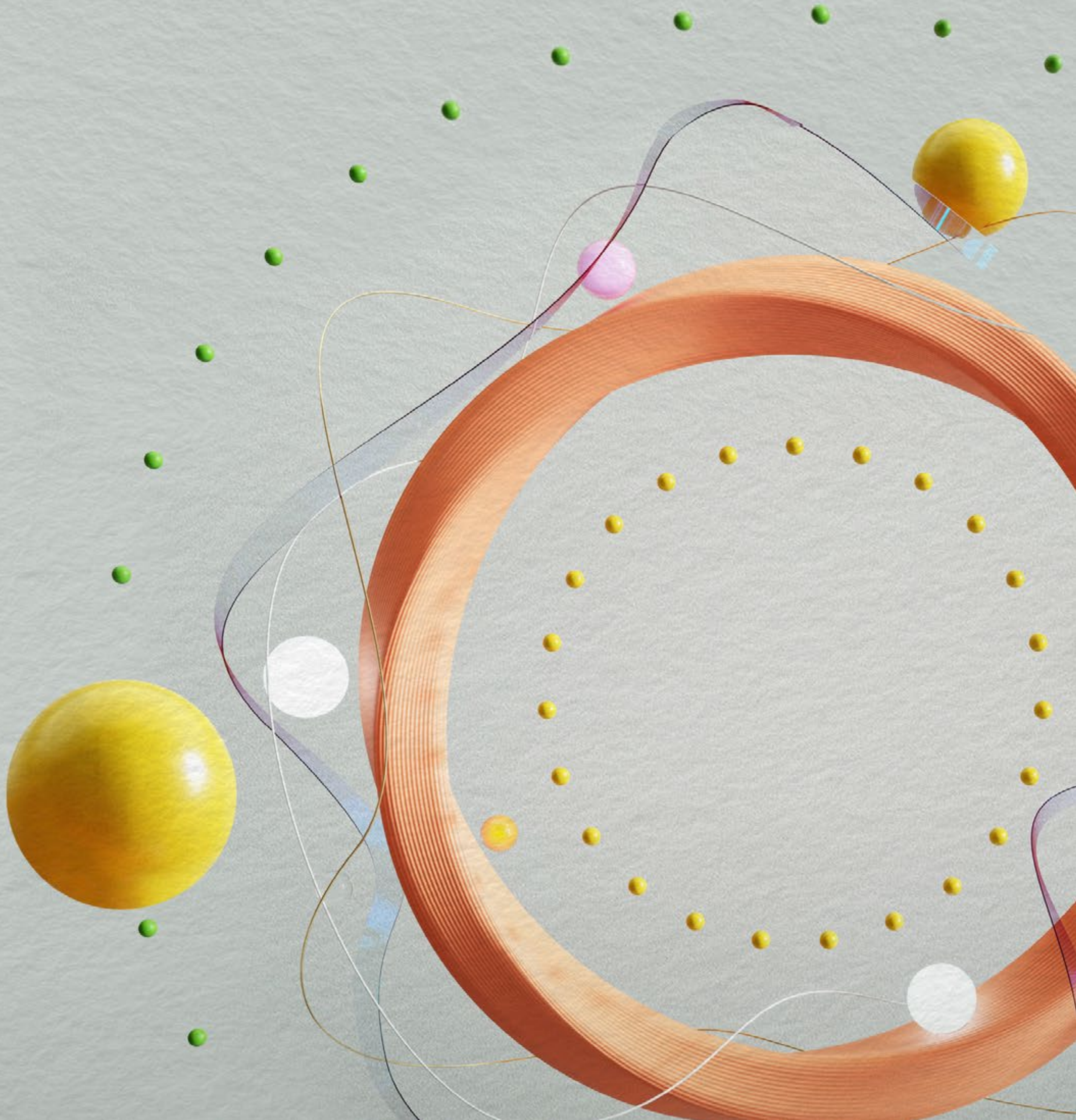
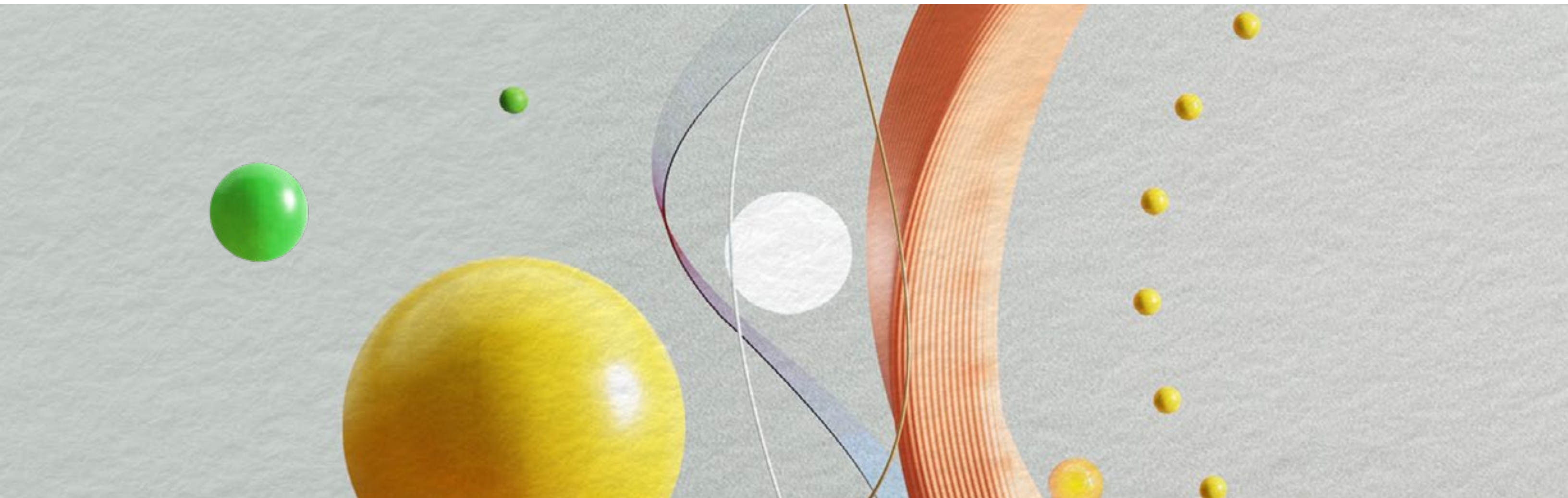
Private Bank

Family Office Investment Report

Q3 2023 CAPITAL FLOWS & INSIGHTS



Contents



Foreword

Being an investor during the third quarter of 2023 was challenging. Both equities and fixed income suffered concurrent losses for the first time since the equivalent period a year earlier. Amid such weak conditions, there may be an urge to withdraw to the sidelines. However, our experience suggests cutting through the noise and staying focused on a robust long-term investment plan. For further perspective, we believe there is a case for observing the collective decisions of wise investors.

This edition of **Family Office Investment Report** is designed to do just that. It examines the portfolio positioning and moves of our family office clients globally, using detailed data on their holdings with Citi Private Bank. It then discusses some of the detailed findings in context of our best thinking on tactical and strategic asset allocation, also considering the macroeconomic and geopolitical environment.

For a third quarter running, the family offices that we serve put more of their cash to work. However, the fresh portfolio allocations that they made were far from evenly spread. Once again, certain Investment Grade Fixed Income assets were in favor. The picture was more mixed in Global Equities, with family offices increasing and decreasing weightings in different regions. Where there were inflows into this asset class, activity focused on large cap companies in developed markets.

In addition to these quarterly positioning insights, we offer you complementary perspectives in our annual Family Office Survey Report. Whereas our quarterly insights are based on our data relating to clients' holdings at Citi Private Bank, the annual survey is self-reported and covers respondents' holdings across all their providers. The latter also shines light on other important issues for family offices. These include family office and family thinking on the likes of operations, governance, preparing the next generation and philanthropy.

