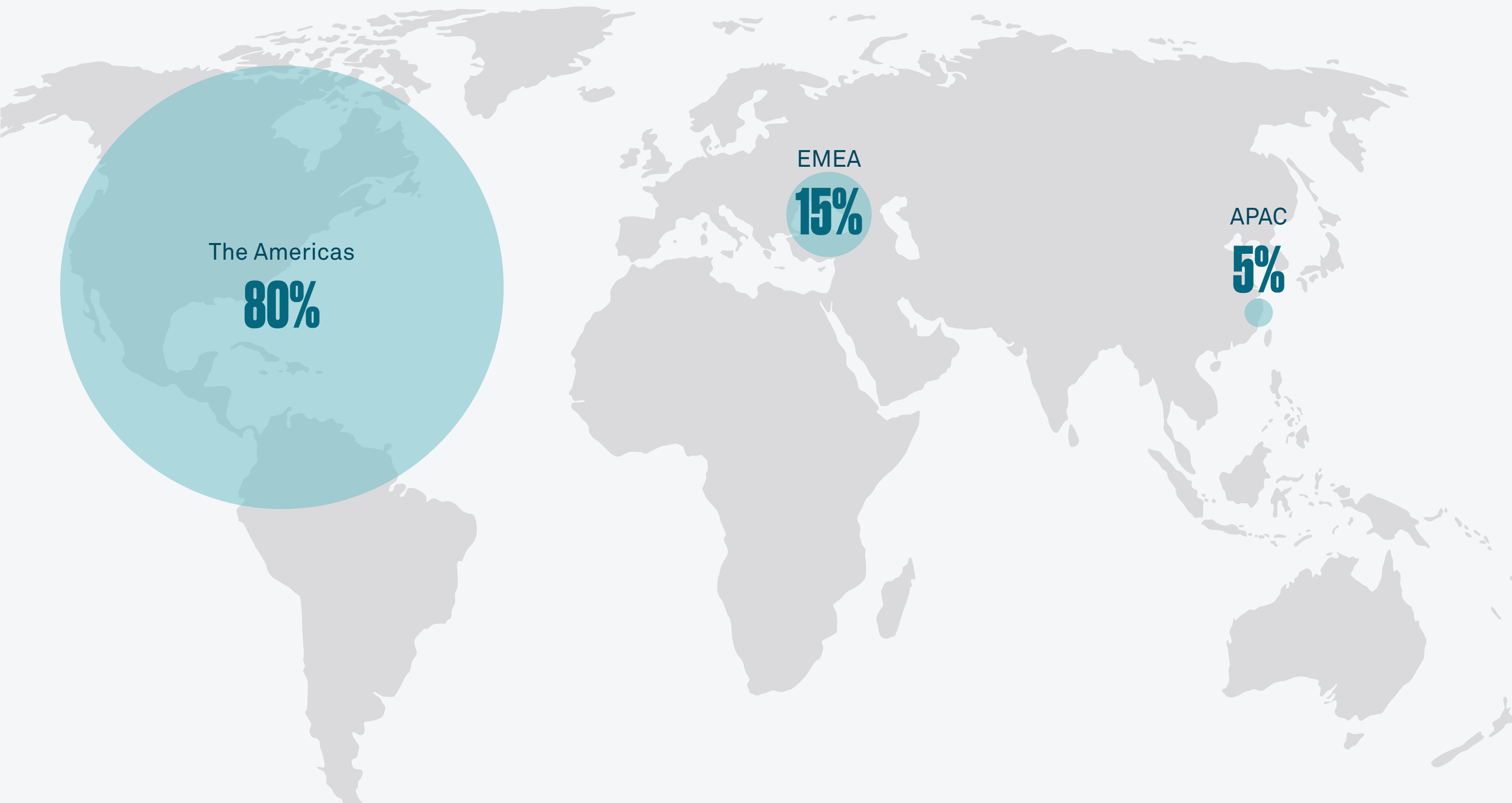
This research study was conducted in collaboration with The Harris Poll and informed by our decades of collaboration with first, second and subsequent generation family offices around the globe. As America's oldest bank, we've lived through and withstood many market events over the last 240 years. Our experience and ability to be nimble and resilient have allowed us to deliver success for our clients — yesterday, today and prepares us to do so tomorrow.

We thank all those who took the time to respond to the survey in early 2024. It is a privilege to partner with investors noted for their agility, their entrepreneurial expertise and their faith in the future.

RESPONDENT PROFILE

We surveyed professionals at 189 family offices worldwide, with AUM starting at $250 million and ranging to $5 billion and beyond:





EXECUTIVE SUMMARY

In a fast-evolving environment, family offices are staying true to their entrepreneurial roots by embracing new opportunities.

Private markets expanded significantly in recent decades. Since 1999, the number of private equity-owned companies in the U.S. rose from approximately 1,000 to over 16,000 today, while over the same period the number of U.S. public companies declined from 8,000 to less than 4,000. Private credit assets have grown fivefold since the Global Financial Crisis to represent over $1.6 trillion in assets, including dry powder.* Family offices are highly focused on private markets, with 71% planning to make six or more direct investments over the next 12 months, a 15% year-over-year increase.

Family offices remain strikingly split over the role of cryptocurrencies: 39% say that they are actively investing in cryptocurrencies or exploring doing so, while almost the same proportion have no interest. Hacking, cybercrime and an uncertain regulatory environment are cited as the top challenges to becoming more active in this space.

Artificial Intelligence (AI) has emerged as a dominant investment theme in the short time since OpenAI made its ChatGPT system publicly available less than two years ago. Investment professionals have been quick to realize the transformational potential of this technology: nearly 80% see AI as one of their top investment themes over the next five years.

AI can be customized for multiple business functions, powering automation and raising productivity across a broad spectrum of use cases. Global spending on AI-related technology is expected to grow from $50 billion in 2021 to over $1 trillion by 2030, which would represent one of the swiftest technology adoption cycles in modern times. By 2030, an anticipated 85% of knowledge workers will use AI on a daily basis.

Against this backdrop, it is little surprise that investment professionals cite safety and security of assets as the operational factor that has the greatest impact on their plans. However, tax-efficient investing, tax planning and involving the next generation remain familiar priorities.

Meanwhile, risks are also evolving. Almost half of family offices cite geopolitics as one of the three greatest risks to their portfolio, with the largest family offices especially concerned about this. Inflation and insufficient cybersecurity are also considered significant threats.

