

*The Phenomenon of Overall "Family Investor"
Parameter During All Stages of Business
Financing: Diversified Targets & Needs of
Potential Investors*

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EU)

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FINAL OPEN CONFERENCE - The SNOwMan Project



Taurimas VALYS



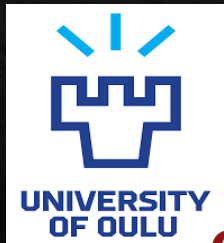
Rotterdam Chamber of Commerce



VILNIUS CHAMBER OF COMMERCE, INDUSTRY AND CRAFTS



Lithuanian Confederation of Industrialists



Stanford University



UNIVERSIDAD D CORDOBA



ROTTERDAM BUSINESS SCHOOL



- Vilnius City Council Member
- Co-founder, Vice-Chairman of the Board at ŠEIMOS Credit Union, Lithuanian Family Business Association
- International Team Leader; 15+ years experience in advisory, business exposure & investment management (main sectors: Financial, Banking, Real estate, Infrastructure, Utilities, Energy, IT)
- Associate Professor in Finance at Vilnius University Business School, Visiting professor at 11 European and 3 American Universities
- Board member at Vilnius Chamber of Commerce & Akmenė Free Economic Zone

Lithuanian Family Business Association







Famous family businesses

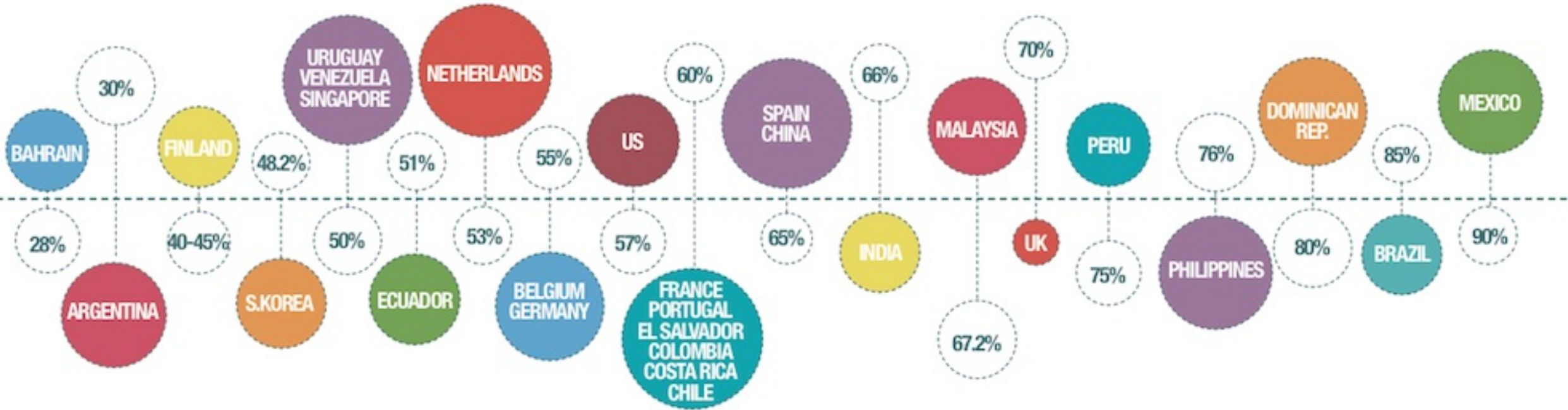
PETER LEACH LLP
ADVISING FAMILY BUSINESSES



News Corp / HUGHES
To access documents and information regarding the News Corp./HUGHES transaction, please click here.



FIG 3: Percentage of family business contribution to national GDP



Business Systems

Competitive

Objective

Task-based

Results-oriented

Select best person for the job

Performance

External focus

Family Systems

Survival of the fittest

Encourage/exploit change

Employment by competence

Employment is an opportunity

Family Business case

Protective

Emotional

Obligation-based

Relationship-oriented

Status by birthright

Loyalty

Internal focus

Nurture and support
weakest

Minimise change

Employment by
relationship

Employment is a right

Challenges of Family Business



- Resistance to change
- Managing transitions & succession
- Raising capital
- Emotional issues
- Leadership



ŠEIMOS
KREDITO UNIJA



29,000,000 €

TO  ZE

whatagraph

 **MONETA**
INTERNATIONAL



Dancer Electric City Bus



ServiceGlobalizer
Online Human 2 Human Service Booking Platform



Baltymas



#379 David Filo

Chief Yahoo, Yahoo!

