UBS Family Office Quarterly

A Family Office Solutions publication

First Quarter 2026

UBS

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Introduction

As we enter a new year, we are excited to share the *Family Office Quarterly* for Q1 2026. This edition boasts an updated design and a new *In conversation* feature showcasing John Mathews, Head of Private Wealth Management. Each quarter, John will be interviewing luminaries from UBS, as well as the industry in thought-provoking and inspiring explorations of key themes. To kick off the series, his conversation with Ulrike Hoffmann-Burchardi, UBS Chief Investment Officer Americas, dives into the role of innovation and technology investments, both historically and today—and why innovation is a key lens for identifying drivers of wealth creation.

Speaking of innovation, we also look at the increasingly important role exposure to structural growth opportunities will play in equity portfolios—especially opportunities beyond traditional region or sector categories, such as AI, power and resources, and longevity.

With the Great Wealth Transfer underway, we also look at a question many families face: How much is too much? Evaluating your vision for your wealth, as well as your family's ability to manage financial resources responsibly can help guide you through these important decisions.

Because family offices operate across both institutional and personal realms, they create an unusually broad surface vulnerable to cyber attacks. To establish greater protection, we look at why cybersecurity needs to be an ongoing program, not a onetime product or service.

One of the most sensitive and emotionally charged topics in any family business is compensation. Here, we examine how a well-crafted compensation policy can be more than just a management tool and help build trust, accountability and a sustainable foundation for both the business and family.

Unlike institutional capital, family office investment capital typically belongs to multiple family investors. We look at the question that can arise with multiple investors: is it better to combine investment strategies or keep each individual investor's capital separate?

Next we explore why governance remains one of the most critical and often undervalued pillars of a successful family office. For example, the majority of family offices employ at least one family member, yet 80% of family offices do not have an employment policy in place that defines their involvement at the family office, according to an upcoming report by Agreus and UBS.

We hope you find this first edition inspiring with new ideas and strategies to guide you forward. As always, we'd love to hear what topics and concerns are top of mind for you as we continue to evolve our industry together.

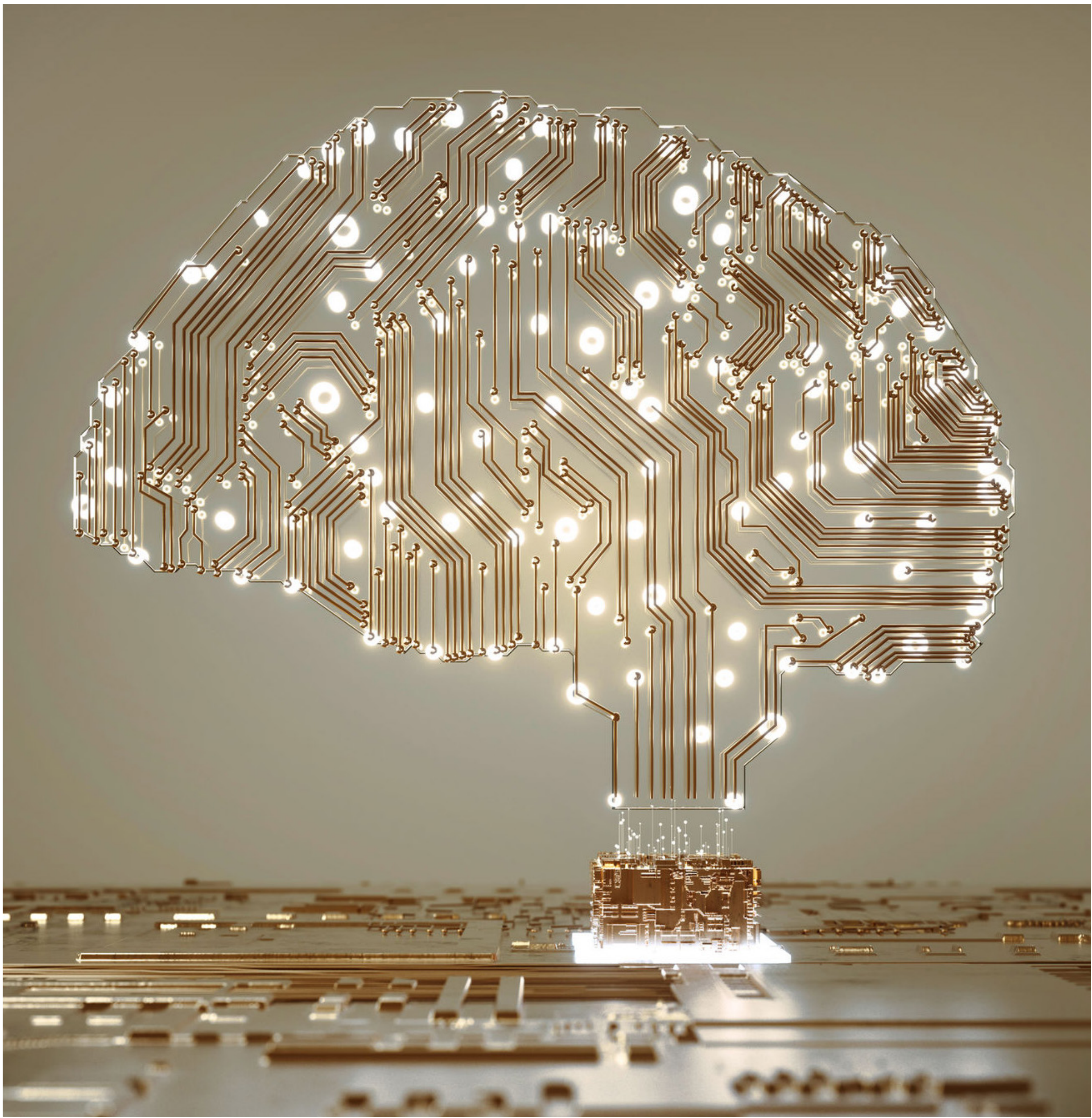
Judy Spalthoff
Head, Family Office Solutions

Jennifer Gabrielli
Head, UHNW Advisory Americas
Head, Unified Global Banking, Americas

Investment outlook

Longer-term investments

Investing in structural trends through equities



Alexander Stiehler, CFA
Head of Longer Term
Investment Themes
UBS Global Wealth Management CIO

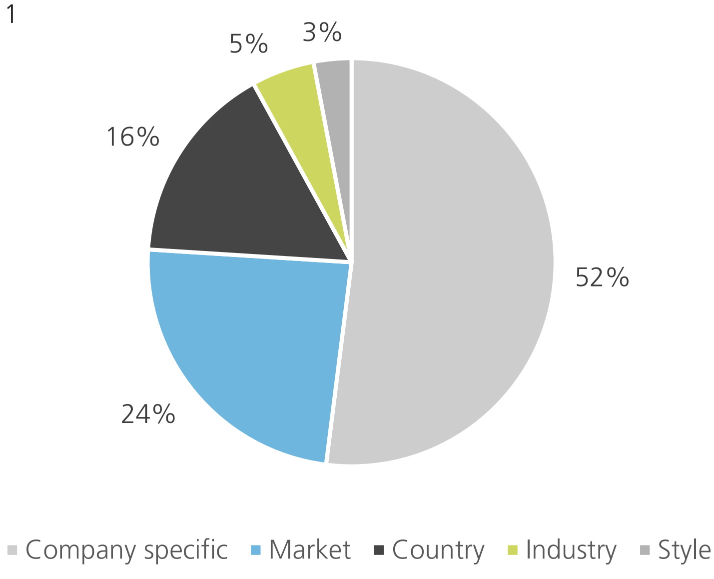
Recent history has shown that exposure to structural growth opportunities—those that categorize the equity universe in a less traditional way than by region or by sector—can improve the performance of equity portfolios. We believe that this will remain a feature of global markets in the years to come, for example in areas like AI, power and resources, and longevity.

In our equity framework, we focus on three pillars: the macro perspective, the micro fundamental perspective (idiosyncratic, company-specific analysis), and structural transformational changes. The importance of the structural transformation pillar has been evidenced by the concentrated rally in AI-exposed megacap stocks, which have driven a large part of the global market's performance in recent years.

This is not a new phenomenon. Historically, structural transformations have had a major impact on market returns. In our equity framework report, "How we cover equities" (published on 17 October 2024), we presented a variety of examples showing the influence of transformational changes on equity markets over the past century.

We also showed that since 2002, only 24% of equity returns have stemmed from country, industry, and style factors, while most of the stock performance has come from company-specific factors (see Fig. 1).

Figure 1



(Source: Hendrik Bessembinder, Te-Feng Chen, Goeun Choi & K. C. John Wei (2023) Long-Term Shareholder Returns: Evidence from 64,000 Global Stocks, Financial Analysts Journal, 79:3, 33-63, DOI: 10.1080/0015198X.2023.2188870).

We believe it is increasingly important for investors to not only understand structural transformational trends, but hold explicit exposure to them to benefit from their potential market performance.

A 2023 CFA Institute research paper highlighted that between January 1990 and December 2020, just 2.4% of 64,000 global stocks accounted for all net wealth creation during this period. Outside the US, this figure drops to only 1.41%.

Region, country, and industry categorizations of equity markets are still commonplace in the asset management industry, and form the basis for the vast majority of global equity fund assets under management.

But we believe it is increasingly important for investors to not only understand structural transformational trends, but hold explicit exposure to them to benefit from their potential market performance.

