Goldman Sachs

Widening the Aperture

Family Office Investment Insights

Goldman Sachs

We are pleased to share our inaugural Goldman Sachs family office report with you—**Widening the Aperture: Family Office Investment Insights**—which draws from our firm's first global survey of family office stakeholders and from our collective experience working with family offices.

The family office community has rapidly transformed. While industry metrics are limited and widely varied, our observations and experiences suggest that this investor base continues to grow in size and influence. Across this landscape, family offices differ substantially in their purpose, investment policy, and infrastructure. Some handle the ongoing management of noninvestment family affairs, including tax and estate planning, philanthropy, and risk management. Other family offices have significant operating and portfolio company interests. Others transact and operate similarly to traditional hedge funds. At Goldman Sachs, we have had the opportunity to build long-term relationships with family offices and family-controlled enterprises around the world with diverse needs and objectives.

Our distinct position serving the family office community across our global franchise affords us unique perspectives on this highly complex investor base. This report encapsulates the views of over 150 distinct family office decision-makers from every major region, along with our shared observations on the institutional family office landscape. We strive to capture the compelling themes and common investment behaviors across a wide array of family offices, focusing on the subset whose asset bases are in line with other institutional investors and whose investment management functions are mostly provided by a robust team of in-house investment professionals.

Our findings are organized into three principal areas of discussion: the evolving family office industry, current and future asset allocation, and family office investing themes. As family offices continue to grow in number and size—amid increased monetization events and equity valuations—we have witnessed their influence on the capital markets grow in tandem. It is our view that this momentum is more than likely to endure, given the sophistication of family offices and their relatively unique position of being unencumbered by benchmarks, fixed mandates, exit timelines, and outside investors.

While the respondents of this survey hail from family offices, our objective is for these findings to be helpful to family offices and non-family offices alike. We believe that providing a peek under the hood into the institutional family office cohort's interests and priorities can reveal established and emerging tactics worth replicating for other asset managers looking to refine their own frameworks or to partner with this investor base.

We are grateful for the members of our family office network and the viewpoints they graciously contributed to this report, and we are excited to share that market intelligence with you. Thank you to everyone who participated in the survey for your time and your valuable perspectives. We appreciate your partnership and the trust you continue to place in our people and our platform.

Ken Hirsch
Partner, Co-Chairman, Global Technology Media Telecom, Investment Banking
Co-Lead, One Goldman Sachs Family Office Initiative

Tony Pasquariello
Partner, Global Head, Hedge Fund Coverage, Global Markets
Co-Lead, One Goldman Sachs Family Office Initiative

Meena Flynn
Partner, Co-Head, Global Private Wealth Management
Co-Lead, One Goldman Sachs Family Office Initiative

Sara Naison-Tarajano
Partner, Global Head, Goldman Sachs Apex and Private Wealth Management Capital Markets
Co-Lead, One Goldman Sachs Family Office Initiative

Eliana Michaels
Vice President, Private Wealth Management Capital Markets
Chief of Staff, One Goldman Sachs Family Office Initiative

About the Survey Respondents

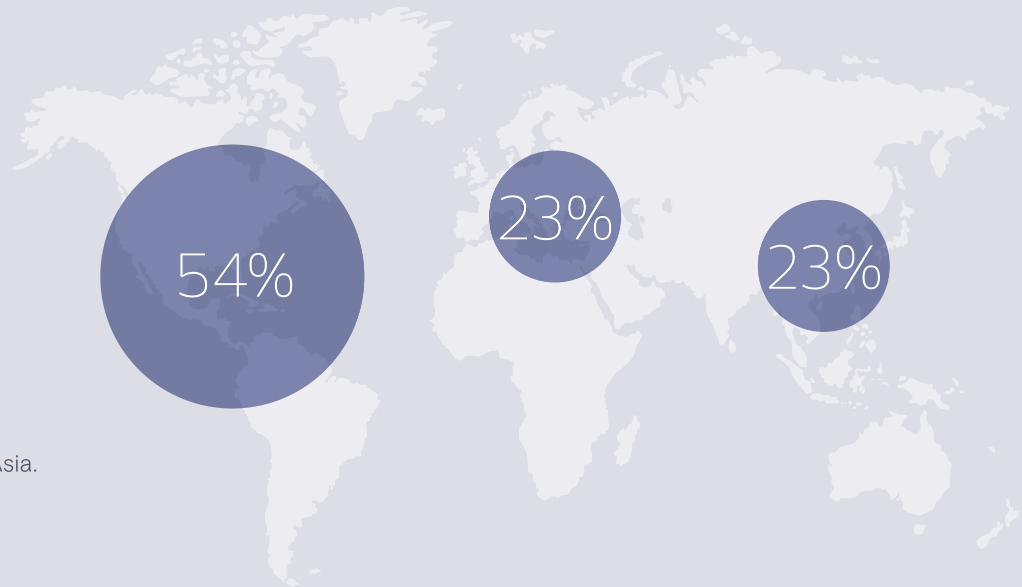
This report examines family offices across the globe that are institutional in nature—their asset bases are in line with other institutional investors, and their investment management functions are professionally staffed.

More than

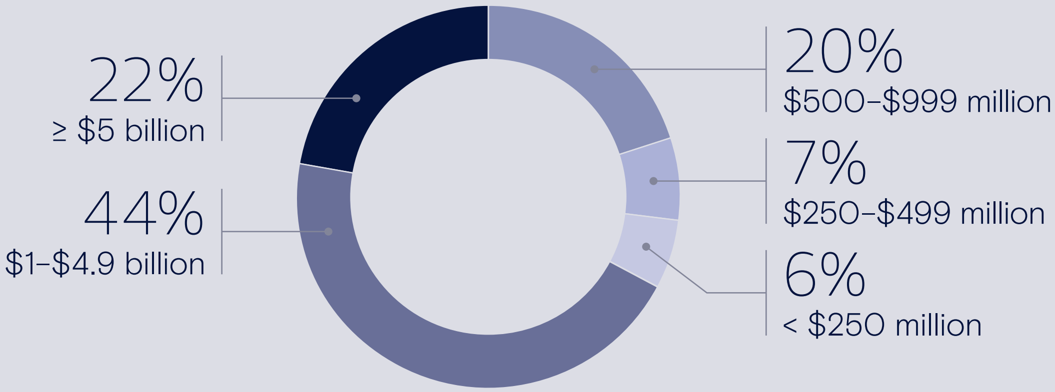
150

respondents **globally**

~54% Americas, ~23% Europe, the Middle East, and Africa (EMEA), ~23% Asia.

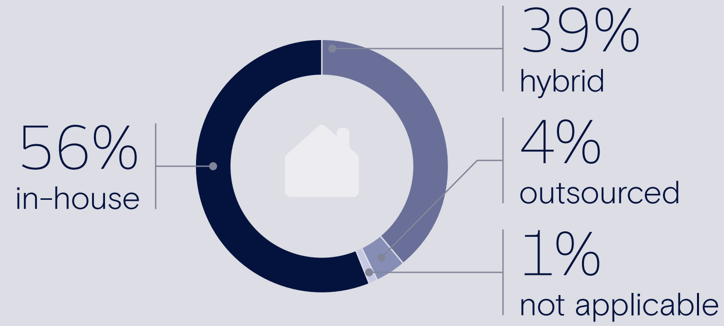


Of the **~80% who disclosed their total asset base**...



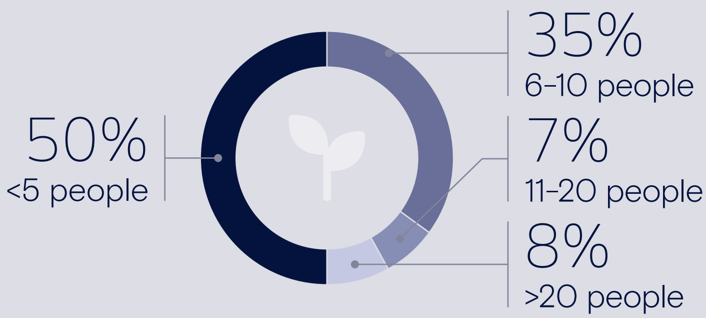
Total percentages may not add up to 100% due to rounding.