Forbes

REAL TIME NET WORTH

as of 7/5/19

\$5B

YAHOO!®

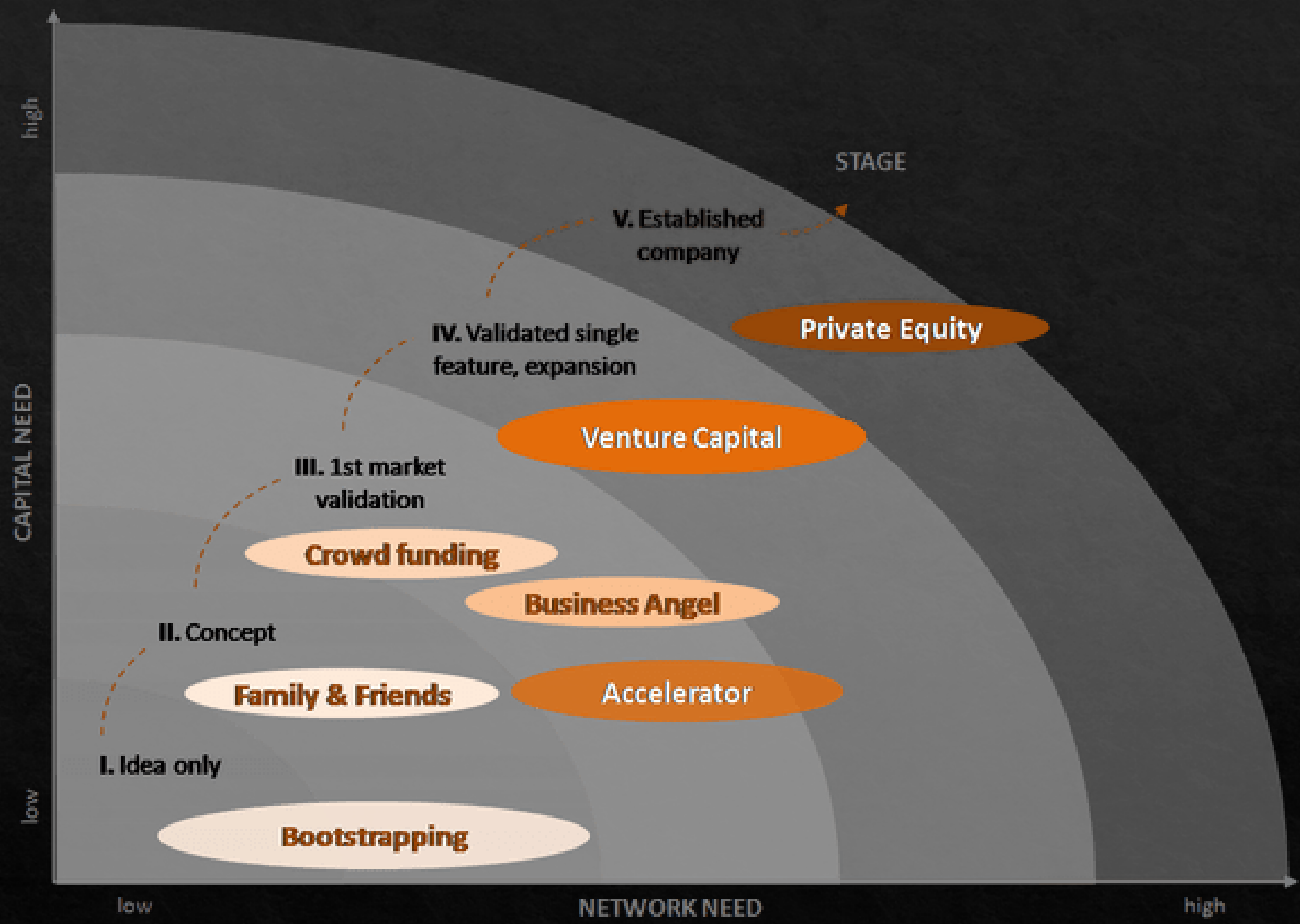


- David Filo is cofounder of Yahoo, a onetime web service behemoth, which sold its core business to Verizon for \$4.48 billion in cash in June 2017.
- The most valuable part of Yahoo - its 15% stake in Alibaba and its 35% stake in Yahoo Japan - morphed into a listed company called Altaba.
- Filo started the company in 1995 with Jerry Yang, a classmate at his Stanford Ph.D. program. The duo dropped out to run Yahoo.
- Filo and his wife Angela established the Yellow Chair Foundation in 2000; it supports education, civil liberties, gender equality and the environment.
- In 2004, Filo donated \$30 million to his alma mater, Tulane University, for engineering and computer science scholarships.