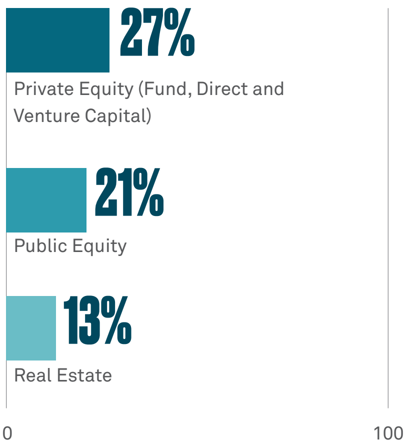
Tax-efficient strategies such as tax-managed equity (TME) are popular with family office professionals: 43% report using TME today. For investment professionals who have looked into TME but opted not to use it, by far the most commonly cited drawback is that it is perceived as too complex (71%).

*Source: PitchBook. Data as of May, 2024.

01 THE NEW "BIG THREE" OF ASSET ALLOCATION

TOP THREE ASSET CLASSES

What is your current asset allocation? Please allocate 100 points across the following assets based on the percentage of the total investment portfolio. (Top three in rank order)



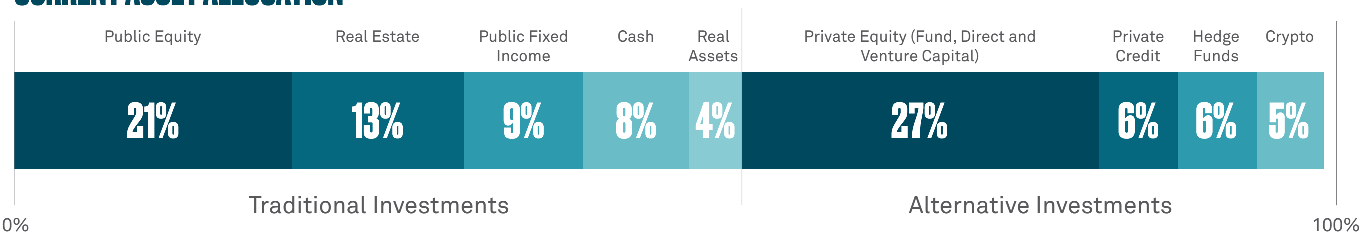
We asked family office professionals to break down their current asset allocation into eleven asset classes.

More than 60% of family office portfolios are currently allocated to three asset classes: **Private Equity (fund, direct and venture capital), Public Equity and Real Estate.** These are the "Big Three" of family office portfolios.

As the chart shows, family offices operate across a broad range of both traditional and alternative investments. Family office asset managers are as likely to invest in traditional categories, such as public equity and fixed income, as they are to manage alternative investments, such as private equity and credit. They clearly possess the expertise to blend together both traditional and new asset classes in pursuit of portfolio diversification.

True to their entrepreneurial nature, family offices are showing themselves ready and willing to move into new and emerging opportunities. Private equity allocations now include a small but significant place for venture capital investments. Cryptocurrencies account for 5% of portfolios, an allocation that would have been unthinkable a decade ago.

CURRENT ASSET ALLOCATION



*Combined percentages may not total 100% due to rounding.

02 BEYOND PUBLIC EQUITY:

INCREASING INTEREST IN REAL ESTATE, PRIVATE EQUITY AND PRIVATE CREDIT

Family offices adopt a strategic asset allocation aligned with long-term investing goals and implement tactical allocations around this strategic reference to take advantage of short- to medium-term investment opportunities.

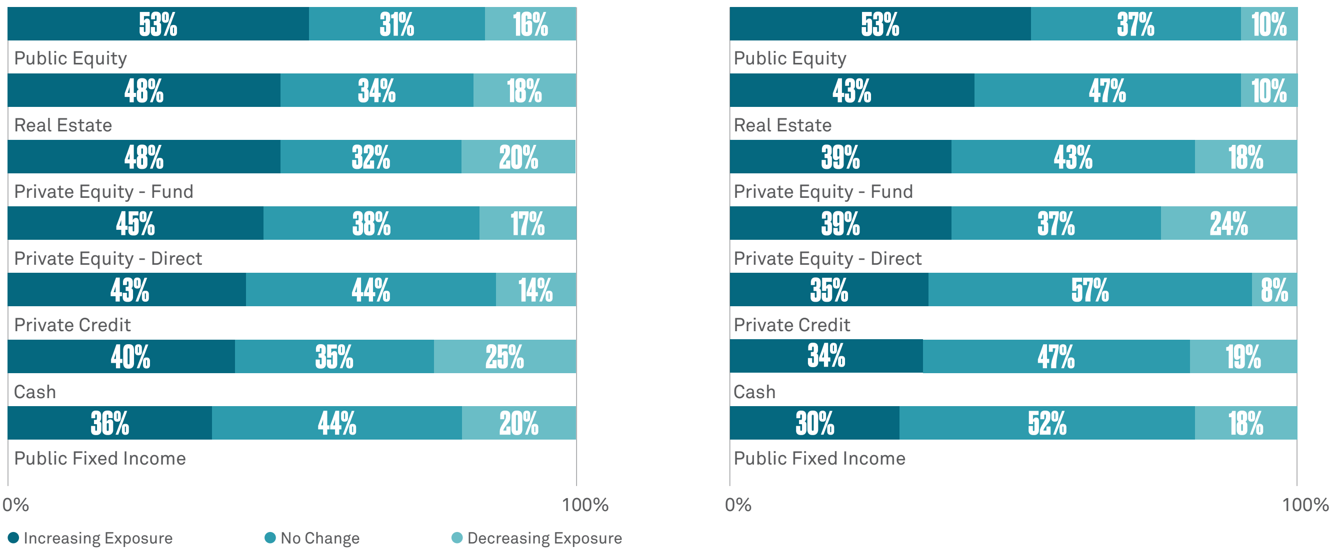
Public markets have been enjoying a strong run, powered by the popularity of technology stocks linked to the emerging area of artificial intelligence (AI) and the continuing resilience of the U.S. consumer. Changing expectations about the timing of interest rate cuts have fueled macroeconomic uncertainty, making the liquidity of investments in public markets an added attraction.

FUTURE ASSET ALLOCATION

In the next 12 months, which of the following assets are you considering either increasing or decreasing your exposure to?

AUM Under $1bn

AUM Over $1bn



*Combined percentages may not total 100% due to rounding.