Our framework for identifying structural trends categorizes opportunities into two areas:

- Transformational innovation opportunities (TRIOs): Structural, far-reaching trends with multi-billion-dollar market opportunities. We currently see three: Artificial intelligence, power and resources, and longevity.

- Longer-term investments (LTIs): Individual structural growth opportunities that may benefit from the same trends, but may be more niche or specific in nature, with smaller direct market sizes. Examples include medical devices, obesity or oncology.

Integrating structural trends into a portfolio

Most investor equity portfolios will already have some exposure to structural trends, intentionally or not. We estimate that a purely passive portfolio invested in the MSCI AC World already includes exposure of 39.4% to our TRIOs (as of the end of October 2025).

But for investors looking to increase their potential for outperformance by investing more specifically in structural trends, we see three ways to do so in diversified portfolios:

- Global multi-structural trends strategy: Offering diversified exposure to multiple long-term trends while maintaining a lower tracking error.

- TRIOs or single structural trend LTIs: Targeting specific structural growth opportunities—such as artificial intelligence, power and resources, and longevity, or more niche topics like water scarcity, automation and robotics, and fintech.

- Single stocks: To express either high-conviction views on niche topics that are not adequately covered by the above-mentioned strategies, or to align portfolios with personal investor convictions in individual securities.

Adding exposure to structural trends needs to be done with care and in a portfolio context. Overly elevated or concentrated exposure to structural trends can result in overpronounced regional, style, or sectoral tilts without proper care to manage exposure. Individual investor preferences can vary in terms of the desire to outperform broad markets, and any conviction in structural trends.

Our five profiles

We therefore present five model portfolios that show how investors can further increase their exposure to structural investment opportunities in a controlled way, tailored to their individual preferences.

1. Global diversified: Passive exposure to transformational opportunities

For investors seeking broad market exposure with minimal active management, a portfolio theoretically fully invested in the MSCI AC World Index (100%) provides comprehensive global diversification. Many of our TRIO's high-conviction single-stock picks are also represented in this index. As of end-October 2025, the MSCI AC World Index has approximately 32.0% exposure to AI, 4.8% to longevity, and 2.6% to power and resources. In total, this amounts to about 39.4% TRIO exposure within a standard equity portfolio, enabling investors to benefit from major structural trends even via a purely passive investment approach. While this exposure offers a strong starting point for investors without intentional allocations, it also highlights a significant concentration in the AI topic. By adding targeted tilts to their portfolios, investors can access a broader range of structural investment opportunities and achieve significantly greater diversification by tapping into different drivers of structural trends.

2. Structural trends tilt: Diversified or sector tilt

For investors seeking to add some structural growth exposure, but maintain high diversification with a modest allocation, we suggest a roughly 90% MSCI AC World and 10% global multi-structural trends strategies division. This introduces long-term growth drivers while maintaining low tracking error and style risk. For investors seeking to enhance their portfolios with a sector or structural investment opportunities tilt, but who wish to keep tracking error minimal, we recommend diversifying the topic allocation across both global multi-structural trends strategies and sector-tilted multi-structural trends strategies. This approach allows for targeted exposure to preferred structural investment opportunities or sectors (e.g., multi-tech topics), while ensuring the portfolio remains closely aligned with the benchmark.

3. Structural trends focus: Diversified or sector tilt

Investors with strong conviction in specific long-term trends may consider allocating 80% of their equity portfolio to MSCI AC World, 10% to multi-structural trends strategies, and 10% to TRIOs or single structural trend ideas from our LTI universe. For a more diversified approach, we recommend mixing TRIOs, such as AI, power and resources, and longevity, as well as single structural trend strategies such as water scarcity, the digital consumer and fintech. Investors can benefit by selecting structural investment opportunities that are less correlated with each other. Alternatively, for a higher-conviction sector tilt, investors could also consider concentrating their structural trends allocation (e.g., all technology, all health care, or all environmental solutions), amplifying exposure to their preferred areas of innovation and growth.

4. Structural trends growth: Diversified or sector tilt

For clients with strong conviction in long-term trends, we suggest reducing the MSCI AC World allocation to 70%, allocating 5% to low tracking error multi-structural trends strategies, and increasing exposure to TRIOs or single structural trend ideas from our LTI universe to 25%. Like with the structural trends focus strategy, investors can choose between a diversified strategy selecting less correlated single structural trend investments, or if they prefer specific areas of innovation and growth, the allocation can be concentrated in correlated structural trends (e.g., all technology, all health care, or all environmental ideas).

5.Active structural trends growth: Diversified or sector tilt

For the most growth-oriented investors, portfolios could include 70% MSCI AC World, up to 25% single structural trend solutions or TRIOs, and up to 5% individual stocks—high-conviction, niche opportunities not covered by other investment strategies (such as mid-cap pure-play stocks with lower representation in diversified investment strategies). This profile maximizes structural trends exposure and allows for targeted investments, while maintaining a diversified core.

A core-satellite approach

A practical way to think about integrating transformational opportunities into an overall portfolio is through a "core satellite" approach within a structural trends investing sleeve. Reallocating between 10% and 30% of the passive exposure of a broadly diversified equity portfolio toward a blend of strategies focused on structural trends can raise the structural growth exposure of a passive equity portfolio from 39% to between 45% and 58%.

Within this sleeve, investors can build "core" structural trends exposure by taking diversified positions across key meta-drivers: the multi-structural trends "all-in-one" strategy or the multi-structural trends sector titled strategies.

Next, investors can add "satellite" topics to tilt portfolios toward their own preferences through individual TRIOs and LTIs. To ensure diversification, we recommend investing in at least two to five topics in this "satellite," depending on the profile described in the table below. In other words, this means allocating a maximum of 4%-5% of total equity exposure to each longer-term investment opportunity.

Volatility should still be expected over short-time horizons, but we strongly believe a diversified, balanced portfolio will be best equipped to weather such swings. Selecting structural trends that complement one another, and avoiding extreme overweights, should help lessen volatility over shorter cycles. As allocations across and within categories shift due to market returns, we recommend that investors periodically rebalance their structural trend investments to maintain their desired portfolio profile.

Given the high degree of AI exposure in global indices today, considering individual trends with different drivers—such as the space economy, water scarcity, family businesses, or identifying the next frontier—could help enhance portfolio diversification.

Conclusion

Historically, equity markets have always reflected transformational changes. This is currently evident in the growing weighting of AI-exposed stocks within the S&P 500. To benefit from such shifts early, we believe investors should consider integrating additional, explicit structural trends exposure into portfolios. Incorporating TRIOs and LTIs can allow investors to capture both transformational innovation and broader structural trends. This approach is designed to build portfolios that are future-focused, resilient, and adaptable to changing market conditions, in line with UBS CIO's latest transformational opportunity investment research.

See the full *Longer-Term Investments report: Investing in structural trends through equities* for more.

Alexander Stiehler

Alexander is head of Longer Term Investment (LTI) themes in the UBS Global Wealth Management CIO, where he is responsible for our long-term thematic investment ideas. He holds a Master of Science in Economics (University of Konstanz), a Master of Science in Wealth Management (University of Rochester), and a Master of Advanced Studies in Finance (University of Bern). In addition, he is a CFA charterholder and a certified ESG analyst by the European Federation of Financial Analysts Societies.

Beyond investments

Balancing fairness and family

Building an effective compensation policy for family enterprises

Kyler Gilbert
Vice President
Business Consulting Resources

One of the most sensitive and emotionally charged topics in any family business is compensation. Ultimately, a well-crafted compensation policy becomes more than a management tool; it becomes a statement of family values, guiding both the business and the people who make it to thrive.

Pay often touches on deeper issues of fairness, recognition and perceived value both in the business and in the family. When relatives are working side by side, sometimes across generations, it can become difficult to separate professional performance from personal history. But establishing a thoughtful, transparent compensation policy isn't just about avoiding conflict; it's about building trust, accountability and a sustainable foundation for the business's future.

> While compensation is usually straightforward in non-family companies, emotions and legacy come into play in family enterprises.

The family factor: When money and relationships mix

In non-family companies, compensation is usually straightforward: pay is determined by market benchmarks, performance and experience. In family enterprises, however, emotions and legacy come into play. A sibling might feel underappreciated if they believe their contribution isn't being valued equally to another's. A parent might pay their child more (or less) based on perceived effort or family dynamics. Sometimes, long-tenured family members are "overpaid" out of loyalty, while younger members are "underpaid" because they're still "earning their stripes."

These dynamics can quietly erode trust and morale. When pay doesn't align with responsibility, or when it seems driven by favoritism, resentment grows not only among family employees but also among non-family staff who see the inequity. Over time, that sense of unfairness can damage both the family culture and the business culture.

That's why it's essential to treat compensation as a *system,* not a series of individual decisions. A clear, consistent, and well-communicated compensation policy helps depersonalize what can otherwise be an emotional issue.

Start with structure: Roles, responsibilities and expectations

Clarity about roles forms the foundation of any sound compensation system. Before you can decide what someone should earn, you need to define what they actually do.

In many family businesses, roles evolve organically. People "pitch in where needed," responsibilities overlap and titles don't always match duties. That informality can work in the early years, but it becomes a liability as the business grows and more family members get involved.

Creating clear job descriptions for every role sets expectations and provides a basis for fair comparison, family or non-family alike. Each job should have defined responsibilities, performance expectations and a reporting structure. This also helps manage accountability: family members, like everyone else, should be evaluated based on measurable outcomes.

It's important that titles aren't just honorary. If someone is called a "director," their responsibilities should align with that level of leadership. Likewise, if a family member's role is primarily supportive or part-time, the compensation should reflect that reality.

