REGIONAL FAMILY OFFICE REPORT

The Middle East

The recipe for a generational shift

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 Lynda O'Mahoney, Global Head of Business Development – Private Client; Nina Auchoybur, Managing Director – Ocorian UAE and Leevyn Isabel, Commercial Director – Middle East share their insights into family office trends in the Middle East. The region is undergoing a period of seismic social, political and cultural change, enhancing the need for sound advice and structuring for wealthy individuals and families; our experts explore all of that and more.

Key research finding

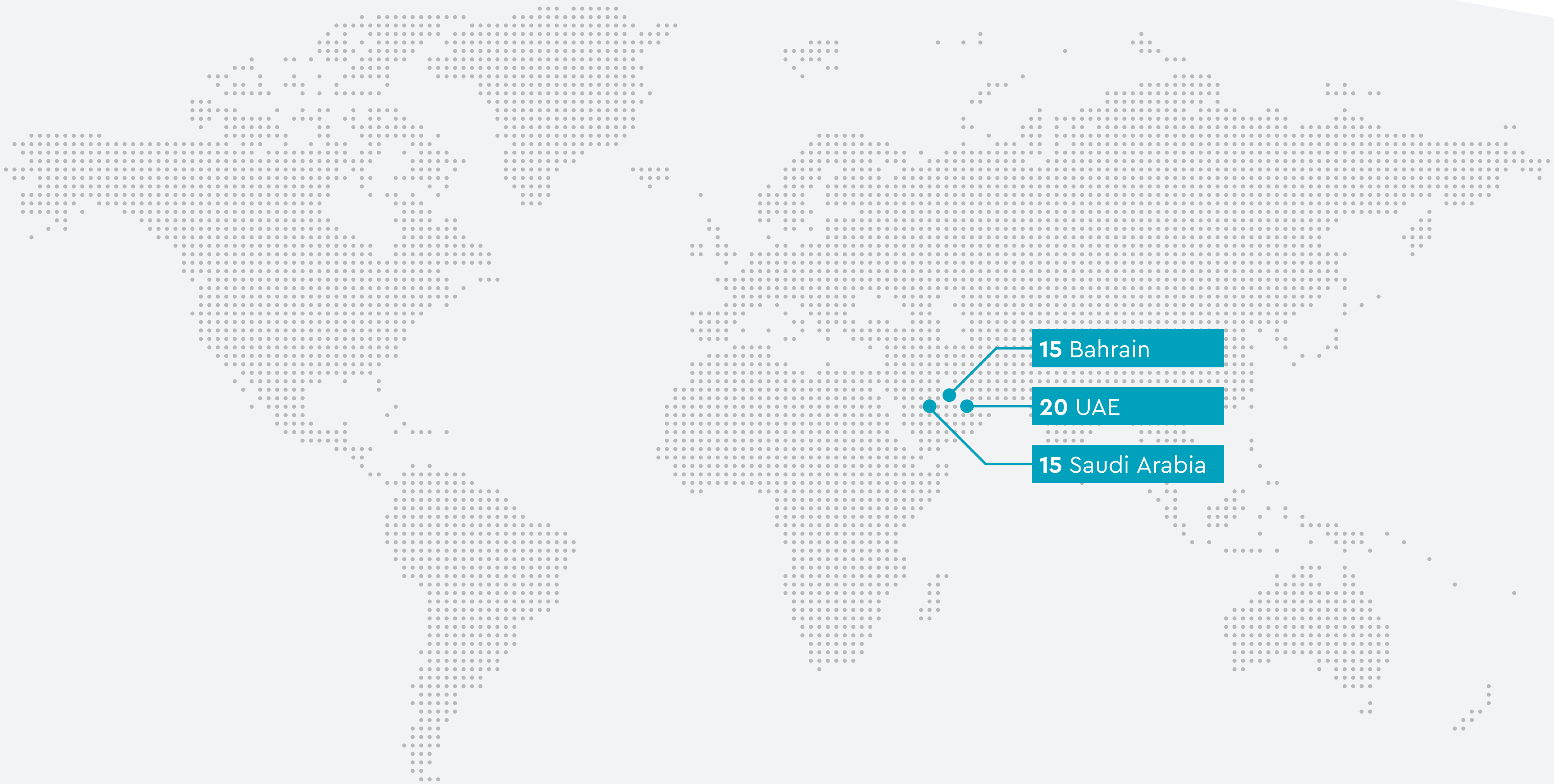
- The recipe for a generational shift
- Top-down change and the next generation
- Planning for a different future
- Bridging the gap for future harmony

