



Discussing Family Offices in the United States

Who are they and how do they invest in alternatives?

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Presenter & Colleagues

Margret Hardardottir, Managing Director



Background:

- Joined Lateral as Director of Investor Relations in May 2015
- Raised first closed-end, institutional fund with a final close of \$150MM, total AUM now growing to \$500M for the firm
- Director of Investor Relations at Drever Capital Management, a family office with a private equity real estate business
- Associate at Bainbridge Capital, an M&A Advisory firm in La Jolla, CA

Education:

- BA, Finance and minor in International Security Conflict and Resolution, SDSU
- Menntaskólinn í Kópavogi, Náttúrufræði

Richard de Silva, Managing Partner



Background:

- General Partner, Highland Capital Partners, a Boston-based venture capital and private equity firm with \$3B in assets under management
- Company operations and turnaround management as CEO or co-founder at 3 companies; co-founder, IronPlanet (sold to RBA)
- Engagement manager, Oliver Wyman/Mercer.
- Reporter, Washington Post and Newsweek magazine

Education:

- MBA, Harvard Business School
- M.Phil., Cambridge University
- AB, Harvard College

Patrick Feeney, Managing Director



Background:

- Vice President, Macquarie Credit Solutions Group. Participated in or co-led senior secured loan financings totaling more than \$100MM
- Associate, Makena Capital Management
- Associate, Morgan Stanley

Education:

- J.D., Northwestern University
- MBA, Northwestern University (Kellogg School of Management)
- BA, Cornell University

A photograph of the Golden Gate Bridge at night, illuminated by city lights and bridge lights. The bridge's towers and suspension cables are visible against a dark sky. A semi-transparent white box with an orange border is overlaid on the image, containing the text.

OVERVIEW

LATERAL INVESTMENT MANAGEMENT

Lateral Investment Management, LLC (“Lateral”), founded in 2014, is an opportunistic credit and growth equity asset manager. The firm provides growth capital to lower-middle market companies with no prior institutional investment through the direct origination of structured equity stakes.

Our private market strategies focus on investing in lower-middle market firms that have limited capital availability due to the structural dislocation in the US capital markets. We partner with owner-operators who have high conviction in their future outlook and want the support of an institutional investor without the loss of control and dilution of a traditional private equity partner.

Lateral is an SEC registered firm* with approximately \$500MM in assets under management. The company is a minority-owned business headquartered in the San Francisco Bay Area and has an office in New York City.

*Registration with the SEC does not imply a certain level of skill or training.

Defining Family Offices

“Family offices” are entities established by wealthy families to manage their wealth and provide other services to family members, such as tax and estate planning services.

www.sec.gov

Once you've seen one Family Office, you've seen ONE Family Office.

A classic example is of a business founder that built a business and then sold and now has \$100MM to invest (Patriarch/Matriarch – G1)

OR

Inherited wealth (G2, G3, G4...)

AUM Breakdown

Family Offices may be in the form of Single-Family Offices (SFO) or Multi-Family Offices (MFO).

MFO's have on average:

- **\$1.5B in AUM**
- **20 families**

SFO AUM, by region



Source: The Campden Wealth / SVB Family Offices Investing in Venture Capital Survey 2020.

Note: Emerging Markets encompass the Middle East, Central and South America, and Africa.

Typical Family Office Services

Family offices may seek the following services:

- Wealth Management
- Investment Advice
- Estate and Tax Planning
- Risk Management
- Charitable Giving Advice
- NextGen planning

Non-financial services:

- Travel arrangements
- Household management
- Private Schooling
- Other concierge services