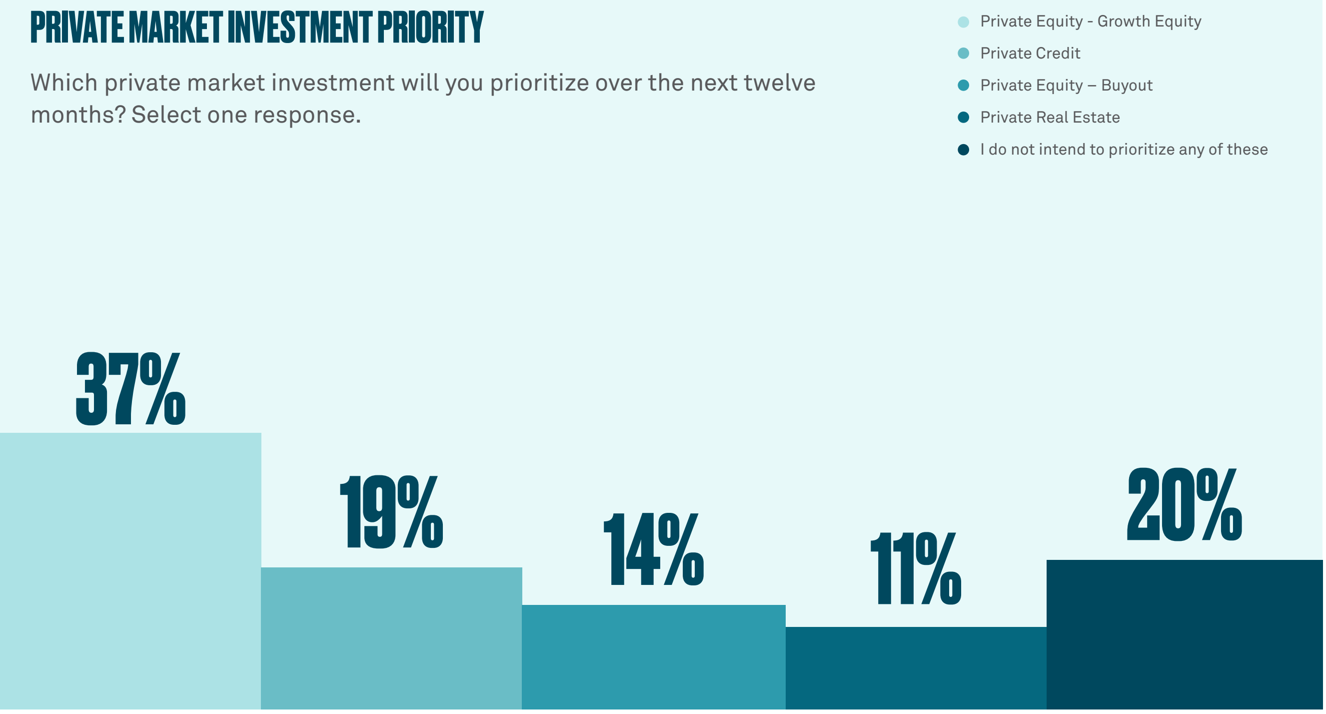
**For other asset categories not shown in the chart, including cryptocurrency, venture, hedge funds and real assets, family offices with less than $1 billion in assets are even more likely to increase exposure.

Over half of family office investment professionals say that they plan to increase exposure to public equity in the coming year, making it the most popular choice for future allocations. Only 14% plan to decrease exposure. Real estate, private equity (both via funds and direct) and private credit make up the next three most popular areas for increasing exposure during this time.

Notable among this year's responses is that 22% of respondents plan to reduce cash allocations, while 34% intend to increase allocations to public fixed income. Professional investors are highly aware that long-term exposure to cash is detrimental to portfolio returns. Over the past three Federal Reserve tightening cycles, the average after-tax return to bonds over one and three years following the peak in Fed Funds rate was between one and a half and over three times higher than the return to cash.

PRIVATE MARKET INVESTMENT PRIORITY

Which private market investment will you prioritize over the next twelve months? Select one response.



*Combined percentages may not total 100% due to rounding.

The bullish mood on public markets at the start of 2024 is also reflected in private market investment plans. Just as the S&P 500's rally has been concentrated on growth-oriented tech companies, private market investors are also going for growth. Growth-focused private equity emerges as the top private market pick, with 37% of family office professionals planning to increase exposure in the next 12 months.

03 DIRECT INVESTMENTS IN FOCUS

62% of family offices made 6+ direct investments last year, and 71% are planning to make a similar number or more over the coming year.

Direct investment involves negotiation with a private company over the provision of debt or equity, rather than gaining exposure through a third-party fund.

It can also take the form of co-investment, where the family office invests on attractive terms in a private company alongside a Private Equity Fund. This is typically a fund that the investor is already invested in as a Limited Partner (LP).

Direct and co-investments are sometimes passive, but they can also take an active form, where an investor is invited to sit on an investee company's board and to become involved in the running of the underlying business. This is an important and growing trend that presents exciting opportunities for family offices to leverage their unique competencies to earn potentially higher returns.

Direct investment presents exciting opportunities for family offices to leverage their unique competencies.

Number of Investments	DIRECT INVESTMENTS MADE PAST 12 MONTHS How many direct investments have you made over the past 12 months?	DIRECT INVESTMENTS EXPECTED NEXT 12 MONTHS How many direct investments do you expect to make over the next 12 months?
None	8%	8%
1-5	30%	21%
6-10	56%	52%
11+	6%	19%
Total	62%	71%

Successful private market deals capture the illiquidity premium, meaning that they can potentially achieve significantly higher returns than are available through public markets or even pooled private market investments. From a risk perspective, direct and co-investing allow family offices to conduct granular due diligence and enjoy complete control and transparency over what investments will be made. Co-investments are investments targeted by private equity funds that require additional capital, and certain LPs are invited to participate in the deal, typically at a reduced management fee and carried interest. Direct and co-investments can also mean overall lower portfolio costs since the investment professional will avoid the typical levels of management and performance fees on private equity and venture capital investments.

The resources required to establish a direct investing program will depend on the complexity of the program. While two-thirds of family offices do their own internal due diligence on direct investments, nearly half will seek input from an investment consultant. Some 42% of family offices cite time constraints as a top challenge. The proportion is higher (almost 50%) among professionals that have so far made less than five direct investments.

Key skills for direct investing

A successful direct investment program reflects the values and beliefs of the wealth creator behind the family office.