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 50 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



The recipe for a generational shift

Over the last decade or so, global awareness of Middle Eastern cuisine has increased hugely. Chefs like Yotam Ottolenghi and Sabrina Ghayour pop up on cookery shows and in recipe columns from New York to London to Sydney. Their presence has awakened tastebuds to the vibrant spices and fragrant flavours of the region, often adding an aromatic twist to familiar foods.

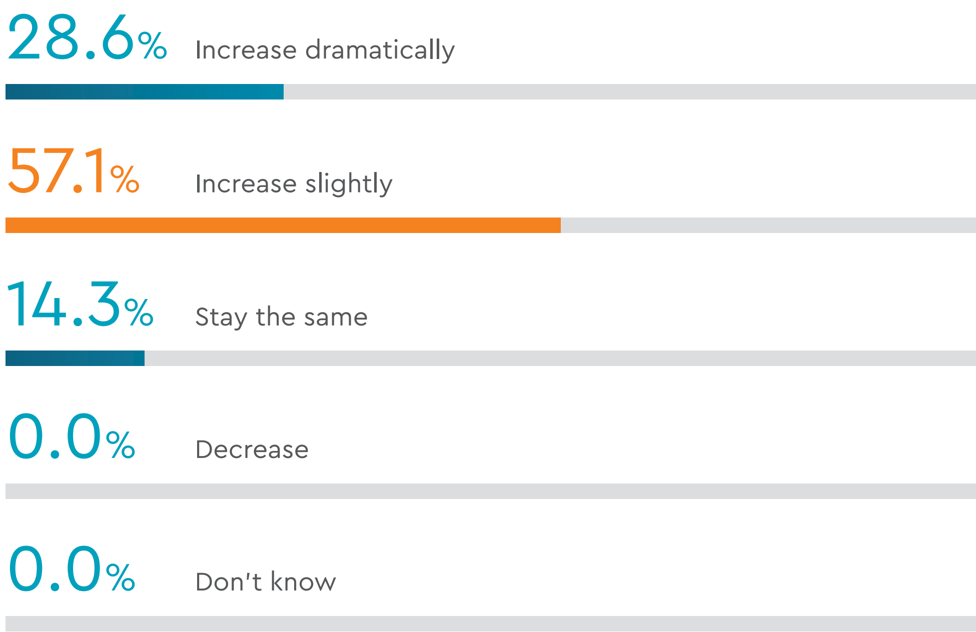
As it is in the kitchen, so it is in the private client industry, where international practitioners have had to develop knowledge about the region quickly in response to its increasingly outward-facing position and growing wealth. It's familiar work, but with some added ingredients that make it a nuanced challenge for professionals.

The region's wealth doesn't look like it's decreasing any time soon. Knight Frank's The Wealth Report 2024 notes a 6.2% increase in the number of Middle Eastern UHNWIs and predicts a 28.3% increase from 2022 to 2028 – second only to Asia in regional numbers.[1]

86% of Middle Eastern respondents to our family office regional survey said that they expect the value of assets held by their family office to increase slightly or dramatically over the next five years.

Throughout the course of our family office regional report and surveying we've found that many of the core ingredients of international wealth are similar – a focus on ESG, increased governance requirements, a shifting attitude to risk – but, true to its culinary heritage, the Middle East has added a little something extra.

How do you see the trend to the level/value of assets held by family offices developing over the next five years?



