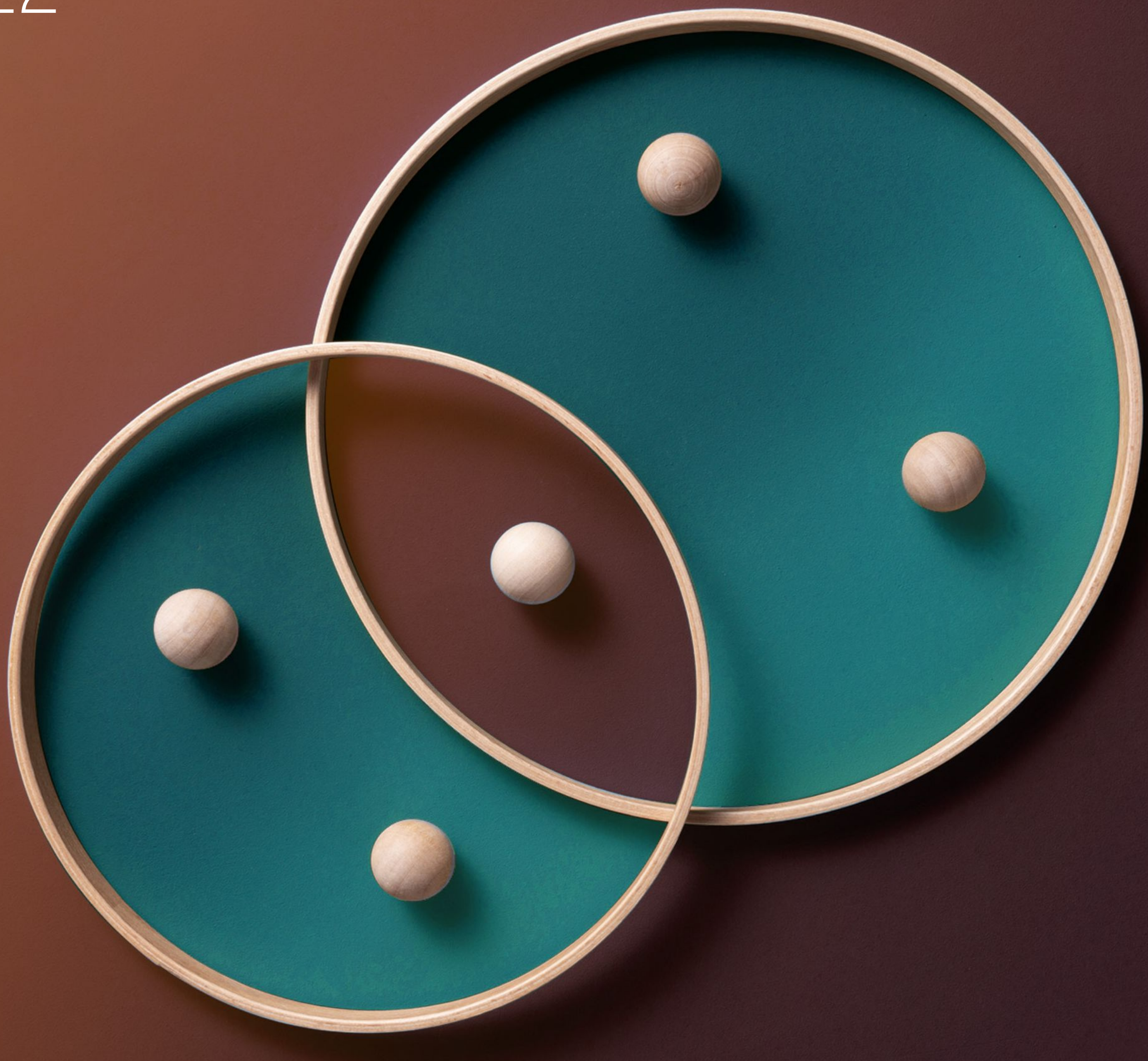
Private Bank

Family Office Survey Report 2022

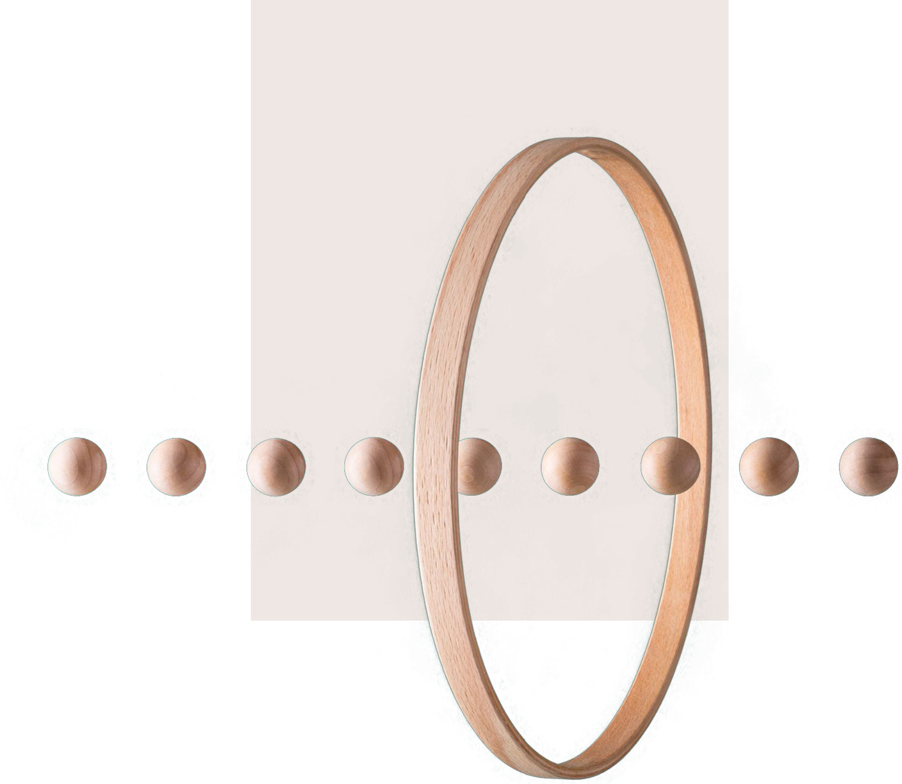


The following information is a summary of the Family Office Survey responses collected from Citi Private Bank Family Office clients over nearly a thirty–day period starting June 7th through the first week of July 2022. Many of the respondents also participated in the seventh annual Family Office Leadership Program held from June 6th–8th in Washington D.C. Some of the views expressed by these executives during the program sessions have also been quoted as appropriate throughout this document.

The views expressed herein are those of the participants and do not necessarily reflect the views of Citigroup Inc., Citigroup Global Markets Inc., and its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

Instances in which response percentages do not equal 100% are due to rounding or multi–select questions.

Table of contents



Foreword

It gives me enormous pleasure to share the results of our 2022 Family Office Survey. Having begun in 2018 as an informal, pen-and-paper poll of executives who attended our Family Office Leadership Program, the survey has continuously evolved. Today, the much more detailed results are gathered digitally and analyzed extensively. The resulting publication has become a widely anticipated insight into the thinking and behaviors of some of the diverse family offices we serve globally.