Preservation vs. Generation of Wealth

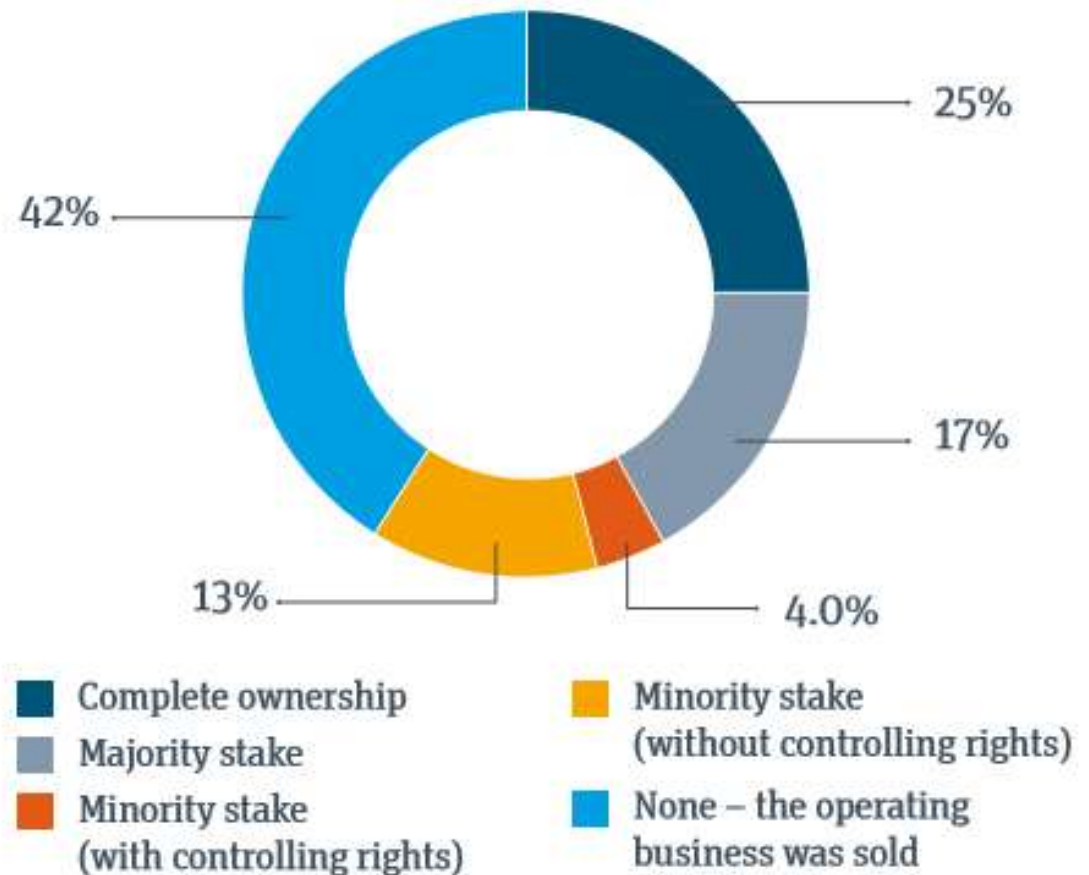
Family Offices **with** an Active Operating business:

- May be re-investing in own business;
- Own deals in industry they know
- Not often allocating to external managers or advisors for private investments
- **Wealth generating phase**

Family Offices **without** an Active Operating business:

- Recently sold their operating business and are now investing the proceeds
- Inherited wealth and G2/G3 is overseeing/participating
- Completely outsourced to an investment advisor (or several)
- May be seeking income to distribute to family members
- **Preservation phase**