facebook®

Microsoft



high

CAPITAL NEED

low

STAGE

V. Established company

IV. Validated single feature, expansion

III. 1st market validation

II. Concept

I. Idea only

Private Equity

Venture Capital

Crowd funding

Business Angel

Family & Friends

Accelerator

Bootstrapping

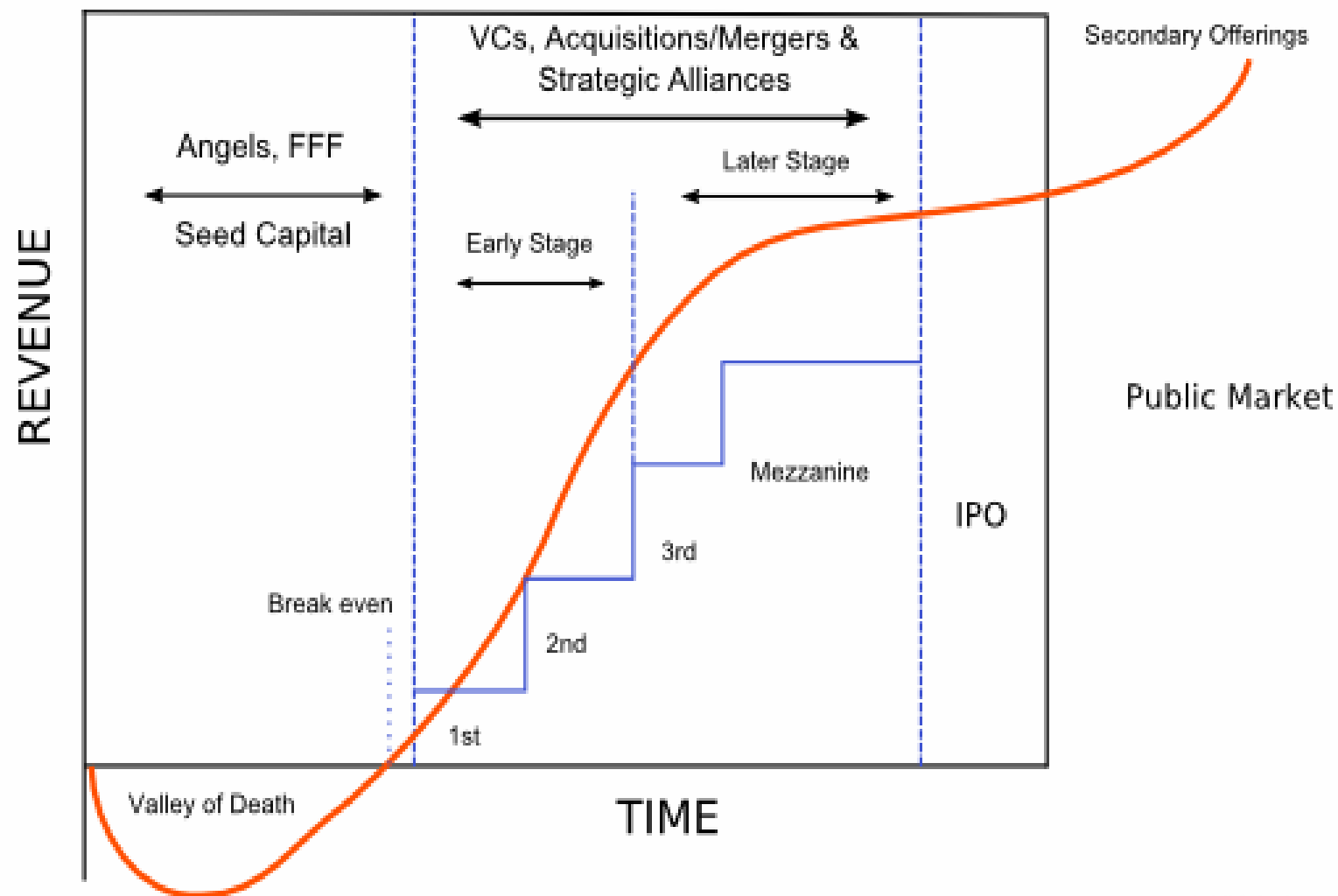
low

NETWORK NEED

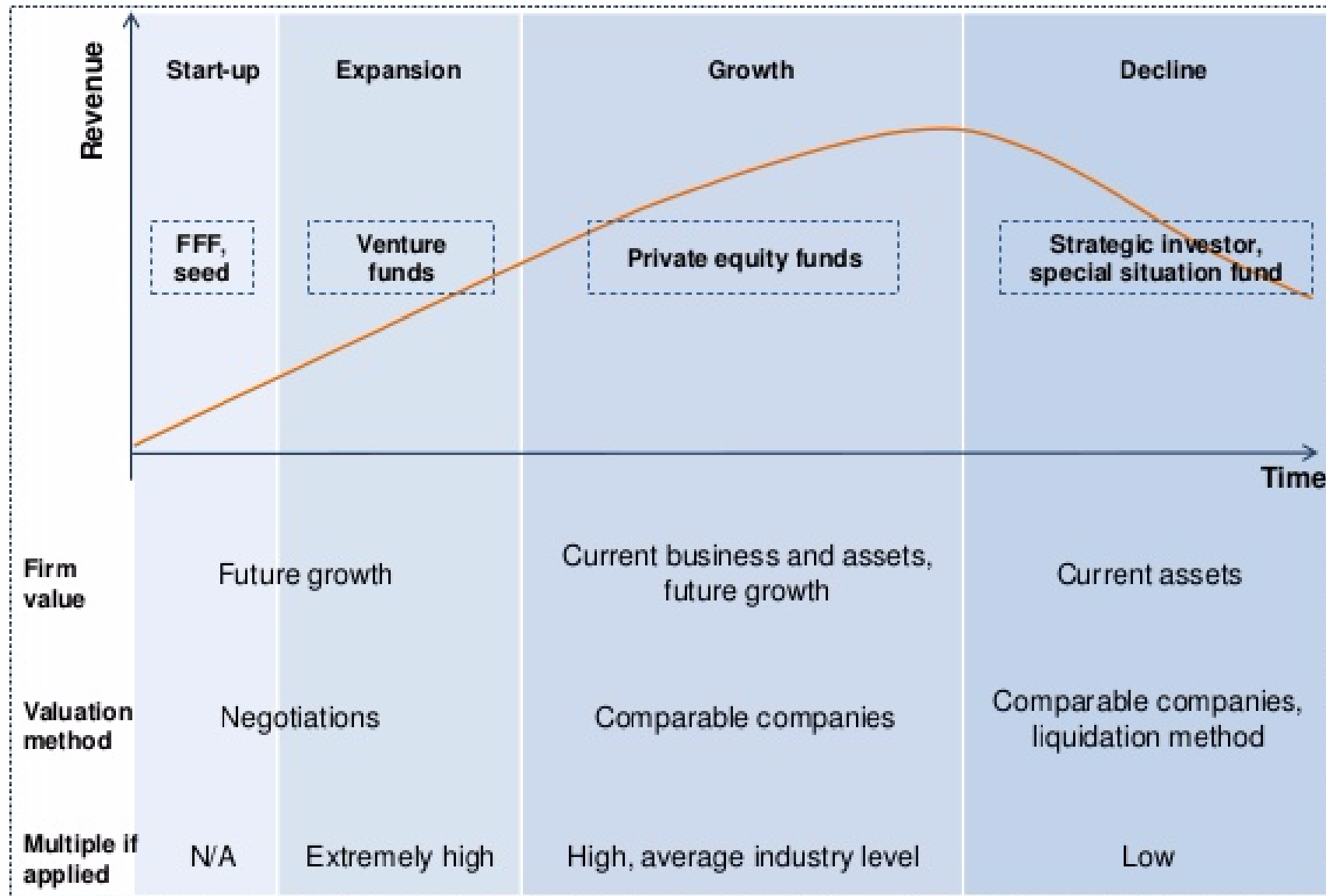
high



Startup Financing Cycle



Valuing the target



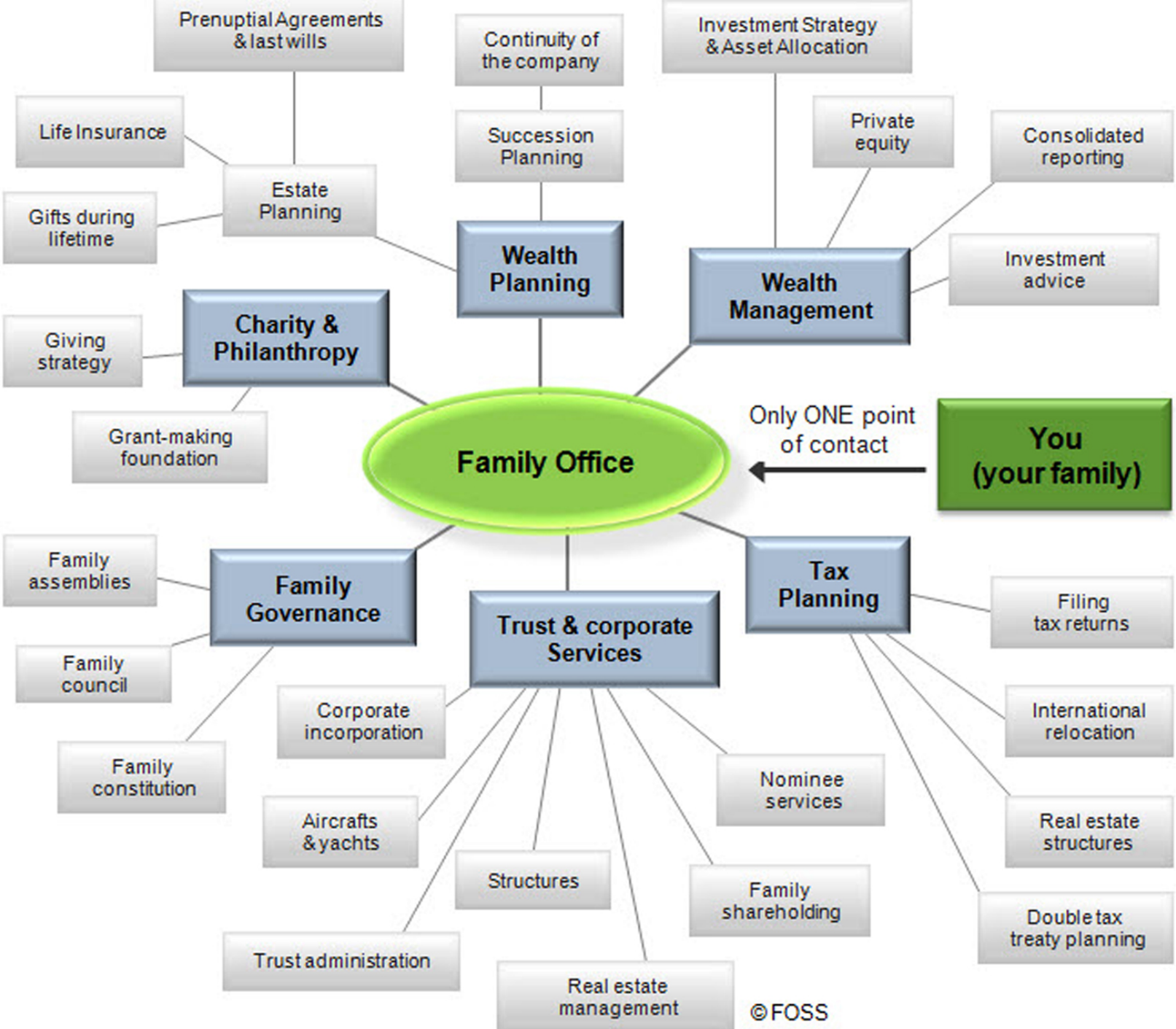


Figure 1: Family office structure

Holding structure

Family interests

- Protector/enforcer
- Governance provisions
- Family charter
- Letter of wishes

**Operational/
investment level**

SPV

The office

SPV

SPV

- Operating companies
- Local business enterprises
- Holding companies for real estate assets etc

- Employees
- Appointed service providers (accountants, advisor, lawyers etc)
- Day to day administration

Fund platform

Hedge

PE

Investment committee

Fund manager



Location

London/New York

Key features

Combining both a desirable residence for family members with sophisticated capital market services, a pool of high caliber talent across the investment spectrum and considerable legal, tax and wealth management expertise.



Location

Switzerland

Key features

A well-established location for family offices, which lends itself to ease of business, a potentially tax-neutral location for holding structures, quality service providers, a well-connected location and excellent communication (many Swiss workers are fluent in German, Italian, French and English).



VILNIAUS UNIVERSITETO
VERSLO MOKYKLA

Location

Singapore/Hong Kong

Key features

Established financial center with a wide range of service providers acting as a gateway to the Asian market for American and European investors as well as a safe platform for increasing numbers of local family offices.