1. https://www.knightfrank.com/wealthreport

Top-down change and the next generation

Changes in wealth management strategies were universal in our survey, but nowhere has undergone, and continues to experience, the rate of sociopolitical change that we've seen in the Middle East.

Countries like Saudi Arabia, the United Arab Emirates (UAE) and Qatar are all trying to project themselves onto the global stage as more moderate societies that have reduced the visibility of links between religion and the state, introduced social reforms, and taken steps to open themselves up to international business and leisure.

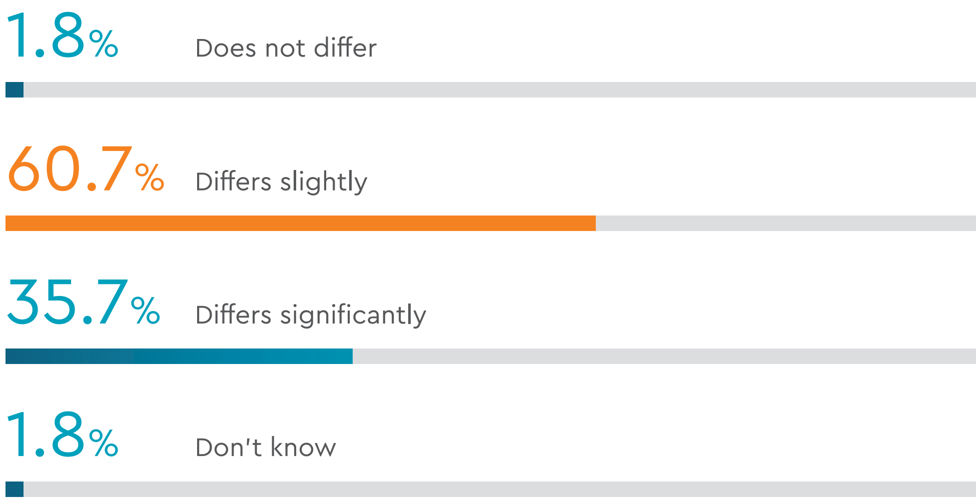
Over the last decade we've witnessed huge changes in the region, from welcoming women alongside men at sports matches or music concerts, to hosting men's football World Cups, to relaxing rules on heirship. All of this is combined with an increasingly ambitious and independent-minded next generation in families, to create a truly fascinating landscape for family offices.

When a shift in strategic direction in a country is top-down and coming from governments who are looking for greater innovation and growth, it's easier to align those aims with family wealth management objectives.

Despite the change, the Middle East is still characterised by conservative older generations who have likely made money in what would be considered traditional industries and invest back into those same staples. This can include construction, oil and gas, bricks-and-mortar retail, real estate, automobiles and the health sector.

Younger generations, who have perhaps been educated and worked and lived overseas, however, are looking to newer and emerging industries, often backed by tech. For these family members, opportunity comes through the greater risks inherent in newer industries like biotech, green energy, digital business, ecommerce and more.

How widely does the approach and priorities of the next gen differ from the founding / originating generation?



96% of regional respondents to our survey said that the priorities of the next generation differ from their elders slightly or significantly; a number borne out by our experience with clients.

Our day-to-day work with family offices demonstrates that priorities are different when it comes to risk and returns, with the next generation more willing to take risks in search of greater returns, and this manifests itself not just in how they invest, but what they want to invest in.

When asked which areas were seeing the greatest focus for the next generation, the most-selected option among our respondents was digital assets (70%), this led private markets and geographical footprint.