Use market benchmarks, not family sentiment

Once roles are clearly defined, compensation should be grounded in objective data, not emotion. Benchmarking salaries against comparable positions in the market helps remove personal bias and ensures the business stays competitive in attracting and retaining talent.

This doesn't mean the business must pay top-of-market rates across the board, but it does provide a reference point for fairness. Using reputable salary surveys or third-party advisors can help identify appropriate ranges for each position. From there, adjustments can be made based on tenure, performance and strategic importance rather than family ties.

When family members know that pay decisions are based on external data rather than internal favoritism, it builds credibility and reduces conflict. It also signals to non-family employees that the company values professionalism and fairness.

Distinguish between pay and ownership

Another common source of tension is the blurring of compensation (for work) and return on investment (for ownership). Family members who are both employees and shareholders wear two hats—and those hats should be compensated differently.

An employee, regardless of family status, should be paid for the role they perform and the value they bring to the business. A shareholder, on the other hand, should receive dividends or distributions based on ownership percentage and company performance.

Mixing these two forms of income can create major confusion and resentment. For instance, a family member who doesn't work in the business may feel excluded if working relatives receive high salaries that are really disguised ownership returns. Similarly, family employees may feel unfairly burdened if distributions are too generous to inactive shareholders.

Having a clear policy that distinguishes these two streams, compensation and ownership return, helps maintain transparency and fairness.

A fair, well-structured compensation policy helps ensure that pay decisions strengthen rather than divide a family's unity.

Governance and communication: Making it work

Even the best-designed compensation policy will fail if it's not communicated clearly or applied consistently. Ideally, compensation discussions should take place within a formal governance structure, such as a family council or compensation committee, that includes both family and independent perspectives.

These forums allow for structured, fact-based discussions and help depersonalize sensitive decisions. Bringing in outside advisors or board members can also add objectivity and credibility.

Finally, transparency is essential—at least within the family employment group. People don't need to know every detail of everyone's pay, but they should understand the logic and process behind compensation decisions. Clarity builds trust, and trust preserves relationships.

The takeaway: Fairness is the foundation of family unity

At its core, compensation in a family business isn't just about money; it's about meaning. It reflects how the family values contribution, effort and equity. A fair and well-structured compensation policy helps ensure that pay decisions strengthen the family's unity rather than divide it.

By grounding pay in market data, defining roles clearly, distinguishing compensation from ownership returns, and communicating openly, family enterprises can navigate this sensitive terrain with fairness and integrity.

Ultimately, a well-crafted compensation policy becomes more than a management tool; it becomes a statement of family values, guiding both the business and the people who make it to thrive.

Kyler Gilbert

Kyler is the Vice President and a Consultant at Business Consulting Resources (BCR), a consulting firm that specializes in working with family businesses on succession planning, strategic planning, family governance, operational/financial performance, and family enterprises/offices. Kyler is the second-generation leader at BCR, which was started by his parents 44 years ago.

Beyond investments

How much is enough?

Guidelines for finding the right balance to reflect your family values

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What is the right amount to leave to your children and other loved ones? How much is too much? The answers lie in evaluating your vision for the use of your wealth and your family's ability to manage financial resources responsibly.

This article examines important considerations about how to arrive at the right amount to leave your loved ones, with a specific focus on children as inheritors. Part of deciding how much is enough begins with acknowledging the impact an inheritance will have on the entire family. It can be a wonderful opportunity for children to pursue their dreams or take risks they might not have considered.

An inheritance can also carry unintended consequences that are equally important to consider. It might inadvertently create dependency, reduce motivation to achieve personal goals, or lead to conflicts amongst family members over the distribution of wealth.

Communicating clearly

When thinking through the potential impact of an inheritance, effective communication is key. It can serve as an antidote to conflict. Start conversations with your partner (if applicable), and then with your children.

Keep in mind that this can be an iterative process. For example, within our UBS family advisory practice, we encourage active engagement around what we call the four "Cs": communication, clarity, culture and cohesion. Starting with clarity: as the wealth holder, be clear on your financial goals and expectations for family members. Successful communication around your intentions is two-way and multi-generational. These foundational conversations build family cohesion, which in turn strengthens the family culture.

Attitudes about money are often part of a larger pattern of relationships and behaviors that typically span generations.

Finding your wealth identity

How was money discussed in your home? Personal beliefs about money, shared money values and messages within the family play a crucial role in family culture and thinking through how much is enough for your children. Some family members may view money positively, while others may have a more negative perception. These attitudes are often part of a larger pattern of relationships and behaviors that typically span generations.

Understanding and aligning beliefs with a strategic legacy plan can help to ensure that the wealth supports the well-being of your loved ones, while fostering a successful transition.

For example, a parent with a scarcity mindset may leave a large inheritance to ensure their child never struggles or may withhold wealth to encourage self-sufficiency. On the other hand, a parent who views money as abundant may prioritize giving during their lifetime and structure an inheritance that offers opportunities rather than just financial security. These beliefs, along with considerations of work ethic, values and philanthropy, guide how inheritances are planned and implemented.

If you believe self-worth is tied to financial success, you might require your children to earn their inheritance as a reward for hard work. If you view wealth as a means to ease life's burdens, you may provide a substantial inheritance to ensure long-term security. Parents who believe in working hard may structure inheritances to encourage responsibility, such as using milestone- or incentives-based trust distributions. Those who worry that an inheritance could stifle ambition might leave a modest amount or tie the inheritance to educational and entrepreneurial achievements.

Your money identity and your beliefs play a significant role in determining how much to leave to a child, as they shape attitudes toward wealth, responsibility and legacy. Families need to be clear about their own money values, current financial situation and hopes for the future. Articulating values around money and wealth can help you clarify what to pass on to children and what no longer serves the family. Unless you tell your children to expect differently, your lifestyle choices will also influence their expectations.

Key questions to consider:

1. What beliefs and values about money do you live by?
2. What money messages do you want to pass on?
3. How do you want to prepare your loved ones for their future responsibilities and opportunities regarding wealth?
4. How will you know when someone is responsible enough to inherit?

Balancing multiple considerations

Determining the right inheritance amount involves considering beliefs, circumstances and conversations in equal measure. Factors that will inform how you reach your answer include children's geographic locations, their professions, the standard of living in which they were raised, their physical or mental health, the number of children they have and their stage of life.

These discussions are often held between partners and can evolve. It is not always easy to reach agreement from the outset. It is very common to have different opinions on the approach and intended outcome. Understanding your partner's perspective is crucial to reaching a shared resolution. Start by identifying areas of agreement, such as what you hope wealth will allow your children to do. You may find you each develop a deeper understanding of the beliefs and circumstances that have formed your opinions.

In addition to the factors named above, identifying the right balance of what is enough or too much also depends on your children's financial responsibility, life goals, and your vision for the family's legacy. As you are doing an assessment of the above factors, consider whether you want to provide a safety net, support special life goals, fund education, assist with home ownership or create multi-generational wealth.

Many families aim to provide enough for financial flexibility, but not so much that it diminishes motivation or ambition. You and your partner should agree on what your goals and objectives are and articulate how you hope the funds will be used by your children. Rank your priorities along the spectrum of flexibility and motivation.

Equal treatment may not always be fair. Your children are unique individuals with different abilities, and you might need to treat them differently to achieve similar outcomes. See the UBS article, *Fair versus equal*, for more guidance on these considerations.

Be clear on what you and your partner hope to accomplish. You may not agree on everything, and that's okay—talk about it and respect each other's views. You might be surprised by where you align or differ.

Key questions to consider:

1. What are your hopes for future generations?
2. What are your expectations for the money you give to your children?
3. What are your concerns around giving wealth to your children?
4. What principles guide your gifts?
6. What roles and responsibilities associated with the wealth will be expected of your children?

From wisdom to action

We know families can flourish when each generation understands both the opportunity and responsibility that an inheritance can bring. Estate planning conversations tend to focus on the transactional nature of the plan: what financial instruments are being utilized and who is receiving distributions from the estate and how. These conversations should also serve as an opportunity to provide guidance and to share your thoughts and values.

A well-thought-out strategy can help in crafting a legacy plan that balances financial security with the promotion of responsibility, entrepreneurship or philanthropy. Structured plans, such as trusts with milestones or incentives, can ensure that wealth is used over time, supporting a child’s well-being and preserving a family's legacy. Make sure your plan balances the amount given with your values.

It’s important to talk about your decisions and why you made them. Make sure you have a solid plan, share it with those who need to know, explain your reasons clearly, be open to questions and feedback, and be willing to adjust the plan if needed down the road.

Summary points

1. Strive for clarity on your own goals and expectations and have this discussion with your partner.
2. How are your personal values of wealth reflected in your family culture?
3. Reflect on who your children are and their capabilities and attitudes toward wealth.
4. The amount you decide on might be influenced by how you give it.

Every family's situation is unique, and you should seek advice from your trusted advisors to determine the best strategies to align with your wishes and financial planning needs.

Julie Binder, CAP®

As a Senior Strategist with Family Advisory and Philanthropy Services, Julie works with families on understanding money, values and philanthropic intent in the family wealth context and the dynamic overlap of five types of capital—human capital, intellectual capital, social capital, foundational capital, and financial capital. Family and Philanthropy Advisory is a thought partner to advisors and their exceptional client families on wealth transition, family governance and philanthropy, as families seek guidance on cohesive dialogue between generations to perpetuate their legacy.