Operating business ownership

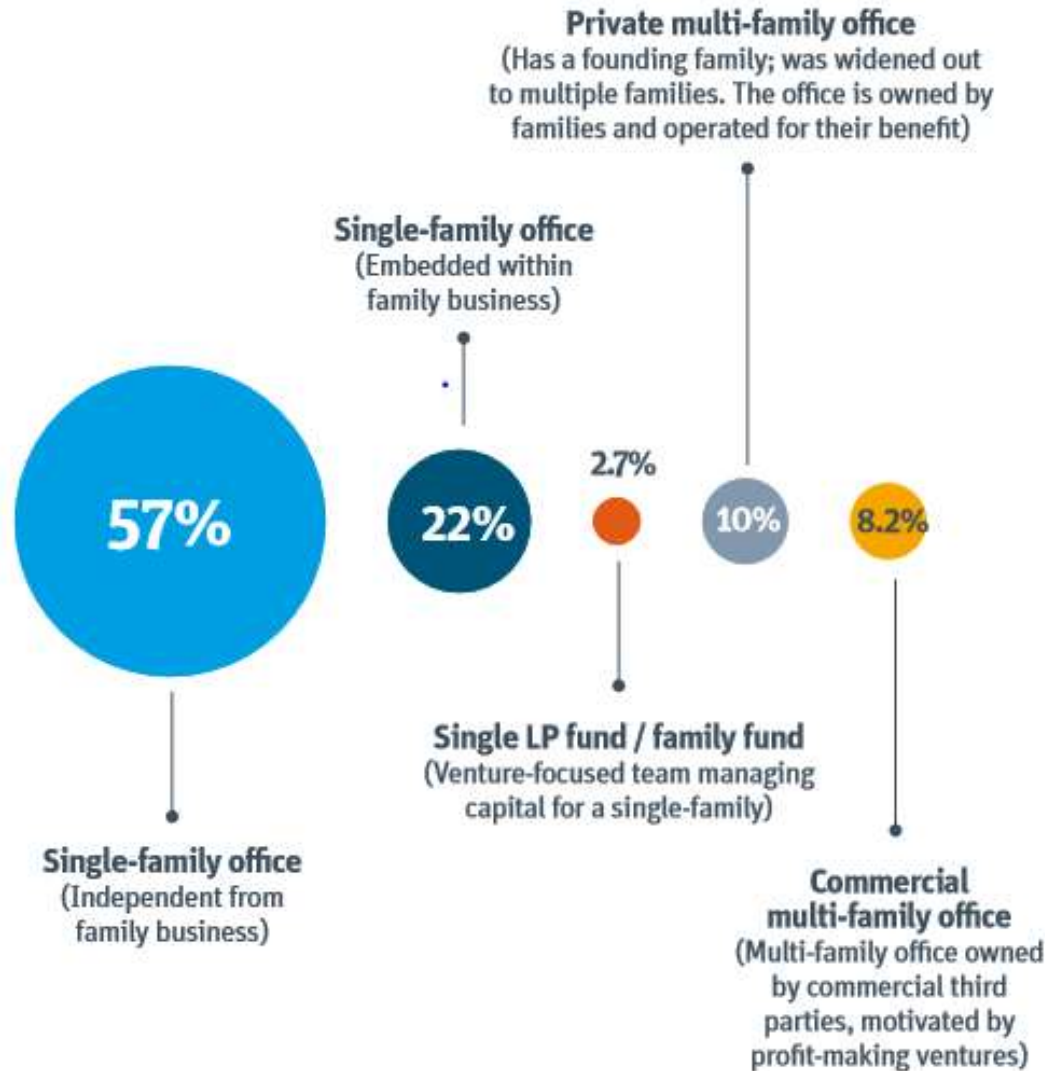


Source: The Campden Wealth / SVB Family Offices Investing in Venture Capital Survey 2020.

Note: Figures may not sum exactly to 100% due to rounding.

