

A multi-family office winning business from single-family offices



by **Michael Foster** 14th May 2020

In theory, multi-family offices are a great way for families to club together to fund the increasingly complex services they need to manage their wealth.

In practice, their reputation is mixed. While some MFOs neatly balance out the interests of members, others become thinly-disguised marketing vehicles for their promoters.

Since 2006, twin brothers Paul and Wes Karger have worked to achieve the right balance at TwinFocus, based in Boston, Massachusetts. They have won business from 40 family offices, worth \$6.5 billion.

Paul Karger says: “It’s easy for a broker to go independent to sell funds, or structured products and charge fees. But you can’t invest in isolation – you need to know how wealth needs to be structured. We charge clients on their broader balance sheet, not their portfolio.”

Family contentment matters. If this means selling a package of funds to buy a house in Aspen, Colorado, so be it, as long as underlying finances remain sound.

The Kargers have been in business for a long time and work well as a team. At the age of 12, they were earning money from casual work via a company called Odd Jobs Inc. More recently, they worked for UBS.

TwinFocus takes a very different approach to UBS with a multi-single-family office approach, where clients retain their independent identity.

TwinFocus sets out to develop a 360-degree understanding of family needs, and resources, drawing on their administrative and tax history.

It wants client assets to be resilient enough to secure a family’s quality of life, as well as an appropriate inheritance. Tax, legal, estate planning, investment and education are among its services. Its systems seek to look after the details relating to investment and real estate transactions which can elude smaller family office teams.

According to Karger: “It can be hard for a small family office team of four or five people to handle all the needs of their principal. They often start off as an investment team and become jacks of all trades. They get stretched, particularly in the peaks and valleys of a principal’s life.”

Principals can refuse to sanction expenditure on a larger family office team, sometimes taking too much advantage of the personal loyalties.

TwinFocus seeks a dialogue with both sides. It has no problem with an affordable indulgence if, say, a family wants luxury homes in San Francisco, London and Tel Aviv.

But straight-talking can be needed. And TwinFocus has experience to draw on. Paul Karger says: “Unless a property is paying you – you are paying for it. I have known families who find their biggest burden is the property they don’t visit much.”

He says he has seen luxury properties built for life sold at auction at a bargain price a few years later. Property can be a great investment, but it can also be highly illiquid.

On the investment front, according to Wes Karger: “Half our time is spent researching client ideas. We don’t expect to control the investment offer.”

Around 70% of TwinFocus clients come from the financial sector: “We don’t tell clients to sell their stuff, just so they can buy our stuff.”

TwinFocus is eclectic in advising on portfolio construction, while keeping an eye on risk and liquidity.

Chief investment officer John Pantekidis is a member of a tight team at the top. He seeks to structure portfolios with a view to achieving tax efficiency using derivatives where they make sense.

TwinFocus makes extensive use of third-party managers along with ETFs and separate-managed accounts, as well as client ideas.

Following market volatility, it likes distressed credit funds, including high yield, reckoning they could offer double-digit returns over three years.

It is looking for opportunities in late-stage venture capital, where hunger for capital is increasing. It is less impressed by hedge funds: “We’re setting it a high bar. The juice isn’t worth the squeeze, and they are expensive.”

TwinFocus is also looking for real estate in niche sectors including warehouse space and university accommodation, capable of benefiting from low interest rates.

From time to time, TwinFocus and its clients directly invest in venture capital. An early investment was kickboxing promoter Glory Sports International, chaired by top hedge fund manager Pierre Andurand.

A plant-based meal delivery service, Purple Carrot, has been sold. Health technology provider Zillion, originated by a client, is developing through the coronavirus crisis.

TwinFocus also offers investment banking services to back up client ideas. Last year, TwinFocus advised UK-based insurer Markerstudy, a \$1 billion family business, in its 2019 purchase of Co-op Insurance.

At the time, Markerstudy said of TwinFocus: “Their ability to select, communicate and work with all the parties was the distinguishing catalyst that made this deal happen.”

Their relationship has been driven by Markerstudy’s family office chief Hari Hundle, now TwinFocus managing partner, who has recently recruited three new clients in Europe.