Liam McCormick

As a Senior Strategist with Family Advisory and Philanthropy Services Americas, Liam works with multi-generational families helping them understand their relationship with wealth, values and philanthropy. Focus is centered on the successful transition of wealth to following generations through family meetings, family governance, and developing bespoke philanthropic strategies.

Debra Phares, CAP®

Debra is a Senior Strategist on the UBS Family Advisory and Philanthropy Services team, who works with families in understanding their relationship with money, values and philanthropy. She serves as a thought partner to advisors and their client families, guiding them through wealth transitions and cultivating purposeful philanthropy. Debra navigates dialogue between generations, providing insights and advice on family governance, communication, and the development and activation of charitable giving plans—ensuring family values and philanthropic intentions are thoughtfully woven into both wealth and legacy planning.

Operational excellence

The cybersecurity vendor maze

What family offices need to know

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Family offices operate across both institutional and personal realms, creating an unusually broad attack surface. Cybersecurity is not a onetime product or service of any one vendor; it is an ongoing program. Understanding the distinctions among cybersecurity vendors is a critical first step in building a coherent program.

By their nature, family offices face heightened cybersecurity risk. A single weak link—such as a staff member deceived by a social-engineering email, an outdated router in a residence, a misconfigured Microsoft tenant, or the absence of endpoint detection and response—can provide a foothold for compromise.

> "Mostly covered" is insufficient if the breach enters through what remains uncovered.

Cybersecurity is not a onetime purchase or a checklist to complete, nor is it the product or service of any one vendor; it is an ongoing program. Tools matter only insofar as they address defined risks and operate within a cohesive framework. "Mostly covered" is insufficient if the breach enters through what remains uncovered.

Most family offices assume their IT team or managed service provider handles cybersecurity. These roles are essential—they maintain systems, patch devices, and manage the technology stack—but they are not positioned to view risk from above. When cyber risk lives entirely within IT, the office loses an independent view: the strategic perspective that connects technology with governance, insurance, and exposure across both the institutional and personal spheres—and any grey areas unique to family offices.

What works in practice is orchestration: a program that coordinates multiple providers and platforms—guided by policy, procedures, education and governance—so that controls reinforce one another and weak links are systematically closed.

Yet the marketplace is crowded with cybersecurity vendors, each claiming to be the solution. The challenge for family offices is to separate what each type of provider actually does from what they appear to do. Understanding these distinctions is the first step toward building a coherent program—one in which each partner plays a defined role within a unified strategy.

Understanding the vendor landscape

Each section below explains when to engage a provider and defines the typical scope of their services, as well as the owners responsible for keeping the program coherent.

Note: The examples below are illustrative, not endorsements. UBS-FS is not affiliated with the third-party service providers ("Providers") listed in this document. Inclusion of a Provider listed is not a recommendation to engage that Provider, nor is it a business referral of that Provider. In the event a Provider may have a contractual relationship with UBS, such relationship would be entirely separate from and completely unrelated to its inclusion in this list. UBS-FS (including its officers, directors, employees, agents and affiliates) is not responsible for any loss or damage arising out of the use of any of the Providers.

Cybersecurity integrators and specialists

Primary role: Provide strategy and orchestration. These firms conduct risk assessments, design the program, establish policies and governance, and coordinate other vendors—often in a virtual Chief Information Security Officer (vCISO) capacity.

When to engage: At the outset or during inflection points (e.g., leadership changes, insurance renewal, post-incident remediation) when you need a coherent plan, clear accountability, and coordination spanning both office and family environments.

What they do not cover: Help desk services, routine IT operations.

Who is responsible? Family office executives and the board select the integrator, set objectives, and hold the firm accountable for results.

Sample industry providers: Kroll, Annapurna Cybersecurity Advisors, Plante Moran Family Office Services.

IT operations (internal IT or managed service provider)

Primary role: Operate the environment, including endpoints, patching, networks, backups, and the core security stack.

When to engage: Continuously, to deliver reliable daily operations and to implement the program designed by the vCISO.

What they do not cover: Enterprise governance, policy oversight, comprehensive personal/family risk or insurance alignment.

Who is responsible? Executives approve the provider and service levels and the vCISO establishes direction and standards.

Sample industry providers (MSPs): Omega Systems, Thrive, Pro4ia. (For insourced models, this is your internal IT team.)

Family cybersecurity and device protection

Primary role: Extend controls to principals and family, including personal devices, home-network scanning, and identity/online footprint monitoring and data-broker deletion.

When to engage: When corporate IT does not cover residential environments or personal devices, but your risk profile requires it.

What they do not cover: Corporate IT operations, enterprise governance, or routine updating of residential infrastructure (e.g., router or IoT firmware).

Who is responsible? The vCISO defines scope and standards, IT Operations coordinates where corporate and personal environments intersect, and executives authorize coverage for principals and households.

Sample industry providers: BlackCloak, Cyber Wolf, CyberWa.

Data broker and privacy monitoring services

Primary role: Reduce exposure by removing or suppressing personal data from data brokers; monitor for reappearance and doxxing risks.

When to engage: When principals seek lower personal exposure and reduced physical/reputational risk.

What they do not cover: Endpoint or network security and legal privacy counsel.

Who is responsible? The vCISO sets scope and tracks outcomes; principals or their delegates in the family office approve removals.

Sample industry providers: 360 Privacy, Hush, Incogni.

Technology platforms and tools

Primary role: Provide technical controls—the platform and tool layer. Examples include endpoint protection (EDR/XDR); identity and access management (IAM); password managers, email and web filtering (including DNS); secure remote access (VPN or secure web gateway); mobile device management (MDM); and backup and recovery systems.

When to engage: When building or modernizing the control stack to be operated by IT Operations under program guidance.

What they do not cover: Strategy, governance and outcome accountability—tools requiring design, tuning and oversight.

Who is responsible? The vCISO selects and architects the stack based on risk, and IT Operations deploys, configures and operates the platforms day-to-day.

Sample industry providers: Huntress, 1Password, Cisco Umbrella, NordVPN.

Education

Primary role: Reduce human-factor risk through training and simulation (phishing, social engineering and secure behaviors).

When to engage: Continuously, with focus on executives, assistants and high-risk roles.

What they do not cover: A substitute for technical controls or governance.

Who is responsible? The vCISO designs the curriculum and policy requirements; IT Operations administers the training platform; and HR manages enrollment, tracking, and employee compliance.

Sample industry providers: KnowBe4, NINJIO, Phished.

Incident response

Primary role: Contain, investigate and remediate breaches; conduct digital forensics and coordinate recovery.

When to engage: During an active incident, via the insurer's approved panel under policy terms.

What they do not cover: Ongoing program design or day-to-day IT operations.

Who is responsible? The cybersecurity insurance carrier maintains the approved panel in consultation with the broker. The vCISO coordinates the internal effort.

Sample industry providers: Cisco Talos, Mandiant, CrowdStrike.

Cyber insurance

Primary role: Transfer residual risk; fund incident response, forensics and recovery.

When to engage: Proactively, to align coverage with your control environment and vendor panel.

What they do not cover: Preventive security or program leadership.

Who is responsible? The insurer maintains the approved incident response panel and the vCISO coordinates the internal response effort.

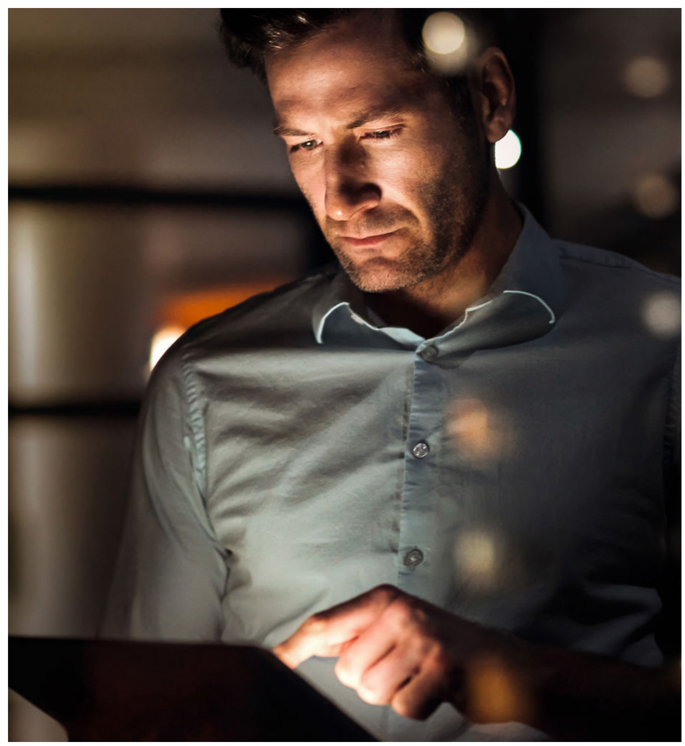
Sample industry brokers: BCU Risk, Risk Strategies, Lockton.

Family office leadership and governance

Primary role: Set risk appetite and priorities; approve policy and budget; select key vendors; assign ownership; and hold both vendors and employees accountable.

When to engage: Always—at program kickoff, during quarterly reviews for exceptions, and when escalating incidents or resolving cross-vendor issues.

What the family office does not take on: Hands-on technical implementations or live incident triage; execution resides with operating teams.



Where to begin

A practical sequence can turn a crowded market into a workable program. Key steps include:

1. **Appoint a program owner (integrator/vCISO):** Begin with a comprehensive risk assessment to identify weak links and prioritize action. Update policy, define governance and evidence requirements, assign owners, and establish coordination across providers.