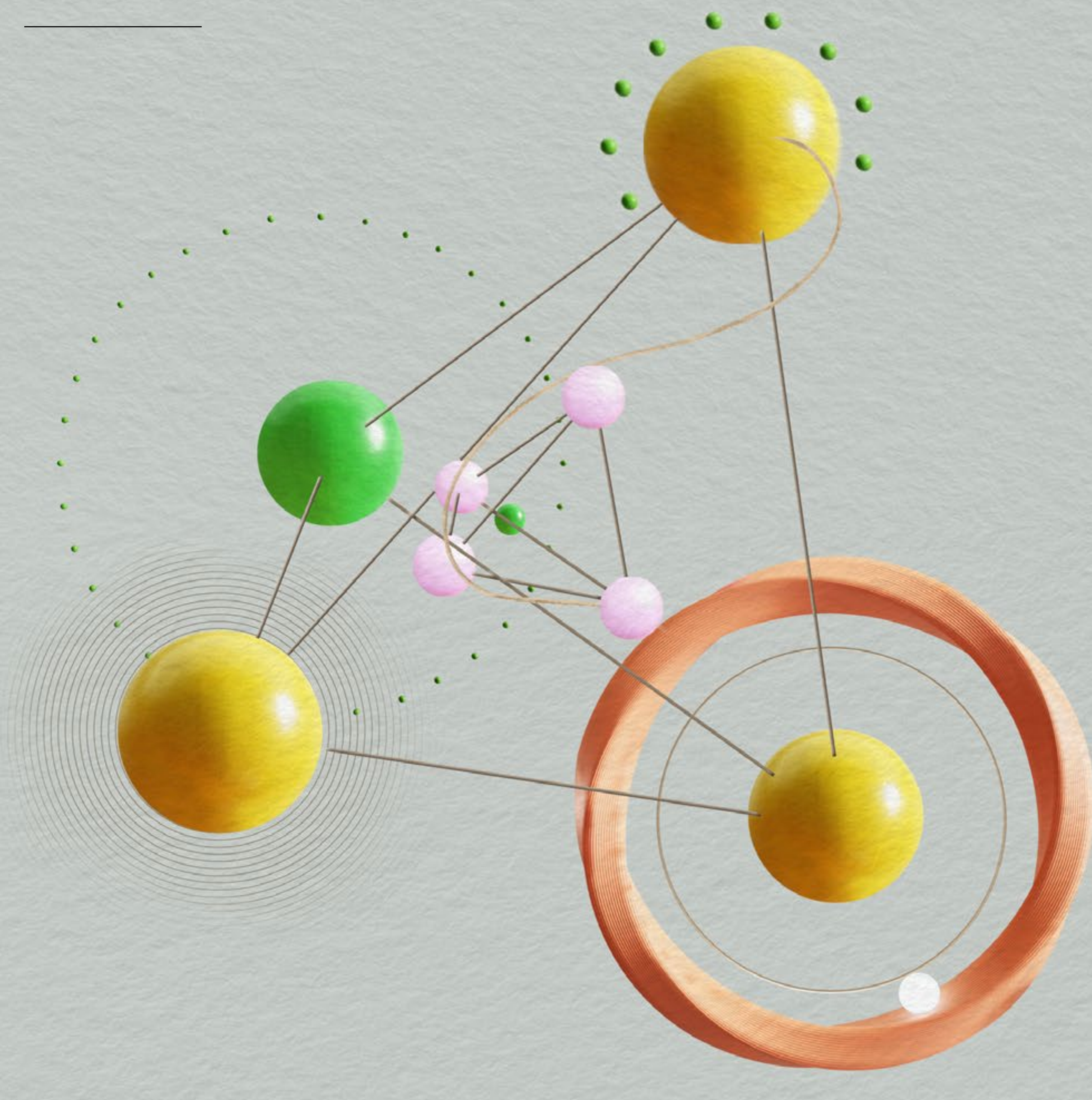
We greatly appreciate the discussions we have had with many of you about the first two editions of Family Office Investment Report. Your comments are invaluable as we develop this publication, and we look forward to hearing more from you.

Thank you for the trust that you place in Citi Private Bank.

Hannes Hofmann
Global Head
Global Family Office Group

Shu Zhang
Global Head
Global Investment Lab

Asset allocation



ASSET ALLOCATION

Amid weak financial market conditions in the third quarter, family offices in every region bar Asia Pacific put more of their cash to work on average. As in the previous quarter, there was a preference for certain Investment Grade Fixed Income assets, such as US Treasuries. By contrast, Private Equity and Real Estate saw allocations little changed.

FIGURE 1: ASSET ALLOCATIONS (EQUAL-WEIGHTED)*

	GLOBAL	APAC	EMEA	LATAM	NAM
CASH	30.4%	26.5%	32.8%	31.0%	30.1%
FIXED INCOME	22.4%	23.2%	20.6%	24.9%	21.8%
EQUITY	33.6%	38.2%	29.1%	31.6%	35.8%
HEDGE FUNDS	2.8%	3.9%	3.0%	3.4%	1.8%
PRIVATE EQUITY	6.4%	4.7%	7.0%	4.7%	7.7%
REAL ESTATE	3.6%	2.9%	5.7%	3.8%	2.3%
COMMODITIES	0.9%	0.6%	1.8%	0.6%	0.6%

An equal–weighted average of family office client allocations as of September 30, 2023.
In the 'equal–weighted' methodology, each account included in the analysis is given the same weight (1/Number of Accounts).

FIGURE 2: ASSET ALLOCATIONS (CAPITAL-WEIGHTED)*

	GLOBAL	APAC	EMEA	LATAM	NAM
CASH	22.0%	17.9%	24.2%	19.6%	22.5%
FIXED INCOME	16.6%	22.6%	17.0%	18.0%	13.7%
EQUITY	55.4%	54.8%	47.2%	57.5%	60.8%
HEDGE FUNDS	1.9%	1.7%	3.1%	2.1%	0.9%
PRIVATE EQUITY	2.4%	1.9%	4.0%	1.9%	1.5%
REAL ESTATE	1.3%	0.9%	2.8%	0.7%	0.5%
COMMODITIES	0.6%	0.3%	1.7%	0.3%	0.1%

A capital–weighted average of family office client allocations as of September 30, 2023.
In the 'capital–weighted' methodology, each account's weight is proportional to its market value (Weight of Account A = Market Value of Account A / Market Value of Family Office Client Universe Holdings).

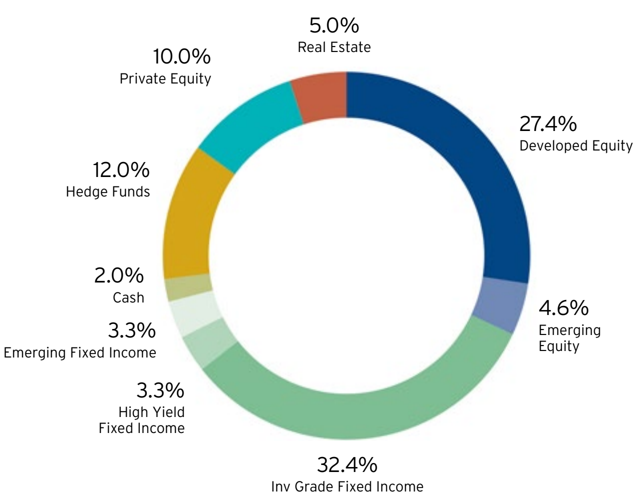
Source: Citi Private Bank, September 2023.

* This analysis takes holdings data from over 1,200 relationships globally and requires a minimum of 50 relationships in each region (APAC, EMEA, LATAM or NAM) to conduct this analysis.

Cash

- Allocations fell globally, with family offices in all regions putting cash to work, except in Asia Pacific, which raised holdings. The reduction was largest in Europe, the Middle East and Africa.
- Nevertheless, family offices' Cash holdings remain well above those in all our strategic asset allocations at every risk level. For example, our Global Allocation in US Dollars with Hedge Funds and 15% Illiquids (Private Equity & Real Estate) at Risk Level 3* ("Reference Allocation") has a 2% weighting in Cash - **figure 3**.
- "Watch and wait" best describes family offices' approach as uncertainty over the Fed's monetary policy persisted during the quarter. This caution saw them put their cash to work in high quality liquid assets.

FIGURE 3: GLOBAL ALLOCATION IN US DOLLARS WITH HEDGE FUNDS AND 15% ILLIQUIDS (PRIVATE EQUITY & REAL ESTATE) AT RISK LEVEL 3



Source: Citi Global Wealth Investments Quant Research & Global Asset Allocation teams, data as of October 31, 2022

Fixed Income

- For the second quarter running, allocations increased on both a capital- and equal-weighted basis. Inflows into high quality investment grade and sovereign debt were the driver. Within sovereign debt, inflows focused on 3 -5-year maturities.
- We also noted increased interest in fixed maturity portfolios as family offices sought to lock in higher rates.
- By contrast, Global High Yield Fixed Income and Global Emerging Market Fixed Income saw outflows.

Equities

- Globally, Equities allocations stood at 33.6%. Europe, the Middle East and Africa and North America saw increases, whereas in Latin America and Asia Pacific there were decreases.
- In the regions experiencing positive inflows to equities, activity focused on Developed Large Cap Equity.
- Despite mixed flow trends, Equities remain the largest single asset class within family office portfolios in every region.
- Asia Pacific had the highest allocation at 38.2% and Europe, the Middle East and Africa the lowest at 29.1%, on an equal-weighted basis.
- Activity in Emerging Market Equity was muted, with certain regions seeing outflows.
- Developed Small/Mid Cap Equity saw buying interest given their attractive valuations. Our Global Investment Committee recently increased its thematic overweight to profitable Small/Mid-Cap US Equity with a growth bias.

Alternatives and Commodities

- Allocations to Private Equity, Real Estate and Hedge Funds stood at 6.4%, 3.6% and 2.8% respectively.
- Activity within Commodities was also muted, with average allocations remaining around 0.9%.

*Please refer to Citi Global Wealth Investments' Global Investment Committee's Portfolio Allocations for information on portfolios at each risk level.

CITI GLOBAL WEALTH'S TACTICAL POSITIONING AND SHIFTS

Our Global Investment Committee's overall tactical asset positioning remained unchanged in the third quarter. As of the end of September, we were therefore still neutral on Global Equities, 1% overweight Global Fixed Income and 1% underweight cash - **figure 4**.

At the sub-asset class level, however, we made various changes during the period. Within Global Equities, we reduced exposure to China, also eliminating overweights in the closely impacted developed markets of Australia and Hong Kong. We eliminated a further overweight in Brazil. By contrast, our allocation to US equities rose 2.5%. This included adding to an equally weighted – rather than market cap weighted – position in the S&P 500. Our choice of equal weighting was to avoid further concentration in US mega-cap equities, which have rallied powerfully, such that the top ten companies now comprise a record 31% of the index.

Within Global Fixed Income, we ended the period as we began, including a very overweight position in Developed Investment Grade Corporates and a very underweight position in High Yield.