Structure for Investment Management Services

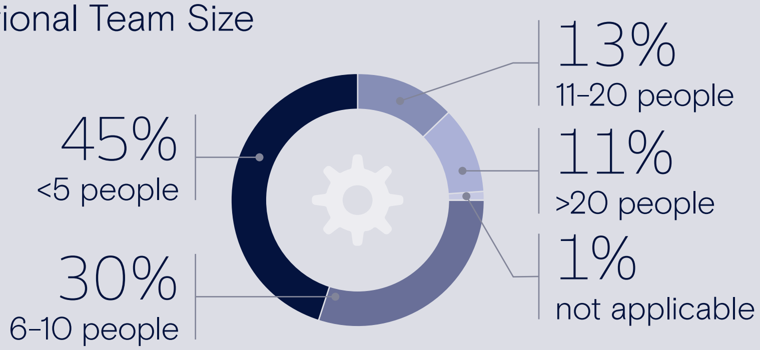


95% of respondents manage their investment needs in-house or have a hybrid model.

Investing Team Size



Operational Team Size



Executive Summary

We gleaned the following insights from the results of our inaugural survey and have also drawn on our own observations from working with this client base:

Family offices' **asset allocation tends to have outsized exposure to alternative investments**. This reflects their higher return hurdles, patient capital pools, and professional diligence capabilities. On average, respondents' portfolios have a 45% combined allocation to private equity, real estate, private credit, and hedge funds.

About two-thirds of respondents are thinking about a prolonged low-rate environment, and a similar number are monitoring inflation. In both cases, many are reaching for higher returns and higher risk (increasing their allocation to equities, for example).

Almost **half of all respondents** who are focused on low rates **are considering investments in operating businesses**.

Among respondents who are thinking about a potential rise in inflation, **roughly half are investing in hard assets** such as real estate.

Almost universally, respondents have at least some exposure to private equity. While we observe many family offices invest in private equity through both funds and direct transactions, a greater percentage of respondents in EMEA and Asia indicated they invest through managers in comparison to respondents in the Americas.

The **majority of respondents invest directly in private real estate**. This is an area where we see family offices exhibiting a more hands-on approach, particularly if they have ample experience in owning and operating real estate. Other family offices look to invest through managers who can execute at scale.

Venture capital investing continues to be top of mind among family offices, directly and through funds, with more than 90% of respondents globally indicating that they invest in the space.

Respondents' exposure to private credit is lower relative to other alternatives. That said, we have observed substantial growth in the private credit space in recent years.

Environmental, social, and governance (ESG) is front and center, with a majority of respondents moderately to extremely focused on implementing such principles across their philanthropic efforts, workplace policies, and investing strategy, with an even sharper focus among EMEA respondents. We anticipate that regulatory tailwinds, the next generation coming into investment decision-making seats, and technological and business innovation will serve as key catalysts for a continued shift into ESG investments.

While most respondents are not currently invested in cryptocurrencies, almost half are considering initiating exposure in the future. Among respondents with no current cryptocurrency exposure, their most cited reason for caution stemmed from skepticism about cryptocurrencies as a store of value. Outside of cryptocurrencies, we expect to see family offices monitoring the evolution and potential use cases for other digital assets and blockchain technology more broadly for future investment opportunities.

1 | Family Office Landscape

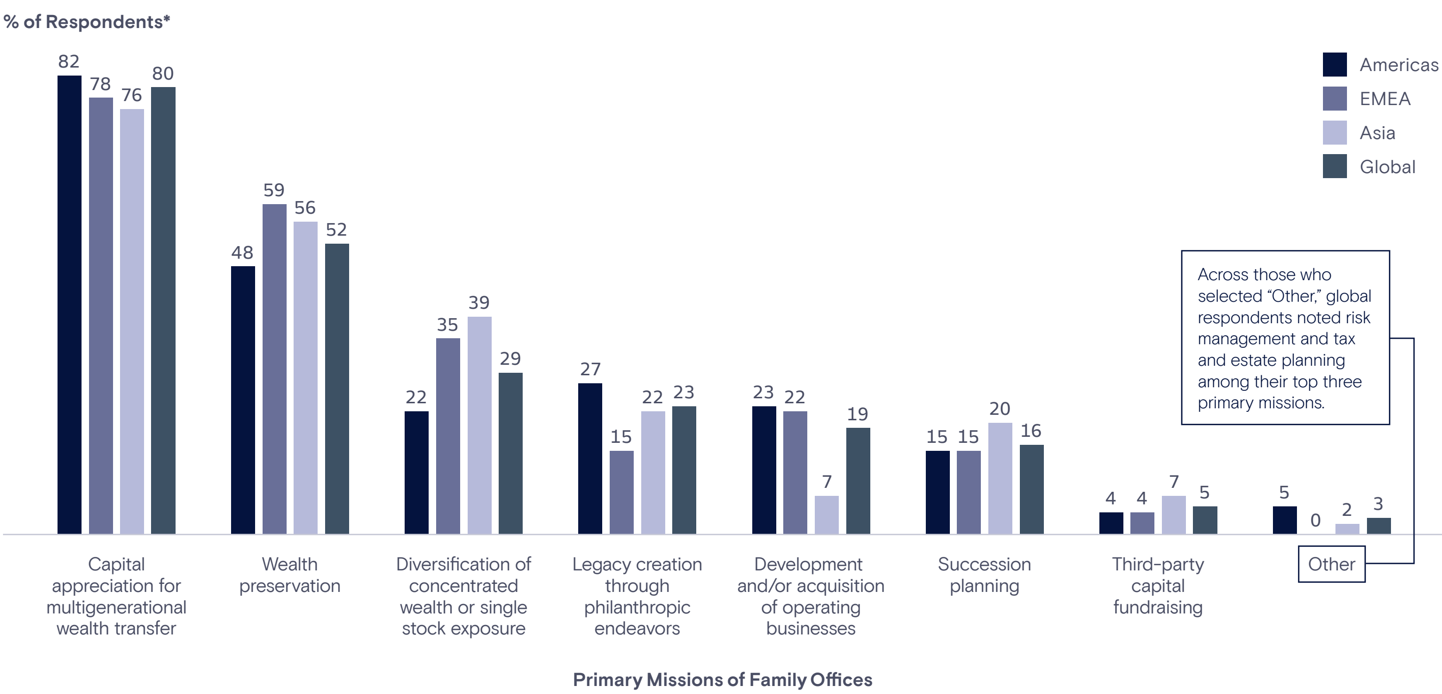
Family Office Missions

Family offices have long existed in different shapes and sizes, and their investment objectives are just as varied. Still, some priorities stand out. In our survey of institutional family offices, we found that 80% of respondents globally consider capital appreciation for multigenerational wealth transfer a primary mission of their family office. Family offices' time horizon—multigenerational, with associated long-term pools of capital—differentiates them from other investors. For example, we see many family offices looking to acquire similar assets as traditional institutions but with a greater capacity to hold in perpetuity. The second-most-prevalent mission was wealth preservation at more than 50% of respondents globally.

Other top priorities (respondents were able to select up to three total) included diversification of concentrated wealth or single stock exposure (29% of respondents), legacy creation through philanthropic endeavors (23%), development and/or acquisition of operating businesses (19%), and succession planning (16%).

We also saw contrasts between regions. A significantly greater percentage of respondents in Asia consider diversification of concentrated wealth or single stock exposure as a top-three

Capital appreciation for multigenerational wealth transfer and wealth preservation are the most common primary missions across all regions.