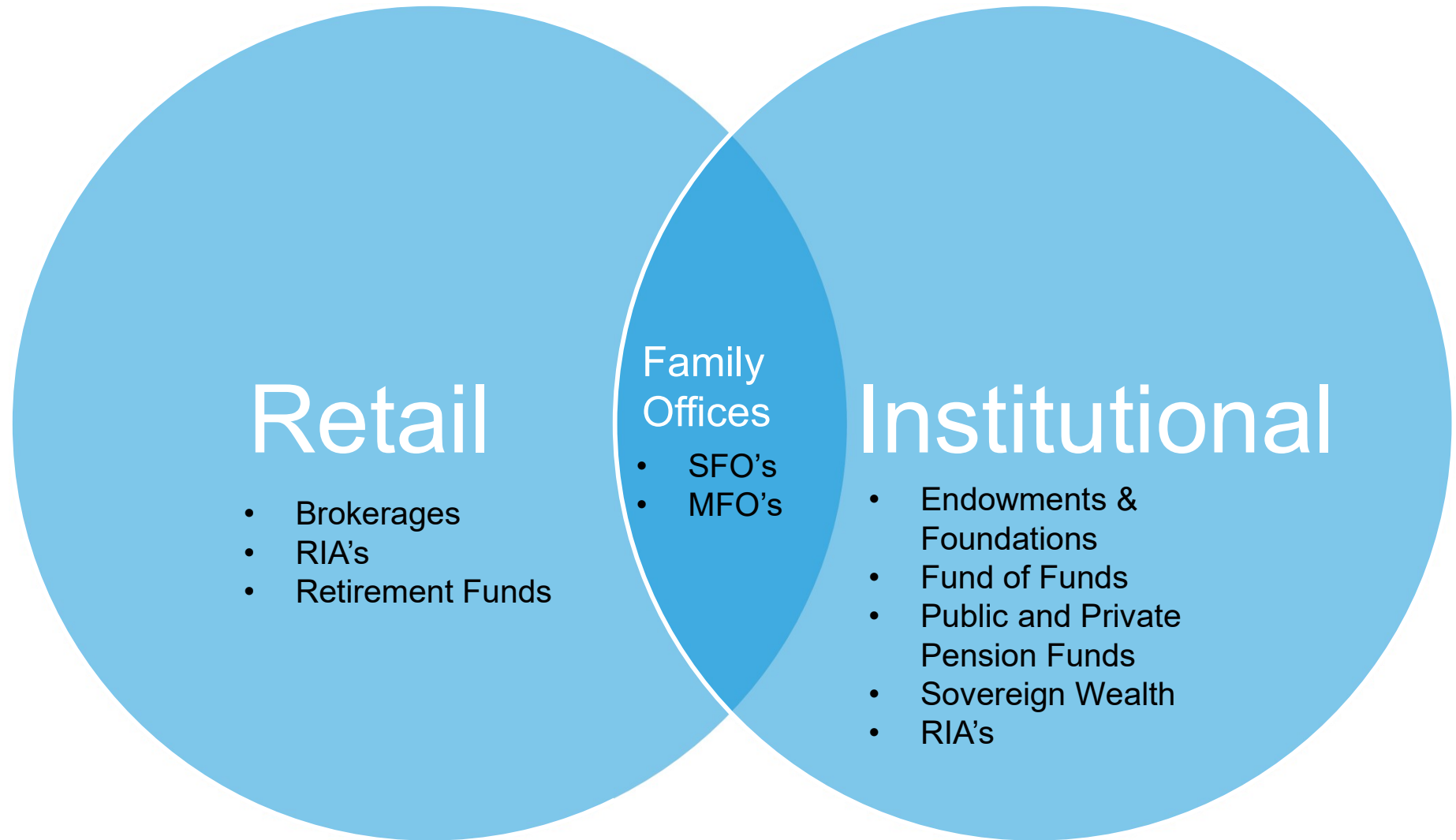
Family Offices Vary in Form

Types of family office represented

