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IMPACT INVESTING

NEW WAYS TO INVEST OLD MONEY

By Toby Castle and Grace Mathew

Family offices are being transformed by their social conscience - and it's not just changing the way they give, but the way they live.

The past two decades have seen a rapid evolution in the role and influence of family offices. Described as an investment phenomenon, the number of family offices has increased ten-fold over the last ten years, leading to increased recognition of their significance in driving change by influencing market and social outcomes. The capacity of ultra-high net worths to actualize transactions in a space previously occupied by investment banks, private equity firms, and hedge funds, is unprecedented, with The Wall Street Journal reporting that since 2011, “three dozen hedge funds converted into family offices”.

This upwards trend can be linked to what Private Equity International (PEI) describe as family offices’ “positive, proactive approach” to private investment. PEI’s 2017 Annual Family Office and Private Equity Survey reported that family offices continue to be among the leading investors in private equity.

With this greater influence comes greater responsibility. Led by household names such as Bill Gates, Warren Buffett, Richard Branson, and Estee Lauder’s family, globally minded family offices are recognising their growing agency and catalyzing private equity in the for-profit and philanthropic spaces. Specifically, four key trends are shaping the orientation of family office investment: ethics; financial transparency; impact investment; and preventive health care.

Meeting this challenge head-on is the Stetson Family Office (www.stetsonfamilyoffice.com). The third generation family office was established in 1919, when Eugene W. Stetson led the public offering of the Coca-Cola Company and proceeded to merge The Guaranty Trust Company, of which he was chairman, with the much smaller J.P. Morgan. After growing tired of traditional private equity, with its focus on bottom lines, current SFO principal and CEO of Global Better Health, Chuck Stetson turned his attention to the impact which could be made through strategic philanthropic and for-profit investments.

“We conducted three years of international, on-the-ground research to gain deep insights into the areas of greatest need and greatest opportunity in social impact investing,” said Chuck, speaking from his New York office.

“Through this, we realized that the wellbeing of the individual is paramount to the wellbeing of society, so our focus shifted to healthcare and disease prevention.”

Angie Cleone, CEO of Sydney-based Cleone Capital (www.cleonecapital.com), global healthcare fund manager that connects investors with life sciences innovation, had similar findings.

“It is very clear that, in order to create sustainable, widespread change, a new model of life science investment and philanthropy is required. Traditionally, pharmaceutical companies have directed

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research investment towards finding the next drug. Now, the focus needs to turn from cure to prevention,” she said, citing her own cancer journey as the inspiration for her interest in the sector.

Grace Mathew, SFO’s Senior Vice President, observed that family offices are in a unique position to direct investment and philanthropy through a more strategically impact-driven approach than highly regulated funds.

“Research is showing that up to 50% of all Alzheimer's and dementia cases could be prevented or delayed with lifestyle interventions such as proper exercise and nutrition, and a huge proportion of cancer is similarly preventable. If there was a drug with that rate of efficacy, billions of dollars would be poured into it. Prevention may not seem as exciting as finding a cure, but it’s proving to be a lot more effective.”

“We need to move the needle on how governments, pharmaceutical and insurance companies are addressing the healthcare crisis, with greater emphasis placed on prevention, low-cost diagnostics, and early intervention. With greater discretion in capital allocation, family offices are well placed to be a catalyst for change.”

Consequently, the Stetson Family Office re-oriented its engagement towards preventative health in 2015, and is now the global leader of a multi-pronged approach to prevention and support for innovation, in alignment with the UN Sustainable Development Goal #3: Health and Wellbeing.

Recently partnering with Cleone Capital to raise awareness of and capital for innovations in longevity and life sciences, SFO began a series of Global Family Office BioForum events to discuss breakthroughs in healthcare.

“We found that family offices are very eager to engage and learn more about the health and wellness space, which has very different dynamics to other kinds of investment,” said Chuck.

“We now have a network of hundreds of like-minded family offices around the world who meet regularly in 19 locations to share learnings, co-invest, and drive change in a space where it is sorely needed”.

Commenting on the partnership, Angie said, “Facilitating educated discussions and investment decisions in such an important space is something we are passionate about. The Global Family Office BioForums provide a unique opportunity for families to have open discussions in a safe space, whether they are experienced or new to the area.”

The reorientation of family offices towards socially minded practices has not merely placed preventative health at the forefront of philanthropy, but also investment. The confluence of impact investment and ethical collaboration between funders and researchers has allowed family offices to emerge as leaders in ethical investment.

For more information about the Family Office BioForums visit www.globalbetterhealth.org or email maria@stetsonfamilyoffice.com

Enquiries from investors regarding the Healthcare Impact Fund including subscriptions contact Angie Cleone on private email fo500@cleonecapital.com

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