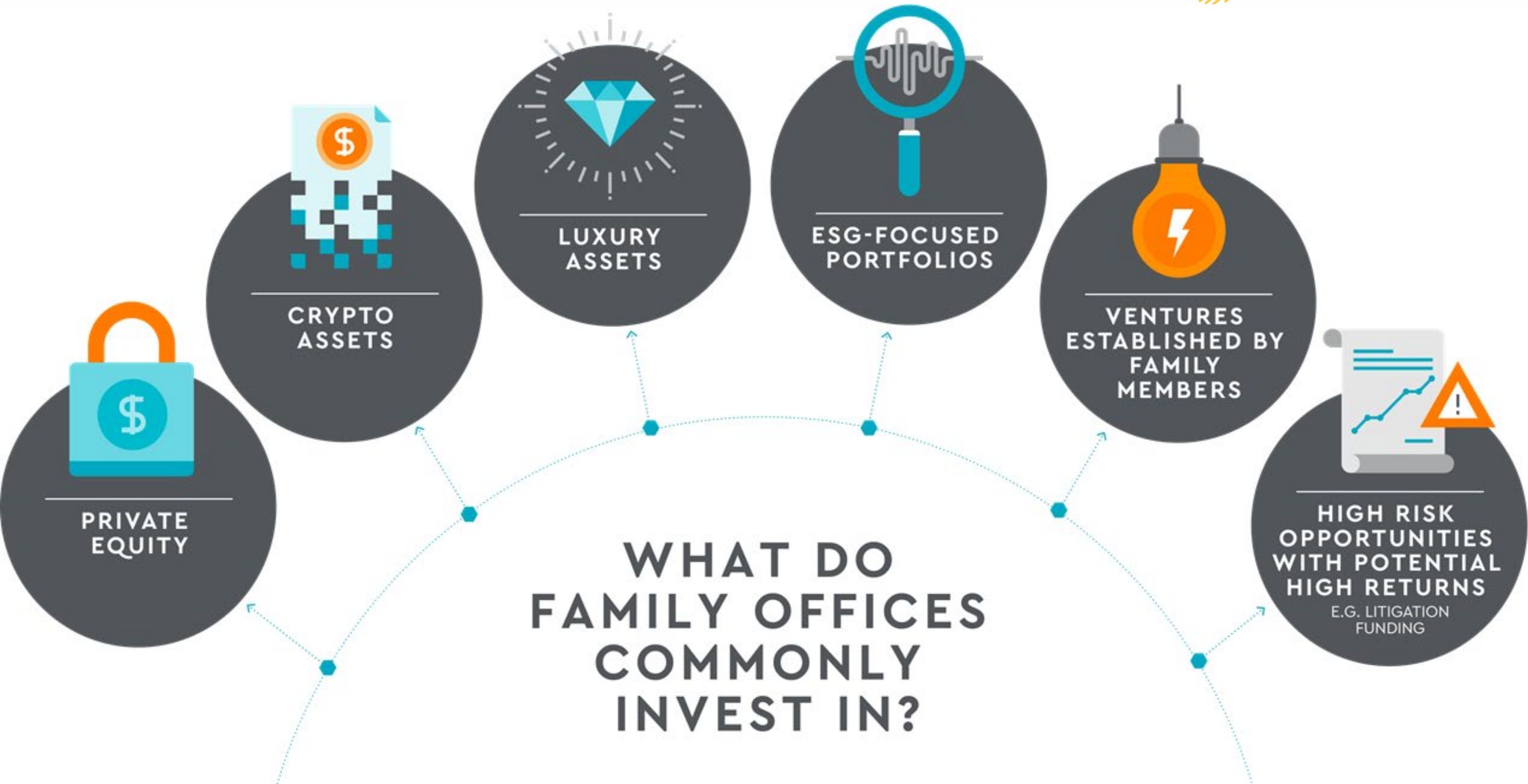
Location

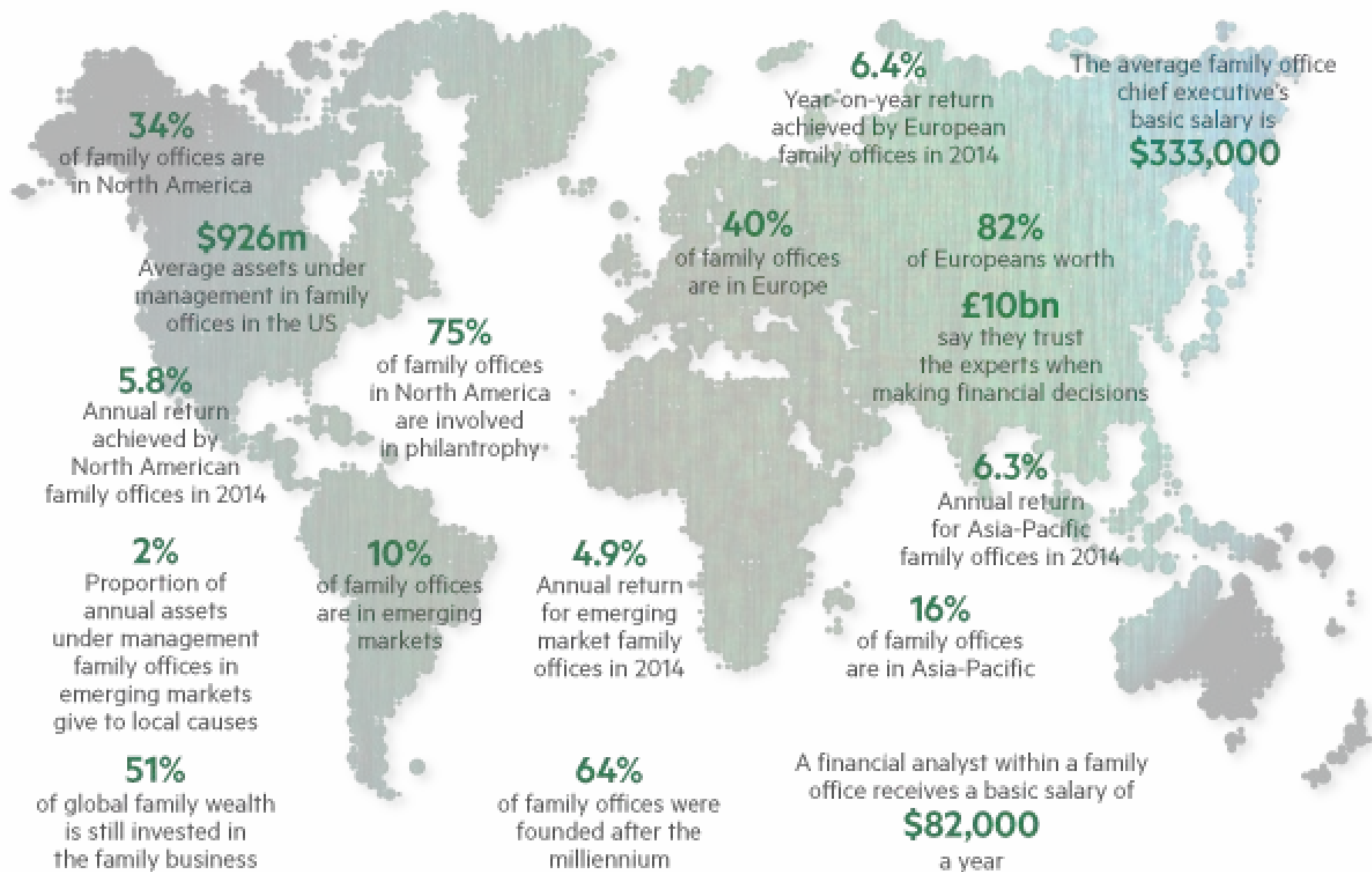
Jersey/Guernsey

Key features

Established financial center with a wide range of service providers acting as a gateway to the European market for African and Middle Eastern investors.