*Respondents were able to select up to three options.

mission of their family office, relative to their counterparts in the Americas. We find that managing concentrated single stock positions is paramount, given the backdrop of entrepreneurs experiencing substantial liquidity events such as initial public offerings or minority interest sales, which are frequent catalysts for family office formation. We also observed that respondents in Asia are directionally less focused on developing and/or acquiring operating businesses, and those in EMEA don't rate legacy creation through philanthropic endeavors as highly as respondents elsewhere.

Family Office Capital

Family office assets under management continue to grow rapidly, which has resulted in an increasingly institutionalized approach. Family offices also often invest alongside other traditional institutional investors. In many cases, companies raising capital view family offices as favorable investment partners for a few strategic reasons. First, family offices tend to have long investing time horizons because of their predominant focus on multigenerational wealth transfer. While employing similar investment diligence processes as traditional institutional investors, they are able to hold an asset beyond typical time frames (e.g., five to seven years for private equity), and they don't have to underwrite to a predetermined exit timeline.

Second, family office capital tends to be flexible, with sufficient latitude to invest creatively across the capital structure in different asset classes, strategies, and geographies. Family offices tend to be more agile, free from the influence of benchmarks or outside capital constraints. Sizing also ranges widely, with the ability to take on both control and minority transactions; they may write equity checks of less than $25 million or commit $1 billion or more for a single asset. In our survey, the majority of those taking direct minority stakes reported investing less than $25 million, but approximately one in four respondents who make control investments typically invest $100 million or more for controlling stakes. The size of controlling stakes ranged widely, with a majority staying under $100 million, but with some select cases at or exceeding $500 million.

Third, the decision-making process of most family offices is unique. Lean organizational structures typically allow for expedited decisions without the need for formal, multistage investment committee approvals. In our respondent universe, roughly half have fewer than five people on their investing and operational teams, and roughly one-third have only six to 10 people. We have often found that in-house expertise (in building and running multi-million-dollar businesses) can add significant strategic value and create solid ground from which to confidently make transformative investment decisions. For that reason, many entrepreneurs identify with and therefore feel comfortable aligning with family offices. As with many institutional investors, family offices are generally very hands-on with their investments—for example, often participating on boards and leveraging their expansive networks and past experiences to help companies as long-term, strategic partners. Family offices are also highly collaborative with and reliant on trusted networks for sourcing investment opportunities. Club deals allow family offices to pool expertise, infrastructure, and capital.

> While employing similar investment diligence processes as traditional institutional investors, **family offices are able to hold an asset beyond typical time frames**, and they don't have to underwrite to a predetermined exit timeline.

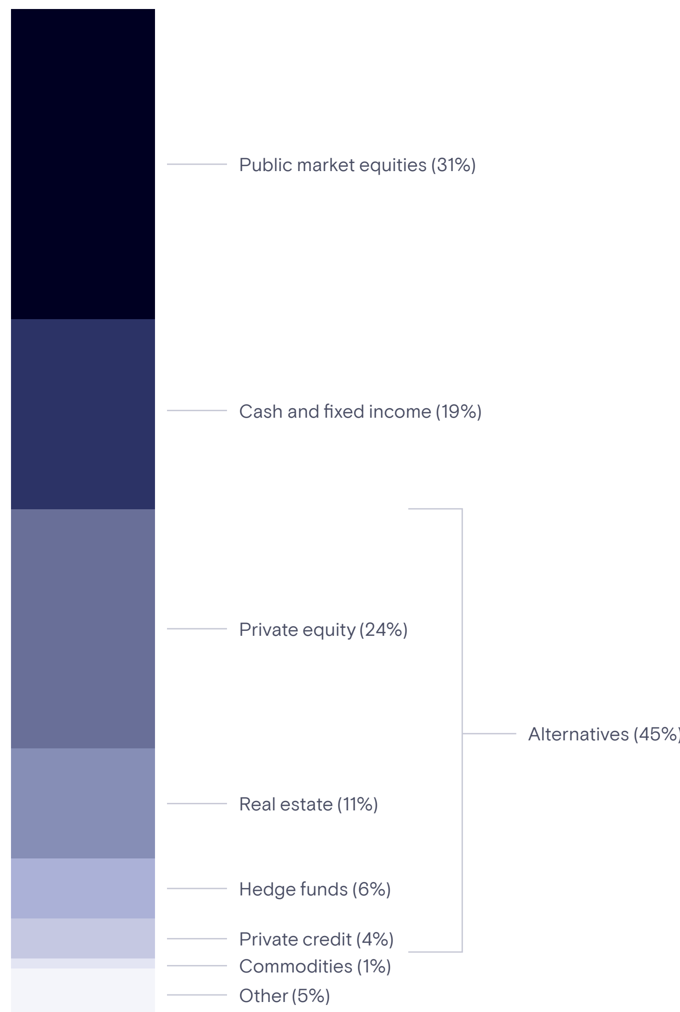
2 | Asset Allocation

Current Allocations

Family offices tend to implement aggressive asset allocation strategies, even more so than taxable ultra-high-net-worth (UHNW) individuals, who already have a higher allocation to equity and alternative asset classes, and a smaller allocation to fixed income.

The survey respondents' bias toward public market equities is largely consistent with what we see among UHNW individuals, and it may be partly attributed to the concentration of wealth in companies that have since gone public. While large family offices' equity allocations may be consistent, we see that they may also include more non-U.S. and emerging market public equities given their return potential. What stands out in the survey is family offices' allocation to alternative investments, which is markedly higher than what we typically see among individual investor groups. On average, global survey respondents have a combined exposure to private equity, real estate, hedge funds, and private credit of about 45% of their portfolio. This larger allocation to alternatives overall aligns with our observations of family offices often having higher return hurdles as well as professional diligence capabilities. It is also in line with what we see among some institutional investors, such as endowments with $500 million or more in assets. While considering illiquidity risk and higher complexity, many investors we speak with believe that investing in private markets can generate incrementally higher returns over public markets. For that reason, some family offices follow the "endowment model."

Average Asset Allocation of Global Survey Respondents



Total percentages may not add up to 100% due to rounding.

> **Family offices tend to implement aggressive asset allocation strategies**, even more so than taxable ultra-high-net-worth individuals, who already have a higher allocation to equity and alternative asset classes, and a smaller allocation to fixed income.

On the other end of the risk spectrum, the average global respondent's allocation to cash and fixed income was about 19% of the portfolio. We find that maintaining an allocation to cash and cash equivalents may allow family offices the flexibility to act quickly as opportunities arise and to meet capital calls for their private equity investments. Additionally, we see that fixed income holdings for a number of family offices include higher-yielding assets. Allocation to cash and fixed income is slightly higher among Asia respondents, who indicated having an average 24% of capital allocated to these asset classes. We attribute this to some clients' view that the positive yield on Chinese renminbi deposits can provide a favorable risk-adjusted return compared with other asset classes amid volatility.

Positioning for the Future

Despite the idiosyncratic nature of the family office investor base, our survey reveals several areas of focus that have emerged when it comes to strategically positioning for the future.