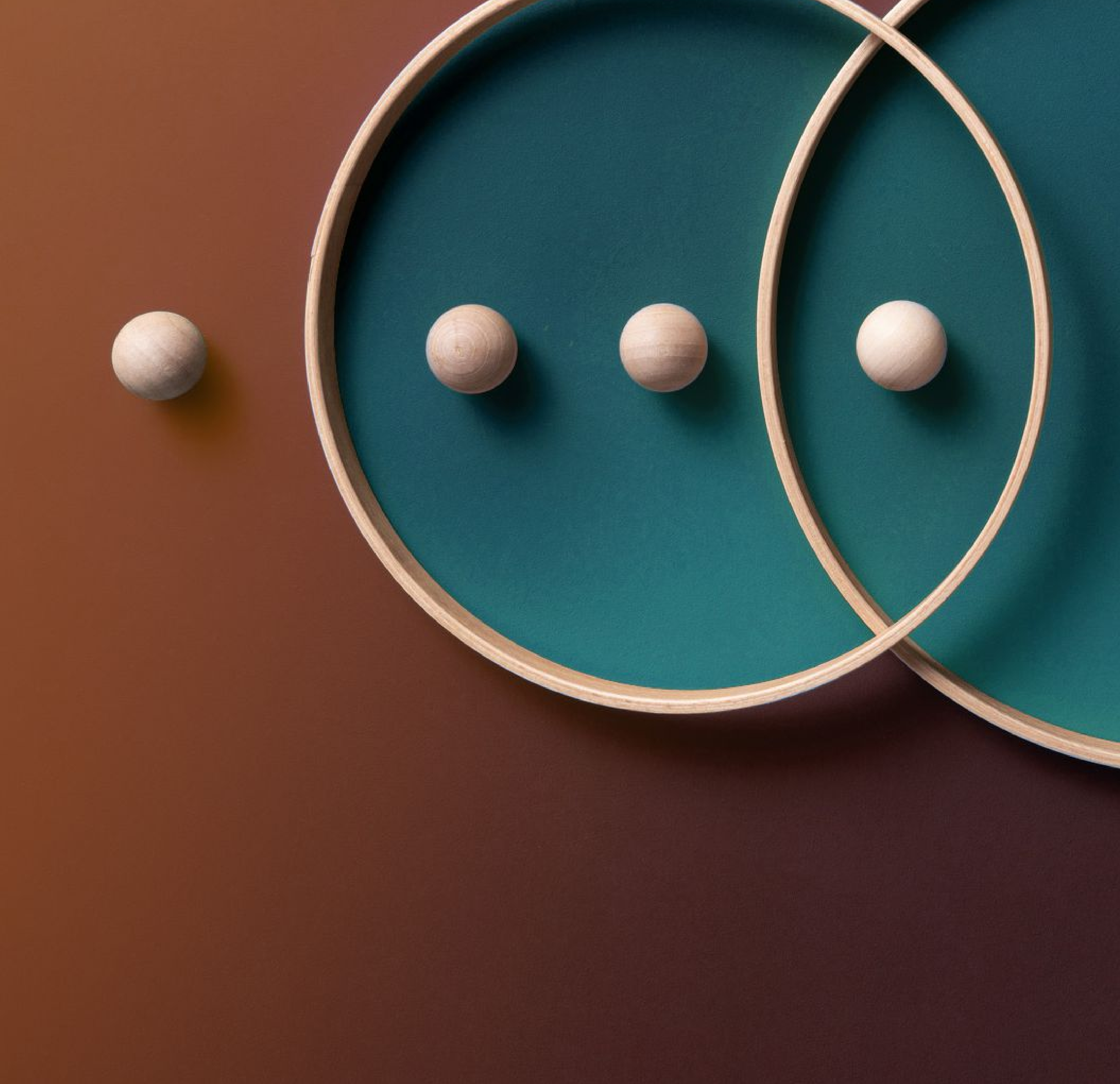
With the increasingly broad challenges that our clients face in mind, we added a significant number of new questions and introduced a benchmarking component this year. The results and analysis of this survey are complemented with the insights and thinking from sophisticated family office executives, who gathered in Washington D.C. in early June for our seventh annual Family Office Leadership Program. We were excited to bring this highly in-demand global forum back in person after a two-year virtual format. Our practitioner-led sessions provided the 125 participating executives from over 30 countries, representing nearly half a trillion dollars in net worth, with deep insights in a time of extreme market volatility and global geopolitical uncertainty. We have made every effort to incorporate those perspectives throughout this report as well.

Finally, I would like to thank everyone who generously gave their time to participate in the survey, and I hope you find the results as illuminating as we have. I also want to commend all our guest speakers who shared their perspectives freely with us during the program in D.C. and to my Family Office Group team members Alexandre Monnier and Ajay Kamath, who led the efforts organizing the program and publishing this report.