2. **Leverage the IT you already have:** Direct your internal team or managed service provider (MSP) to:
   a. Implement and run the stack—endpoints, patching, networks, backup and restore testing, and monitoring.
   b. Operate the technical platforms and training.

The objective is alignment and uplift, not replacement, unless the assessment reveals capability gaps.

3. **Transfer residual risk with cyber insurance:** Work with a broker experienced in family-office contexts to cover both the organization (commercial) and family members (personal). Align controls and evidence with policy terms, confirm the approved incident-response panel (including counsel and crisis communications), and document clear activation steps.

4. **Layer in targeted providers where risk lives. Based on the assessment and risk appetite, add:**
   a. Family: Cyber and device protection for residences and personal devices.
   b. Data: Broker/privacy monitoring to reduce external exposure.
   c. Specialized services: For high-exposure scenarios (e.g., penetration testing).

Throughout vendor evaluations, use these categories as your framework. For each pitch, ask where the provider fits, what they will—and will not—cover, and who will own outcomes. This approach reveals overlaps and gaps, and avoids the false promise that any single vendor can "do cybersecurity" for a family office.

Revisit the vendor landscape at budgeting, renewal, and onboarding moments to keep scope and accountability explicit. Over time, this disciplined approach yields a durable program: the right roles doing the right work, with additions driven by demonstrable risk rather than market noise.

Tony Gebely

Tony is the founder and CEO of Annapurna Cybersecurity, an advisory firm that helps successful families and family offices build durable cybersecurity programs. Prior to founding Annapurna, Tony spent more than a decade in technology leadership at Family Office Exchange—including as Chief Technology Officer—where he served as a subject-matter expert to the firm's global membership, advising families, publishing on best practices, leading the first Global Family Security Workshop, and launching the Technology Operations & Data Security Network for 300+ executives.

Together or separate?

That is the question for family office investments

Mark R. Tepsich
Family Office Design and
Governance Strategist
UBS Family Office Solutions

Family office investment capital, unlike institutional capital, is rarely a single, consolidated pool. Instead, it belongs to multiple family investors—individuals and trusts. The family office advises, oversees and manages this investment capital on their behalf. With multiple investors, the question often arises about whether to combine family investment capital or keep each family investor's capital separate.

> Too often, investment structures are inherited or built hastily for convenience, without alignment to the family's current state and strategy.

Each family investor (FI), like any investor, has unique goals, risk tolerance, time horizon, liquidity needs, tax considerations and personal preferences. In practice, this means each FI portfolio will differ in its asset allocation—though typically with significant overlap across asset classes, strategies and managers with other FIs. Some FIs may favor fixed income or hedge funds; others may lean toward private equity or direct investments. This portfolio differentiation is acutely felt within multi-generational family offices.

Our focus here is not to prescribe ideal asset allocations or investment strategies. Rather, it is on how families organize themselves—how they structure the way capital is deployed. As Peter Drucker maintains, "structure must be designed to make strategy effective." So, strategy first, structure second.

Too often, investment structures are inherited from an earlier generation or built hastily for convenience, without alignment to the family's current state, strategy or scale.

Many families and family offices wonder how to invest collectively while allowing for customization and flexibility within their investment structures. One approach is to establish pooled investment vehicles, which can be used alongside separate non-pooled investments.

This discussion covers the advantages, disadvantages and tradeoffs associated with combining and separating family investment capital. The intention is to provide information to assist families and family offices as they decide how to organize and structure their investment capital. Specifically, how to combine their investment capital but to do so in a way that allows for FI customization, while leveraging scale.

Leveraging scale while creating flexibility

The family investment structure should be designed to support a range of investment strategies while maximizing the advantages of scale. A common method involves creating multiple Family Investment Partnerships (FIPs), typically organized by asset class and strategy. Each FIP may contain several managers or investment products. This arrangement allows each FI to tailor asset allocation decisions while simultaneously leveraging the benefits of scale.

A separate FIP can be established for each asset class, such as:

- Equities
- Fixed income
- Private equity
- Real assets
- Hedge funds
- Cash

To enhance segmentation and provide greater flexibility, sub-asset class FIPs may be established. For example, within equities, these could include US large cap, US SMID, international developed and emerging markets, as appropriate. Other asset classes can similarly designate their relevant sub-asset classes. Each FIP may allocate to multiple managers. Subsequently, each FI determines its allocation by directing contributions among the various FIPs in accordance with its unique asset allocation.

Each FI must first determine its own appropriate asset allocation and investment strategy. Ideally, this should be done by establishing an investment policy statement (IPS) for each FI.[1]

From time to time, FIs may pursue one-off investments that are not joined by other FIs. Indeed, FIs also have the option to invest independently without pooling their capital. Nevertheless, families frequently collaborate on direct investments, for which a special purpose vehicle may be created to consolidate funds.

[1] According to the *Family Enterprise Governance Report* developed in conjunction with Agreus, only 54% of family offices have an investment policy statement somewhere within the family office construct and only 30% of those that have an IPS have one for each family investor.

Illustrating the dynamic

A simple case study can help illustrate the pros, cons and tradeoffs of pooling and not pooling family investment capital. Let's take a multi-generational family that has combined $500M of liquid investment capital, but the capital is owned by 20 separate FIs, either individuals or trusts.

Figure 1

	Combined family investment capital	20 separate FI portfolios
Investment capital	$500M	$25M
Investment Advisory ("IA") fee differential[2]	–	+50bps more than the $500M portfolio fee
Aggregate family investment advisory fee at +50bps	–	+$2.5M
IA fee per FI at 50bps differential	–	+$125,000/FI

[2] The 50bps differential in pricing is related to household pricing. While 50bps was used, it is approximate and can be more or less depending on the scenario. Household pricing is an advantage to having a larger pool of capital. Here, the 50bps increase on separate investment portfolios assumes the FI is not receiving the benefits of household pricing.

Scale vs. separate: comparing fees, costs and expenses

Let's start with a discussion of investment advisory fees. Smaller portfolios may face higher fees, while larger pools of capital can often negotiate lower fees. This does not include potential discounts on fund management fees.

In Figure 1, the separate FIs are paying a higher fee for external investment advisory, such as with a bank or wealth management firm, to the tune of $125,000 per FI and a family aggregate of an additional $2.5M, compared to pooling their investment capital.

Smaller pools of capital may incur higher per-unit investor costs because expenses, such as custody and accounting, are distributed among fewer investors rather than across a single larger investment capital group.

There are differences in qualitative costs. For direct investments, diligence expenses—covering legal, tax and investment reviews—can be shared across more capital if families co-invest. Communication between family office staff, financial advisors and fund managers is streamlined, avoiding separate discussions with each party.

Collaborative investing typically reduces the number of advisory relationships to a few key professionals, rather than each family investor having their own advisor or firm.

Managing separate portfolios increases monitoring and administration costs for family office staff, as each requires individual oversight and extra paperwork. This includes more subscription documents, wires, cash flows, distributions, and alternative investment workflows. As a result, additional staff may be needed to handle the workload.

Customization, flexibility and access

Separate portfolios let each FI tailor investment strategies to their own goals, risk profiles, and preferences. Multiple FIPs offer flexibility while maintaining scale benefits, as each can have distinct asset classes and strategies, as shown in Figure 2. FIs can allocate capital to individual FIPs according to their desired asset allocation, enabling the structure to adapt as family needs and strategies change.

Figure 2

	Combined family investment capital	20 separate FI portfolios
Total investment capital	$500M	$25M
Example: Hedge fund allocation (7.5%)	$37.5M	$2.5M
Example: Private equity allocation (20%)	$100M	$5M

Separate portfolios can limit investment strategy access, as many alternative investment managers have minimum requirements. This may reduce access to investment strategy options. For instance, obtaining both private equity strategy and manager diversification with a $5M allocation per FI could present challenges, making a PE allocation less likely.

Conversely, if the family combines allocations for a total of $100M in PE, it can unlock access, since achieving strategy and manager diversification is more practical at that scale.

Private equity: evergreen v. vintage vehicles

For a family's private equity strategy, there are two common structural options: an internal evergreen structure or a vintage vehicle. A vintage vehicle operates similarly to a closed-end fund and is established periodically. This arrangement allows each FI to adjust their private equity allocations with each new vintage vehicle. An evergreen structure may present challenges regarding valuations, as FIs may enter or exit the fund at various times.

Downsides of a super FIP

Some families choose to establish a single FIP with a single asset allocation for all FIs. This is a mistake. Using a single FIP that pools all FI investor capital may not account for different risk profiles, trust objectives (such as dynasty trusts compared to taxable estates), or individual preferences. This method can also impact liquidity and allocations for some FI's. For example, if some FIs habitually take distributions from the FIP, while others do not, the non-distributing FIs can be left overallocated to illiquid alternatives. While this construct can work for a period of time, it is not built to scale with the growth of the family and their divergent investment preferences, and deconstructing the vehicle can be very complex.

Family collaboration

There are differences in control between separate portfolios and shared FIPs. In separate portfolios, the trustee or individual is responsible for making investment decisions. In an FIP, overall control may be less direct, as decisions are typically made by an LLC manager or family investment committee, depending on the structure.

Continuous collaboration in business-owning families can cause agreement fatigue, so some families value managing their own portfolios independently. Even so, many still choose to collaborate on investments without being legally required to agree every time. Pooled investment vehicle design allows for both flexibility and joint decision-making.

Separate portfolios allow for more transparent performance reporting. In contrast, performance reporting and ownership statements for a partner in an FIP involve an additional ownership or entity layer, which may reduce clarity. To facilitate clear ownership and performance reporting, consolidated reporting technology is often necessary.