Approximately two-thirds of respondents globally are actively thinking about persistently low interest rates, and a similar portion are thinking about an increase in inflation. While simultaneous focus on the potential for sustained low rates and for rising inflation may seem inconsistent, the extraordinary stimulus that has been injected into markets worldwide has our clients preparing for both outcomes. In our survey, many respondents

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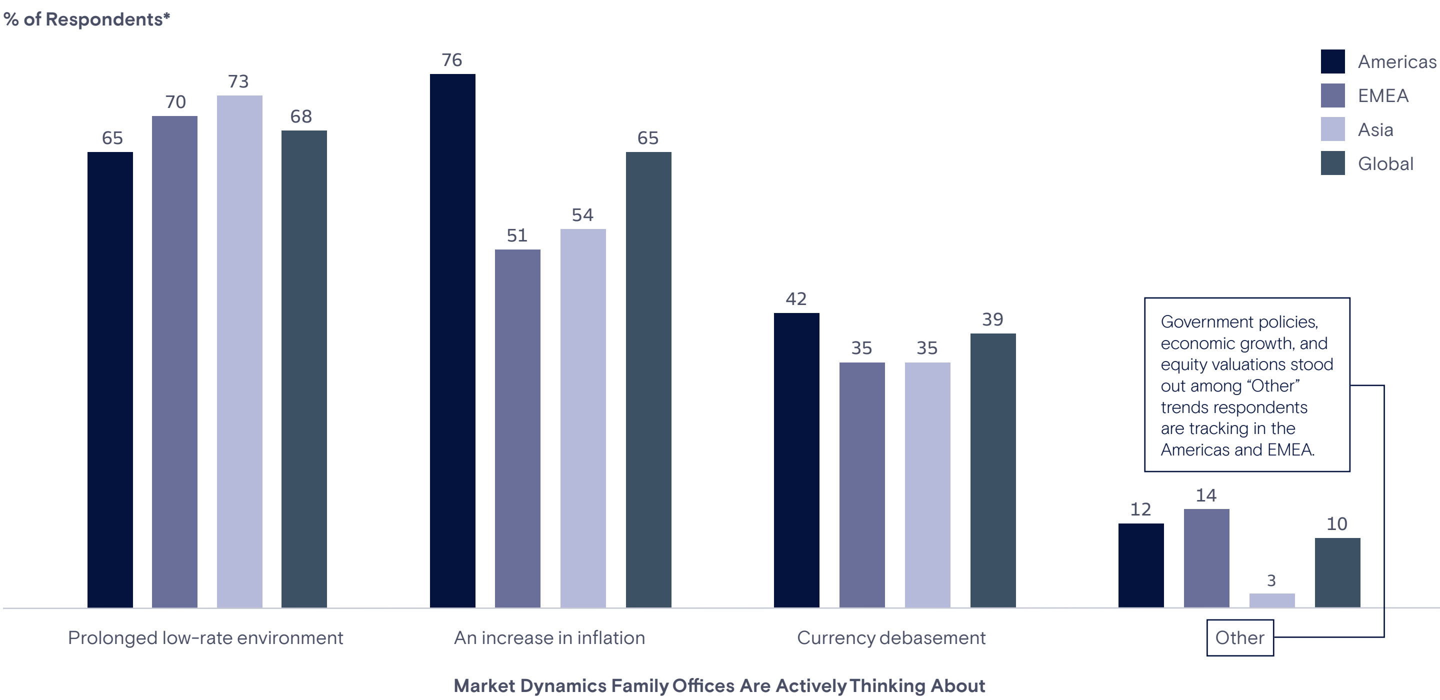
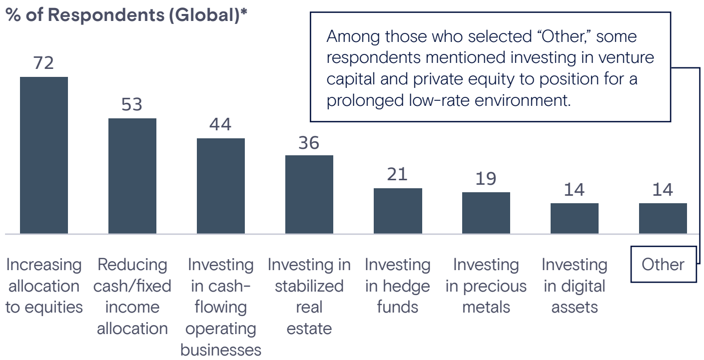
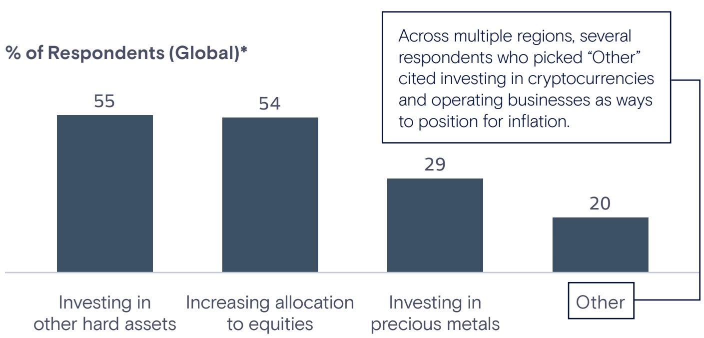


*Respondents were able to select more than one option.

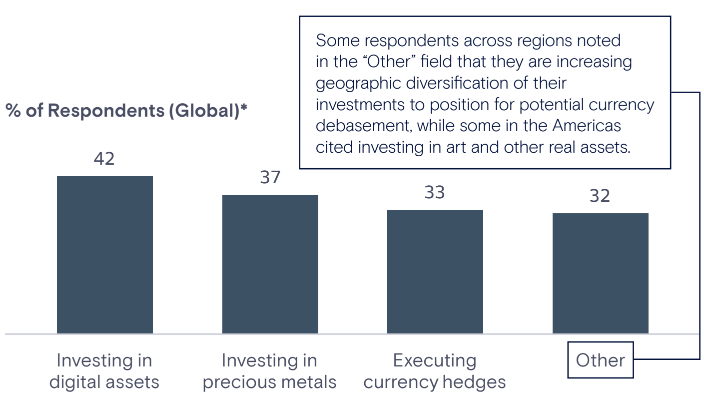
How Family Offices Are Positioning for These Market Dynamics



Positioning for a Prolonged Low-Rate Environment



Positioning for an Increase in Inflation



Positioning for Currency Debasement

*Respondents were able to select more than one option.

reported reaching for more risk in search of higher returns. Over half of respondents globally who are thinking about rising inflation are increasing their allocation to equities. To position for a prolonged low-rate environment, almost three-quarters are also increasing their allocation to equities while reducing their allocation to cash and fixed income.

Of the global respondents who are focused on low rates, 44% reported they are looking to invest in operating businesses. This is in line with a global trend we have observed among a select group of families who have experience running operating businesses. Increasingly, families have shown an appetite for outright acquisitions of, or majority stakes in, businesses with stable cash flow that can fund growth and future acquisitions.

We also see family offices investing in operating companies to defend against a potential increase in inflation. The idea is to gain greater access to cash-generating assets. Additionally, roughly half of survey respondents who are actively thinking about an increase in inflation are investing in hard assets. While the hard assets complex traditionally includes precious metals, art, and other collectibles, we find in our conversations with family offices that real estate is still the primary preferred alternative asset to combat the risk of wealth erosion from rising inflation. We attribute this in part to prospective tax-advantaged income. For those utilizing real estate to protect against inflation, certain sectors such as multifamily are in sharper focus due to the potential to benefit in an inflationary environment as rents reset. Real estate is also appealing to those thinking about sustained low rates, with over one-third of survey respondents globally indicating they are investing in stabilized, cash-generating real estate.

As the global economy recovers and investors position for inflation, about 40% of global respondents are thinking about currency debasement. Among those currently positioning for this catalyst, digital assets (42%) and precious metals (37%) are the most popular implementations, with the former supporting family offices' interest in cryptocurrencies (see page 15 for more on digital assets).

3 | Investing Themes

Alternative and Private Investments

Family offices, like other investors in alternatives and private markets, are seeking more upside given their return hurdles, especially as interest rates remain at historically low levels globally. Investors tell us that they are continuing to allocate more to private equity and other opportunistic asset classes.

More than

90%

of respondents globally **invest in venture capital**.