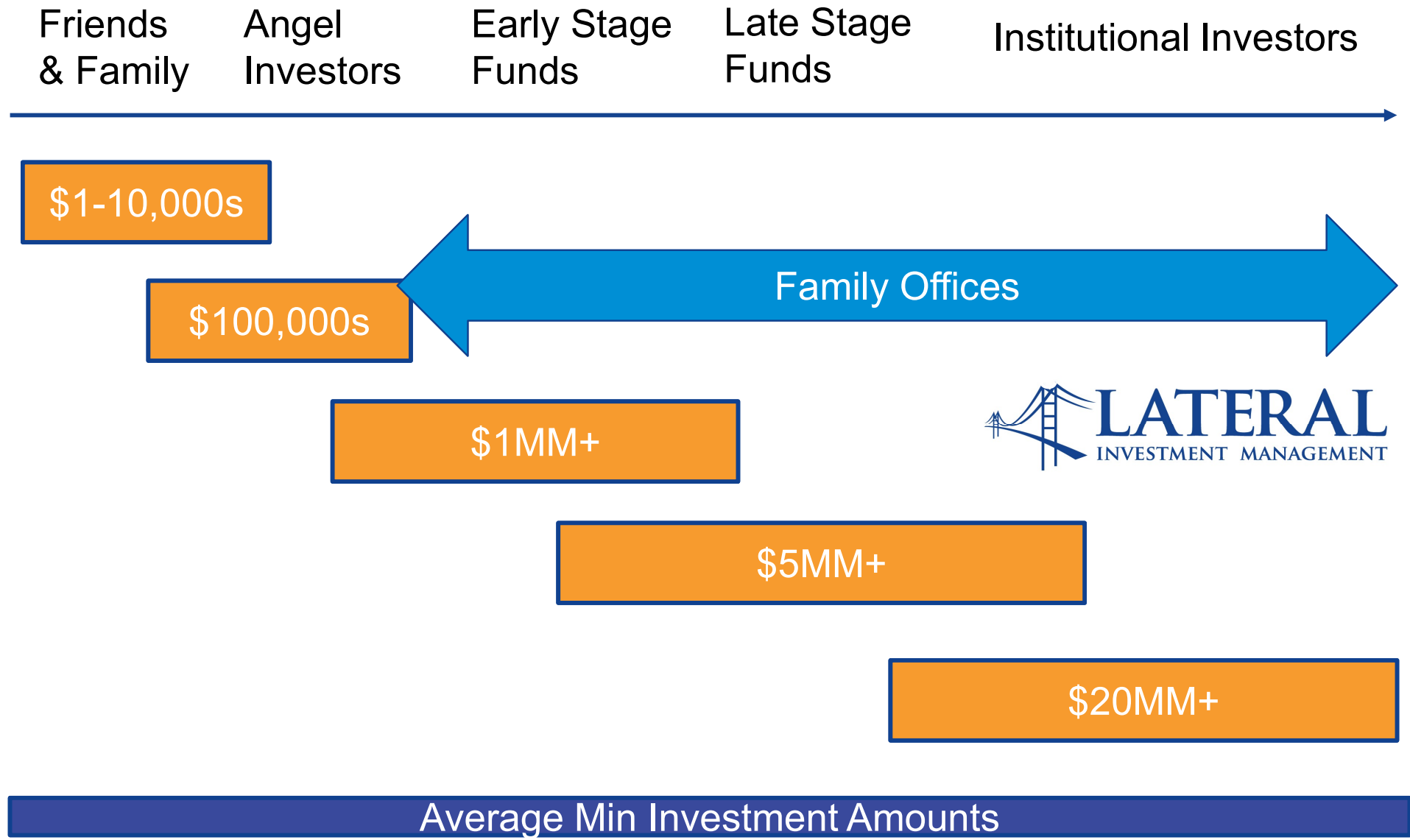


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