Thank you for the trust and confidence you place in the Private Bank.

Ida Liu
Global Head
Citi Private Bank

Executive summary



"How do we compare?" is one of the most pressing and frequent questions we hear from family office executives and wealth owners. At first glance, it isn't that relevant, as every family office should be different, reflecting the unique needs of the family they serve. But in a field still exhibiting many cottage industry characteristics, and where confidentiality sometimes leads to isolation, the desire to compare and contrast is highly understandable and often extremely valuable.

Our Family Office Group has been hard at work to satisfy our clients' need for benchmarking and peer exchange with a series of initiatives including our Family Office Leadership Program (flagship global event), our intimate networking groups (roundtables and peer groups) and our annual Family Office Survey. The candid perspectives and insights shared in these settings have been invaluable to family offices seeking to address the many challenges and opportunities they face.

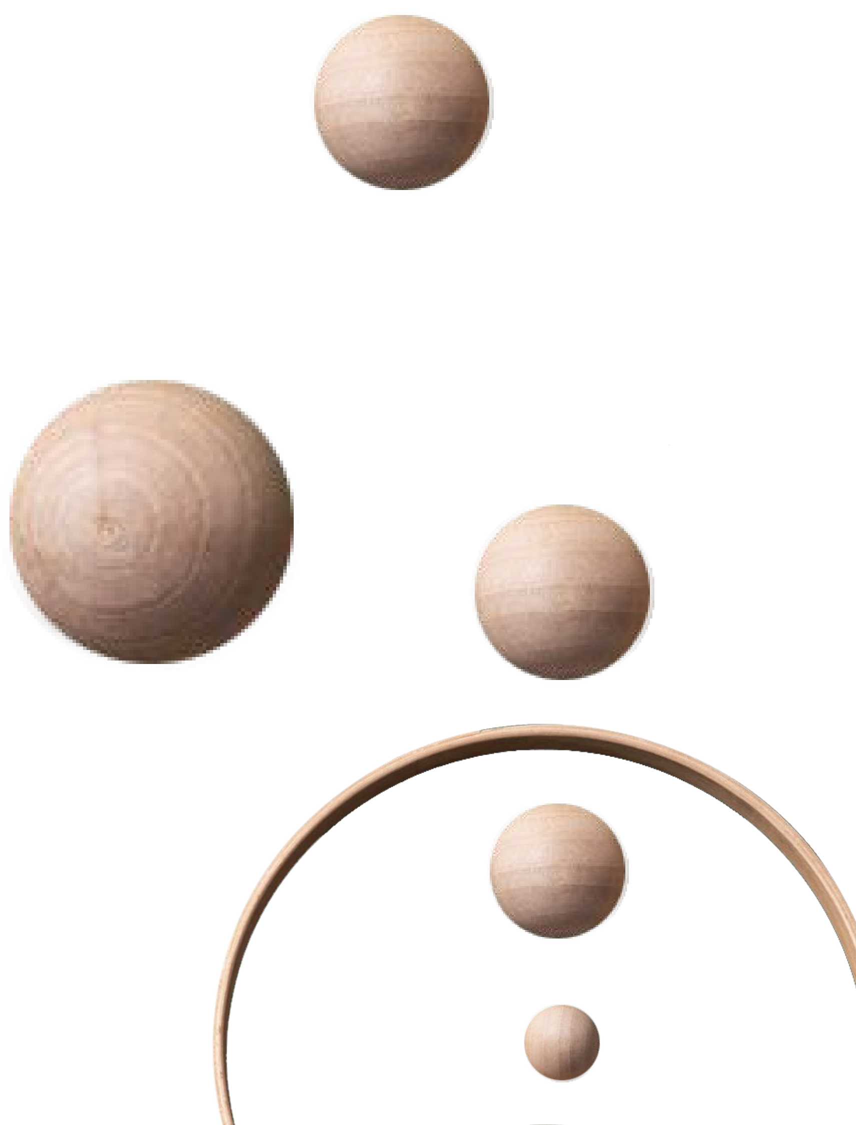
This year's Family Office Survey has been a deep source of knowledge, especially as we nearly doubled the number of questions to take a more holistic view of family office issues and introduced a benchmarking component. This benchmarking feature allows clients who chose to identify themselves to receive a personalized report reflecting their response versus that of the overall respondents, or even regional or a cohort of similar family offices.