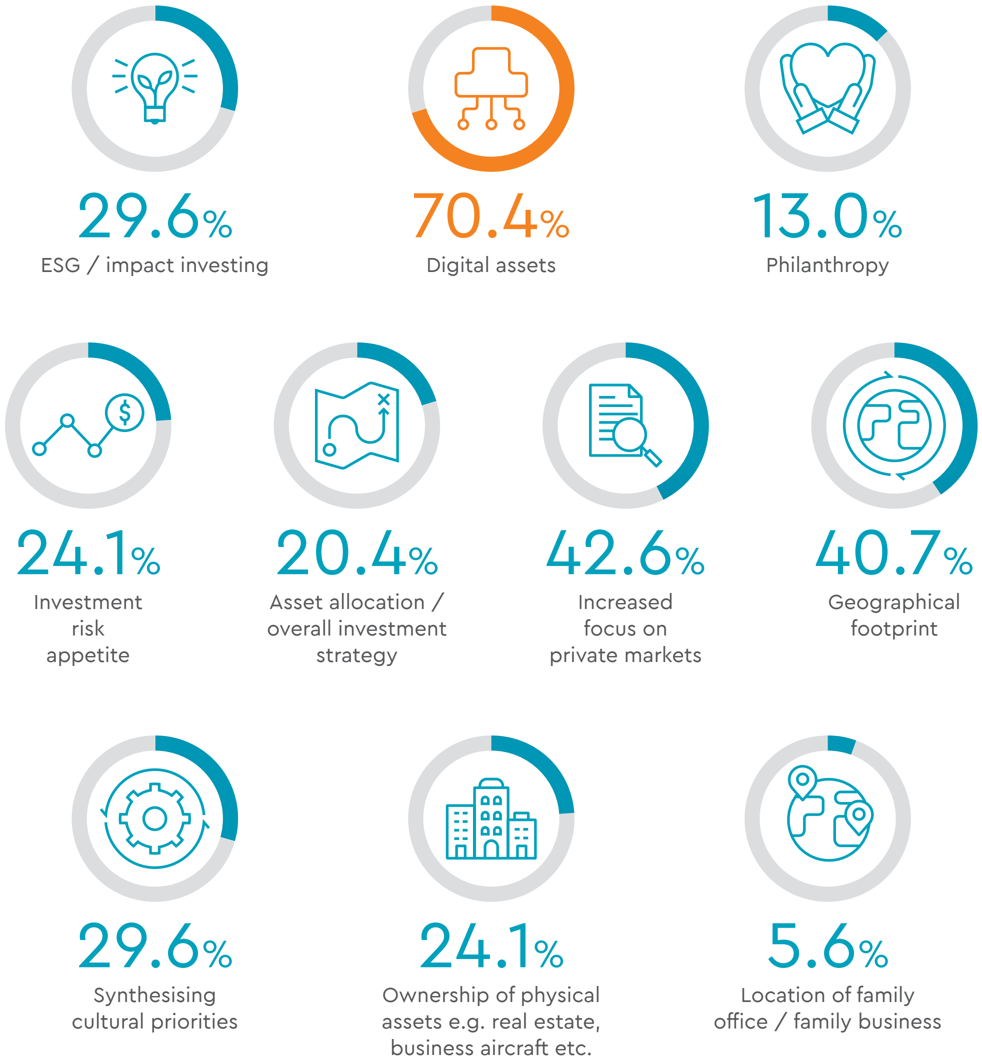
This is an area where we again see some synergy between family intention and governmental focus; there has been a huge push in recent years for Saudi Arabia and the UAE to have tech hubs that promote tech startups and pioneer new industries. When it comes to digital assets specifically, the UAE is leading the way in the region, especially with regulation and policymaking in the Abu Dhabi Global Market (ADGM), which is 'the first jurisdiction in the region to introduce a comprehensive and bespoke regulatory framework.'[2]

While priorities are increasingly clear to practitioners, that doesn't mean that family members are as well informed. Two thirds of respondents to our survey said that the next generation is more or much more involved in family investment strategy, but that still leaves a third where younger family members are not involved, or at least not involved in any meaningful way.

This demonstrates the heightened importance of succession planning.

2. https://www.adgm.com/setting-up/digital-assets/overview

Where the next gen approach and priorities differs slightly or significantly, around which areas of focus do you see the greatest emphasis?