Implementing a successful direct and co-investing program brings plenty of challenges. The program must directly reflect the beliefs and values of the wealth creator behind the family office. Operationally the investee is run as a separate business, rather than being mixed with and borrowing resources from other activities.

There is a clearly defined value proposition that sets out where the family office believes its strengths lie — for example, adding operating expertise, or having exceptional access to opportunities by leveraging connections. The process is well-defined, with a strong understanding of what has — and has not — added value in the past, and a strategy for realizing gains and exiting investments.

Direct investing must be based on a clear understanding of where the family office's strengths lie and in what ways it can add value to an investee.

The criteria for target investments are clear, such as size, geography and business culture. A direct investor that sets out investment conditions in advance increases the probability of curating a thoughtful and well-diversified portfolio. In addition, the basis on which family members participate in the program is well formalized.

Direct investors seeking to analyze the strengths and weaknesses of their current programs will find that the assistance of advisors with deep experience of the space will enhance their ability to run a successful program and to achieve scale.

04

AI:
A ONCE-IN-A-GENERATION INVESTMENT OPPORTUNITY

Artificial Intelligence (AI) emerges as the favorite investment opportunity over the next five years among family office professionals. Given the significant benefits AI can provide to businesses, interest and investment levels have accelerated.

Nearly 80% of global family offices cite Artificial Intelligence as one of the top three investment opportunities over the next five years.

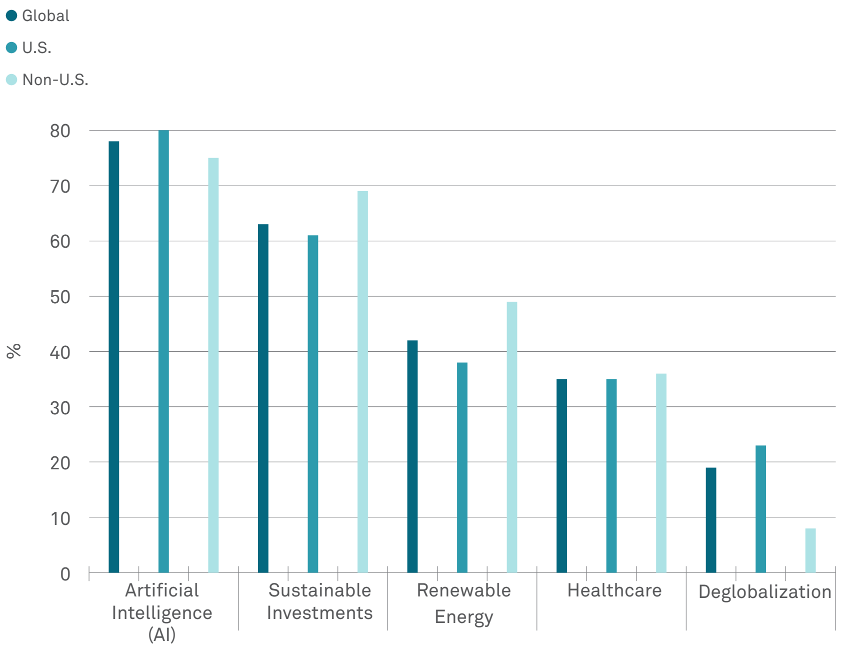
Sustainable investments are the next most interesting investment theme, attracting particular interest among non-U.S. family offices.

By contrast, while deglobalization is least likely to be cited as an opportunity in general, U.S. family office professionals are significantly more likely to regard it as an opportunity (23%) than their non-U.S. peers (8%). This may reflect positive tailwinds for American firms as political pressure and federal subsidies encourage more manufacturing to locate in the U.S.

The popularity of Artificial Intelligence underscores the transformative potential of this technology.

MOST INTERESTING INVESTMENT OPPORTUNITIES OVER THE NEXT FIVE YEARS

Which of the following investment themes do you believe represents the most interesting investment opportunities over the next five years?



* Respondents were asked to select multiple options, hence combined percentages total over 100%.

AI INFORMS INVESTMENT DECISIONS

The popularity of AI across geographies underscores the transformative potential of this technology. AI appears poised to become a generational opportunity, raising productivity and creating new revenue on a scale surpassing even the internet.

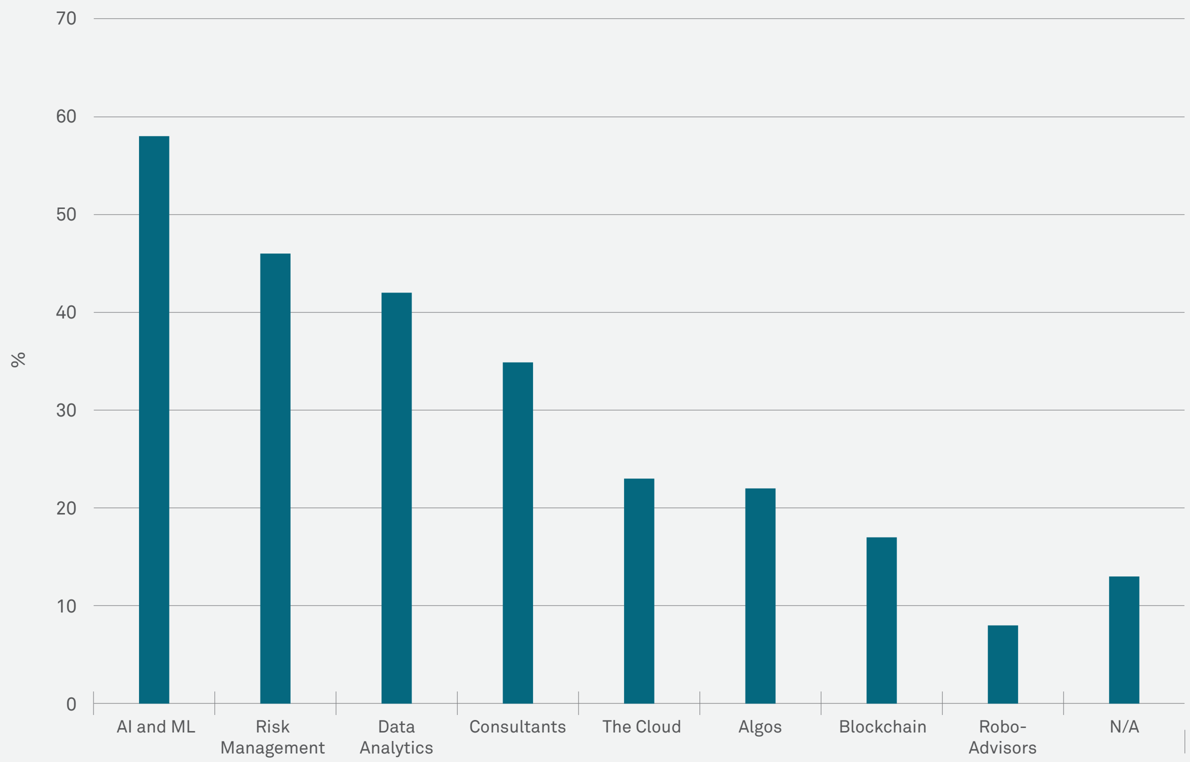
AI can digest and analyze data with a speed and accuracy level far surpassing humans and current technological capabilities. Generative AI utilizes big data, increased processing power and advanced algorithms to populate ideas, new products and efficiency gains – massively boosting productivity, which translates to GDP tailwinds.