Every family office will find specific insights in these findings based on their needs, but there are seven key takeaways that we believe are worth underscoring.

Alexandre Monnier
Global Head of Family Office Services & Network
Family Office Group

1. TOP CONCERNS ABOUND AND TRANSCEND FINANCIAL ASSETS

Inflation **(76%)**, fear of recession **(54%**) and geopolitical uncertainty **(53%)** are the top-three economic concerns for family offices globally. The top-three family concerns include preserving the value of their assets **(65%)**, preparing the next generation to be responsible wealth owners **(51%)** and managing transitions **(43%)**, indicating a growing awareness of the dual necessity to prepare wealth for families and families for wealth.



2. PORTFOLIO VALUES DECLINED OVERALL YEAR TO DATE

As a result of the dramatic market volatility that began in early 2022, nearly **75%** of family offices experienced a decline in overall portfolio mark-to-market values since the beginning of the year. A sizable **43%** experienced a decline greater than **10%**, which is quite the contrast to last year where fewer than **13%** of family offices reported any decline.

3. OUTLOOK IS POSITIVE DESPITE THE UNCERTAINTY

Despite the concerns and perhaps a reflection of their sentiment that the market may have bottomed out, there is a high degree of optimism for portfolio returns over the next twelve months, with **80%** of the family offices expecting portfolio gains and **62%** expecting a **5%** or higher increase in portfolio value.

4. DIRECT INVESTING REMAINS A PRIORITY

With **29%** of family offices allocating between **10%** and **20%** of their portfolio, while another **35%** allocate more than **30%**, family offices have continued to focus on direct investments. Direct investments are split almost evenly between real estate **(37%)** and operating businesses **(33%)**. Venture capital is growing, representing about **20%** of direct investments, fueled in part by family offices not finding sufficient attractive opportunities in operating business and real estate.

5. PROFESSIONALIZATION OF THE INVESTMENT FUNCTION CONTINUES

75% of family offices have an investment committee or board, and of those, close to half **(44%)** comprise both independent advisors and family members. A majority **(55%)** of family offices have an active investment policy statement, but the percentage varies significantly whether the family is first generation **(44%)** or second generation and beyond **(63%)**.

