REGIONAL FAMILY OFFICE REPORT

Africa

Engagement in philanthropic endeavours

Contents

Introduction

Throughout Ocorian's Family Office regional report we're going to deep dive into the nuances, trends and themes of the evolving landscape of family offices across different regions, the natural succession of wealth and leadership within families, how the professionalisation of the family office has changed in the past five years, and what services we provide that can assist you on your journey.

Our experts at Ocorian: Kenny Curpen, Client Director – Africa and John Felicite, Commercial Director – Africa, respond to the data that we've gathered from our international study, and explore the move to increase exposure to alternatives, the jurisdictions looking to establish themselves as international finance centres (IFCs), and the biggest challenges facing family offices across Africa.

Key research finding

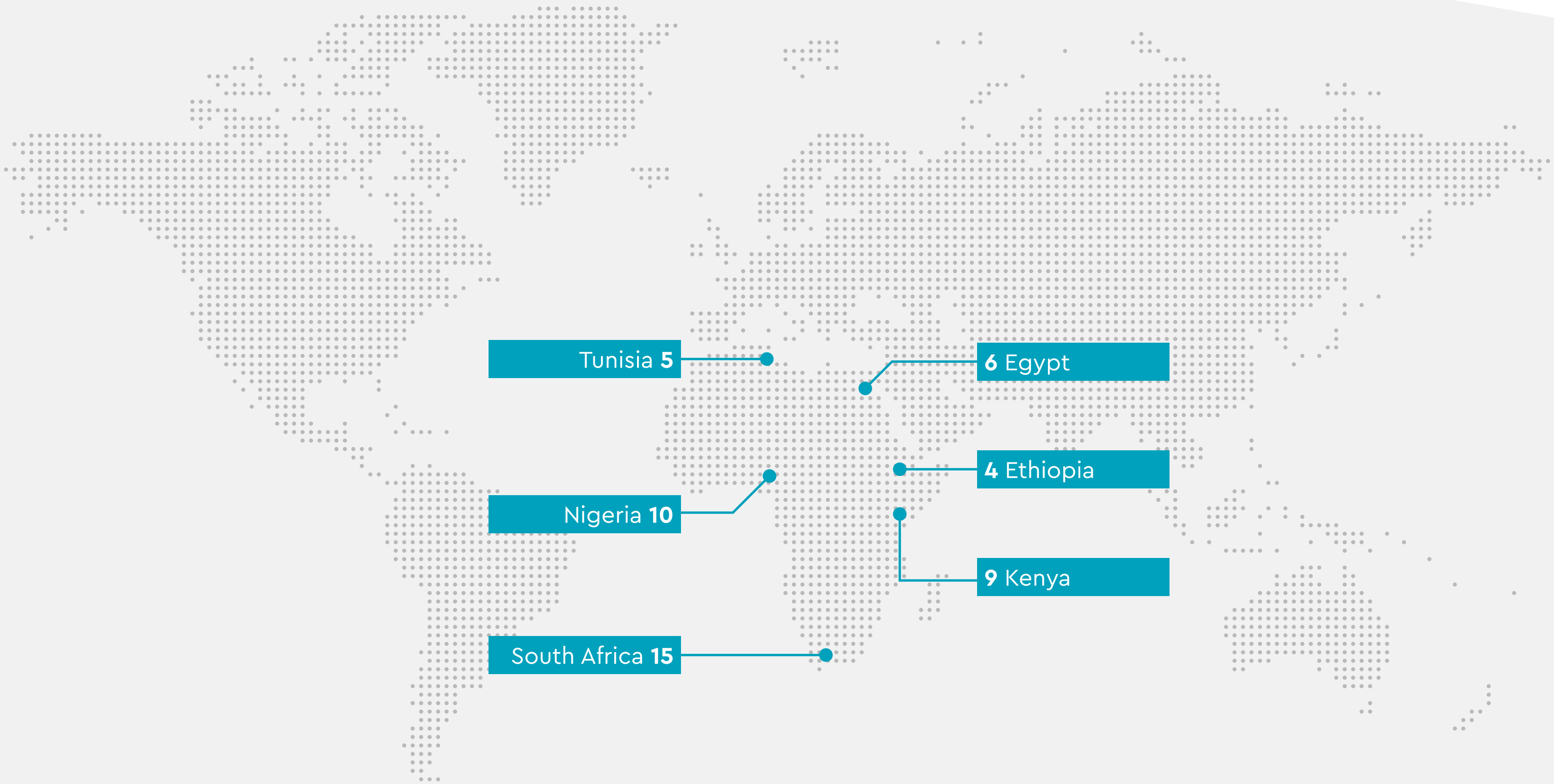
- The importance of succession planning
- Investing in the continent's future
- Family offices engaging in philanthropic endeavours
- The importance of governance
- The jurisdictions looking to establish themselves as IFCs
- The journey ahead for family offices

Research background

The research was conducted by independent research agency PureProfile. It asked 45 questions in total and was completely anonymous – respondents didn't know the survey was Ocorian led.