These benefits are already being applied to family office workflows. Almost 60% of family offices report leveraging AI and machine learning (ML) to aid the investment decision process. AI and ML technologies greatly enhance the speed and sophistication with which investors can screen potential investments. They can draw dynamically not only on traditional market data but also on sentiment indicators such as news articles to rapidly identify emerging trends and overlooked opportunities.

While AI and ML are currently viewed as separate technologies, AI will increasingly be embedded in other widely-used technologies, such as risk management tools, data analytics and the cloud. Its ability to improve so many aspects of solution delivery in virtually every company across all sectors is truly unique.

LEVERAGING TECHNOLOGY IN INVESTMENT DECISIONS

Is your office leveraging technology in the investment decision-making process? If so, please select all that apply.



05

CRYPTO CURIOSITY

FAMILY OFFICES ARE INTERESTED IN EXPLORING CRYPTOCURRENCIES

The "not well-defined" regulatory environment of digital assets is considered a significant barrier to investment.

American regulators approved the first spot bitcoin exchange-traded funds (ETFs) in January 2024, ushering digital assets into the investing mainstream.

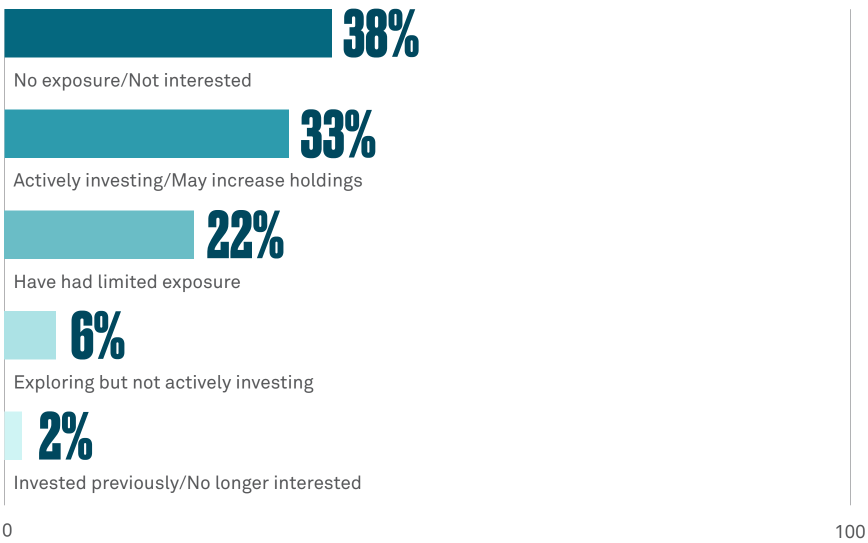
Yet family offices are strikingly split over the role of cryptocurrencies. 33% of family office professionals say that they are actively investing in cryptocurrencies and may increase their holdings. By contrast, 38% report having no current exposure to or interest in the asset class. The remaining 30% fall somewhere in between, reporting either limited exposure or that they are exploring cryptocurrencies.

Among family offices who report exploring cryptocurrencies, there are diverse motivations for investing. Over half mention keeping up with new investment trends and investment opportunities. 30% or more cite interest from current leadership or the next generation of the family office.

55% favor public market ETFs that own cryptocurrencies, and 54% are inclined toward trading directly on exchanges.

INVOLVEMENT WITH CRYPTOCURRENCIES

Which of the following best describes your current approach to cryptocurrencies?



*Combined percentages may not total 100% due to rounding.

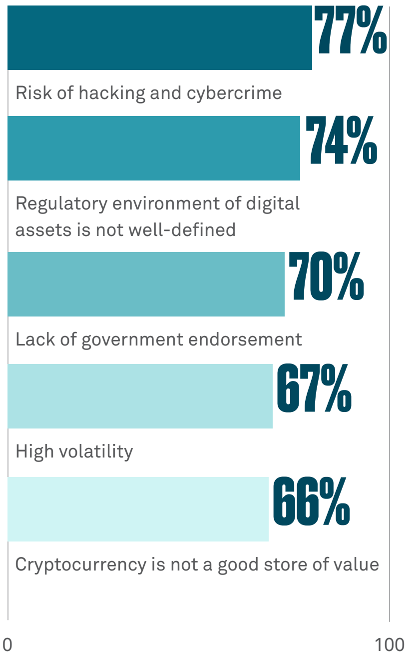
PLANS TO INCREASE CRYPTOCURRENCY EXPOSURE

41% Family offices with AUM of less than $1bn

19% Family offices with AUM of $1bn or more

Why are some professionals reluctant to invest in cryptocurrencies? Hacking and cybercrime are the top challenges cited. The arrival of U.S. crypto ETFs notwithstanding, 74% also cite an unclear regulatory environment as a barrier to investing, rising to 80% for non-U.S. respondents.