Planning for a different future

Across our research it has been something of a paradox that respondents feel that there is a natural succession of wealth and leadership in families, but also feel that more needs to be done around succession planning. In the Middle East portion of our survey, those agreeing with these statements were 89% and 100% respectively.

89.3% Yes

1.8% No

8.9% Unsure

In the region, there are a number of challenges that practitioners have to face around succession planning.

Forced heirship remains one of the tenets of Sharia law that presents an obstacle for family offices, who are dealing with their families asking for more bespoke and less prescriptive approaches to inheritance. This is complicated by the region's relationship with religion, as forced heirship is ultimately a religious principle that many families wish to respect, while finding a pragmatic solution to succession.

As these cultures change, the old ways of doing business – generally a handshake and unyielding respect for older generations – are less practical, not to mention legally binding. It's an ongoing difficulty for practitioners that Middle Eastern societies often have a strong emphasis on privacy, so there are few publicly known precedents for successful transitions of wealth and power in family units.

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?

12.5% Strongly agree

87.5% Slightly agree

0.0% Don't know

0.0% Strongly disagree

0.0% Slightly disagree

The concept of respect has an impact on the modern practitioner, who has to play detective in determining whether the manners, opinions and agreements that are made in whole-family meetings or forums are genuine, or subject to social mores. 'Fake harmony' in families, where everyone appears to be on the same page but privately hold very different views, is a significant challenge to family offices.

The full impact of fake harmony is often only felt after the death of a patriarch, or sometimes matriarch, as the façade of agreement and unity crumbles instantly and disagreements and squabbling emerge.

A third factor is family complexity. We know of some families who have more than 200 members, who are in turn all shareholders in a family business. That dynamic is hugely complicated even on the practical level of how to communicate with all of those people and helping them talk to each other about what the overall objectives of the family are.

The reality in the Middle East, and elsewhere, is that the family office professional is increasingly playing the roles of psychologist, detective and mediator.

That's one of the main reasons why we're seeing an increase in the use of impartial third-party providers like Ocorian – 100% of Middle Eastern respondents to our survey said they use a third-party provider for support.

Do you use third party private client service providers to support in the preservation and protection of your family's or client's wealth?

100.0% Yes

0.0% No

Bridging the gap for future harmony

With succession planning an obvious priority for family offices in the region, but myriad challenges stopping that being an easy task, the impartiality and expertise of a third-party provider can be invaluable.

At the moment, the dynamics of many families dictate that bridging the gaps between the generations – in expectations, priorities and objectives – is the primary function of a professional service provider.

Taking the time to understand what each family member is hoping to achieve, and their ambitions for the family wealth, businesses and assets, is time well spent and can build a full picture of the family's situation. Once this is completed, the task becomes one of delicate communication and problem solving.

In our role we often provide reassurance to all parties that a solution can be found that meets everyone's objectives, or at least provides a balance that includes elements of what everyone is looking for.

This could be through opening a dialogue and giving a younger family member the chance to pitch an idea or explain their position in a way that is respectful and backed up by external expertise, or it can be a very practical structuring solution that creates a pot of money for investing in philanthropic causes close to the patriarch, for example.

Modern structuring allows for a whole range of possibilities, and is most often backed up by sound governance, which is increasingly important in today's world.

Providing clarity through tools like a family charter helps all family members to get on the same page and have visibility of how the wealth is being managed, what it is for, and how it is controlled and will be handed down.