It was completed by 43 respondents in total who all outsource to third-party service providers. Respondents were from both single and multi-Family Offices and help to manage over $100 million or more of family wealth.

Respondents by geographic region



Perceptions of Africa's wealth are vastly outdated, and this has led to the private client industry not paying enough attention to a continent that is on a growth journey.

Africa is projected to have a population of 2.5 billion people by 2050 and that increase is accompanied by a rise in living standards and a burgeoning and aspirational middle class[1]. Importantly for family office professionals, there are 400 companies in Africa with a turnover of more than $1bn[2]. The continent is home to an estimated 6,700 multimillionaires (more than $10m), 305 centimillionaires (more than $100m) and 21 billionaires[3]. As wealth grows, so does the demand for family office services.

Just as the African context for wealth creation is unique, so are the challenges facing family offices and the wealthy: they must navigate fluctuating currency values, political instability, and changing market dynamics, alongside global geopolitical and financial market forces.

Are you seeing a natural succession of wealth and leadership within the families you manage the wealth of?

100.0% Yes

0.0% No

0.0% Unsure

1 Africa: Population Projections for 2030, 2050, and 2100 (arcgis.com)
2 Winning in Africa's consumer market | McKinsey
3 Richest countries in Africa by private wealth 2021 | Statista

The importance of succession planning

100% of regional respondents to our survey are seeing a natural succession of wealth and leadership within the families they manage the wealth of. Succession planning is vital for ensuring that the heads of the family manage the involvement of the next generation and protect the future of the assets that, in many cases, they have personally worked hard to attain.

Paradoxically, 74% of respondents believe that more needs to be done around succession planning, as family offices also recognise the challenge of ensuring smooth transitions between generations. The transfer of wealth and management responsibilities can be fraught with challenges, so without a well-defined succession plan, family offices risk fragmentation of their assets and the potential for conflict among heirs.

A viable solution to this could be establishing a foundation where the founders maintain their leadership roles, and the next generation are included on the board as they become ready to contribute. The founders would then eventually step back once they are confident in their children's ability to manage and grow the business.

There is sometimes an assumption when we talk about succession planning that next generation wants to be involved in the family business. Across the world, the next generation have different experiences and values to their parents, which lead to different priorities and approaches to financial management.

As more family offices manage significant wealth, there is a growing realisation that more needs to be done around succession planning. How strongly do you agree or disagree with this view?