FIGURE 4: GLOBAL INVESTMENT COMMITTEE'S TACTICAL POSITIONING

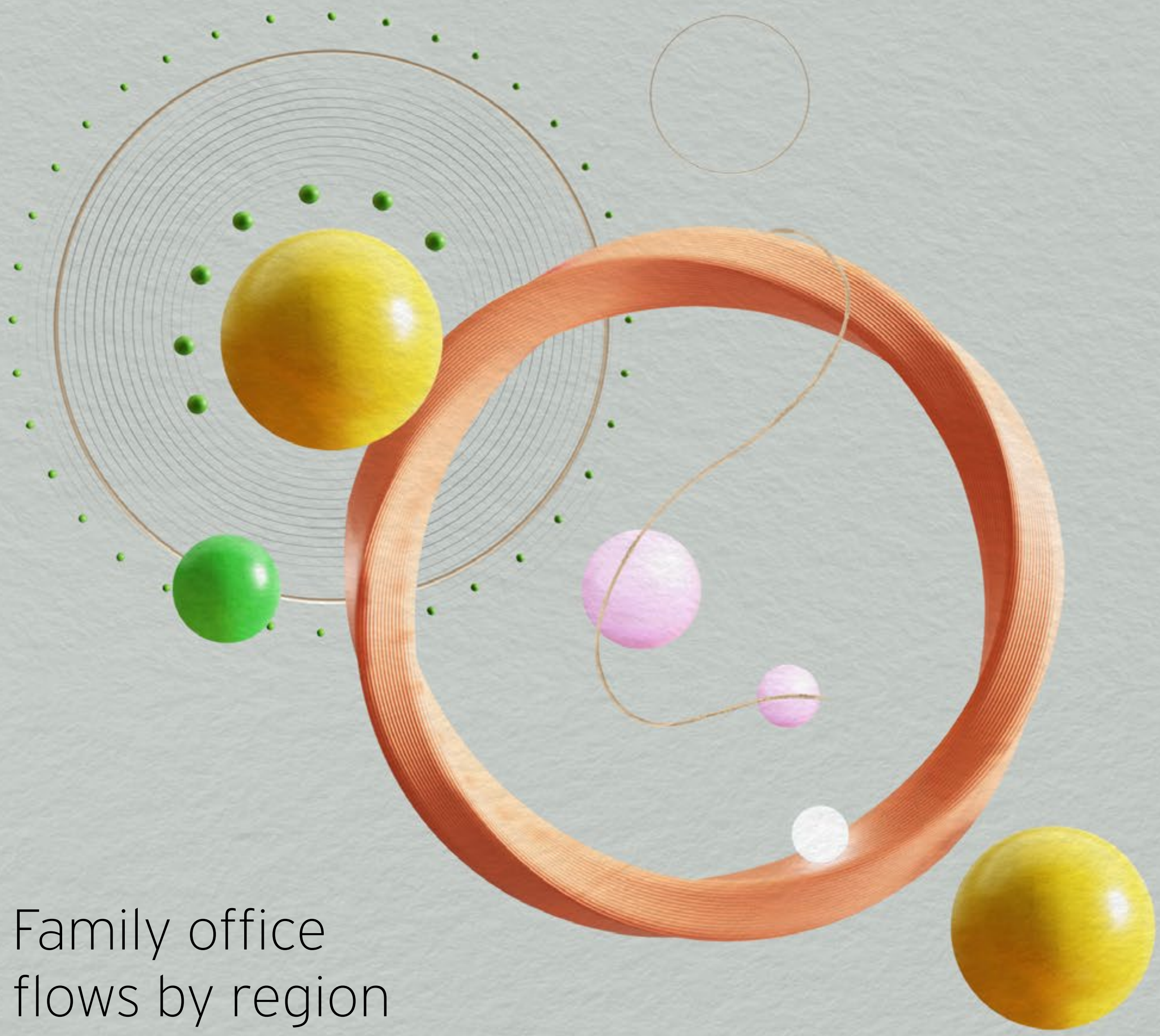
AS OF 30 JUN 2023

	-2	-1	0	1	2
FIXED INCOME					
DEVELOPED SOVEREIGN			←		
DEVELOPED INVESTMENT GRADE CORPORATES					■
HIGH YIELD	■				
EMERGING MARKET SOVEREIGNS				→	
EQUITIES					
DEVELOPED EQUITIES		■			
LARGE CAP			■		
US			←		
EUROPE			■		
ASIA EX-JAPAN				■	
JAPAN			■		
SMALL AND MID CAP		■			
US SMID CAP			→		
NON-US SMID CAP	■				
EMERGING MARKET EQUITY				←	
THEMATIC EQUITY*				■	
CASH		■			
COMMODITIES			■		

AS OF 30 SEP 2023

	-2	-1	0	1	2
FIXED INCOME					
DEVELOPED SOVEREIGN			■		
DEVELOPED INVESTMENT GRADE CORPORATES					■
HIGH YIELD	■				
EMERGING MARKET SOVEREIGNS				■	
EQUITIES					
DEVELOPED EQUITIES		■			
LARGE CAP			■		
US			■		
EUROPE			■		
ASIA EX-JAPAN			■		
JAPAN			■		
SMALL AND MID CAP		■			
US SMID CAP			■		
NON-US SMID CAP	■				
EMERGING MARKET EQUITY			■		
THEMATIC EQUITY*				■	
CASH		■			
COMMODITIES			■		

Source: Citi Global Wealth Investments Global Strategy Quadrant, June 30, 2023 and September 30, 2023.
* Thematic Equities include Cyber Security. Please refer to the Portfolio Allocations for a comprehensive breakdown of the portfolios at each risk level.
−2 = very underweight | −1 = underweight | 0 = neutral | 1 = overweight | 2 = very overweight.
Arrows indicate changes from previous Global Investment Committee meeting.



Family office flows by region

How have family office clients' portfolios evolved in the third quarter of 2023?

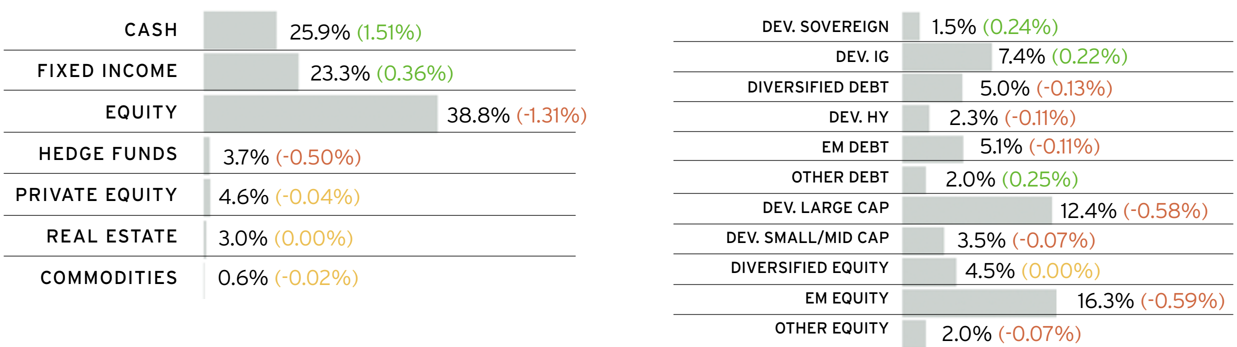
In this section, we break down portfolio flows by region. Key trends observed include:

- Continued additions to Fixed Income, principally Investment Grade
- Slight shift out of Equities overall, but not consistent by region
- Muted activity in Private Equity and Real Estate
- Further reductions in Cash holdings

ASIA PACIFIC

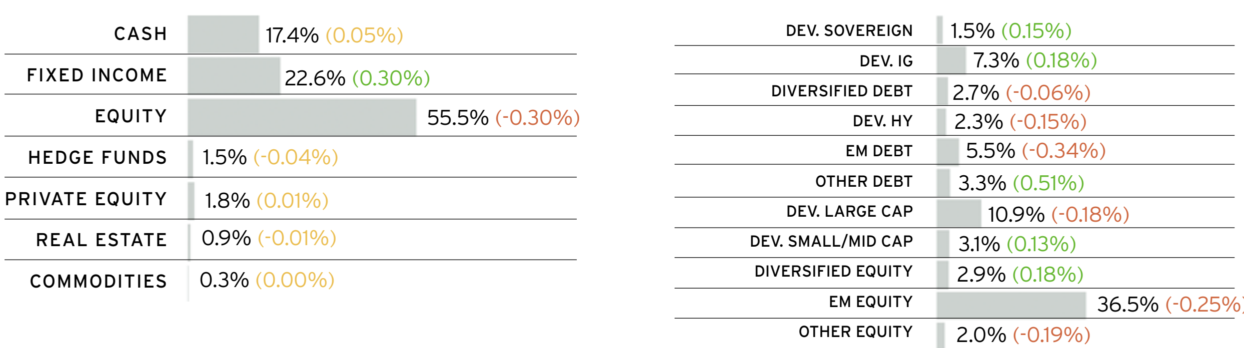
Family offices on average raised allocations to Cash by 1.51% to 25.9% on an equal-weighted basis - **figure 5**. Despite this sizeable move since the last quarter, Cash allocations remain lower than in any other region. The increase came alongside a 1.31% fall in Equities allocations to 38.8%, still the highest of any region.

FIGURE 5: ASSET ALLOCATIONS (EQUAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

FIGURE 6: ASSET ALLOCATIONS (CAPITAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

DECREASED ALLOCATION AS COMPARED TO PRIOR PERIOD

NO CHANGE TO ALLOCATION AS COMPARED TO PREVIOUS PERIOD

INCREASED ALLOCATION AS COMPARED TO PREVIOUS PERIOD

Source: Citi Private Bank, September 2023. The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22.