The vast majority of respondents in our survey—at nearly 100%—invest in private equity. We see that when investing via funds, family offices look for a deep and experienced team with whom they have partnered in the past, a robust track record and co-investment pipeline, and often a targeted focus area. We continue to see a focus on emerging or disruptive trends (e.g., biotech, food technology, energy transition) that are less commonly understood or where family offices have limited in-house expertise. Globally, we see a wide range of investment approaches, and many family offices invest both through managers and directly. Significantly more EMEA and Asia survey respondents indicated they approach private equity investing through managers, in contrast to respondents in the Americas, many of whom invest directly. In fact, this is the case across alternatives implementations for EMEA respondents, who tend to be less likely to invest directly in private equity, venture capital, and private credit in contrast to respondents from the Americas. What we have found in EMEA is that family offices tend to be more conservative in their deployment of capital when it comes to direct investing relative to their Americas counterparts. This may be a result of fewer direct equity private placement offerings available to the family office community in certain parts of the region historically, although availability of these opportunities has materially increased in the past few years while family offices have increased their sourcing and due diligence capabilities.

Venture capital investing is a significant area of interest among family offices that participated in our survey—more than 90% of respondents globally indicated they invest in the asset class. We have observed family offices increasing their allocation to venture capital as they search for high-growth investment opportunities amid the macroeconomic backdrop. Despite venture capital opportunities being difficult to source and evaluate, our survey suggests that family offices globally are roughly split between investing through managers and going directly. A narrowing cohort of top managers, as well as an expansion of family office networks, has led to more families allocating directly through their networks, albeit in smaller portions. We often hear that it is more challenging outside of the U.S. to connect with top managers given the concentration of activity in areas like Silicon Valley. Family offices have also shown interest in seeding strategies, which may offer attractive economics and the ability to develop closer partnerships with emerging managers. Venture capital debt is another area of interest, as it serves as a way for investors to potentially increase exposure to high-growth technology companies, and possibly

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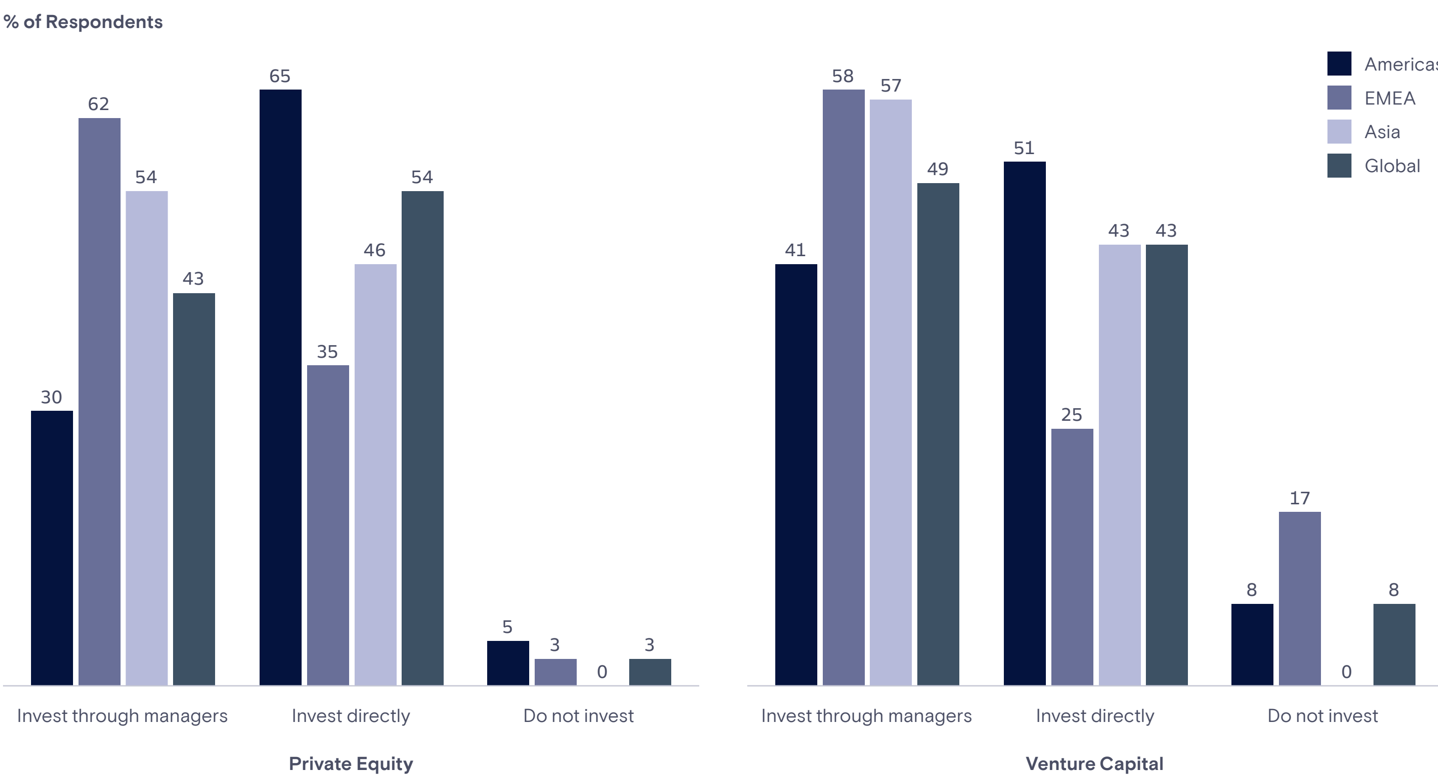
benefit from monetization of convertible or preferred debt into equity as companies reach later stages in their life cycles. However, investing in venture capital debt opportunities in meaningful size can be challenging because typical debt issues and issuers are relatively small, the nontraditional channels through which these opportunities arise can be difficult to navigate, and the supply of potential deals is constrained by the fact that most early-stage companies raise equity financing.

Among family offices, private credit has historically seen a smaller allocation relative to other alternative asset classes. In our survey, about 30% of respondents globally reported they do not currently invest in private credit. We attribute this primarily to potentially lower comparative returns and, to some

Family offices' approach for investing in alternatives is varied.



extent, tax considerations for onshore U.S. taxable investors. To that end, we have seen family offices show interest in this space for their foundations or other entities that do not have the same tax considerations. While investments in U.S. private credit can be more tax efficient for non-U.S. family offices, we find that the overall appetite for both U.S. and non-U.S.-originated investments is still tempered by local nuances and higher relative interest in other alternative opportunities. That said, the private credit space has grown substantially in the past decade. Within private credit, most deals we have seen have been either refinancings or private debt issuance in conjunction with M&A, with a focus on seniority in the capital structure. In periods of challenging market dynamics, we have seen a pickup in interest in more bespoke, higher-risk credit products. Family offices can act quickly to take advantage of market dislocations, investing in opportunities with very attractive risk-return profiles, such as mezzanine and preferred financings. While some institutions and financial intermediaries may have limited balance sheet flexibility during these periods, family offices are often able to be agile.