Sources: UBS; Campden Wealth; Withers/Scorpio Partnership



The Family Office industry has rapidly grown to eclipse other industries



Private Equity



Family Offices



Hedge Funds



Sources:
[1] <http://www.bloomberg.com/news/articles/2016-10-19/it-s-a-family-office-thing>
[2] <http://www.globalfamilyoffice.com/>

Why the Shift?

1 Heavy Fees

Most funds traditionally charge a 2% annual management fee and keep 20% of the profits

2 Lack of Transparency

After 2008 and the implementation of Dodd-Frank, people became more concerned with where their money was invested

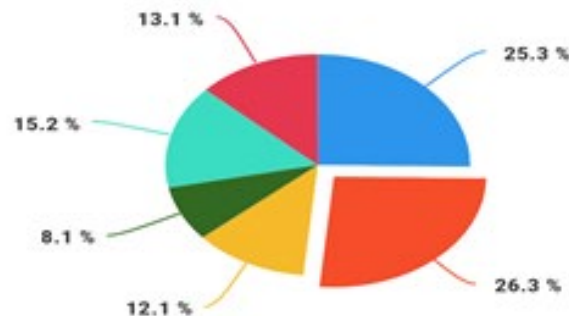
3 Misalignment of Interests

Families do not necessarily have the ability to invest in industries of their choosing through a fund

As the number of high net worth individuals increases around the world, the family office industry continues to blossom and turn its attention towards the direct lending market.

Quick Stats

Average Family Office Portfolio



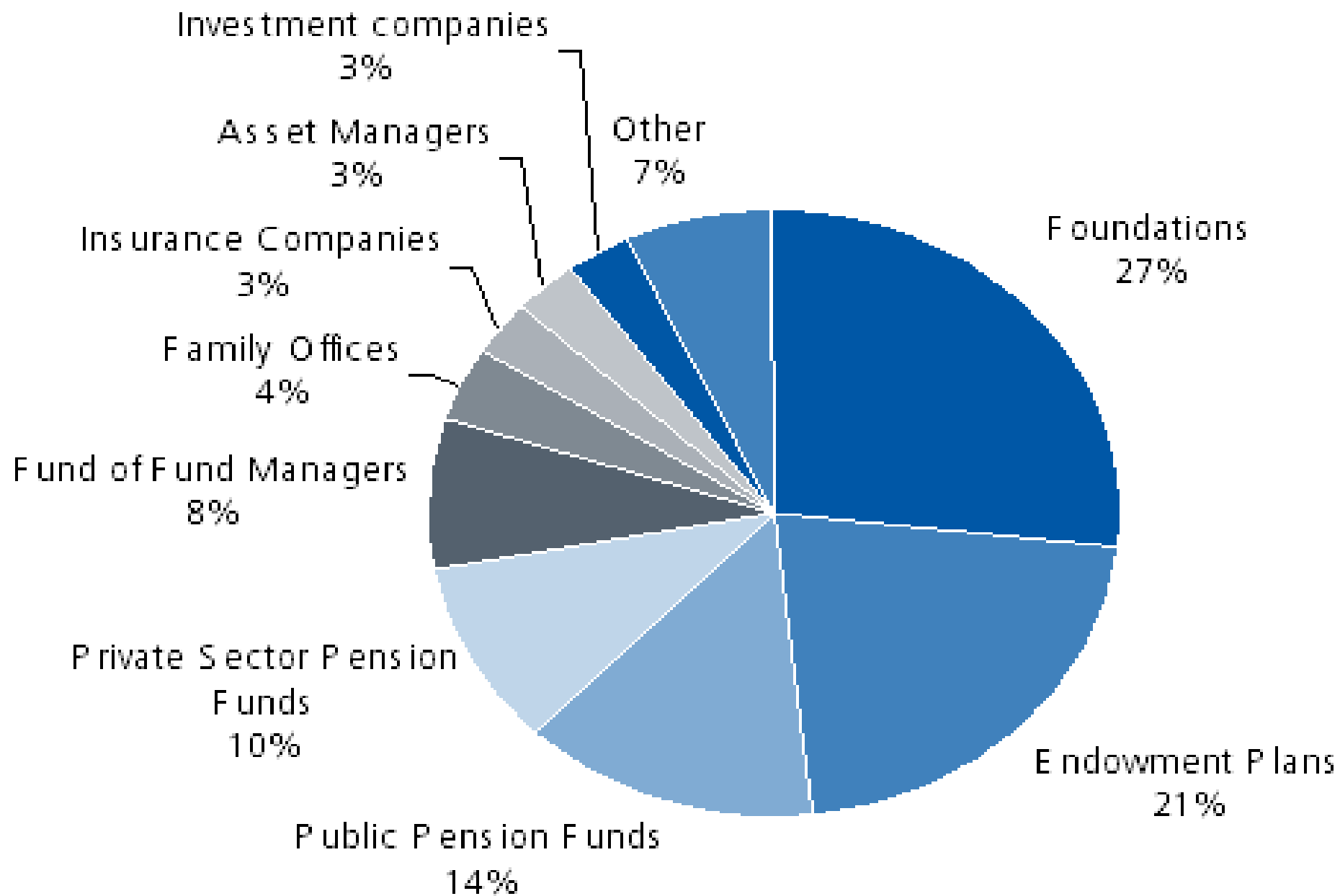
Direct investing has yielded considerably larger returns than the traditional fund approach