* Two weighting methodologies are used in this analysis: equal–weighted and capital–weighted. In the 'equal–weighted' methodology, each account included in the analysis is given the same weight (1/Number of Accounts). In the 'capital–weighted' methodology, each account's weight is proportional to its market value (Weight of Account A = Market Value of Account A / Market Value of Family Office Client Universe Holdings). This analysis takes holdings data from over 1,200 relationships globally and requires a minimum of 50 relationships in each region (APAC, EMEA, LATAM or NAM) to conduct this analysis.

Fixed Income

- For a third consecutive quarter, Fixed Income allocations rose on both an equal-weighted (0.36% to 23.3%) and capital-weighted basis (0.30% to 22.6%). Net dollar inflows into the Developed Investment Grade and Developed Sovereign sub-asset classes were partly offset by outflows from Developed Corporate High Yield and Emerging Market Debt.
- Within Developed Investment Grade and Developed Sovereign, buy trades were some three times more numerous than sells. In the former, most trades — buy and sell — centered on financial credits. There was also buying interest in longer dated/perpetual bonds and select short duration investment grade bond strategies.
- Emerging Market Debt had the most negative net dollar flows within Fixed Income, partly driven by some bonds maturing. Total buy trades were less than half the second quarter's level. Excluding matured bonds, selling revolved around cyclical sector issues, principally financials and industrials. Buying was broadly diversified across sectors.
- Similarly, Developed Corporate High Yield saw net dollar outflow, with selling focused on financial credits and select senior loan bond strategies. This contrasted with the previous two quarters' trend of slightly positive net dollar flow.

Equities

- Equities saw a net dollar outflow, continuing the previous quarter's trend. Equal-weighted allocations dipped 1.31% to 38.8%. On a capital-weighted basis, the decline was 0.30% to 55.5%, implying that family offices with larger investment holdings at Citi Private Bank trimmed their holdings by less. Sell trades slightly outnumbered buy trades.
- Also continuing the second quarter's trend, Emerging Market Equity was the largest contributor to the asset class's overall net dollar outflow, with sell trades outstripping buys by around 1.5 times. Buying activity was broadly diversified across sectors, while sells focused on consumer discretionary issues.
- Developed Large Cap Equity saw another consecutive quarter of negative net dollar flow, although less so than for Emerging Market Equity. Moderate buying occurred in select technology and healthcare names and certain broad-based ETFs. Selling was broadly based across sectors and regions.
- Developed Small/Mid Cap Equity saw another quarterly net dollar inflow. The capital-weighted basis increase contrasted with an equal-weighted reduction, resulting from substantial purchases by certain family office clients with larger holdings at Citi Private Bank. Buying was broadly spread across sectors, while selling predominantly involved cyclicals: consumer discretionary, financials and industrials.
- Net dollar quarterly outflows for Diversified Equity were again negative, primarily driven by reduced allocations to select technology-focused funds/ETFs.

Alternatives and Commodities

- Hedge Funds lost favor, with slightly negative net dollar outflows contributing to a 0.50% drop in allocations on an equal-weighted basis. There was buying interest in select multi-strategy fixed income relative value and global macro strategies.
- Allocations to Private Equity and Real Estate remained largely unchanged at 4.6% and 3.0% respectively on an equal-weighted basis.*
- Trading within commodities was also muted, with allocations broadly flat at 0.6%.

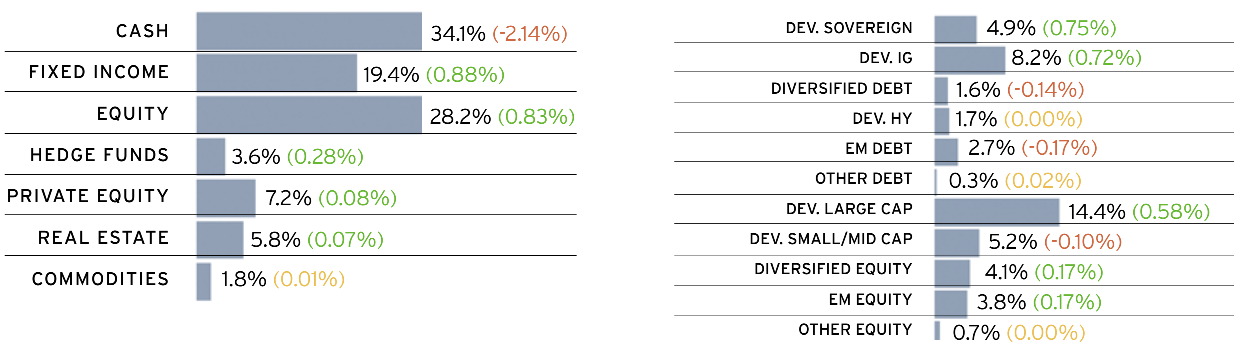
*Allocations to an asset class could change due to shifts in allocations to other asset classes. For example, an inflow of funds to one asset class while all others saw zero flows would register as negative flows for the latter you can then reduce the space between the two paragraphs. Private Equity & Real Estate do not record flows unless it is the first capital call of a new fund or retirement of an existing fund.

The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22. This page summarizes changes observed in Citi Private Bank's single family office clients' portfolio asset allocations in Q3 2023. The summary on this page is for informational purposes only, based on past activity, not intended to represent investment advice, nor any projection of forward—looking performance.

EUROPE, THE MIDDLE EAST & AFRICA

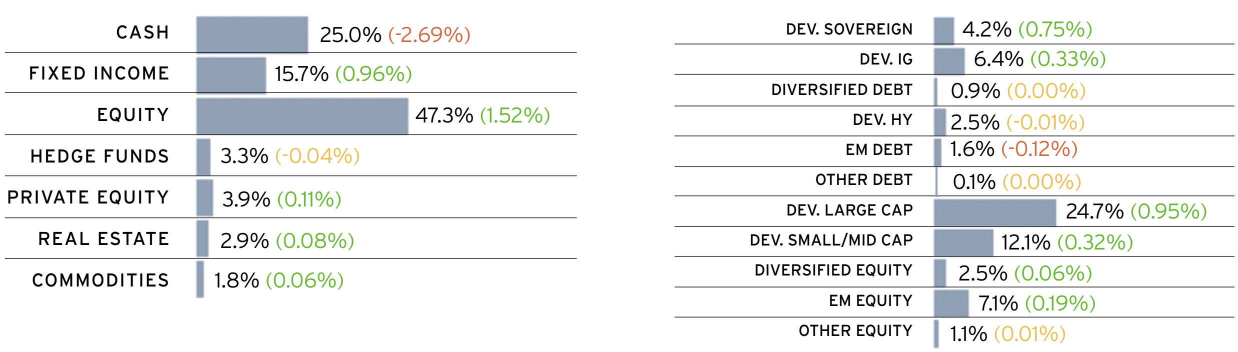
Family office clients put Cash to work in the three months to end September. Allocations to this asset class dipped 2.14% to 34.1% on an equal-weighted basis. They continued to allocate more to Investment Grade Fixed Income, while also upping their holdings of Developed Large Cap Equity.

FIGURE 7: ASSET ALLOCATIONS (EQUAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

FIGURE 8: ASSET ALLOCATIONS (CAPITAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

DECREASED ALLOCATION AS COMPARED TO PRIOR PERIOD

NO CHANGE TO ALLOCATION AS COMPARED TO PREVIOUS PERIOD

INCREASED ALLOCATION AS COMPARED TO PREVIOUS PERIOD

Source: Citi Private Bank, September 2023. The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22.

* Two weighting methodologies are used in this analysis: equal–weighted and capital–weighted. In the 'equal–weighted' methodology, each account included in the analysis is given the same weight (1/Number of Accounts). In the 'capital–weighted' methodology, each account's weight is proportional to its market value (Weight of Account A = Market Value of Account A / Market Value of Family Office Client Universe Holdings). This analysis takes holdings data from over 1,200 relationships globally and requires a minimum of 50 relationships in each region (APAC, EMEA, LATAM or NAM) to conduct this analysis.

Fixed Income

- Allocations to Fixed Income rose 0.88% to 19.4% on an equal-weighted basis, with increases also seen on a capital-weighted basis. Net dollar inflows were seen into Developed Investment Grade and Developed Sovereign sub-asset classes.

- The highest rated corporate and sovereign debt accounted for most of the asset class's trading activity. Amid rising yields, US Treasuries saw the highest inflows. In line with our Global Investment Committee's view, most US sovereign debt inflows were in the 3- to 5-year maturity range.

- High Yield and Emerging Market Debt saw outflows, especially strategies with an Asian focus.

Equities

- Allocations to Equities rose by 0.83% to 28.2% on an equal-weighted basis; family offices with larger investment holdings at Citi Private Bank saw a more pronounced increase.

- Developed Large Cap Equity accounted for most of the activity, particularly technology and communication names. Financials saw the highest inflows.

- Within Small/MidCap (SMID) Equity, exposure to healthcare increased but reduced to communication services and financials.

- Trading in Emerging Market Equity was relatively muted.

Alternatives and Commodities

- Private Equity and Real Estate allocations stayed steady at 7.2% and 5.8% on an equal-weighted basis.*

- Allocations to Hedge Funds rose 0.28% to 3.6%, even as family offices with larger investment holdings at Citi Private Bank slightly cut exposure.