Separate portfolios can increase intra-family privacy, as they do not require coordination of capital flows. For instance, when a significant distribution is initiated from the FIP, other family members may inquire about the purpose of the distributed capital.

Separate portfolios typically result in a higher speed of execution because decisions are made by either the individual or the trustees. In contrast, within a shared family decision-making structure, execution speed may be slower due to the need to consult multiple parties.

Governance alignment

Governance must be consistent across all components, including the IPS, investment committee, FIPs and trustees. Clear decision-making roles, accountability and investment allocation processes are essential.

With separate FIPs, investment allocations are still managed by the respective FIs, while the family investment committee maintains a broader oversight role: engaging external advisors, assessing managers, and ensuring consistency with the family's overall investment philosophy. This framework enables each FI to tailor their allocations by allocating capital to the relevant FIPs. Consequently, this structure maximizes the utilization of family capital while offering flexibility and optionality for each FI.

It is important to highlight that, within many family offices, the investment committee typically operates in an advisory capacity rather than holding binding authority—a significant distinction from standard institutional practice.[3] In operational terms, the family office investment committee often acts as a central communication platform, promoting transparency and enhancing collaboration among family investors, trustees, and external investment professionals. Even in cases where families opt for segregated portfolios without integrating FIPs, it is not uncommon for them to establish an informal investment committee to facilitate discussions on investment strategies and potential opportunities.

Overlap with broader conversations

Discussions about family investment structures often overlap with broader conversations on how families operate within a family office. Sometimes, family branches or individuals separate from the office for valid reasons. Other times, it is because of a lack of flexibility in the family office for FIs, or treating all investment capital as one pool, which it is not.

Ensuring structures support a family's shared purpose

If the family chooses to invest together, it's important to clarify the reasons for doing so. Lower fees and access to different strategies are benefits, but understanding the shared purpose is key. The right structure should support this purpose, with clear execution plans. Evaluating the pros, cons and tradeoffs of investing together or separately helps inform the decision. Comparing the tradeoffs of the current structure and proposed changes helps families make informed choices about future organization.

Mark R. Tepsich

Mark is the Family Office Design and Governance Strategist for UBS Family Office Solutions, advising families across the Americas on family office organizational design, structure and governance, as well as operational best practices and strategy to manage and sustain their wealth for future generations. Prior to joining UBS, Mark built a family office platform for an investment advisory firm and spent a decade as General Counsel for a large single-family office to a dynastic, multigenerational family.

[3] According to the *Family Enterprise Governance Report* developed in conjunction with Agreus, nearly 70% of families that have an investment committee, have a construct that is collaborative and advisory in nature, rather than binding.

Human capital

Building effective governance

Guidelines for family office success

Paul Westall
Tayyab Mohamed
Co-Founders
Agreus

Only 63% of family offices have formalized governance structures in place, despite findings that reveal the importance of effective governance in driving outcomes across a family enterprise.* As a family's wealth grows, so too must its governance structures to ensure alignment across generations. At the same time, families must remember it is individuals who bring governance to life.

Family offices often manage substantial wealth, complex investments and family legacies that span decades. Yet, the cornerstone of every family office is not solely financial expertise; it is effective governance fostered by professionalization.

Governance, in the context of a family office, forms the framework that supports strategy, accountability and long-term sustainability. It is the mechanism through which decisions are made transparently, effectively and with foresight.

In this article, we explore why governance remains one of the most critical and often underestimated pillars of a successful family office.

What is governance in a family office?

In its simplest form, governance is the system by which an organization is directed and controlled. In the family office setting, this involves determining the purpose of the entity—defining who makes decisions, how those decisions are made, and how performance and compliance are monitored.

Unlike corporations that are driven primarily by shareholder value, family offices are driven by family or personal wealth and values. Decisions are therefore shaped not only by financial and operational considerations, but also by family priorities, culture and other objectives such as wealth preservation or philanthropic goals. This unique context makes governance both more complex and more vital.

Notably in the UBS and Agreus *Family Enterprise Governance Report*, we found that 44% of family offices lack a formal mission, vision or values statement, and a striking 68% have no family office council in place. These findings reveal that many have yet to formalize their values and goals into structured, operational governance.

* *Global Family Office Compensation Benchmark Report 2025*, Agreus and KPMG Private Enterprise.

Professionalization marks the transition from an informal structure to one with clear roles, responsibilities, processes and accountability.

The role of professionalization

Family offices have traditionally been characterized by weak governance due to their unique personal nature and the lack of governance awareness in the industry. However, in recent years, we have seen a change in the family office space as more families have become aware of the importance of good governance practice. Here is where professionalization comes into play. Professionalization is the process that marks the transition from an informal, relationship-driven structure to one with clear roles, responsibilities, processes and accountability.

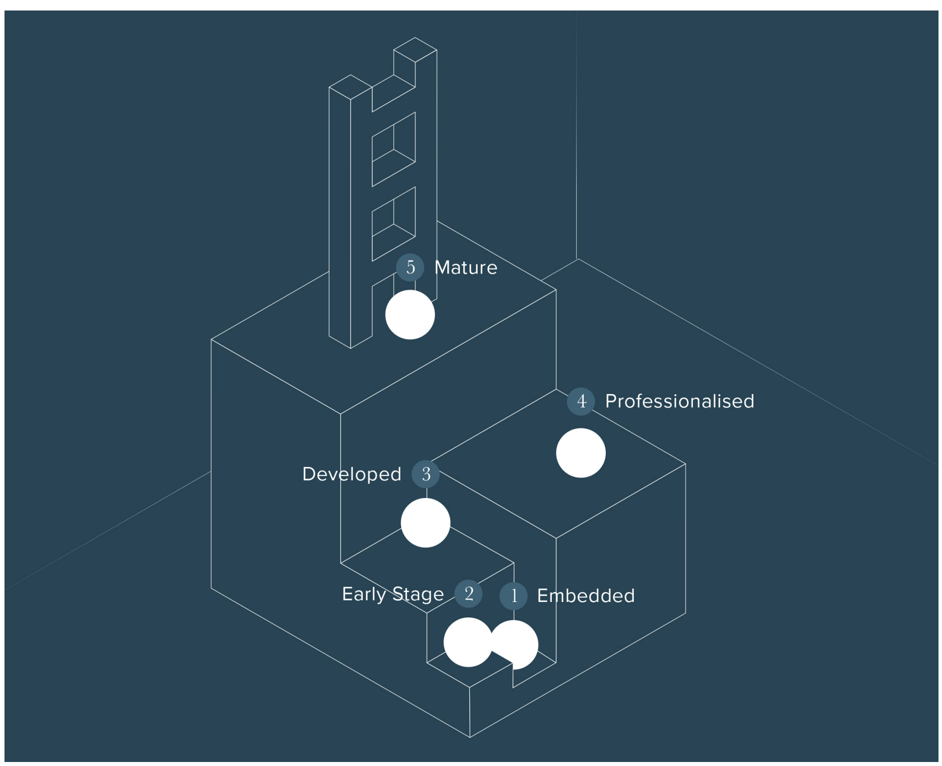
In practice, professionalization can involve:

- Appointing experienced executives or independent advisors to complement family decision-makers
- Implementing formal reporting and oversight mechanisms
- Adopting best practices from corporate governance, while tailoring them to the family office's purpose, culture and values.

The journey to professionalization

In a previous report designed to assist family offices embarking on the professionalization journey, we identified five stages of professionalization: Embedded, early stage, developed, professionalized and mature. (See the graph below.) Each stage reflects an evolution in structure, governance and mindset—a gradual transition from informal, relationship-driven management to institutional-level professionalism.

Fig. 1 The five stages of professionalization



Embedded and early stage: Governance is often implicit and mirrors family leadership. Decision-making tends to be centralized, informal and guided more by personal relationships than by structured processes. In the early stage, the family office would begin to become a standalone entity, moving away from the initial embedded structure with clear demarcation.

However, governance and reporting remain largely unprofessionalized in these two stages. Reporting is done in-house and is often inconsistent, with no clear or consolidated financial picture. While this intimacy reflects a high level of trust, it also exposes the family office to risk that can come from a lack of accountability and poor decision-making. These stages represent the most vulnerable points in a family office's lifecycle.

Developed: This stage marks a turning point. Here, families begin to formalize governance frameworks—creating family charters, establishing advisory boards, or introducing independent professionals who complement family decision-makers. The purpose of governance at this level is to bring clarity and balance: defining roles and responsibilities, as well as aligning operational strategy with family values.

Reporting also improves, supported by more professionalized systems, including external software and outsourced providers that enable consolidated and reliable reports. As a result, performance oversight and transparency become increasingly consistent and embedded in day-to-day management.

Professionalized: This stage represents a significant leap forward. Governance becomes structured and deliberate, guided by formal policies and informed by independent expertise. Investment governance becomes central, with investment committees (ICs) and family councils established to ensure disciplined oversight, each with defined mandates, scopes and accountability mechanisms. Decision-making processes become documented, with risk management, audit trails and performance evaluation embedded into daily operations.

Most importantly, governance at this stage shifts from being reactive to proactive. Reporting reaches a standard comparable to early-stage financial institutions, providing consistency and accuracy. The family office is anticipating challenges, fostering accountability and integrating best practices from the corporate world while remaining true to family culture.