6. READINESS TO MANAGE FAMILY UNITY AND CONTINUITY WILL BE KEY

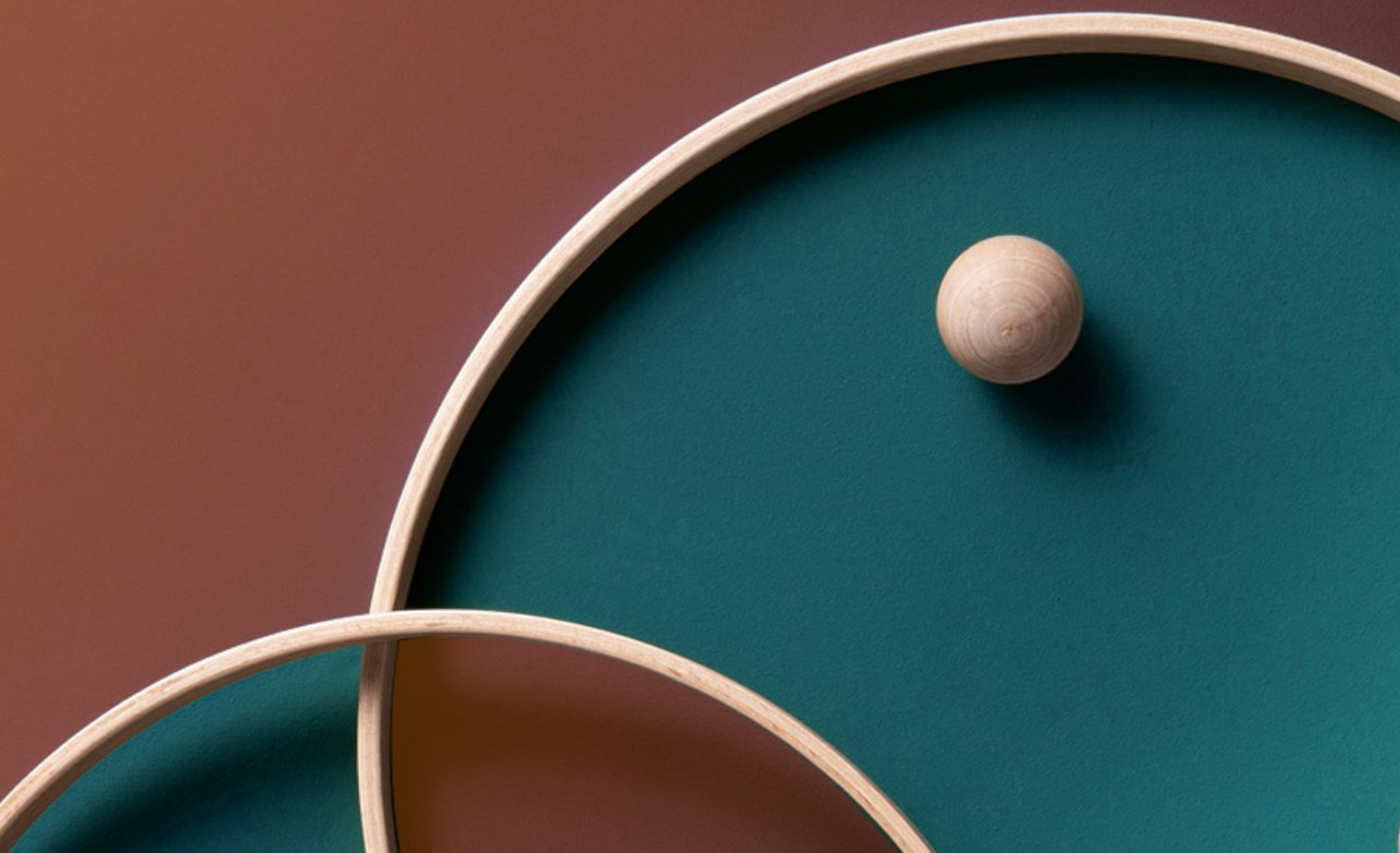
Leadership successions at the family, family office or trustee levels are among the key transitions expected in the next five years (52%), raising the critical issue of families' preparedness to manage such critical inflection points in turbulent times.

Family offices are striving to foster family well-being. Interestingly, prioritization of family unity and continuity increases as the wealth transitions from first (25%) to second generation and beyond (43%).

7. ALLOCATIONS TO SUSTAINABLE AND ESG INVESTMENTS HAVE MUCH ROOM TO GROW

The opportunity to translate curiosity about sustainable or ESG investments into action remains significant, as **60%** of family offices have still not considered aligning some of their portfolio with such themes.