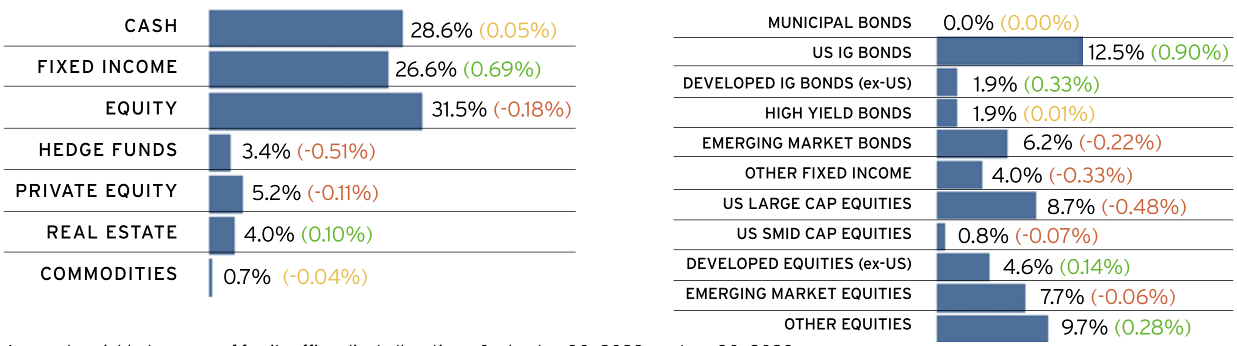
*Allocations to an asset class could change due to shifts in allocations to other asset classes. For example, an inflow of funds to one asset class while all others saw zero flows would register as negative flows for the latter. Private Equity & Real Estate do not record flows unless it is the first capital call of a new fund or retirement of an existing fund.

The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22. This page summarizes changes observed in Citi Private Bank's single family office clients' portfolio asset allocations in Q3 2023. The summary on this page is for informational purposes only, based on past activity, not intended to represent investment advice, nor any projection of forward—looking performance.

LATIN AMERICA

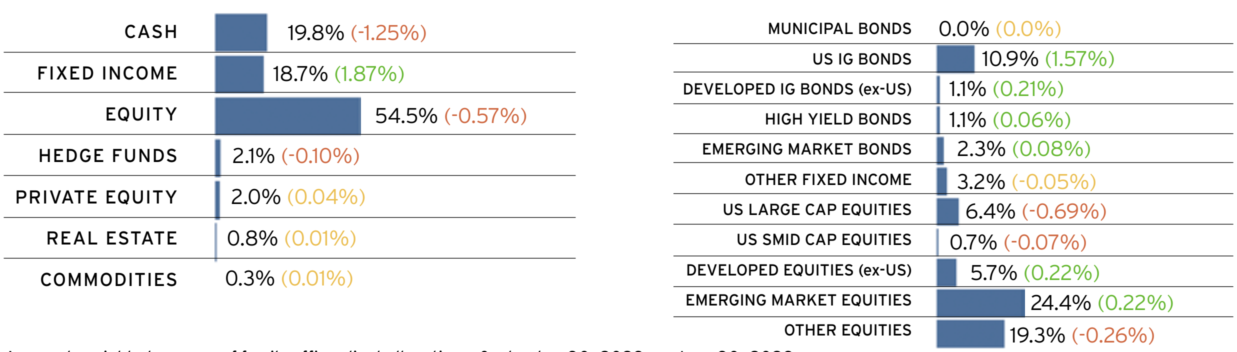
Typical exposure to Fixed Income remains higher than in any other region at 26.6%. Amid continued rises in rates globally, there have been further inflows to this asset class, both on an equal- and capital-weighted basis. Cash allocations remained steadier than in any other region.

FIGURE 9: ASSET ALLOCATIONS (EQUAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

FIGURE 10: ASSET ALLOCATIONS (CAPITAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

DECREASED ALLOCATION AS COMPARED TO PRIOR PERIOD

NO CHANGE TO ALLOCATION AS COMPARED TO PREVIOUS PERIOD

INCREASED ALLOCATION AS COMPARED TO PREVIOUS PERIOD

Source: Citi Private Bank, September 2023. The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22.

* Two weighting methodologies are used in this analysis: equal–weighted and capital–weighted. In the 'equal–weighted' methodology, each account included in the analysis is given the same weight (1/Number of Accounts). In the 'capital–weighted' methodology, each account's weight is proportional to its market value (Weight of Account A = Market Value of Account A / Market Value of Family Office Client Universe Holdings). This analysis takes holdings data from over 1,200 relationships globally and requires a minimum of 50 relationships in each region (APAC, EMEA, LATAM or NAM) to conduct this analysis.

Fixed Income

- Allocations rose 0.69% to 26.6% on an equal-weighted basis.

- Inflows were greater than in any other asset class, on both an equal- and capital-weighted basis. These inflows were concentrated in US Investment Grade, specifically US Treasuries (up 0.90% to 12.5%). This is likely due to family offices reassessing reinvestment risk and locking in higher rates around the middle of the yield curve.

Equities

- Allocations to Equities fell by 0.18% to 31.5% on an equal-weighted basis. The decline was greater for those with larger investment holdings at Citi Private Bank, which nonetheless continue to have substantially greater Equities allocations at 54.5%. Such family offices' reductions were most pronounced in US Large Cap (-0.69% to 6.40%).

Alternatives and Commodities

- Private Equity and Real Estate exposure saw small moves, declining 0.11% to 5.2% and increasing 0.10% to 4.0% respectively, on an equal-weighted basis.*

- Overall, diversified private equity and real estate strategies remained in favor. Some 75% and 55% of alternatives exposure are attributed to these two strategies, respectively.

- On average, Hedge Funds saw the largest outflow of any asset class. On an equal-weighted basis, allocations shrank 0.51% to 3.4%.

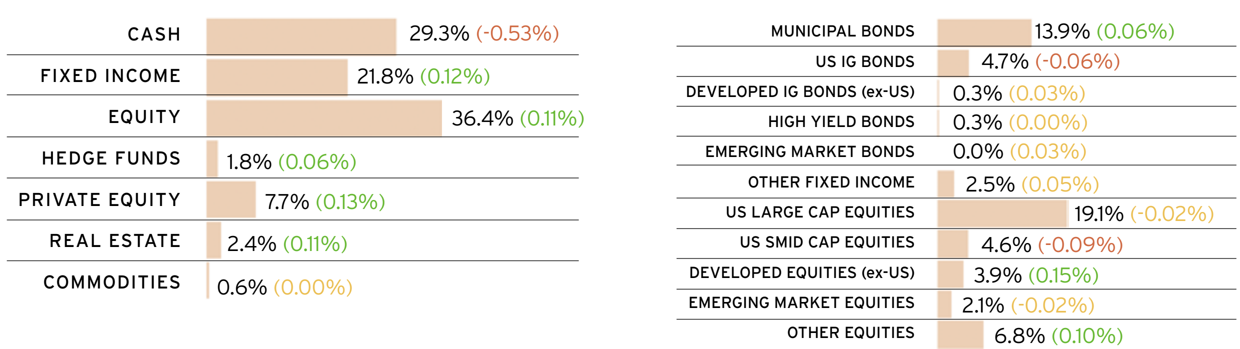
*Allocations to an asset class could change due to shifts in allocations to other asset classes. For example, an inflow of funds to one asset class while all others saw zero flows would register as negative flows for the latter. Private Equity & Real Estate do not record flows unless it is the first capital call of a new fund or retirement of an existing fund.

The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22. This page summarizes changes observed in Citi Private Bank's single family office clients' portfolio asset allocations in Q3 2023. The summary on this page is for informational purposes only, based on past activity, not intended to represent investment advice, nor any projection of forward—looking performance.

NORTH AMERICA

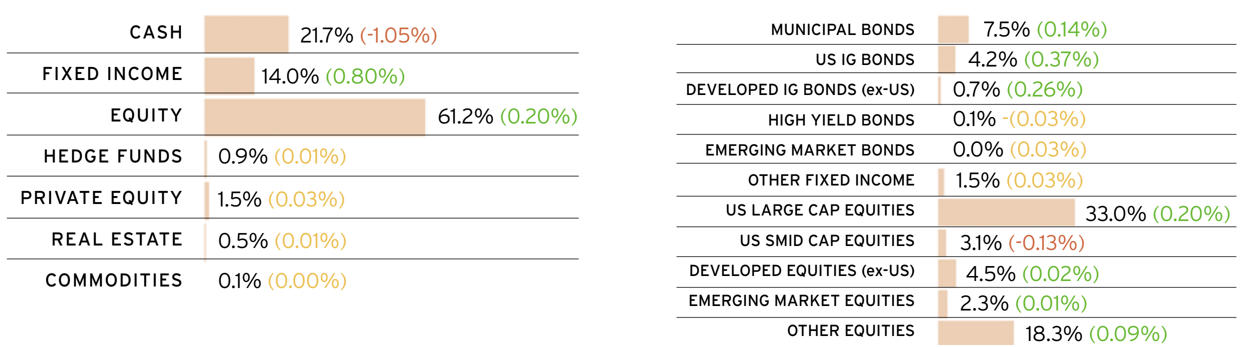
With uncertainty as to how high the US Federal Reserve might hike interest rates, family offices have been in "watch-and-wait" mode. Investment decisions were marked by caution, with cash put to work in higher quality, more liquid assets.

FIGURE 11: ASSET ALLOCATIONS (EQUAL-WEIGHTED)*



An equal–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

FIGURE 12: ASSET ALLOCATIONS (CAPITAL-WEIGHTED)*



A capital–weighted average of family office client allocations; September 30, 2023 vs. June 30, 2023.

- DECREASED ALLOCATION AS COMPARED TO PRIOR PERIOD
- NO CHANGE TO ALLOCATION AS COMPARED TO PREVIOUS PERIOD
- INCREASED ALLOCATION AS COMPARED TO PREVIOUS PERIOD

Source: Citi Private Bank, September 2023. The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22.