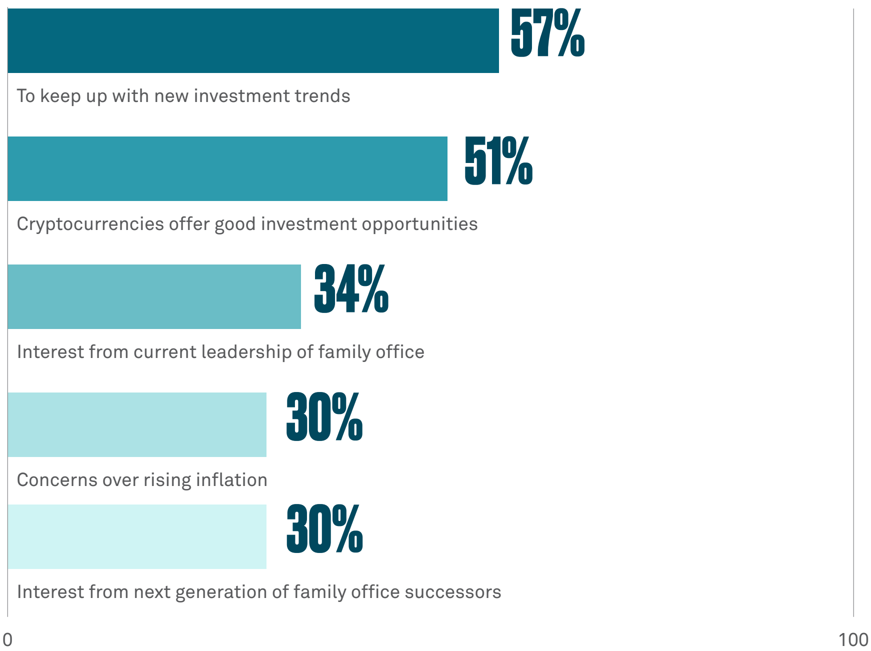
CHALLENGES OF CRYPTOCURRENCIES



*Data represents percentage of respondents who answered "moderately challenging" or "very challenging" for each factor.

MOTIVATION TO EXPLORE CRYPTOCURRENCIES

You have indicated that you are exploring cryptocurrencies. What motivated you to explore these digital assets/to invest in these digital assets?



* Respondents were asked to select multiple options, hence combined percentages total over 100%.

** 5 of 8 options displayed.

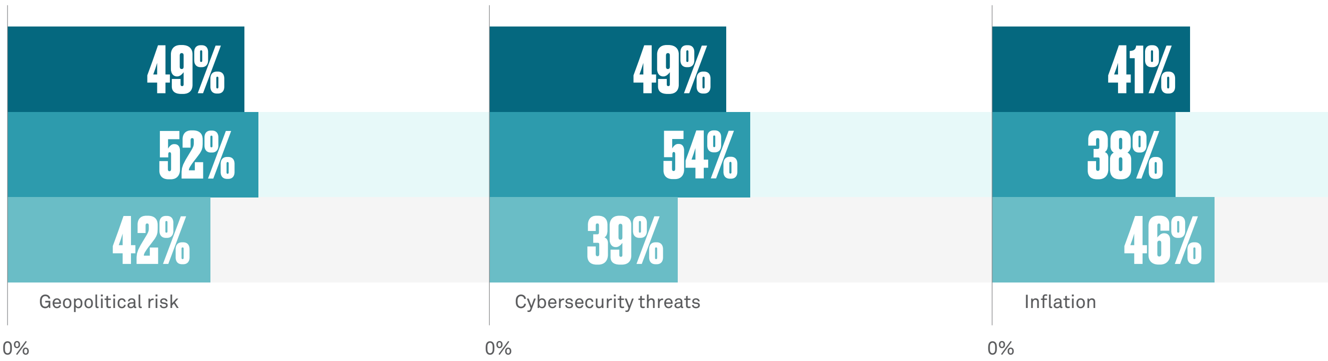
06 GEOPOLITICS, CYBER THREATS AND INFLATION

Family offices are cognizant of political, economic and operational risks and have clear views on their biggest concerns. Almost half cite geopolitics as one of the top three risks to their investment portfolio over the next five years.

It is worth noting that geopolitical fears vary considerably by size of the family office: it is identified by 67% of those managing more than $1 billion versus only 36% managing below $1 billion. Almost half of family office professionals also cite cybersecurity risk, with this threat the top concern for U.S. investment professionals.

BIGGEST INVESTMENT RISKS OVER THE NEXT FIVE YEARS

What do you consider to be the biggest risks to your investment portfolio over the next five years?



● Global
● U.S.
● Non-U.S.

* Respondents were asked to select multiple options, hence combined percentages total over 100%.

Inflation resurgence remains in focus, selected by 41% of family office professionals. Against a backdrop of global disinflation this may be a contrarian take, although this caution has been vindicated by recent data showing persistent inflationary pressures. This foresight is a reminder that family offices can often be ahead of the curve on important macro questions and may indicate that markets have been underestimating the risks of persistent inflation. Interestingly, U.S. family offices are somewhat more positive about inflation risk than those elsewhere, despite data indicating especially sticky inflation in their home market.

KEY CYBERSECURITY BEST PRACTICES

- Put systems in place to monitor the existence and quality of controls around data traffic, email services on- and off-premises, identity and access. Such services include multifactor authentication, system scanning, patching and configuration.
- Train and test staff with mock hacks and random phishing tests.
- Prepare for incident response with offline backups, printed copies, communication alerts for clients and regulators, backup communication channels and system access and oversight of third-party data.
- Retain the services of external advisors, including incident response specialists, law firms and public relations advisors.
- Review the coverage offered by your cyber insurance.

07

LEVERAGING EXTERNAL EXPERTISE:

RISK MANAGEMENT AUGMENTED WITH EXTERNAL SOURCES

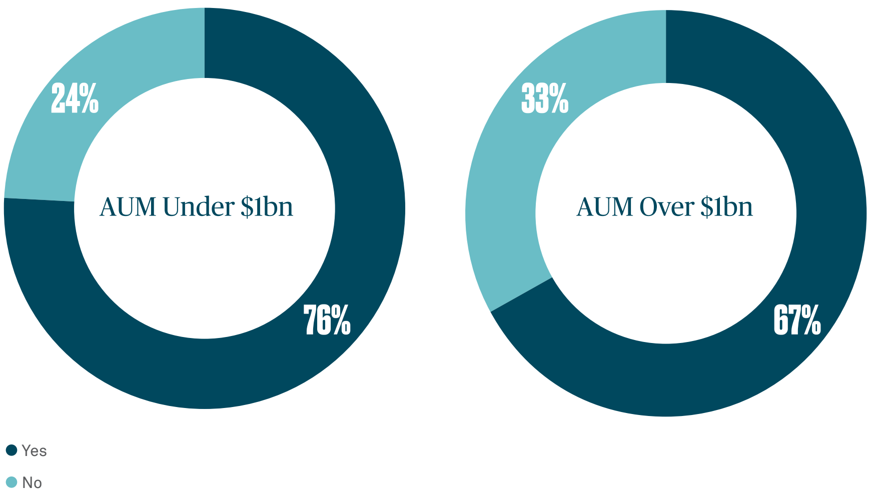
How do family offices strike the balance between in-house and external resources? Overall, 72% report outsourcing investment advisory services. Of the 28% that currently handle investment advisory services in-house, only 10% plan to begin seeking outside help in the next 12 months.

