INDUSTRY TRENDS

Family Offices Continue to Get Younger & Trend Toward Impact Investing

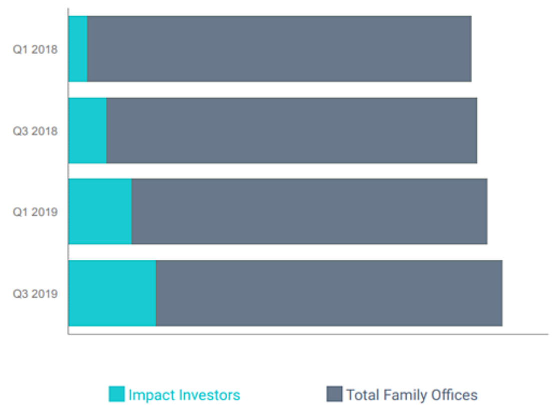
Several indicators highlight the continuously growing trend of family offices increasing their allocations to impact-focused funds and companies. To understand this trend, let us begin with the overall spike in the prevalence of environmental, social and governance investing. As research continuously suggests that ESG investing is not only ethically responsible but fiscally advantageous, businesses, asset managers and private investment groups have been constructing their strategies and portfolios with ESG considerations. One common argument made by proponents of impact investing is that by tailoring strategies to include ethically responsible opportunities, investors are simultaneously establishing a more sustainable overall strategy.

Supplementing this logical argument in support of ESG investing is a more ethically grounded demand for responsible investment options, particularly within the family office market. Over the past twenty years, family offices have become the preeminent vehicle for the ultra-wealthy and expanded greatly in number, partially due to a younger generation of tech moguls looking for adequate homes for their assets. This new generation of successful individuals, unlike their predecessors, were brought up with an ever-present awareness of environmental and ethical issues. Running alongside the nouveau-family office, are long-standing multi-generational groups who, themselves are handing over the reins to a younger generation of family members. The result is a tsunami of wealth reaching the hands of millennials.

Data derived from **FINTRX** family office research illustrates that this phenomenon is resulting in a lower average age of decision-makers within the space. It is apparent that this new generation of investors has a much larger appetite for impactful investments compared to their predecessors. **FINTRX** data also depicts a staggering **14%** increase in global family offices explicitly seeking exposure to impactful investments since January of 2018.

Though the concept of impact investing is in no way a new idea, the drastic increase of younger investors inheriting enormous quantities of wealth has catalyzed the demand for ESG alternatives. As a result, more and more funds are beginning to tailor their investment strategies to accommodate this increasing demand. One could argue that favorable economic conditions have allowed for more investment liberties to be taken and the economic boom of the past decade has incubated the success of impact investments and in fact most industries.

As the old adage goes, a rising tide lifts all boats. It is true that ESG strategies have yet to be tested against a major market correction yet this doesn't seem to be deterring young, ultra-wealthy individuals from pursuing these opportunities. Ultimately, time will tell if impact investing and traditional value investing are directly correlated, mutually exclusive or somewhere in between.



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