* Two weighting methodologies are used in this analysis: equal–weighted and capital–weighted. In the 'equal–weighted' methodology, each account included in the analysis is given the same weight (1/Number of Accounts). In the 'capital–weighted' methodology, each account's weight is proportional to its market value (Weight of Account A = Market Value of Account A / Market Value of Family Office Client Universe Holdings). This analysis takes holdings data from over 1,200 relationships globally and requires a minimum of 50 relationships in each region (APAC, EMEA, LATAM or NAM) to conduct this analysis.

Fixed Income

- Allocations to Fixed Income rose. The increase on a capital-weighted basis, i.e., for family offices with larger investment holdings at Citi Private Bank, was more pronounced at 0.80% to 14.0% versus 0.12% to 21.8% for family offices in North America overall.

- Among those larger family offices, allocation increases were seen across higher quality categories: Municipals, US Investment Grade and Developed Investment Grade.

- Within US Investment Grade, flows went primarily into US Treasuries with a weighted average maturity of around five years. In our conversations with family offices, requests for fixed maturity portfolios have arisen frequently. This reflects a desire to lock in rates, given ongoing uncertainty about when interest rate cuts may occur.

- On an equal-weighted basis, the trend in capital allocation was similar, but degree of moves was smaller. This points to the cautious approach taken by family offices on average.

Equities

- Allocation to Equities rose 0.11% to 36.4% on an equal-weighted basis and 0.20% to 61.2% on a capital-weighted basis.

- Beneath the surface, family offices as a whole behaved somewhat differently than those with larger investment holdings at Citi Private Bank:

  - On average, family offices increased Equities allocations primarily via Developed (ex-US) Equity (up 0.15% to 3.9%), with healthcare the most popular sector.

  - By contrast, those with larger investment holdings at Citi Private Bank primarily increased exposure through US Large Cap Equity (up 0.20% to 33.0%), doing so via broad-based passive strategies and with an emphasis on the communication services sector.

- Overall US Large Cap Equity accounted for 65% of buy and sell trades within the asset class. Developed (ex-US) Equity accounted for only 5%.

- Two themes stood out across family offices:

  - Adding equity index exposure via structured notes.

  - A reduction in exposure to Small and Mid-Cap Equity (down 0.09% to 4.6%) following selloffs in this sub-asset class in the US.

Alternatives and Commodities

- After a relatively quiet first two quarters of 2023, broad-based interest in Private Equity & Real Estate strategies perked up somewhat. Allocations on an equal-weighted basis rose 0.13% to 7.7% and 0.11% to 2.4% respectively. So, family offices may now be seeking to ensure they add some exposure to the 2023 vintage year while they still can.*

- Activity in Hedge Funds and Commodities was muted during the quarter, with allocations remaining broadly unchanged.

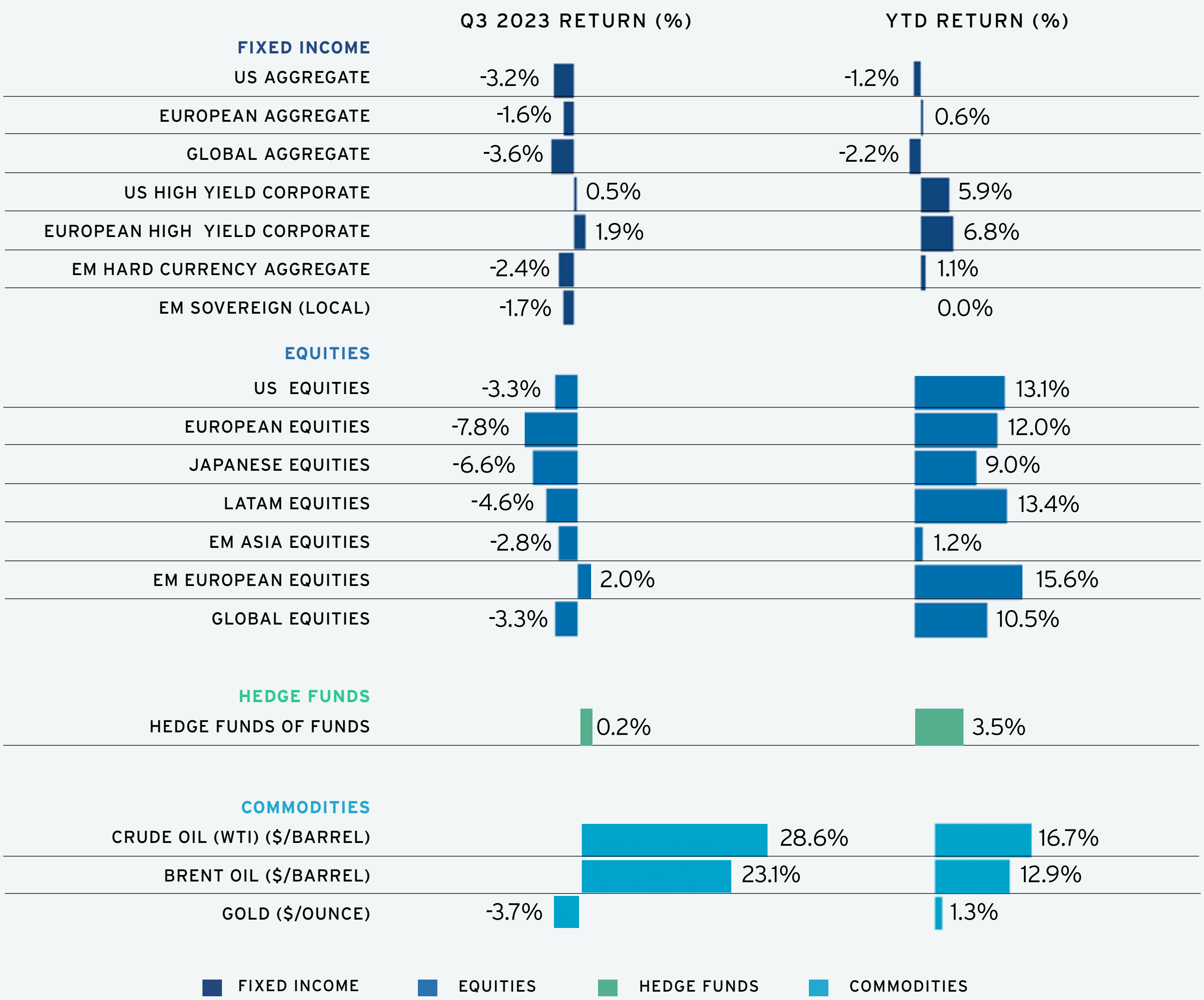
*Allocations to an asset class could change due to shifts in allocations to other asset classes. For example, an inflow of funds to one asset class while all others saw zero flows would register as negative flows for the latter. Private Equity & Real Estate do not record flows unless it is the first capital call of a new fund or retirement of an existing fund.

The changes in asset allocation are based on trading activity. Holdings are normalized to June 30, 2023 valuations for consistency and, as such, are not impacted by price action. Detailed methodology is available on page 22. This page summarizes changes observed in Citi Private Bank's single family office clients' portfolio asset allocations in Q3 2023. The summary on this page is for informational purposes only, based on past activity, not intended to represent investment advice, nor any projection of forward—looking performance.

RECAP AND OUTLOOK

After a powerful performance in the first half of 2023 - **figure 13** - Global Equities retreated in the third quarter of 2023. Among its sub-asset classes, only Emerging Market European Equity managed to eke out a gain. In Fixed Income, Investment Grade continued their decline as central bank rate hikes persisted, while High Yield advanced. Tight supply saw crude oil prices surge. The final quarter of the year has often proved seasonally favorable for Equities. At its October meeting, our Global Investment Committee went 2% overweight Global Equities, shifting from 1% overweight Fixed Income to 1% underweight.

FIGURE 13: MARKET PERFORMANCE



Source: Bloomberg, as of September 30, 2023, OCIS September 2023. Q3 2023 Total Return Analysis Period: July 2023 - September 2023. Note: Return is in USD terms and is total returns. Past performance is not indicative of future returns. The indices are unmanaged and are not investable. Index data is provided for comparative purposes only. Please refer to page pages 23–24 for index definitions. Diversification does not ensure profit or protection against loss.

More key reads for family offices

ANNUAL FAMILY OFFICE SURVEY REPORT

Initiated during the seventh annual Family Office Leadership Program last June, the 2023 Family Office Survey collected responses from over 268 family office clients over a month-long period.

The findings and analysis in the resulting report offer exclusive insights into the thinking of some of the world's most sophisticated family offices.

VIEW THE 2023 REPORT

We regularly publish topical insights on the most important topics for family offices.

Read our latest articles and publications at citiprivatebank.com/globalfamilyoffice

FEATURED WHITE PAPERS

Eight best practices for family leadership succession

A guide to establishing a family office

Executive reward and retention strategies for family offices

Family learning and education initiatives: building a foundation for the future

When hope is not a strategy: preparing children for significant wealth

Investment management best practices for family offices

About the Global Family Office Group

Citi Private Bank's Global Family Office Group serves single family offices, private investment companies and private holding companies, including family-owned enterprises and foundations, around the world.

We offer clients comprehensive private banking and family office advisory services, institutional access to global opportunities and connections to a community of like-minded peers.

For more information, please contact your Private Banker or the group head in your region.

citiprivatebank.com/globalfamilyoffice

REGIONAL CONTACTS

Alessandro Parise
Latin America Head
Global Family Office Group
alessandro.parise@citi.com

Alessandro Amicucci
Europe, Middle East & Africa Head
Global Family Office Group
alessandro.amicucci@citi.com

Bernard Wai
Asia Pacific Head
Global Family Office Group
bernard.wai@citi.com

About the Global Investment Lab

The Global Investment Lab is a dedicated, institutional-calibre analytical team within Citi Global Wealth that is focused on customized portfolio construction, risk management and investment strategy.