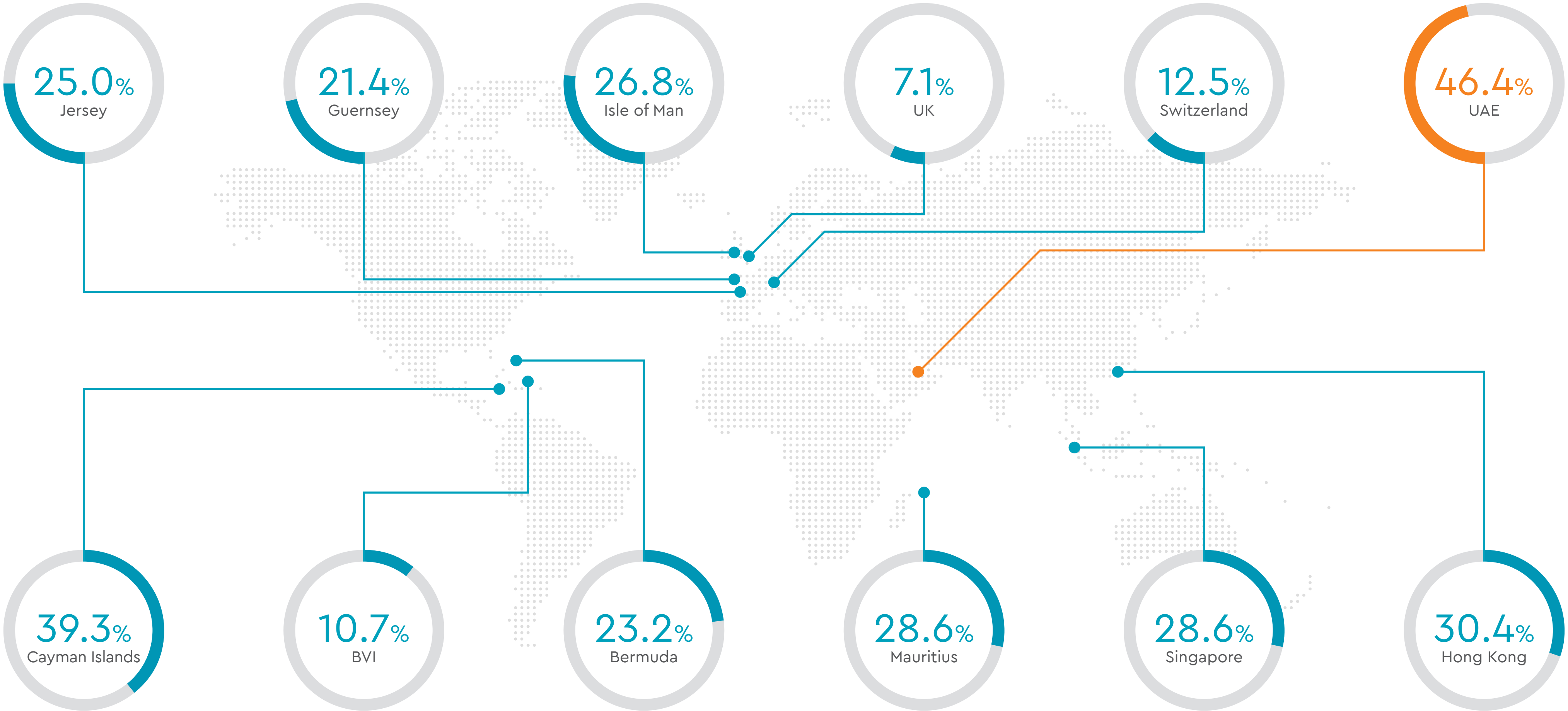
Having put in the groundwork, and brought in relevant professionals like lawyers and investment managers, a service provider can outline a clear framework for a family; reassuring all parties that interests are being fairly represented, and plans for the future are agreed.

Happily, we are seeing increased understanding and acceptance that good governance is vital to providing continuity to structures, businesses, wealth and control. Once again, this is an area where families and states are aligned, as the governments and rulers of Saudi Arabia, the UAE and more can see that poor governance and succession planning for their nation's wealthy families ultimately leads to weakness that can spread throughout the economy.

There's also an emphasis on keeping family wealth in the region, from a management and investment point of view. Clearly that needs to be supported by good policy, which does seem to be working; the UAE was the most-selected option by respondents to our survey (52%) when they were asked which jurisdictions they'd anticipate seeing the greatest growth in family office business over the next three years.

This domestic focus is good news for a region that is undergoing rapid and significant change. There are many ingredients making up the future of Middle Eastern family offices, but following a recipe of good governance, robust advice and a sympathetic approach to each family's needs seems the most likely route to success.