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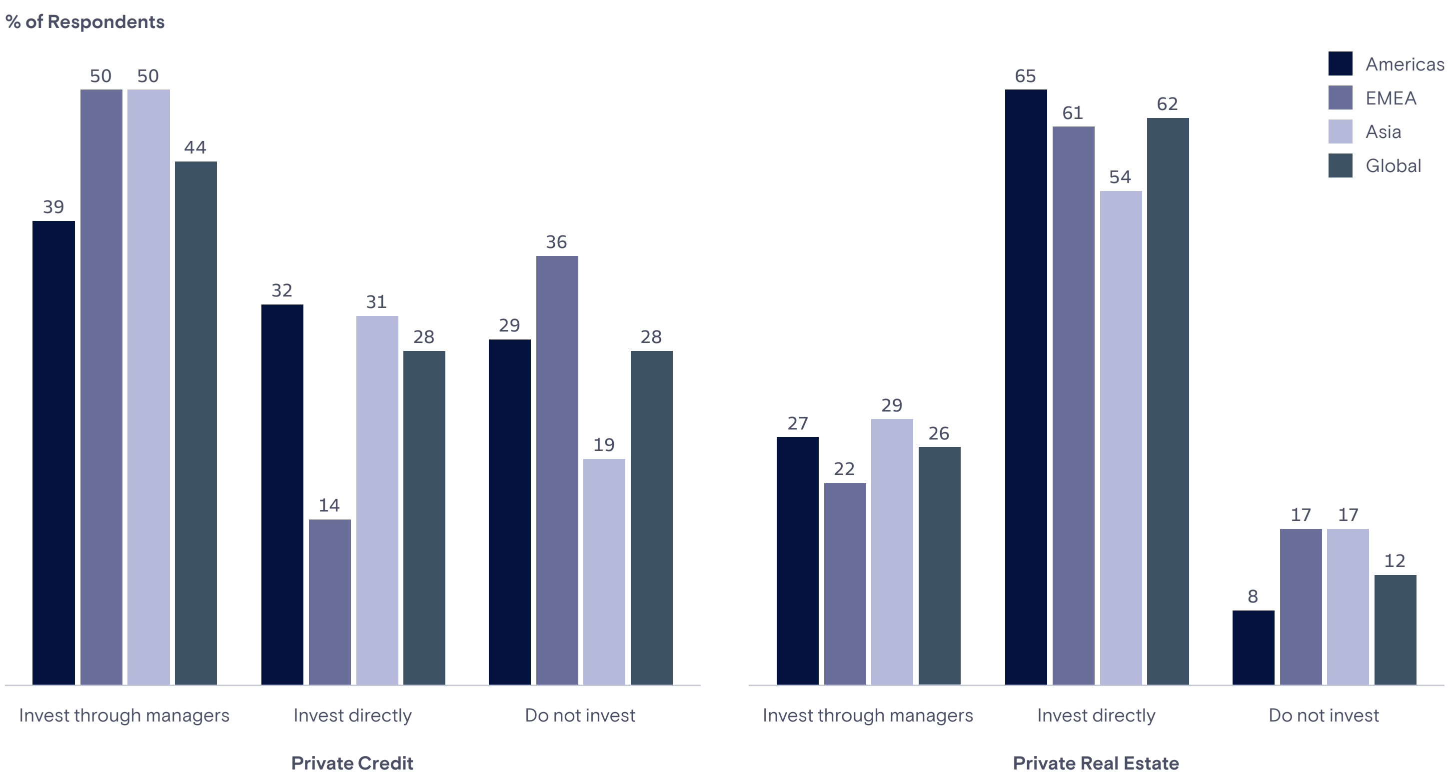


Globally,

>60%

of **family offices investing in private real estate invest directly** versus through managers.

The relative stability of their capital base stems from the lack of investor outflows or risk controls that may constrain other pools of capital, such as some hedge funds. Separately, another area of opportunity within the private credit landscape where we see family office interest is real estate credit. Real estate credit strategies can provide clients with an alternative source of yield and exposure to a breadth of real estate assets through shorter-duration investments, as a way to distribute their risk.

Of the family offices that reported they invest in private real estate in the survey, more than 60% globally indicated they invest directly versus through managers. We find that families often feel comfortable investing directly if they have a history of being real estate owners and developers. Family offices with ample experience may encounter lower barriers to entry given the still somewhat fragmented nature of the real estate market. They also often have opportunities to invest directly with local operators. Other advantages of investing directly may include greater discretion over investment, sale and financing decisions, and potential tax-related benefits. Nevertheless, some family offices recognize that it may be difficult to execute strategies effectively on their own in an increasingly competitive and rapidly evolving market. Real estate investing requires a deeper understanding of secular and demographic trends, as well as underlying tenant and industry drivers, which have rapidly changed perceptions of "safety" in the current environment. We are witnessing a paradigm shift from traditionally core assets, such as retail and office, to sectors supported by demographic tailwinds (e.g., senior housing and population and employment migration) and innovation-driven growth (e.g., e-commerce, logistics, and health sciences). For these reasons, family offices may look to invest with managers who have the execution capabilities to drive alpha and access to a broad range of opportunities across sectors, geographies, and risk profiles. In addition to investing in large and experienced managers, families often have opportunities to invest in club deals with friends, family, or local operators.

Families often feel comfortable investing directly if they have a history of being real estate owners and developers.

Direct Investing

Broadly speaking, interest has shifted toward gaining direct exposure to alternatives and private investments, and we expect this trend to continue. Appetite for direct investing is on the rise given the perceived ability to be more selective, gain increased transparency and control (including over the duration of the investment), and pay lower fees. As a result, we have seen many large family offices building out their direct investing capabilities to conduct due diligence and manage direct private deals.

Family offices' criteria for direct investing differs depending on whether they are taking a minority or majority stake. Many elect to pursue growth equity opportunities for minority stakes, whereas they tend to seek more mature businesses with strong cash flows and seasoned management teams, or companies with a clear path to profitability, for buyouts and controlling stakes. Unsurprisingly, we see family office interest concentrated in sectors where they have direct or indirect operating expertise. In our conversations, we have also found that many family offices, like some institutional investors, are acutely focused on acquiring family-owned/controlled or founder-led businesses.

While many family offices often provide capital to support financings led by other investors who set terms, we see an increasing number of family offices that can lead. In our survey, almost three-quarters of respondents who make direct investments reported they have the ability to lead capital raises. We have seen family offices lead deals where they priced out private equity firms. In other cases, we have seen family offices that were more like-minded and constructive on the terms, and also emphasized the partnership opportunity.

It is worth noting that about 40% of respondents globally expressed interest in special purpose acquisition companies (SPACs) and in private investments in public equity (PIPEs). The space presents an interesting interplay between family offices' direct public and private portfolios. We expect family offices, like traditional institutions, will continue to monitor the evolution of financing alternatives beyond initial public offerings, including direct listings and de-SPAC transactions, when deploying capital and as they consider funding alternatives for their portfolio companies.

> We have seen family offices lead deals where they priced out private equity firms. In other cases, **we have seen family offices that** were more like-minded and constructive on the terms, and also **emphasized the partnership opportunity**.

> Almost
>
> 3/4
>
> of respondents who make direct investments reported **they have the ability to lead capital raises**.

Digital Assets

The digital assets landscape has experienced significant growth, and family offices' focus on the space has grown in tandem. While just a small portion of the survey respondents—about 15% globally and, notably, about 25% in the Americas—have exposure to cryptocurrencies to date, almost half indicated they may be interested in initiating exposure in the future. Additionally, our conversations with family offices indicate they are interested in getting exposure not only to cryptocurrencies but also to innovation in the digital assets ecosystem.

Some family offices are considering cryptocurrencies as a way to position for higher inflation, prolonged low rates, and other macroeconomic developments following a year of unprecedented global monetary and fiscal stimulus. Of the approximately two-thirds of family offices that are actively thinking about an increase in inflation, digital assets emerged as one portfolio solution. Currency debasement has also been top of mind for about 40% of global respondents, with more than 40% of this subset indicating they would consider investing in digital assets. Looking ahead, regulatory developments will likely play a notable role in the evolution of this space around the globe.