We understand the complex needs of family offices and are committed to helping clients identify opportunities and make well-informed investment decisions. From liquidity events to direct investment to strategic portfolio realignment, we put our analytical minds and deep experience with portfolio construction to work identifying the appropriate investment portfolio opportunities for your family office.

citiprivatebank.com/globalinvestmentlab

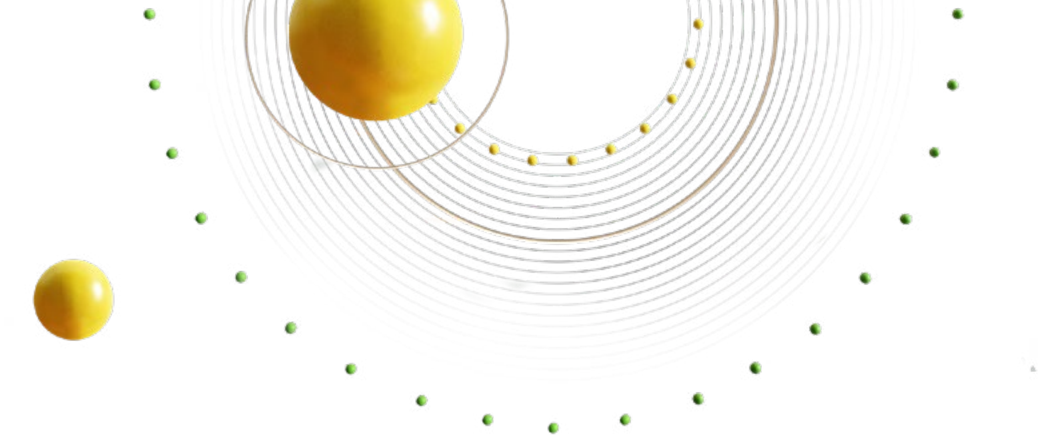
REGIONAL CONTACTS

Sneha Jose
North America Head
Global Investment Lab
sneha.jose@citi.com

Juan Francisco Clemenza
Latin America Head
Global Investment Lab
juan.clemenza@citi.com

Sukhavasi Venkata Vamsi
Europe, Middle East & Africa Head
Global Investment Lab
sukhavasi.venkata.vamsi@citi.com

Rajesh Adwalpalker
Asia Pacific Head
Global Investment Lab
rajesh.adwalpalker@citi.com



Methodology

We use equal-weighted and capital-weighted methodologies in this analysis.

In the equal-weighted methodology, each account included in the analysis is given the same weight in the calculation of averages.

Equal-weighted calculation = 1/number of family office accounts.

In the capital-weighted methodology, each account's weight is proportional to its asset value, such that larger family office accounts have a greater bearing on the average calculations.

Capital-weighted calculation = Account A's asset value / total value of family office client assets.

This analysis takes asset data from over 1,200 relationships globally, requiring a minimum of 50 relationships in each region (APAC, EMEA, LATAM or NAM) for that region to be included.

The analysis is only inclusive of assets for which Citi holds information (e.g., direct client investments are not captured).

Asset allocation (pg. 5)

Snapshot of asset allocation on a capital-weighted and equal-weighted basis, excluding:

a. Liabilities;

b. Client accounts valued at <USD 1MM; and

c. Clients who hold 90% (or more) of their assets in Cash & Cash Equivalents

Regional flows (pgs. 10–18)

Changes in the value of assets held, and the resultant impact on aggregate asset class weights, are entirely based on changing quantities and do not incorporate any price effects. Products with multiple asset classes and holdings traded within managed portfolios are excluded from this analysis, along with:

a. Negative positions and liabilities;

b. Unfunded derivatives positions;

c. Client accounts valued at <USD 1MM;

d. Client accounts opened or closed during the analysis period;

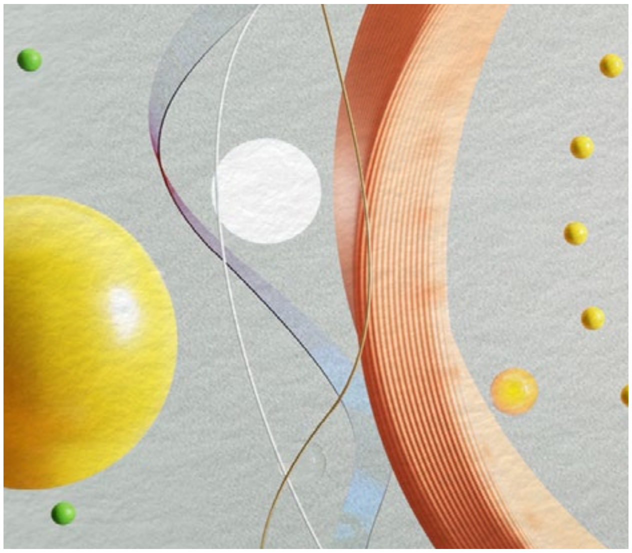
e. Clients who hold 90% (or more) of their assets in Cash & Cash Equivalents at both observation points; and

f. Client accounts whose total asset value has changed by >100%.

Allocations to an asset class could change due to shifts in allocations to other asset classes. For example, an inflow of funds to one asset class while all others saw zero flows would register as negative flows for the latter.

Private Equity & Real Estate do not record flows unless it is the first capital call of a new fund or retirement of an existing fund.

Past performance is not indicative of future results.



Index definitions

US Aggregate - Bloomberg Barclays U.S. Aggregate Bond Index
The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities.

European Aggregate - Bloomberg Barclays Euro Agg Total Return Index
The Bloomberg Barclays Euro Aggregate Bond Index includes fixed-rate, investment grade euro denominated bonds. Inclusion is based on the currency of the issue, and not the domicile of the issuer. The principal sectors in the index are the Treasury, corporate, government-related and securitized.

Global Aggregate - Bloomberg Barclays Global Aggregate Bond
The Index measures the performance of the global investment grade, fixed-rate bond markets. The benchmark includes government, government-related and corporate bonds, as well as asset-backed, mortgage-backed and commercial mortgage-backed securities from both developed and emerging markets issuers.

US High Yield Corporate - Bloomberg Barclays US Corporate High Yield Total Return Index
The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

European High Yield Corporate - Bloomberg Barclays Pan-European High Yield Total Return Index
The Bloomberg Barclays Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer.

EM Hard Currency Aggregate - Bloomberg Barclays EM Local Currency Government TR Index
The Bloomberg Barclays Emerging Markets Local Currency Government Index is a flagship index that measures the performance of local currency Emerging Markets (EM) debt. Classification as an EM is rules-based and reviewed annually using World Bank income group, International Monetary Fund (IMF) country classification and additional considerations such as market size and investability.

US Equities - S&P 500 Index
The S&P 500® is widely regarded as the best single gauge of Large-Cap U.S. Equities. There is over USD 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 3.4 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

European Equities - EURO STOXX 50
The EURO STOXX 50 Index, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 11 Eurozone countries. The index is licensed to financial institutions to serve as an underlying for a wide range of investment products such as exchange-traded funds (ETFs), futures, options and structured products.

Japanese Equities - Nikkei 225
The Nikkei 225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225.

LatAm Equities - MSCI Emerging Markets Latin America Index
Latin America Index captures large- and mid-cap representation across 6 Emerging Markets (EM) countries* in Latin America. With 118 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EM Asia Equities - MSCI Emerging Markets Asia Index
The MSCI Emerging Markets (EM) Asia Index captures large- and mid-cap representation across 9 Emerging Markets countries. With 903 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EM European Equities - MSCI EMERGING MARKETS EUROPE INDEX
The MSCI Emerging Markets Europe Index captures large- and mid-cap representation across 6 Emerging Markets (EM) countries in Europe. With 72 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Global Equities - MSCI All Country World Index (ACWI)
The MSCI ACWI is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International (MSCI) and is comprised of stocks from 23 developed countries and 24 emerging markets.

Hedge Fund Research - HFRX Global Hedge Fund Index
The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies falling within four principal strategies: Equity Hedge, event-driven, macro/CTA and relative value arbitrage.

Asset class and other definitions

Global Developed Market Equity
The asset class is composed of MSCI indices capturing large-, mid- and small-cap representation across 18 individual developed markets countries, as weighted by the market capitalization of these countries. The composite covers approximately 95% of the free float-adjusted market capitalization in each country.

Global Emerging Market Equity
The asset class is composed of MSCI indices capturing large- and mid-cap representation across 20 individual emerging-market countries. The composite covers approximately 85% of the free float-adjusted market capitalization in each country. For the purposes of supplemental long-term historical data, local-market country indices are used, wherever applicable.

Global Developed Investment Grade Fixed Income
The asset class is composed of Bloomberg Barclays indices capturing investment grade debt from twenty different local currency markets. The composite includes fixed-rate treasury, government-related, investment grade rated corporate and securitized bonds, and mortgage-backed securities from the developed-market issuers. Local market indices for US, UK and Japan are used for supplemental historical data.

Global High Yield Fixed Income
The asset class is composed of Bloomberg Barclays indices measuring the non-investment grade, fixed rate corporate bonds denominated in USD, GBP and EUR. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Ibbotson High Yield Index, a broad high yield index including bonds across the maturity spectrum, within the BB-B rated credit quality spectrum, included in the below-investment-grade universe, is used for supplemental historical data.

Global Emerging Fixed Income
The asset class is composed of Bloomberg Barclays indices measuring performance of fixed and floating rate US dollar denominated emerging markets sovereign debt for 3 different regions including Latin America, EMEA and Asia.

Cash
The asset class is represented by US 3-Month Government Bond TR, measuring the USD denominated active 3-month fixed-rate nominal debt issues by the US Treasury.