Over the next three years, which jurisdictions do you think will see the biggest growth in family offices/businesses using them for wealth planning / structuring their wealth?



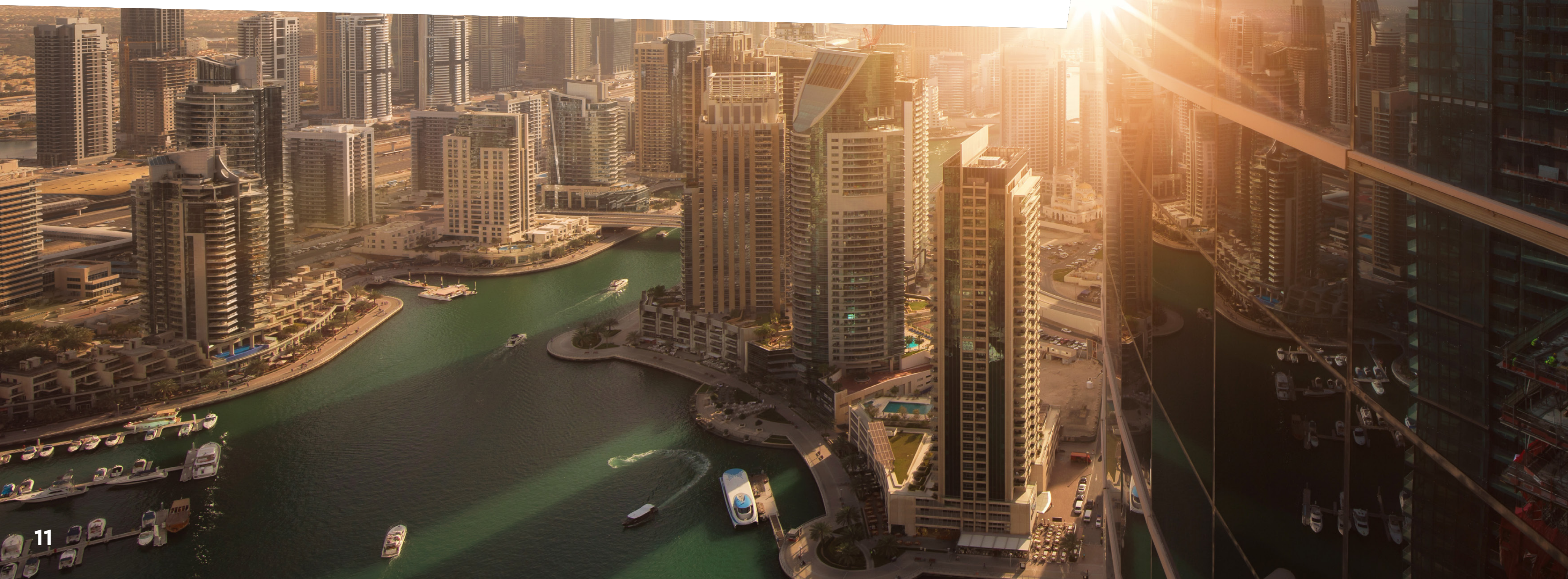
Meet Ocorian's Middle East team

Lynda O Mahoney

Nina Auchoybur

Leevyn Isabel

To download our global Family Office report and the regional reports from the UK, Europe and the Crown Dependencies, Africa, Asia and the Americas, follow the QR code.



Contact
our team

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

ocorian.com

Disclaimer
This technical information sheet is provided solely for general information. While every effort is made to ensure that anything contained herein is correct, Ocorian makes no representation, warranty or guarantee as to the accuracy, reliability, completeness, validity, suitability, or timeliness of the information. Ocorian neither accepts nor assumes any liability or duty of care for any loss arising from any action taken or not taken by anyone as a result of information provided. Readers are recommended to seek professional advice before taking actions. Ocorian will be pleased to discuss any specific issues.