26.0% Strongly agree

74.0% Slightly agree

0.0% Don't know

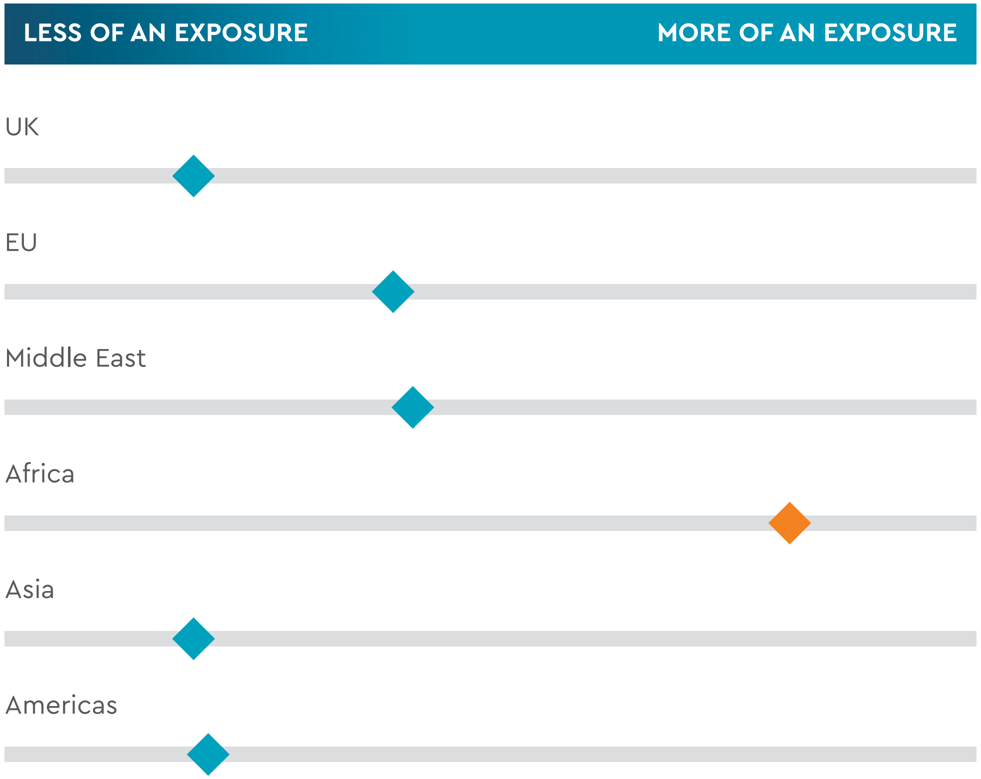
0.0% Strongly disagree

0.0% Slightly disagree

The influence of the next generation is one of the driving factors behind an increased exposure to alternative asset classes, as younger investors pursue greater returns more aggressively, and are willing to take on greater risks in order to get them.

Many traditional investors continue to favour real businesses and companies for their investments and alternatives provide a way into this space that isn't through the traditional equity investing. Instead, private equity, private capital and investor clubs all allow for the deployment of private capital through institutional-style investment vehicles. This can be a handy bridge between the generations when it comes to investing family wealth.

If you agree, in which jurisdictions are you seeing an increased exposure to alternative asset classes, either thinking about where your family / family office is based, or where the assets / investments are based?



81% of regional respondents to our survey are seeing an increase in exposure to alternative asset classes in Africa alone, primarily in where the assets or investments are based.

There is also a growing interest in digital assets among the next generation, particularly in cryptocurrency. This surge in interest is largely driven by the desire to protect wealth from the depreciating value of local currencies and it offers higher returns compared to traditional investments.

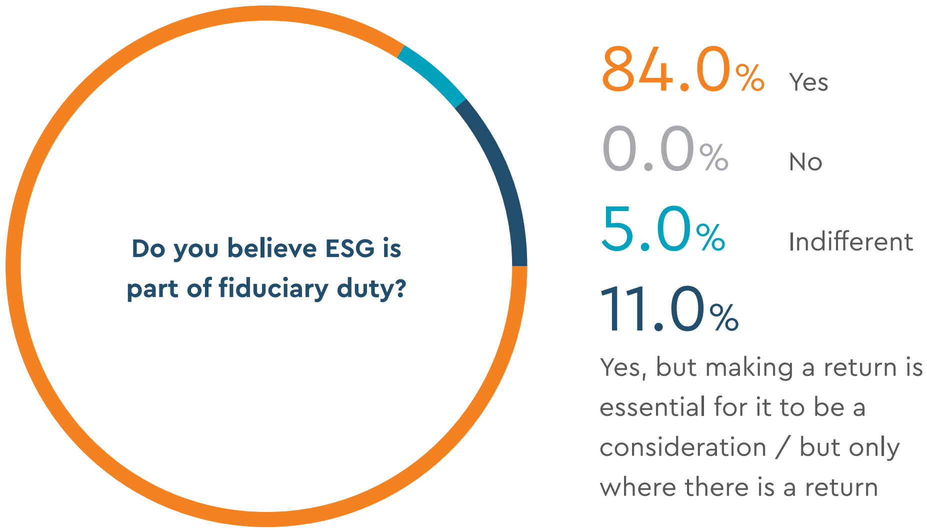
Investing in the continent's future

84% of people believe that Environmental, Social, and Governance (ESG) factors are part of fiduciary duty, however when it comes to acting on this, many families have not yet addressed all three aspects simultaneously.

In a continent that is feeling the acute and immediate effects of climate change – especially droughts and heatwaves – there is a strong sense that environmental factors need to be addressed, but many lack the luxury to focus on environmental impact.

However, the social aspect is particularly important; we see wealthy families prioritising job creation and a desire to have more control over their own destinies. Many members of the next generation, educated overseas, return to the family business driven by the goal of leveraging their skills, knowledge, and contacts to make a difference in sectors like finance, agriculture, and energy, aiming to invest to better their home economies.

In Africa, "investment with a purpose" is a significant trend. Families are focused on making economically viable investments that yield tangible returns while also improving the standard of living for themselves and their communities).