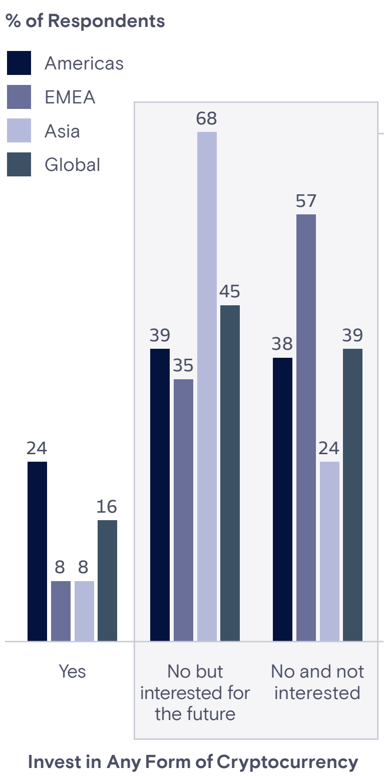
Almost

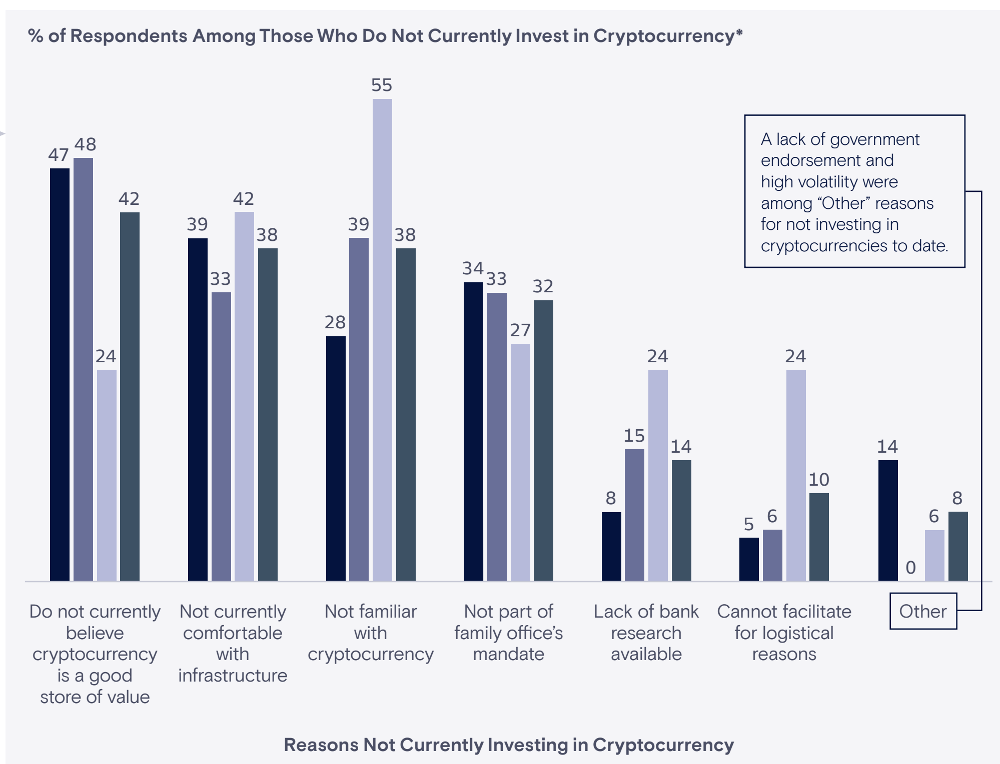
50%

globally indicated they **may be interested in initiating exposure to cryptocurrencies** in the future.

It is important to recognize there is a lack of consensus within this space. Across regions, just under 10% of Asia and EMEA respondents had existing investments in cryptocurrencies. Among respondents with no cryptocurrency exposure, their most cited reason for caution stemmed from a view that cryptocurrencies are not a good store of value. Some respondents also said they had reservations about the underlying infrastructure (e.g., custody options and exchanges) or that they weren't familiar with the digital assets space. Additionally, we have found that investors are increasingly critical of the environmental impacts of cryptocurrency mining (Bitcoin in particular). The space continues to evolve, and ESG implications are in particular focus.

Among respondents with no cryptocurrency exposure, their most cited reason for caution stemmed from a view that cryptocurrencies are not a good store of value.





*Respondents were able to select more than one option.

A **majority of global respondents** indicated they **are moderately to extremely focused on implementing ESG principles** through their philanthropic efforts, workplace policies, and investing strategy.

Outside of cryptocurrencies, we expect that family offices will continue to focus on monitoring the evolution and potential-use cases for other digital assets and blockchain technology more broadly. Indeed, enterprise blockchain technology is being deployed in a wide variety of applications, from global supply chain management, to transportation, to health care systems, to traditional financial institutions and their capital market businesses (e.g., through the tokenization of traditional assets such as bonds). In addition, asset classes that are of particular interest to family offices—private equity, venture capital, and leveraged loans—could be areas of possible disruption given the potential for friction and reconciliation issues associated with current manual, physical processes. The standardization of data and use of blockchain technology may usher efficiencies into these asset classes, and ultimately improve liquidity and reduce transaction costs for investors.

Environmental, Social, and Governance (ESG) Investing

ESG continues to gain traction across the family office investor base. When it comes to implementing ESG principles, a majority of respondents globally indicated they are moderately to extremely focused on doing so through their philanthropic efforts, workplace policies, and investing strategy. There is an even higher focus on ESG among EMEA respondents, with more than 80% moderately to extremely focused on implementing ESG in all three areas. To date, we have seen EMEA leading the ESG charge, and we expect to see other regions follow suit as local regulations focus more on various parts of the ESG landscape. For example, we could see policies emerge, such as emission caps, that impact corporate operations.

Historically, we have observed a distinction between families' investment and philanthropic objectives, but we are now seeing greater alignment between the values and frameworks applied to both pools of capital. Across the investing universe, ESG strategies tend to fall into three primary buckets—alignment (i.e., benchmark-aware portfolio strategy that screens for ESG factors), integration (i.e., active portfolio strategy that incorporates ESG factors as a driver of portfolio outperformance), and impact (i.e., investments that produce sustained alpha as well as positive social or environmental outcomes). We continue to observe a shift in investor preferences from passive alignment to active management, as ESG-integrated investments have, on average, outperformed the broader market in recent years. Beneath the surface, investments tied to environmental and climate-related solutions have experienced tremendous growth, with rising interest in health, waste, and inclusion opportunities, as well.*

*Derek R. Bingham, "GS SUSTAIN: ESG Tracker: Opportunity in the green pullback," Goldman Sachs Global Investment Research, May 23, 2021