Mature: At this stage, governance transcends administration and becomes an instrument of stewardship. Only very few family offices reach this level of sophistication. At this stage, the family office often operates as a professional institution, with the family's involvement limited to strategic oversight. Reporting mirrors that of large financial institutions, marked by institutional-grade systems and full transparency. Independent boards and committees ensure that decisions are objective, forward-looking and aligned with multi-generational goals.

By following this journey, families can build governance systems that evolve with them. As governance strengthens, it enables better risk management processes and performance optimization, laying the foundation for long-term sustainability.

Building the right structures

Effective governance requires careful design. We believe that the following tools and structures form the backbone of a strong governance framework:

Succession plans

Thoughtful plans that identify and prepare future leaders, clarify responsibilities, and ensure a smooth transition of authority within both the family office and the broader family enterprises help ensure continuity.

Investment governance: Investment policy statement (IPS) and investment committee (IC)

The IPS links the family office's investment strategy to the family's goals, values and risk appetite. It offers a disciplined framework for decision-making. The IC complements the IPS by ensuring that investment decisions are objective, transparent and aligned with the policy's intent.

Boards and family councils

Depending on the family's needs, formal governance bodies, such as boards and family councils, provide oversight, structure and a forum for shared decision-making. By combining family representation with external professionals, they strengthen governance through diverse perspectives, objectivity and technical expertise. This balance ensures decisions are both values-driven and informed by independent, high-quality advice.

Decision-making frameworks

Clearly defining who decides what, and how, reduces ambiguity and potential conflict. This will help maintain efficiency, trust, and alignment across the family office.

Performance review structures

The *Family Enterprise Governance Report* found that 61% of respondents do not have a review process in place—highlighting this often-neglected yet important practice. Performance evaluation is crucial in ensuring accountability and continuous improvement. Improved reporting mechanisms also play a key role here, as better reporting enables more accurate and insightful performance reviews. This involves:

- Establishing measurable KPIs for both staff and leadership
- Conducting regular reviews of investment outcomes, operational efficiency and strategic alignment

The human dimension of governance

Indeed, a strong governance framework provides consistency, transparency and accountability, but we would like to emphasize that its success ultimately depends on the people who uphold it. Policies and structures alone cannot ensure effective governance; it is the collective capability, mindset and integrity of those involved that bring governance to life. Even the most sophisticated systems will fail without the right people.

More importantly, family offices are, by nature, deeply personal organizations. In the *KPMG Agreus Global Family Office Compensation Benchmark Report 2025*, we found that 77% of family office employees report to at least one family member, and within that, 33% report to multiple family members. Furthermore, the *Benchmark Report* revealed that 63% of family offices surveyed employ at least one family member, yet 80% lack a formal employment policy for family involvement. This highlights a critical gap: without clear policies and professional boundaries, personal relationships can complicate objectivity and accountability.

When close personal relationships intertwine with significant wealth and responsibilities, hiring and retaining the right people becomes essential. Recruiting for a family office is nuanced due to the softer aspects, such as cultural fit, which is the alignment of the family's mission and ethos. These aspects matter as much as the credentials of the candidates. A successful family office needs professionals who not only possess technical and financial expertise, but also understand the intricacies of family values, confidentiality and long-term stewardship. When the right people are in the right roles, and with the right structure in place, communication will flow naturally, decisions will be informed by diverse perspectives and the family office becomes resilient through change.

Building effective governance in family offices is not a one-off exercise; rather, it is an ongoing journey of professionalization, reflection and adaptation. As wealth grows, so too must their governance structures, ensuring that values, strategy and accountability remain aligned across generations. At the same time, families must also remember that human capital is the cornerstone of effective governance; it is the expertise, integrity and cultural alignment of individuals that bring governance to life. With all these in place, families can help safeguard wealth and sustain the family legacy for generations to come.

Paul Westall

Paul is the co-founder of Agreus Group, a recruitment and consulting business dedicated to working exclusively with single family offices globally. Based in the UK office, he leverages his extensive experience to provide tailored recruitment and consulting solutions, helping clients achieve long-term success. For more than 15 years, he has helped family offices build effective teams, strengthen governance, sharpen strategy, and optimize operations for lasting success. With a deep understanding of the unique needs of family offices, he has helped clients across the world build and strengthen their teams.

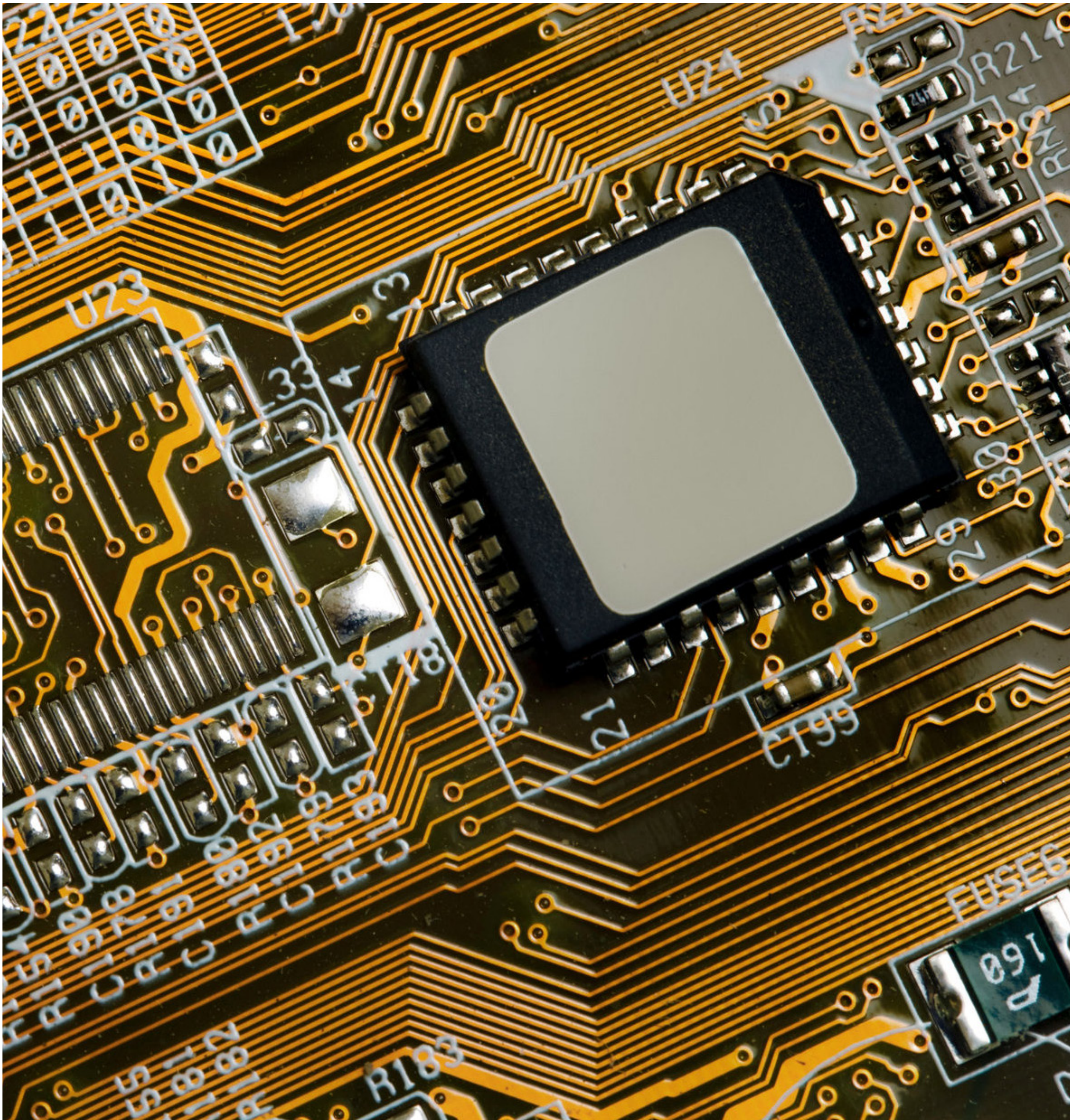
Tayyab Mohamed

Tayyab is the co-founder of Agreus Group, a recruitment and consulting business dedicated to working exclusively with single family offices globally. For more than 15 years, he has helped build and professionalize family office clients across the world. Tayyab recently moved to the UAE to build out the Agreus presence in the Middle East. He is closely involved with family offices and helps address their pain points in navigating issues such as leadership, governance, culture, hiring, compensation and retention strategies.

In conversation

History lessons

The role of innovation in shaping wealth creation in the US



John Mathews
Head
Private Wealth Management Americas
UBS Global Wealth Management

Ulrike Hoffmann-Burchardi
Chief Investment Officer Americas
UBS Global Wealth Management

Our new *In conversation* series features John Mathews and Ulrike Hoffmann-Burchardi, who explore the role of innovation and technology investments historically and today—and why innovation is a key lens for identifying drivers of wealth creation.

Ulrike is responsible for bringing together market and investment insights to create financial impact for UBS clients across the Americas. She also serves as Global Head of Equities.

Highlights include:

- History shows that current technological investment concentrations are not unprecedented and offer valuable lessons for future growth
- Why innovation is a key lens for identifying drivers of wealth creation
- Key transformational innovations shaping the next decade: artificial intelligence, electrification and longevity
- The current state and future outlook on AI—the most profound innovation in history and a major investment opportunity
- Electrification as a strong structural trend beyond AI, encompassing transportation, housing and industry
- The importance of global diversification for family offices
- Cryptocurrency as an established asset class that offers diversification benefits despite being non-yielding and volatile

John: Most people don't know, Ulrike, that you're a bit of a historian. Our country's coming up on its 250th anniversary, and maybe you could talk about some of the lessons we've learned and the innovations we've made over the last 250 years as we think about the future.