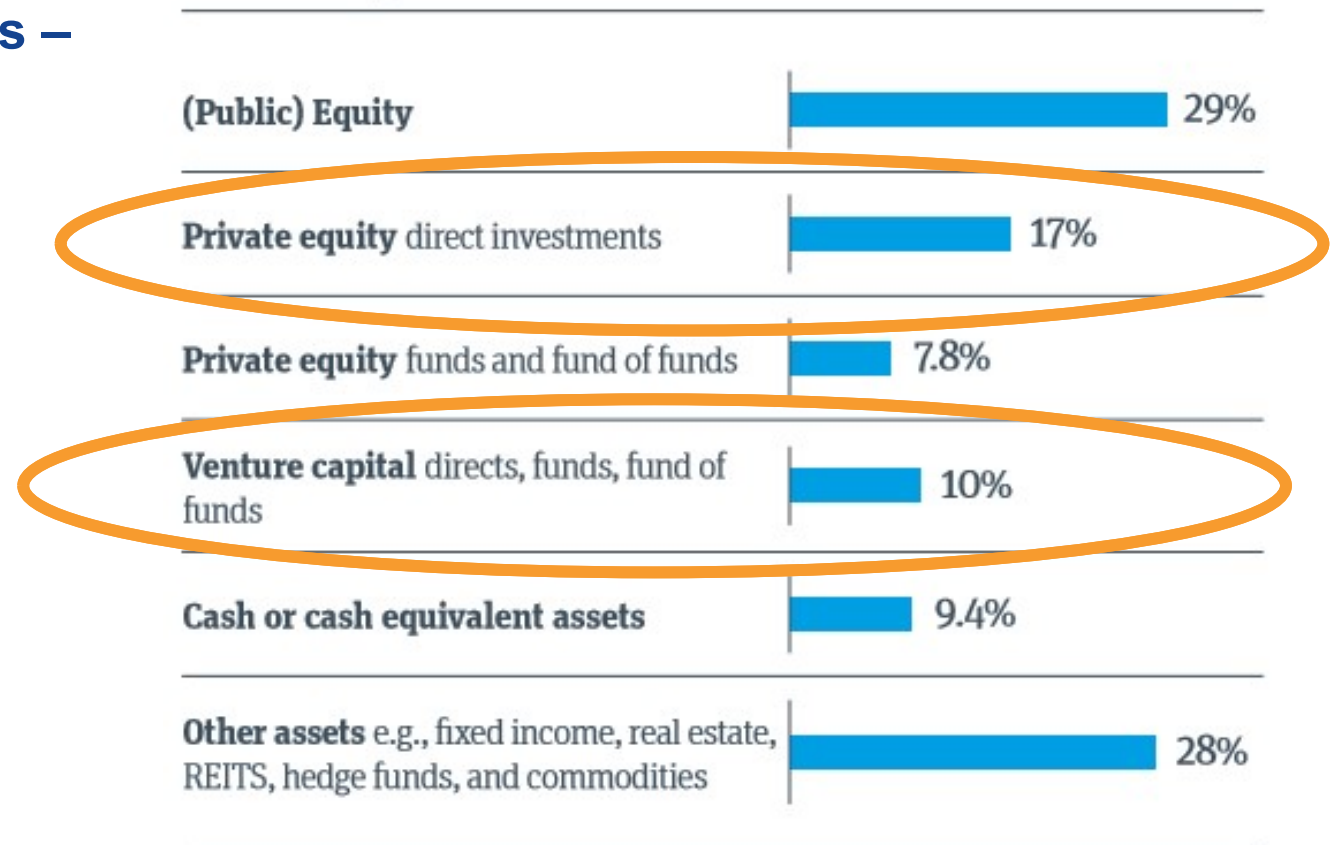
Investor Timeline



How are FO's allocating?