Family offices with AUM of less than $1 billion show a greater propensity to seek outside advisory services than those with AUM over $1 billion. Approximately half of respondents that indicate they do not outsource have assets over $1 billion.

Nevertheless, 67% of family offices with AUM over $1 billion still report doing at least some outsourcing. Large family offices are less likely to require the services of an external chief investment officer, but external consultants still add value to operations via services such as performance measurement.

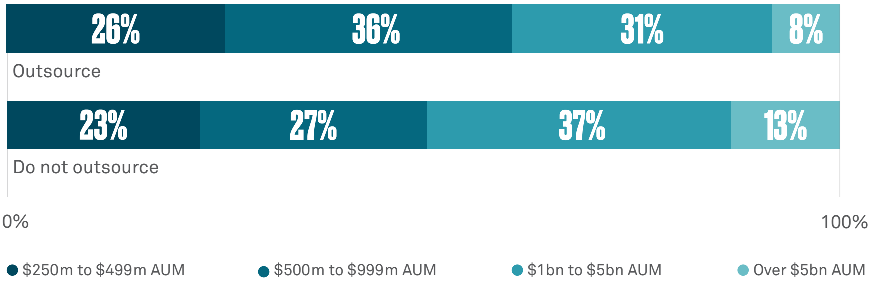
OUTSOURCE INVESTMENT ADVISORY SERVICES

Do you outsource investment advisory services (e.g., Investment Consultant, external Chief Investment Officer, other)?



OUTSOURCING OF INVESTMENT ADVISORY SERVICES, BY AUM SIZE

Do you outsource investment advisory services (e.g., Investment Consultant, external Chief Investment Officer, other)?

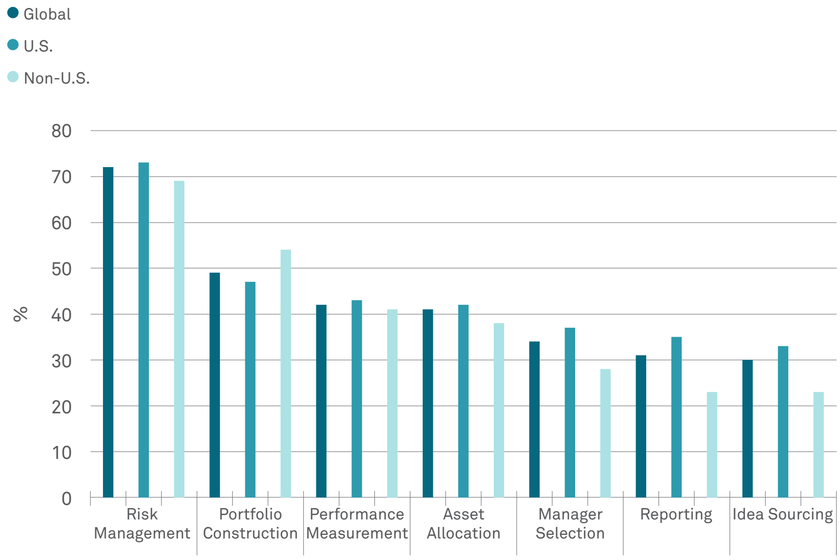


*Combined percentages may not total 100% due to rounding.

A majority of family offices currently perform tasks such as manager selection, reporting and idea sourcing solely in-house.

INVESTMENT FUNCTION OUTSOURCING

Which of the following services do you use investment consultants for? Please select all that apply.



*Base: Used Outside Consultants (Global n=137; U.S. n=98; Non-U.S. n=39)

Which functions are most commonly outsourced? Risk management, portfolio construction and performance measurement are the three services for which most family offices seek external assistance. The tendency to outsource some risk management functions at such a high rate reflects the value added by having multiple parties monitor risks. A slightly higher percentage of family offices with less than $1 billion in AUM (77%) use investment consultants for risk management than those with over $1 billion in AUM (64%).

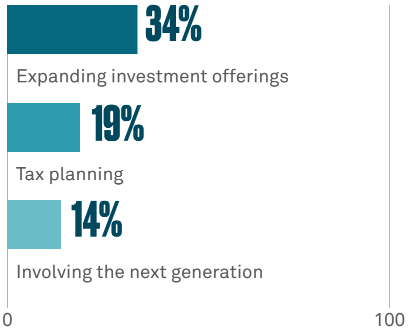
By contrast, a majority of investment professionals currently perform tasks such as manager selection, reporting and idea sourcing solely in-house.

A slight geographical distinction can be seen in the data: U.S. family offices are more likely than peers in the rest of the world to leverage external providers and are notably more likely to do so when it comes to manager selection, reporting and idea sourcing.

08 LASTLY, WHAT'S TOP OF MIND?

TOP OF MIND FOR YOUR FAMILY OFFICE

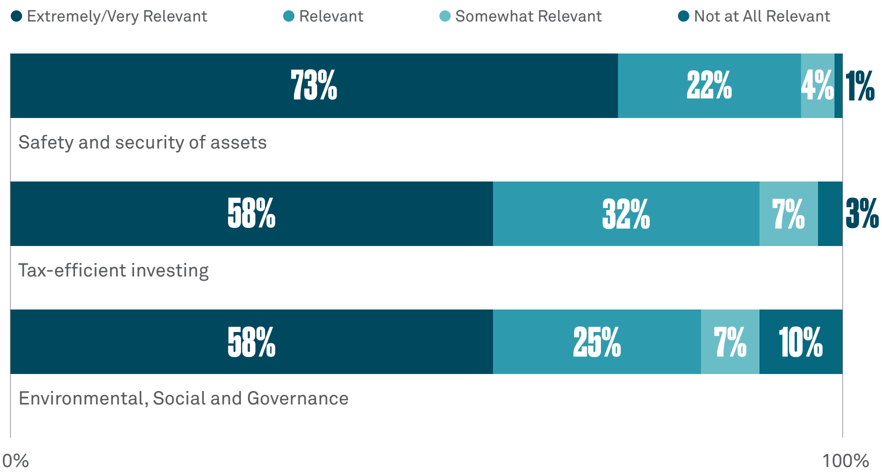
What's top of mind for your family office? Select one response.



