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Peer Insights REPORT

Seven Principles for Entrepreneurs Who Want to Attract Family Office Investors

Bavelas Principle Series:

How Family Offices Protect, Expand, and Nurture Wealth for Multiple Generations

For more information about attending Family Office Insights gatherings, or partnership opportunities, please contact Family Office Insights

Learn more at:
FamilyOfficeInsights.com

Arthur A. Bavelas | BAVELASGROUP FAMILY OFFICE CEO & FOI FOUNDER

Arthur A. Bavelas, an internationally-known entrepreneur, BavelasGroup family office investor, founder of Family Office Insights Peer-to-Peer gatherings, and the originator of the Fortune's Fortress process of safeguarding family wealth over multiple generations. He is a frequent speaker to the hedge fund, private equity and family office communities.

Arthur is the author of numerous articles, white papers, focused on family offices, legacy wealth preservation and asset protection. His insights have been featured in international publications including *The Wall Street Journal*, *Bloomberg*, *Investment Advisor*, *Gatekeeper*, *Opalesque*, *Dow Jones* and *Elite Traveler*. Arthur has co-authored several books, his most recent being *Fortune's Fortress: A Primer on Wealth Preservation.*

7 BAVELAS PRINCIPLES

Seven Principles for Entrepreneurs Who Want to Attract Family Office Investors

Principle #1 CLEAR THE DECKS FIRST

It may feel natural to focus on the benefits of your strategy and ignore the challenges. However, investors will want to "clear the decks" of all the knowable bad stuff first, followed by the unknowable, and then get comfortable with it and move forward (or not). Forcing investors to pry out the bad stuff can make it harder to move forward, and most certainly not at an accelerated rate. Bring this out in your presentation by telling the investor what could go wrong and how likely that scenario is, and be open to discussing it.

Principle #2 EVERYONE CLAIMS THEY ARE THE BEST. IT MEANS NOTHING

Don't get us wrong, investors do appreciate confidence. But almost all managers claim they are the best or among the best. The real trick is to be able to answer questions like "When does your strategy not work?" and "How did you handle the worst thing that happened thus far"? Hubris is obvious and offensive.

Principle #3 INVESTORS WANT TO KNOW THEY ARE NOT SWIMMING ALONE

Knowing "who else is in this pool with me" is important to investors, but largely ignored by managers. You should disclose investor segmentation before asked. For example, what percentage of the investors are Institutional, Multi-Family Offices, Single Family Offices, Individuals, and Principles? Disclosing this without being asked will differentiate you in a meaningful way.

Principle #4 POWERPOINT IS EVIL

PowerPoint pitch books are a necessary part of telling the story, however few are optimally designed. Attracting credible interest in an investment methodology from family offices is a process, not a pitch. We suggest you start by using a macro-executive summary, supported by in-depth separate reports. Avoid including many slides of a data dump. You will lose your audience's attention.

Principle #5 TAP INTO THE NETWORK

The potential investors you meet today have a natural community network that may be more interesting than the initial investor relationship. Cultivating that community network carefully has the potential of being very productive. Operating "well" within the Family Office community requires an awareness that may not be present in a fund's current business development methodology or skill set. There are multiple types with idiosyncratic behaviors aside from the family dynamics. If not curated with care, the relationships you develop could be a wasted asset, or even a hazardous endeavor.

Principle #6 NO COMPELLING MANDATE TO DEPLOY CAPITAL

Decisions are made primarily via these 2 realizations:

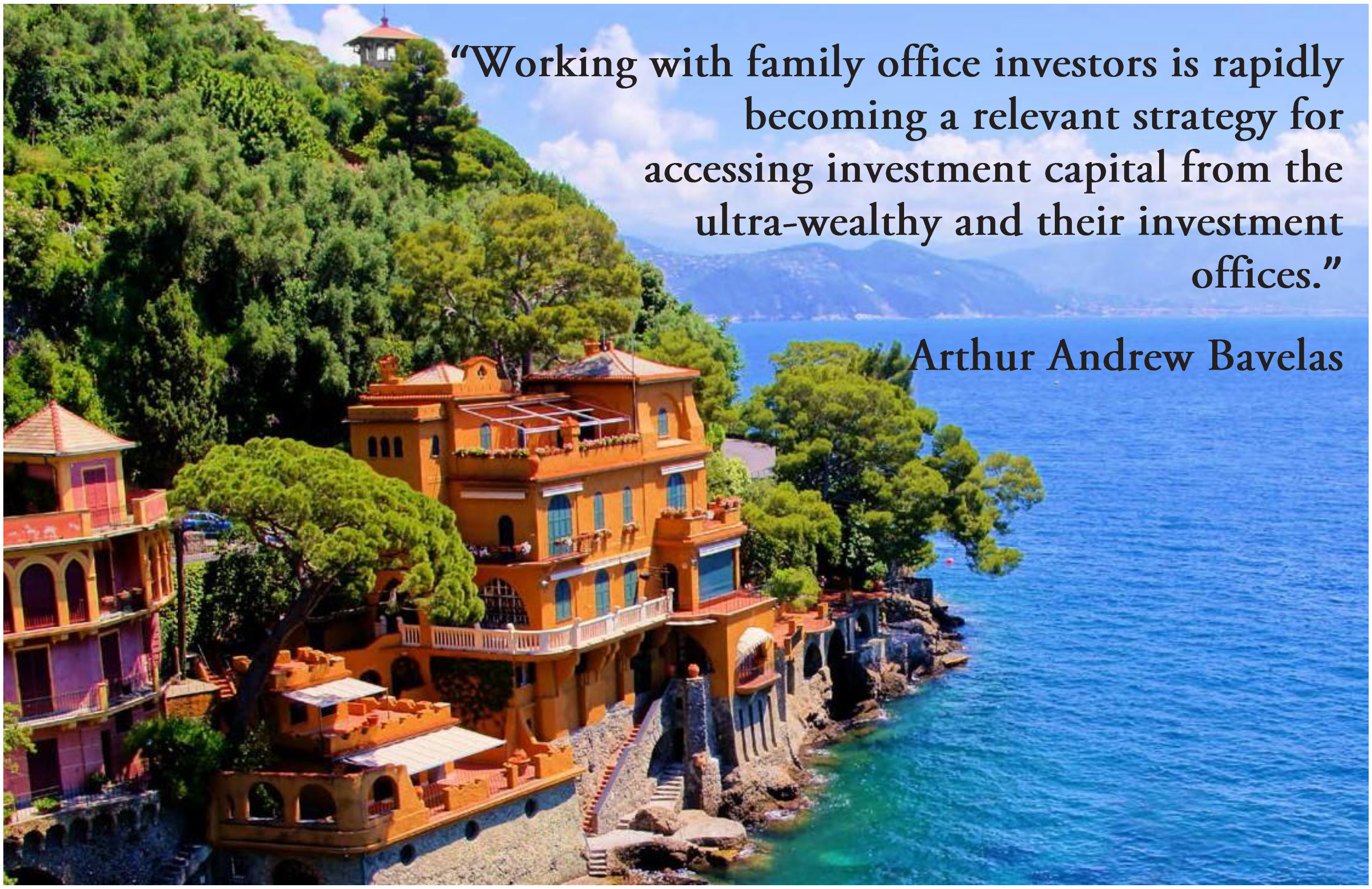
Realization #1
People do things out of emotion, a desire to be appreciated, fear or loving kindness.

Realization #2
What people do with money is driven from some emotion. Period!

If you don't understand this, you will miss lucrative opportunities.

Principle #7 THE TYRANNY OF THE CLOCK

Things take time. Sourcing and cultivating family office relationships that are "real" often takes longer than you expect or would like. It is usually a crawl, walk, then run experience. The fear of screwing up the stewardship of the family fortune (stay rich money) is daunting. Be aware of this. It's not institutional decision making where the fear component is losing one's job. It's being excommunicated from the family and a lifestyle… pretty heavy stuff. Be patient. It's expensive and time consuming, but delivers meaningful value.


“Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices.”
Arthur Andrew Bavelas