45 LP's seeking new VC investment funds – in next 12 months, globally. (PreQin)

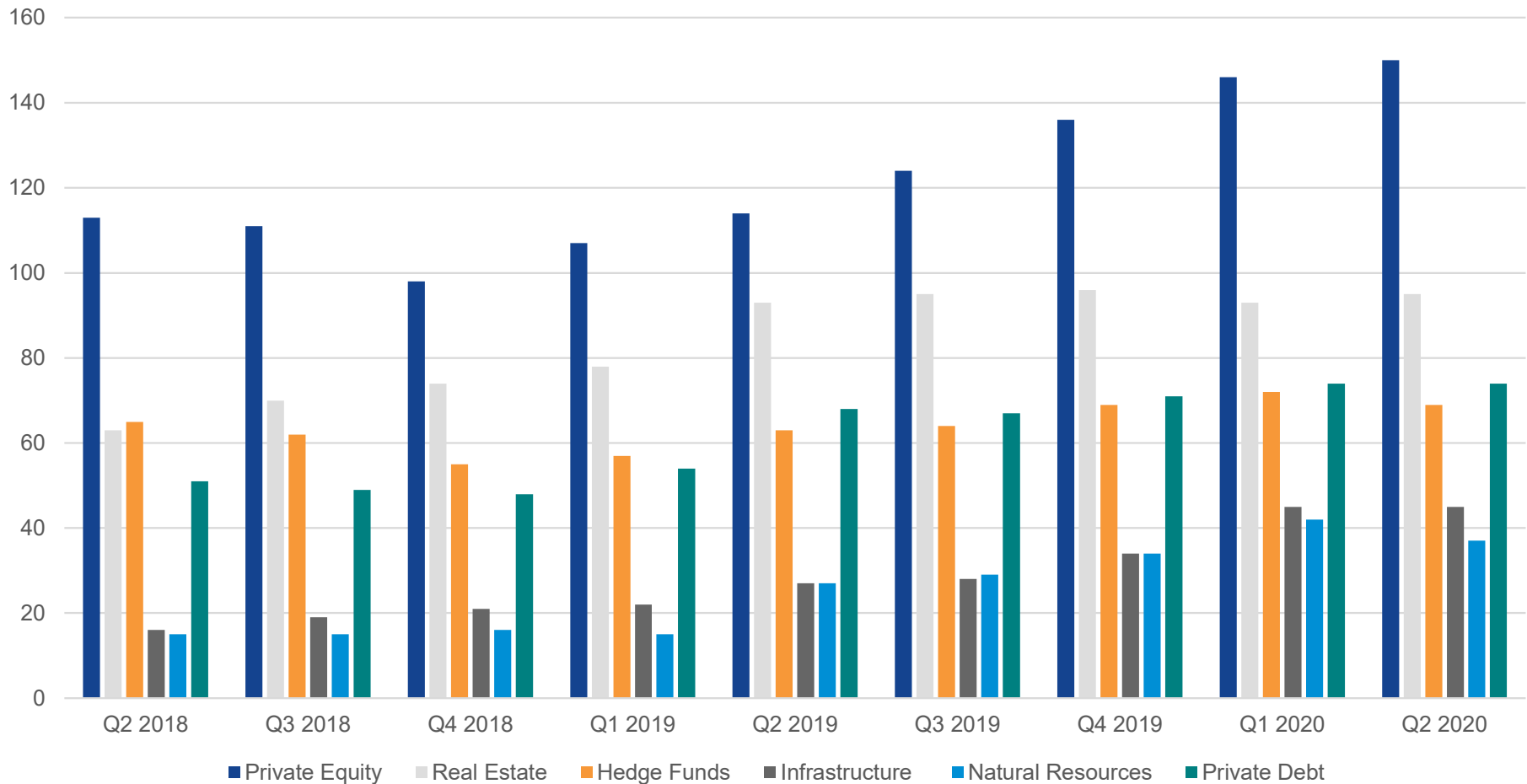
Overall portfolio asset allocation



Source: The Campden Wealth / SVB Family Offices Investing in Venture Capital Survey 2020.

Note: This study was targeted towards FOs with experience in VC. Therefore, these numbers do not necessarily reflect wider FO asset allocations. Figures may not sum exactly to 100% due to rounding.