Ulrike: What's so fascinating is that you can learn so much from history. At the peak of the railroad mania in 1871, we invested nearly 6% of US GDP into railroad CAPEX. There is some anxiety that right now we have around 1% to 1.5% in AI CAPEX. But when we look back at history, that is not unprecedented.

Also, if you think about the stock market back in the 1900s, at the peak, about two-thirds of companies in the indices were railroad stocks. We have some concerns about concentration in the US. But when there's truly transformational innovation, I think it's insightful to look back at history and see just how much concentration we've seen in historical periods.

> When there's truly transformational innovation, it's insightful to look back at just how much concentration we've seen in historical periods.

John: That's a great point. So how do you see innovation and technology influencing the next decade? Everyone's talking about AI. Everyone's talking about technology. How do you see it?

Ulrike: Again, we think the transformational lens is a very important one, and it's one that shapes our equity views. If we go back to history, I think four data points are interesting.

1. The first company that reached a billion in market cap was U.S. Steel. How did it get there? It embraced the then recently invented Bessemer process for the mass production of steel.

2. The first $10 billion company was GM. How did it get there? It embraced the automotive revolution.

3. The first $100 billion company was IBM, which was very early in the mainframe and then was also initially successful with the PC.

4. And then, of course, Apple reached $1 trillion innovating and embracing mobile.

So it's clear that these transformational innovations have had big impact and wealth creation in the equity market. And therefore we think it's the lens that we need to incorporate in our offerings going forward.

Three important transformational innovations that we think are going to shape the next decade are artificial intelligence, not surprisingly; electrification—this is a broader trend, not just AI data centers; and then lastly, longevity.

And we not only write about those and recommend stocks that are in the vortex of these big innovations; we also have created global teams that follow these opportunities for us and put together a portfolio of stocks that embrace these opportunities that we think are going to be poised for future growth.

So for us, innovation is one key lens that shapes our views on the equity market.

John: There's so much talk about technology, especially AI. The longevity conversation, I think, has gotten a little lost in the shuffle. So, tell us a little bit about how you see that aspect playing out.

Ulrike: For us, all our three transformation opportunities are predicated on a view about the future. Investing is about envisaging the future, predicting

what's to come. And one prediction that we have is that by 2030 in the US, we'll have more 65-year-olds and older compared to 18-year-olds and younger.

And the first investing opportunity for us is in companies that are causal to creating this longevity, which [are] pharma and medtech. We actually think this is a really interesting time to invest in healthcare for a number of reasons.

For instance, we see that some of the policy headwinds that have been with us about pricing and tariffs seem to now at least be answered by the deal that Pfizer and the US government put together. We also think that the big de-stocking that happened over Covid is finally coming to an end.

And all these transformations are connected, of course. AI will have a key role to play in healthcare as well. We think this is almost a free call option when you invest in health-care, because the costs of bringing a drug to market have risen so immensely over the last ten years. And AI can bring down costs in all layers of the value chain, from discovery to clinical trials to go to market. So we are excited to invest in longevity at this juncture.

John: I spend a lot of time with clients, and healthcare is always a topic on their minds—healthcare, living healthy longer—this whole concept of longevity. So I'm not surprised to hear this. You and I have talked a lot about the great wealth transfer, where $70 trillion will change hands to the next generation or two over the next 25 years. The baby boomer generation is aging, which creates a lot of opportunity in this longevity space.

Let's double click on AI. When it comes to AI and technology, many of our investors are asking, "Am I too late? Are valuations too high now? Should I wait for a pullback?" What is your longer-term view on where we are in the investment cycle of AI?

Ulrike: Yes, maybe we just step back and try to articulate the overall investing thesis. We think that AI is the most profound innovation in human history. And we think it's one of the largest investing opportunities. And the reason is that the technology is self-learning for the first time in human history. These current models are training the next generation of models, and the pace of innovation is therefore so much more rapid.

Having said this, we are now over three years in, with ChatGPT and its launch in November of 2021. Now the narrative will shift from this first phase, where it was all about the promise of AI, what it could do to ROI, to this next phase where it's going to be about the proof: who can actually deliver on that promise? I think that's a very exciting opportunity.

We think that as part of a portfolio, AI always needs to be dynamically managed, because the opportunity set shifts. Initially it was all about the enabling layer and the portfolio was very focused on the chip companies, the hyperscalers. But we think that over time, it's going to broaden out, and we have already positioned in a way that's a little bit more diversified.

Our whitepaper that we published with the launch of these portfolios talks about how ultimately the value will be created in the application layer. I think that is the journey that we are on and in particular this new year, I think we'll hear a lot more about the use of AI, both from the consumer but also from the enterprise, and to see how we can actually monetize the promise of this new technology.

John: Right. What about data centers? You talked about electrification earlier, which encompasses many things. But we hear so much talk about massive CAPEX investment in data centers and the power required for that. How is the team thinking about that in the context of the AI revolution?

Ulrike: First of all, we think that electrification is a trend in and by itself—a very strong structural trend. We need to electrify our economy, transportation, housing, industry more broadly. So independent of AI data centers, that is a very large opportunity for us. In our estimates, AI data centers add about 8% of incremental electricity demand by 2030. It's not that much, but because it's incremental demand, it now pushes the envelope somewhat. And we see that power increasingly is becoming a bottleneck. We have increasing demand for electricity, but the supply side is not only limited, it's actually also decreasing because our grid is so outdated. We actually estimate that we lose about 5% of electricity every year to outages and malfunctions.

Again, this is an opportunity because supply and demand are not matched, and we think a lot more infrastructure needs to be built there.

John: Well, I've never thought of it that way—we need the infrastructure to run these massive data centers, and also need to upgrade our outdated systems anyway.

We happen to work for the largest global wealth manager in the world. Talk about your experience having that global perspective, and maybe also talk about how this AI revolution looks elsewhere in the world.

Ulrike: I can speak personally that a team that is in all regions of the world and can comment on what's happening on AI, what's happening on electrification, on the pharma side, etc. is a huge asset for the quality of our research. There's so many ways that we can leverage the deep research expertise in different regions to improve the quality of our insights.

It's interesting to have different perspectives about how different regions approach these huge opportunities. You have the US which is a leader in especially closed source AI, large language models that are not opening up their recipe on how they are actually doing the work. And this is opposed to China, which now has become a leader in open source AI, efficient and very cost-effective AI, where the recipe is shared more broadly. And then Europe, of course—we have yet to see how they're going to play in this global ecosystem.

John: If we look back at 2025, we saw market rotation happen throughout the year. How would you advise family office investment professionals to think about global diversification?

Ulrike: Diversification is of course key. You want to align with alpha opportunities at the same time. I would say for us when it comes to the longer-term investment thesis, we think a diversified exposure is important. You don't just want to bet only on AI, because every other part of the economy will also profit from AI, whether it's the healthcare sector, industrials, utilities and so forth.

And that also means geographical diversification. A lot of the opportunities in industrials and utilities lie outside the US. Broad regional diversification is something that we always recommend.

John: Yes, I think it's really important for people running family offices to not lose sight of global diversification.

Any final thoughts, Ulrike, that you would like to share today?

Ulrike: What I would say, going back to the original question about history, is that every cycle changes its costume, but not the script. Thinking again about what we can learn from history, there are certainly many CAPEX cycles that have shown us that at some point, they're periods of investments. We always have to look at any innovation or any opportunity and ask, "What is the revenue opportunity and what is ultimately the spend?" That's an equation that we have to keep watching for all of these opportunities to see when it's time to maybe adjust the portfolios.

John: It's been great to have you with us today.

Ulrike: Thank you for the opportunity.

[Listen to the full conversation >]

John S. Mathews

John currently serves as the Head of Private Wealth Management for Global Wealth Management US. John sets the strategic direction for UBS Private Wealth Management and helps UBS Private Wealth Advisors deliver comprehensive capabilities and solutions to clients. He built and collaborates with dedicated knowledge centers at UBS, including Advanced Planning, Family Advisory & Philanthropy Services, Family Office Solutions, Global Families & Institutional Wealth Americas, and the OneBank Coverage team. John plays an instrumental role in coordinating the firm's capabilities, which includes the integration of global solutions from UBS' Investment Bank as well as our Asset Management Division. In addition, John is also a member of the Global Wealth Management US Management Forum. John earned a B.A. in political science from the University of Florida, where he continues to be an active alumnus.

Ulrike Hoffmann-Burchardi

Ulrike is Chief Investment Officer for the Americas and Head of Global Equities at UBS Global Wealth Management. She serves on the Global Investment Committee, which defines the UBS House View, guiding USD 5.5 trillion in assets. Prior to joining UBS, Ulrike was a Partner and Senior Portfolio Manager at Tudor Investment Corporation. Ulrike has been recognized for multiple consecutive years as one of Barron's "100 Most Influential Women in US Finance." She received the 2023 Women's Investment Leadership Award from the Managed Futures Association (MFA).* She serves on the board of 100 Women in Finance and on the board of NYC FIRST, a global youth-serving robotics community advocating for STEM education in grades K–12. Ulrike is a Fellow of the 2021 class of the Finance Leaders Fellowship and a member of the Aspen Global Leadership Network. She holds a Ph.D. in Finance from the London School of Economics and Political Science, and a Master's degree in Finance from the University of St. Gallen in Switzerland.

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