Public and Private Equities and Real Assets Favored By Investors: Somerset Capital

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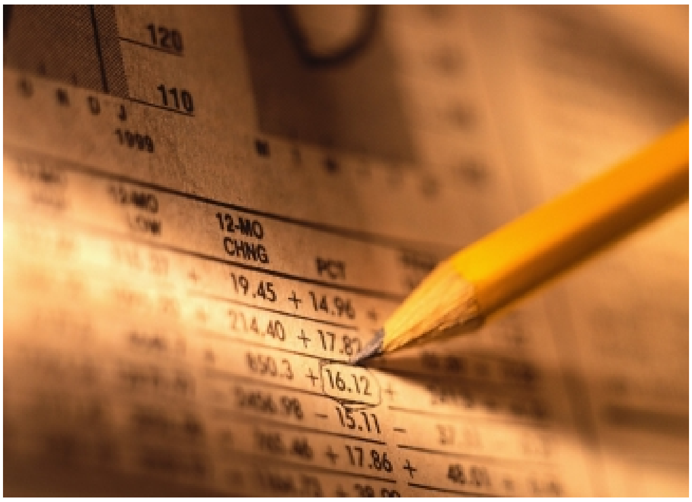

Family offices are rotating out of cash and bonds, favoring public and private equities and real assets. This is the main takeaway from a Somerset Capital survey on family offices.

Overall, the survey found the the average allocation to asset classes was 26% equity, 23% private equity, 15% bonds, 15% real assets, 13% cash, 6% hedge funds and 2% commodities.

During the course of 2013, Somerset Capital determined that more than 40% of participants plan to increase their allocations to private equity (46%), equities (48%) and real assets (50%), with decreased allocations to bonds (51.6%) and cash (43%). A majority does not plan to change their allocations to hedge funds (71%) and commodities (62%).

It appears that investors that participated in the survey are committed to private equity, continuing both to invest in funds and in direct investments. Here, Somerset Capital found that technology, business services and healthcare were top sector choices.

Additionally, participants demonstrated a strong preference for growth equity transactions (67%). Sixty percent were interested in mid-market buyouts, 48% in secondary, 44% in turnaround and 37% in venture capital. Only 15% showed interest in large buyouts, the research found.

In terms of real assets, 78% of those surveyed invest in this area with an average allocation of 15%. The participants plan to increase allocations to real estate (52%) and agriculture (46%) in 2013. A minority has expressed interest in increasing allocations to forestry (27%), commodities (23%) and mining (20%).

Where hedge funds are concerned, Somerset Capital found that "family office investors do have cash to deploy and they are looking to increase their exposure to equity strategies, as well as global macro".

Research pointed to 42% of respondents invest in hedge funds with an average allocation of 6%. Most popular strategies were fundamental equity strategies, equity long/short and global macro strategies. Areas targeted for growth are fundamental equity value biased strategies, equity long/short and global macro.

"Encouragingly, 62% of respondents were happy to invest in funds with less than $100 million of assets under management. Eleven percent of investors indicated that they would consider seed investments, and fully 83% of respondents said that they would invest in funds with less than $1 billion in AUM. Interestingly, 31% of respondents indicated that they would not invest in funds with AUM greater than $1B," said a Somerset Capital statement supporting the research.

Elsewhere, 32% of family offices participants invest in other alternative assets, with half of them planning to increase allocation to litigation and intellectual property. Forty three percent would add to impact investing and 33% to insurance. And 36% of respondents have a formal philanthropy program. Here, the study found that more than half are involved in grant making and nearly half in impact investing.

Somerset Capital canvassed 51 family offices, of which 76% were single family offices. Participants were located in the UK and Europe, and half managed assets in excess of US$500 million. Forty two percent were pure financial investors, whereas 58% continue to own an operating business.