Family offices juggle multiple competing objectives, but what are they currently most focused on? A third cite expanding investment offerings as top of mind, with the figure rising to 40% for those with AUM of less than $1 billion.

TOP INDUSTRY TRENDS

When you think about industry trends, how relevant is each of the following to your operations and plans?



*Combined percentages may not total 100% due to rounding.

Asset security is foremost in family office priorities.

Family office professionals need to stay abreast of industry trends and potential concerns. Safety and security of assets emerges as the top trend, with 73% citing it as being very or extremely relevant to their operations and plans.

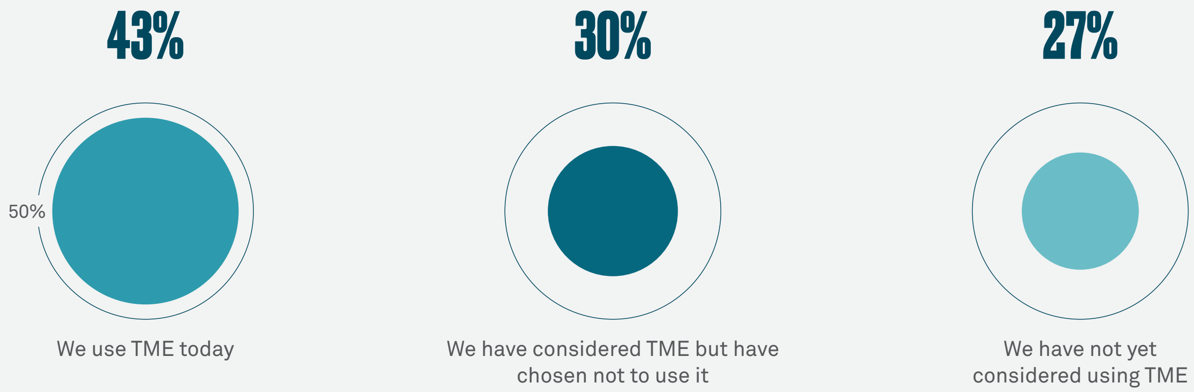
Tax-efficient investing, at 58%, is a highly relevant trend. Environmental, Social and Governance (ESG) investing is also seen as highly relevant by an equivalent number of family offices.

ROOM TO RAISE TAX EFFICIENCY

Tax-managed equity (TME) strategies are popular, with 43% of family office professionals reporting using TME today, while 30% have considered TME but not chosen to use it. 27% have not considered it. For family offices that have looked into TME but opted not to use it, by far the most commonly cited drawback is that it is perceived as too complex (71%). Complexity is also cited as a drawback by investment professionals who do currently use TME, although at a lower level (51%). These responses suggest that there is scope for some family offices to further improve tax efficiency.

TAX-MANAGED EQUITY INTEGRATION

To what extent do you integrate tax-managed equity (TME) strategies into your overall investment approach?



A substantial proportion of family offices (34%) are planning to increase exposure to public fixed income, which means that they may benefit from considering tax-managed fixed income (TMFI) strategies. The uncertain path of inflation and monetary policy, high government debt and geopolitical tensions have led to greater interest rate volatility and investors can capitalize on this by using tax-loss harvesting to improve after-tax returns.

A rise in interest rates after a bond is acquired will typically result in an unrealized loss in the position, allowing the investor to sell to harvest the loss, while simultaneously buying another bond with similar characteristics. The realized losses can then offset gains elsewhere in the investor's bond portfolio or other investments.

Optimizing cash management is another important return lever for professionals. Some 41% of family offices report utilizing passive strategies for cash management, meaning that they rely on cash equivalents. Nearly a third employ more sophisticated cash bucketing techniques for increasing yield, while 28% blend both tactics, balancing the needs for liquidity and returns.

09 CONCLUSION

We expect the pace of change on the economic and investment front to continue to accelerate throughout this trailblazing decade. Family offices will surely lead the way.

Since February 2024, when this study concluded, we've already seen major shifts in many of the areas covered, including private markets, AI, cryptocurrencies, tax-managed strategies and geopolitics.

It was a privilege to hear from the 189 distinguished family offices who participated in this investment research study. We are grateful for their involvement and insights, and we are looking forward to seeing how the investment landscape continues to evolve.

We've been partnering with our clients for centuries, and we'll continue to do so — whatever the future holds. On behalf of the entire BNY Mellon team, thank you for placing your trust in us. We are committed to earning it every day.

As America's first bank, we've been helping clients grow wealth and secure it for future generations for over 240 years. Building on those achievements, across a span of five decades, our Global Family Office practice has become one of the largest in the world and now serves over 300 family office clients. By being a collaborative partner in the truest sense of the word, we build enduring relationships that last for generations.

To learn more, let's start a conversation.

bnymellonwealth.com/globalfamilyoffice

10 APPENDIX

Methodology & Respondent Profile

This report was a collaborative effort between BNY Mellon Wealth Management and the Harris Poll. The survey design was conceptualized by BNY Mellon Wealth Management, while Harris Poll took charge of recruiting participants and executing the online survey. Both firms contributed to the crafting of the insights and findings. The statistics in this report reflect the feedback of the surveyed 189 family office respondents and they do not reflect the view of BNY Mellon. Certain outcomes may be derived from small sample sizes and should be used for directional purposes only.

Sample Size:

189 online surveys were completed with key investment personnel at family offices of varied sizes.

Number of Employees		
1-10	63	33%
11-20	62	33%
20+	64	34%

Survey Length

- Average survey length was 15 – 20 minutes
- Field period: January 22 – February 19, 2024

Qualifications:

- Have responsibility for strategic investment and direction for portfolio investments
- Offices managing at least $250 million in assets

Assets Under Management:

Over U.S. $5 billion	10%
Between U.S. $1 billion to U.S. $4.9 billion	32%
Between U.S. $500 million to U.S. $999 million	33%
Between U.S. $250 million to U.S. $499 million	25%

Geography:

69% of participants are from U.S. family offices with remainder from a mix of other markets:

- Australia
- Brazil
- Canada
- France
- Germany
- Hong Kong
- Italy
- Luxembourg
- Saudi Arabia
- Singapore
- South Africa
- Spain
- Switzerland
- UAE
- U.K.