Participant data and demographics

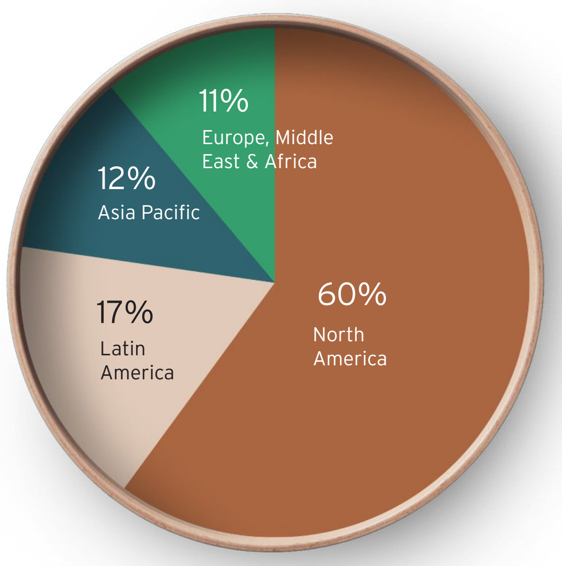


126 family offices completed the survey this year, despite the number of questions almost doubling. 60% of the respondents took the opportunity to self-identify, and as a result will receive a customized benchmarking report. We plan to continue this newly introduced feature and believe it makes the survey more insightful and actionable for our clients.

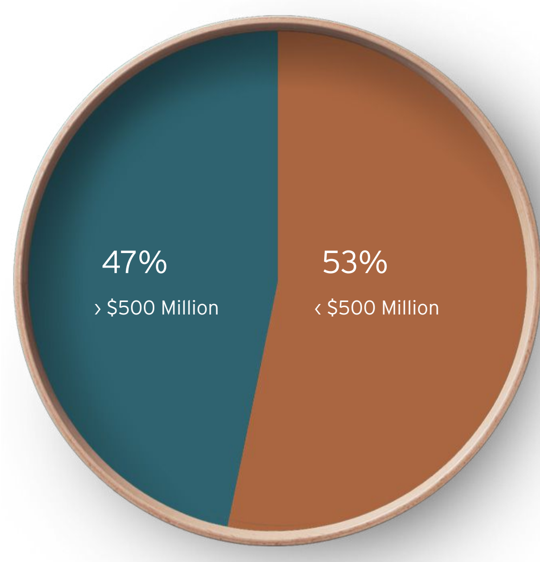
ASSETS UNDER MANAGEMENT

The respondents were nearly equally divided between those with greater than $500MM in assets under management (AUM), versus those below that threshold. 34 (26%) respondents have greater than $1BN in AUM.

Responding family offices by geography



Assets under management



NUMBER OF PROFESSIONALS EMPLOYED

Our experience working with a wide range of family offices indicates that while AUM is generally a relevant criterion, other factors including family office complexity, number of family members and generations as well as reliance on external advisors are equally relevant considerations in the number of professionals employed by the family office. Among our respondents, the median was 1–3 employees for families with AUM less than $250MM; 4–6 for AUM between $250MM to $2BN and 10+ over $2BN.

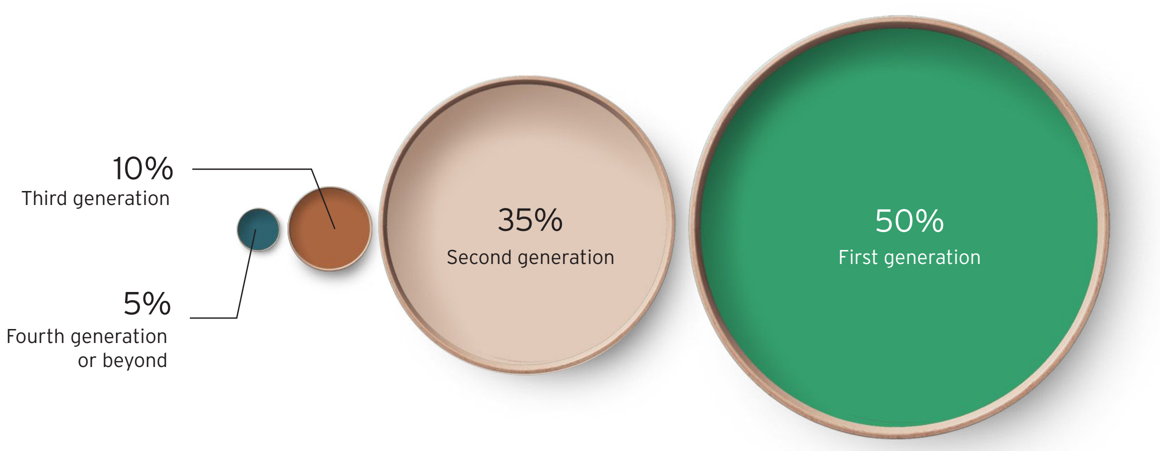
Professionals employed by family office AUM