More than

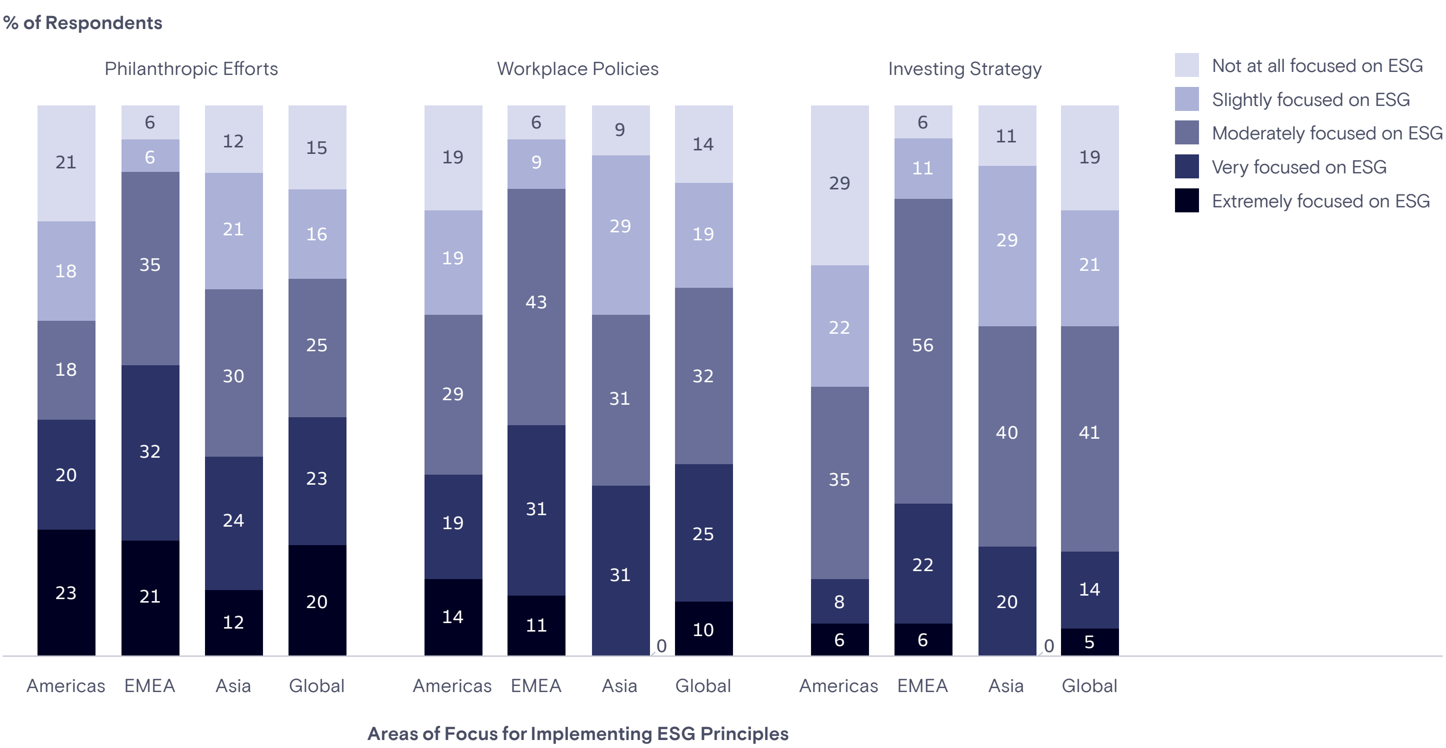
80%

of **EMEA respondents are** moderately to extremely **focused on implementing ESG** principles.

About 60% of survey respondents have implemented ESG strategies in their portfolios, through a variety of methods, including direct investments in companies solving social or environmental challenges, and allocations to private and public managers. Regionally, our survey revealed that about two-thirds of EMEA and Asia respondents have accounted for ESG factors in some capacity in their family office's investment portfolio, with those in the Americas directionally in tow.

Looking ahead, regulatory tailwinds—such as the Biden administration's commitment to cut U.S. emissions in half by 2030, the European Union's commitment to reach net-zero emissions by 2050, China's pledge to be carbon neutral by 2060, and the United Nations' Sustainable Development Goals—

A majority of global respondents indicated they are moderately to extremely focused on implementing ESG principles.



Total percentages may not add up to 100% due to rounding.

could drive a continued shift in investor preferences and capital toward ESG investments. Despite past federal policy headwinds in the U.S., we still witnessed significant inflows into ESG investing strategies through 2020 in the region. The current U.S. administration's focus on environmental policy, combined with the regulatory backdrop, points to even more support for sustainable investing.

In addition to the rollout of ESG-driven regulations, we anticipate that an increased presence of next-generation leaders in investment decision-making will serve as a key catalyst for a continued shift into multifaceted ESG portfolio implementations. We find that younger family members have a greater focus on the environmental and social impact of underlying investments, in addition to their focus on returns. This rise in demand is paired with a growing universe of sustainable investment opportunities, given the pace of technological and business innovation. As corporations become more focused on integrating sustainable practices into their supply chains, emerging companies have the opportunity to fulfill demand for new sustainable products and services. In addition, as entrepreneurs continue to innovate, family offices and other investors are increasingly able to deploy capital toward early-stage alternative and sustainable solutions. We believe that the potential opportunity set will continue to expand across asset classes, ranging from green bonds to thematic funds and bespoke private investment opportunities.

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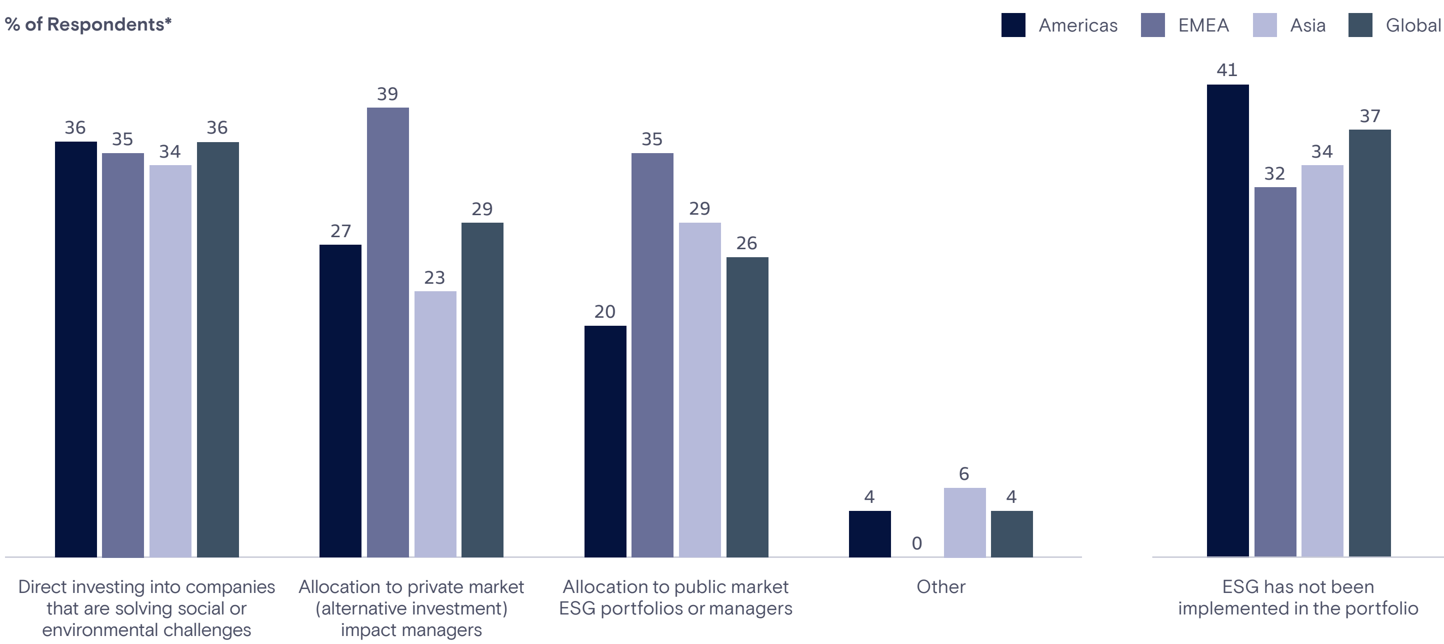

Areas in Which Family Offices Are Investing with an ESG Lens

Family Offices Not Implementing ESG Strategies in Their Portfolios

*Respondents were able to select more than one option.

Concluding Remarks

As agile and largely unconstrained investors, family offices have a fair degree of flexibility in managing and preserving their wealth. Our inaugural survey of family offices around the world identified how they take advantage of these inherent characteristics. We found that, broadly speaking, family offices tend to be more aggressive in seeking superior returns but also more long-term oriented given their lack of defined investing timelines and absence of outside interference.

We will be keenly watching how responses change in the years ahead, as we expect the family office constituency will increasingly define the investment universe in which it operates.

We remain focused on providing you with thought leadership from across the firm. As always, please reach out to us with any feedback.

Acknowledgements
This report is the culmination of many conversations and meetings, with engagement from a broad network of invaluable resources. It would not have been possible without the efforts of many individuals both inside and outside of our firm, and we want to thank each of them for their generous contributions of time and perspective.

Contact for Media Inquiries
Andrew Williams
Tel: +1 212 902 5400

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