Hedge Funds
The asset class is composed of investment managers employing different investment styles as characterized by different sub categories — HFRI Equity Long/Short: Positions both long and short in primarily Equity and Equity-derivative securities; HFRI Credit: Positions in corporate Fixed Income securities; HFRI Event Driven: Positions in companies currently or prospectively involved in wide variety of corporate transactions; HFRI Relative Value: Positions based on a valuation discrepancy between multiple securities; HFRI Multi Strategy: Positions based on realization of a spread between related yield instruments; HFRI Macro: Positions based on movements in underlying economic variables and their impact on different markets; Barclays Trader CTA Index: The composite performance of established programs (Commodity Trading Advisors) with more than four years of performance history.

Private Equity
The asset class characteristics are driven by those for Developed Market Small-Cap Equities, adjusted for illiquidity, sector concentration and greater leverage.

Real Estate
The asset class contains index contains all Equity REITs (US REITs and publicly-traded Real Estate companies) not designated as Timber REITs or Infrastructure REITs: NAREIT US REIT Index, NAREIT Canada REIT Index, NAREIT UK REIT Index, NAREIT Switzerland REIT Index, NAREIT Euro zone REIT Index, NAREIT Japan REIT Index, NAREIT Hong Kong REIT Index, NAREIT Singapore REIT Index, NAREIT Australia REIT Index.

Important Information

In any instance where distribution of this communication ("Communication") is subject to the rules of the U.S. Commodity Futures Trading Commission ("CFTC"), this communication constitutes an invitation to consider entering into a derivatives transaction under U.S. CFTC Regulations §§ 1.71 and 23.605, where applicable, but is not a binding offer to buy/sell any financial instrument.

This Communication is prepared by Citi Global Wealth Investments ("CGWI") which is comprised of the Investments and Capital Markets capabilities of Citi Private Bank, Citi Global Wealth at Work, Citi Personal Wealth Management and International Personal Bank U.S.

CGWI and CPB personnel are not research analysts, and the information in this Communication is not intended to constitute "research", as that term is defined by applicable regulations. Unless otherwise indicated, any reference to a research report or research recommendation is not intended to represent the whole report and is not in itself considered a recommendation or research report.

All views, opinions and estimates expressed in this communication (i) may change without notice, and (ii) may differ from those views, opinions and estimates held or expressed by Citigroup or other Citigroup personnel. Recipients of this communication should obtain advice based on their individual circumstances from their own tax, financial, legal and other advisors before making an investment decision, and only make such decisions on the basis of the investor's own objectives, experience and resources.

Citi Private Bank is a business of Citigroup Inc. ("Citigroup"), which provide clients access to a broad array of products and services available through bank and non-bank affiliates of Citigroup. Not all products and services are provided by all affiliates or are available at all locations. In the U.S., investment products and services are provided by Citigroup Global Markets Inc. ("CGMI"), member FINRA and SIPC, Citi Private Advisory, LLC ("CPA"), member FINRA and SIPC, and Citi Global Alternatives, LLC ("CGA"). CPA acts as distributor of certain alternative investment products to certain eligible clients' segments. CGMI accounts are carried by Pershing LLC, member FINRA, NYSE, SIPC. Investment management services (including portfolio management) are available through CGMI, CGA, Citibank, N.A. and other affiliated advisory businesses.

Outside the U.S., investment products and services are provided by other Citigroup affiliates. Investment Management services (including portfolio management) are available through CGMI, CGA, Citibank, N.A. and other affiliated advisory businesses. These Citigroup affiliates, including CGA, will be compensated for the respective investment management, advisory, administrative, distribution and placement services they may provide.

Citi Private Bank personnel are not research analysts, and the information in this Communication is not intended to constitute "research", as that term is defined by applicable regulations. Unless otherwise indicated, any reference to a research report or research recommendation is not intended to represent the whole report and is not in itself considered a recommendation or research report.

This document is for informational purposes only. All opinions are subject to change without notice. Opinions expressed herein may differ from the opinions expressed by other businesses of Citigroup Inc., are not intended to be a forecast of future events or a guarantee of future results. Although information in this document has been obtained from sources believed to be reliable, Citigroup Inc. and its affiliates do not guarantee its accuracy or completeness and accept no liability for any direct or consequential losses arising from its use. Nothing contained herein shall be construed as a recommendation or advice by Citibank or any of its affiliates to enter into any transaction.

In Canada, Citi Private Bank is a division of Citibank Canada, a Schedule II Canadian chartered bank. References herein to Citi Private Bank and its activities in Canada relate solely to Citibank Canada and do not refer to any affiliates or subsidiaries of Citibank Canada operating in Canada. Certain investment products are made available through Citibank Canada Investment Funds Limited ("CCIFL"), a wholly owned subsidiary of Citibank Canada. Investment Products are subject to investment risk, including possible loss of principal amount invested. Investment Products are not insured by the CDIC, FDIC or depository insurance regime of any jurisdiction and are not guaranteed by Citigroup or any affiliate thereof. This document is for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities to any person in any jurisdiction. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. Citigroup, its affiliates and any of the officers, directors, employees, representatives or agents shall not be held liable for any direct, indirect, incidental, special, or consequential damages, including loss of profits, arising out of the use of information contained herein, including through errors whether caused by negligence or otherwise. CCIFL is not currently a member and does not intend to become a member of the Canadian Investment Regulatory Organization ("CIRO"); consequently, clients of CCIFL will not have available to them investor protection benefits that would otherwise derive from membership of CCIFL in the CIRO, including coverage under any investor protection plan for clients of members of the CIRO.

Citibank N.A., London Branch (registered branch number BR001018), Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The contact number for Citibank N.A., London Branch is +44 (0)20 7508 8000.

Citibank Europe plc (UK Branch), is a branch of Citibank Europe plc, which is authorised and regulated by the Central Bank of Ireland and the European Central Bank. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Citibank Europe plc, UK Branch is registered as a branch in the register of companies for England and Wales with registered branch number BR017844. Its registered address is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. VAT No.: GB 429 6256 29. Citibank Europe plc is registered in Ireland with number 132781, with its registered office at 1 North Wall Quay, Dublin 1. Citibank Europe plc is regulated by the Central Bank of Ireland. Ultimately owned by Citigroup Inc., New York, USA.

Citibank Europe plc, Luxembourg Branch, registered with the Luxembourg Trade and Companies Register under number B 200204, is a branch of Citibank Europe plc. It is subject to the joint supervision of the European Central bank and the Central Bank of Ireland. It is furthermore subject to limited regulation by the Commission de Surveillance du Secteur Financier (the CSSF) in its role as host Member State authority and registered with the CSSF under number B00000395. Its business office is at 31, Z.A. Bourmicht, 8070 Bertrange, Grand Duchy of Luxembourg. Citibank Europe plc is registered in Ireland with company registration number 132781. It is regulated by the Central Bank of Ireland under the reference number C26553 and supervised by the European Central Bank. Its registered office is at 1 North Wall Quay, Dublin 1, Ireland.

In Jersey, this document is communicated by Citibank N.A., Jersey Branch which has its registered address at PO Box 104, 38 Esplanade, St Helier, Jersey JE4 8QB. Citibank N.A., Jersey Branch is regulated by the Jersey Financial Services Commission. Citibank N.A. Jersey Branch is a participant in the Jersey Bank Depositors Compensation Scheme. The Scheme offers protection for eligible deposits of up to £50,000. The maximum total amount of compensation is capped at £100,000,000 in any 5 year period. Full details of the Scheme and banking groups covered are available on the States of Jersey website www.gov.je/dcs, or on request.

In Switzerland, this document is communicated by Citibank (Switzerland) AG, which has its registered address at Hardstrasse 201, 8005 Zurich, Citibank N.A., Zurich Branch, which has its registered address at Hardstrasse 201, 8005 Zurich, or Citibank N.A., Geneva Branch, which has its registered address at 2, Quai de la Poste, 1204 Geneva. Citibank (Switzerland) AG and Citibank, N.A., Zurich and Geneva Branches are authorised and supervised by the Swiss Financial Supervisory Authority (FINMA).

Citibank, N.A., Hong Kong/ Singapore is organised under the laws of U.S.A. with limited liability. In Hong Kong, this document is issued by CPB operating through Citibank, N.A., Hong Kong branch, which is regulated by the Hong Kong Monetary Authority. Any questions in connection with the contents in this document should be directed to registered or licensed representatives of Citibank, N.A., Hong Kong branch. To the extent this document is provided to clients who are booked and/or managed in Hong Kong: No other statement(s) in this document shall operate to remove, exclude or restrict any of your rights or obligations of Citibank under applicable laws and regulations. Citibank, N.A., Hong Kong Branch does not intend to rely on any provisions herein which are inconsistent with its obligations under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, or which mis-describes the actual services to be provided to you.

In Singapore, this document is issued by CPB operating through Citibank, N.A., Singapore branch, which is regulated by the Monetary Authority of Singapore. Any questions in connection with the contents in this document should be directed to registered or licensed representatives of Citibank, N.A., Singapore branch.

In Singapore, art advisory services/products cannot be marketed by Singapore bankers or booked in Singapore.

Citibank, N.A. is incorporated in the United States of America and its principal regulators are the US Office of the Comptroller of Currency and Federal Reserve under US laws, which differ from Australian laws. Citibank, N.A. does not hold an Australian Financial Services Licence under the Corporations Act 2001 as it enjoys the benefit of an exemption under ASIC Class Order CO 03/1101 (remade as ASIC Corporations (Repeal and Transitional) Instrument 2016/396 and extended by ASIC Corporations (Amendment) Instrument 2023/588).

Private Banking for Global Citizens

Private Bank citi®