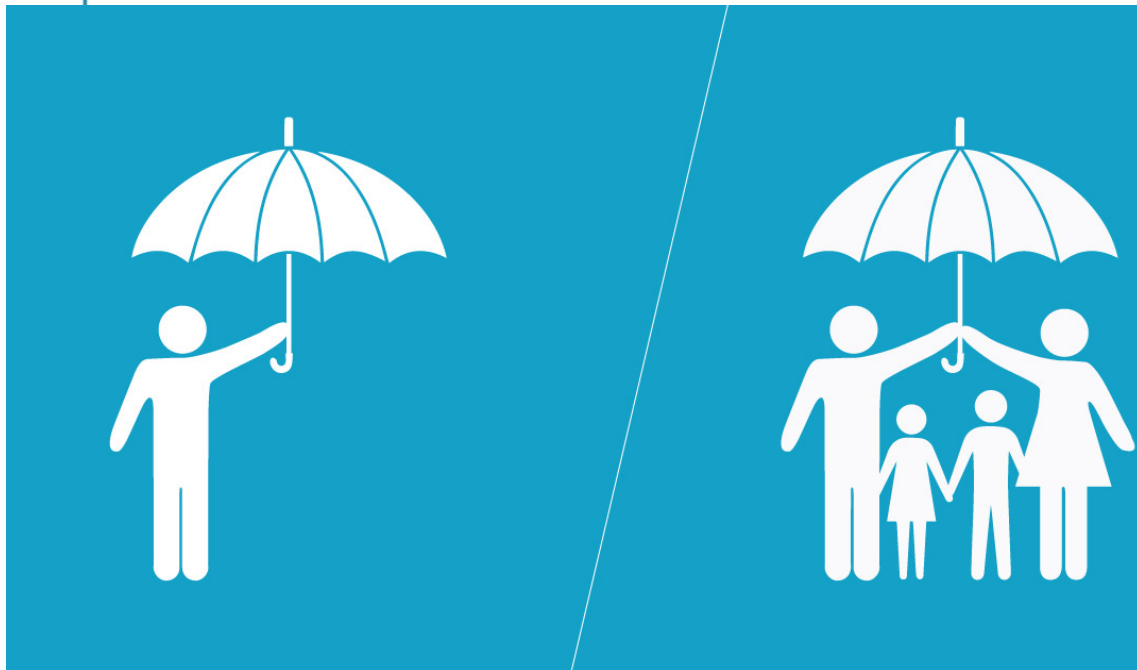
Nearly 70% of family offices opted for **direct investing** in 2016

Equities Direct Investment Fixed Income
Cash or Equivalent Hedge Funds and Private Equity Funds Other

Private Equity Investment Sources, by Type



Conclusions: "Family Investor": Individuals (Family Members) Vs. Institutional investors (Family Offices)



"Family Investor": Individuals (Family Members)



Vs. Institutional investors (Family Offices) (2)

Potential Individual Pitfalls Vs Institutional Strategies for Success

INDIVIDUAL INVESTOR

Lacks asset allocation strategy



Has unrealistic expectations



Has short time horizon



Attempts to market time



Lacks alternative investments



INSTITUTIONAL INVESTOR

Well developed asset allocation strategy

Understands risk/reward trade-off

Longer time horizon for investments

Does not market time

Broadly Diversified



"Family Investor": Individuals (Family Members)



Vs. Institutional investors (Family Offices) (3)

■ Institutional investors

- Maintain relatively constant profile over time
- Legal and regulatory constraints
- Well-defined and effective policy is critical

■ Individual investors

- Life stage matters
- Risk defined as “losing money”
- Characterized by personalities
- Goals important
- Tax management is important part of decisions



We stay in touch



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