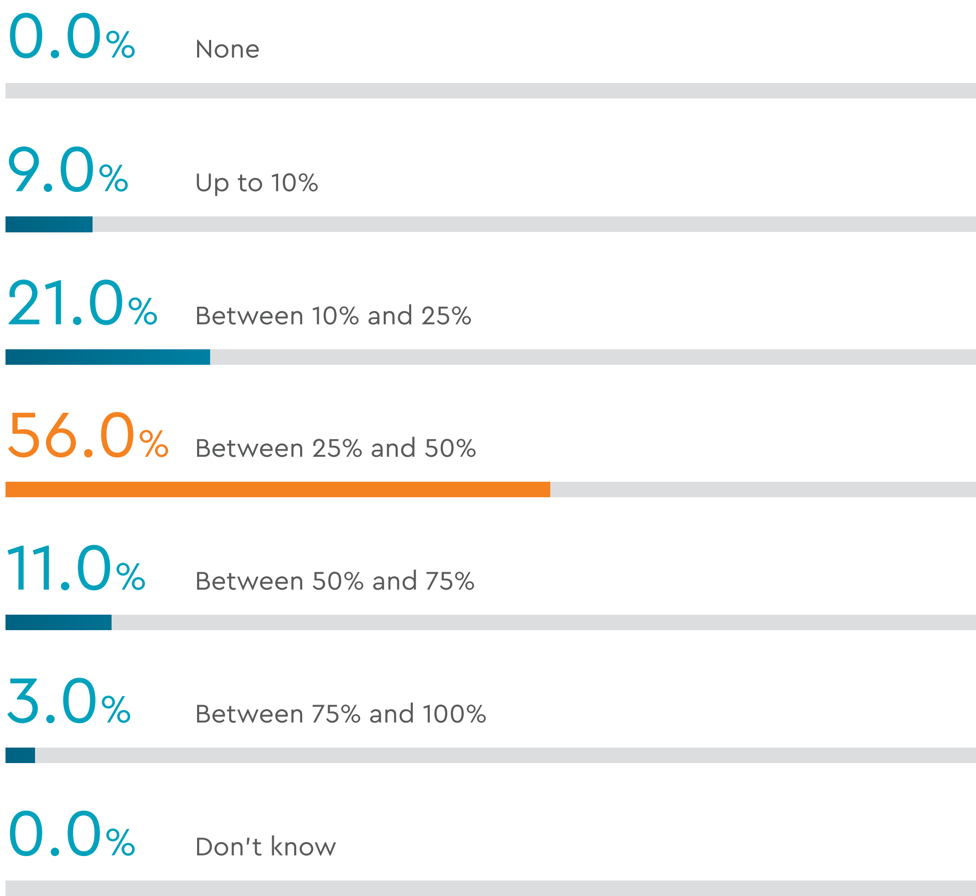
Family offices engaging in philanthropic endeavours

African family offices are increasingly engaging in philanthropic endeavours, identifying their role not only as wealth managers but also as contributors to social change and community development.

Crucially, they are at the forefront of a trend that sees younger UHNWIs especially recognising that investments can 'do good' alongside producing returns. 100% of regional respondents to our survey expect to see some percentage of return from philanthropic endeavours over the next five years.

Many affluent families in Africa view philanthropy as a way to give back to their communities and address pressing societal issues such as poverty, education, and healthcare. This growing trend reflects a shift in mindset among wealthy families, especially in the next generation, who see their philanthropic efforts as integral to their legacy and family values.

What percentage of your family or your family offices' philanthropic financial support does it expect to see an investment return on?



Education is a primary focus for many African family offices, with significant investments directed towards improving access to quality education and supporting youth development. Many family offices establish scholarships or fund educational institutions to enhance educational infrastructure in underserved areas. By prioritising education, these families aim to empower the next generation with the skills and knowledge needed to thrive in a fast-changing world, ultimately contributing to broader economic growth and stability.

Healthcare is another critical area of philanthropic involvement. Family offices often support initiatives aimed at improving healthcare access and outcomes, particularly in rural and disadvantaged communities. This may include funding hospitals, health clinics, and programs focused on maternal and child health. Through these efforts, family offices are making significant strides in improving public health and well-being across the continent.

Environmental sustainability has also emerged as a vital focus for philanthropic efforts. Knowing the impact of climate change and the importance of conserving natural resources, many families are investing in initiatives that promote sustainable agriculture, renewable energy, and wildlife conservation. By supporting projects that protect the environment and promote sustainable practices, these family offices are contributing to the long-term health of their communities and the planet.