Global FO Mandates by Asset Class



Approximately 1,000 Active FO's in this database as of September 2020



Big world, small degree of separation

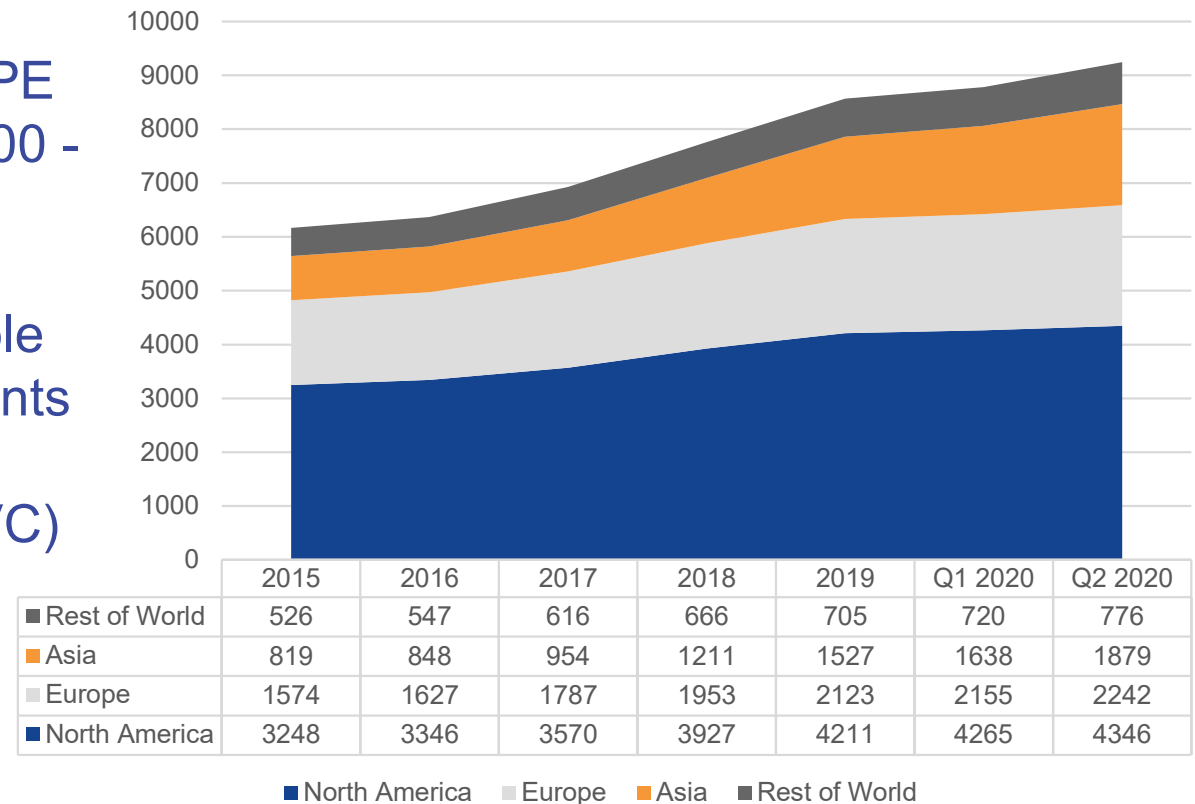
Family Offices are often first in investments in industries they understand and likely had an operating business in. They can be strategic, active or passive investors depending on the capital you are looking for.

General estimates of active PE
US investors range from 3,500 -
4,500.

Allocation trends are favorable
towards alternative investments
in general (PreQin)

- Private Equity (incl. VC)
- Private Credit
- Real Estate

Active Investors in PE by Region, 2015 - Present



GROWTH FUNDING GEARED TO OWNER-OPERATED BUSINESSES

Collateralized senior secured debt that typically offers company owners:

- **more** capital availability and flexibility than debt financing
- **less** dilution and control restrictions than leveraged buyout firms
- **with** a high-touch, value-added partnership approach