The importance of governance

The African family office ecosystem is an increasingly complex one, and therefore needs a strong thread to tie its myriad concerns and components together. That thread is a golden one: governance.

Establishing the right governance structure is a critical challenge for family offices in Africa, but at least it's one that is widely acknowledged. 88% of regional respondents to our survey believe that one of the biggest challenges is ensuring that family offices have the right governance in place to enable them to meet the needs and expectations of family members. Effective governance is essential for making informed investment decisions and maintaining transparency among family members. Many families struggle with unclear roles and responsibilities, leading to conflicts and inefficiencies.

Implementing robust governance frameworks can help family offices streamline decision-making processes, enhance accountability, and foster better communication. This is particularly important as the next generation begins to take on more significant roles, bringing with them new perspectives and expectations that can sometimes cause conflict with traditional practices.

While the matriarch or patriarch still plays a significant role in decision-making, it's crucial to consider how to structure the business for the next decades. Robust processes and discussions led by professionals are helping families face up to the politics of succession planning, the balance of wealth preservation and growth, and the importance of having the right family members performing the right roles.

- 75% Ensuring our investment portfolio is properly managed and aligned with the risk/return profile of the family/families
- 28% Upgrading our technology
- 88% Ensuring we have the right governance in place to enable us to meet the needs and expectations of family members, for example, giving each member the ability to be heard
- 39% Navigating regulatory compliance issues
- 16% Managing costs
- 39% Maintaining confidentiality and privacy
- 28% Preserving value of assets
- 35% Preparing the next generation for their wealth transfer
- 21% Managing leadership transitions
- 19% Strengthening family governance
- 14% Enhancing philanthropic impact
- 16% Managing family spending
- 7% Ensuring best practice around tax and regulatory issue
- 0% Political uncertainly
- 42% Ensuring we have a robust family succession plan in place
- 33% Ensuring the investment portfolio is being properly managed

The jurisdictions looking to establish themselves as IFCs

With wealth growing across the continent, it's natural that a number of jurisdictions have spied an opportunity to work with the region's UHNW individuals and families through favourable tax and regulatory environments, expert service providers and meeting international transparency standards. To that end, several African jurisdictions are actively working to establish themselves as IFCs to attract foreign investment and stimulate economic growth.

Countries like Rwanda, Botswana, and Mauritius are leading this effort, each capitalising on its unique strengths. Rwanda aims to become a hub for technology and innovation, while Botswana seeks to diversify its economy beyond diamonds into financial services. These jurisdictions are developing robust regulatory frameworks, improving the ease of doing business, and fostering international partnerships to enhance their competitiveness in the global financial landscape.

Rwanda has often positioned itself to compete with Mauritius, as has Botswana. While Kenya also attempted to compete, it eventually recognized the advantages of collaboration with Mauritius rather than direct competition. After successfully rebuilding following the civil war in the 1990s, Rwanda has become impressively safe and secure, encouraging long-term investments in the country.

Botswana is striving to move away from its reliance on diamond mining, consistently ranking among Africa's top economies. However, it faces challenges in this transition, as it lacks the depth of knowledge needed to operate effectively as an IFC. Despite these hurdles, Botswana's small population presents an opportunity for growth in the financial sector.

Mauritius is leading the charge, already recognised as a well-regulated IFC, it continues to enhance its offerings by promoting sectors like fintech and renewable energy. With more than 30 years of experience as an IFC, Mauritius provides innovative products that facilitate effective structuring. The country is compliant with international standards and allows unrestricted movement of capital, positioning itself as the gateway to Africa for investment and succession planning.

The influx of South African families, drawn by the lifestyle and business opportunities in Mauritius, further solidifies its status as a preferred jurisdiction in the region, especially as the region grows.

The journey ahead for family offices

Family offices in Africa are poised for a transformative future as they navigate a rapidly changing economic landscape. With the rise of a new generation of wealthy individuals and a budding middle class, there is a growing demand for sophisticated wealth management services. These family offices are likely to diversify their investment portfolios, focusing on sectors such as technology, renewable energy, and real estate, while also emphasising impact investing that generates social and environmental benefits. Collaborations and networks among family offices will become more prevalent, fostering knowledge-sharing and cross-border investments.

As family offices grow and adapt to these trends, they are becoming more sophisticated. Ocorian is continually creating new strategies to continue to grow family wealth for the generations to come, establishing them as key players in the field, and positioning the business at the forefront of wealth management in these regions.

Contact
our team

Corporate Services | Capital Markets | Fund Services |
Private Client | Regulatory, Compliance & Legal

ocorian.com