	Median	1-3	4-6	7-9	10+	
‹ $250 MM	1-3	52%	21%	18%	9%	100%
$250 MM - 500 MM	4-6	44%	33%	0%	22%	100%
$500 MM - $1BN	4-6	32%	42%	16%	11%	100%
$1BN - $2BN	4-6	30%	35%	5%	30%	100%
$2BN+	10+	14%	14%	21%	50%	100%

GENERATION SERVED

For 85% of the responding family offices, either the first or second generation is in control of the family's wealth. This demographic tilt is likely driven by a general increase in life expectancy, desire of principals to play an active role well beyond the traditional notions of retirement age as well as potentially indicating imminent transitions that will play out over the next few years.

Generational control of the family's wealth



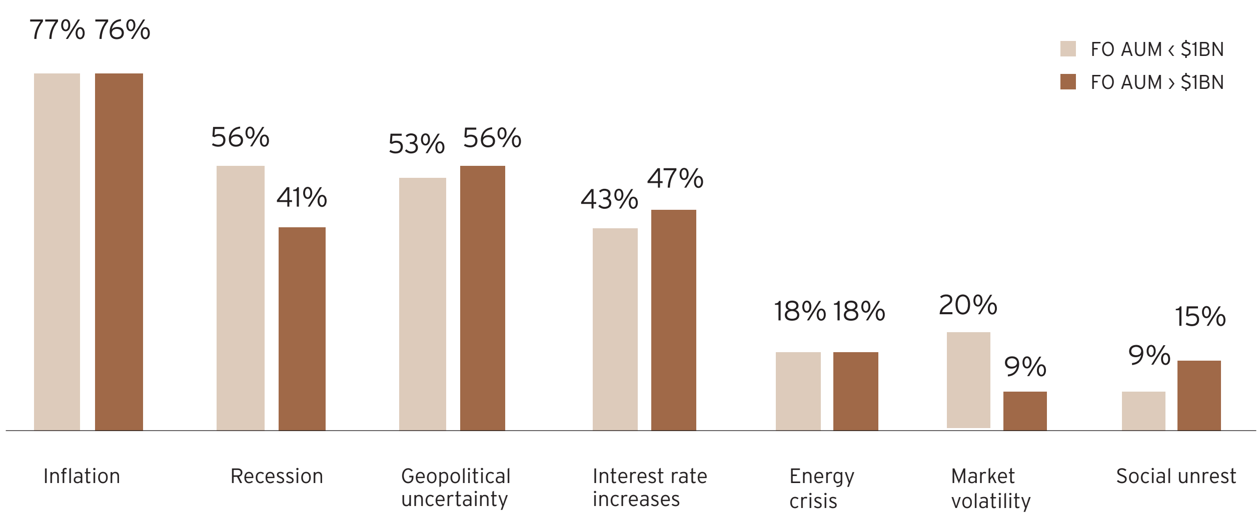
Portfolio analysis and outlook

NEAR-TERM WORRIES

Inflation, fear of recession and geopolitical uncertainty are the top-three economic concerns for family offices globally. Taking a closer look at the data, we see recession and market volatility as bigger concerns for family offices with AUM <$1BN, with 76% of family offices in this category noting them as their top issues versus 50% for AUM >$1BN. Social unrest and geopolitical uncertainty are slightly higher concerns for family offices with AUM >$1BN.

Despite the headwinds, leading family office CIOs who spoke at and attended our seventh annual Family Office Leadership Program in Washington D.C. indicated they viewed market volatility and dislocation as a potential opportunity to build resilient portfolios by focusing on high-quality investments while maintaining their strategic long-term vision.

Near-term worries for the financial market and economy



Geopolitical uncertainty tops the list in Asia (79%), while inflation is top of mind for family offices in North America, Europe, Middle East and Africa, and Latin America (76%, 86% and 75% respectively).

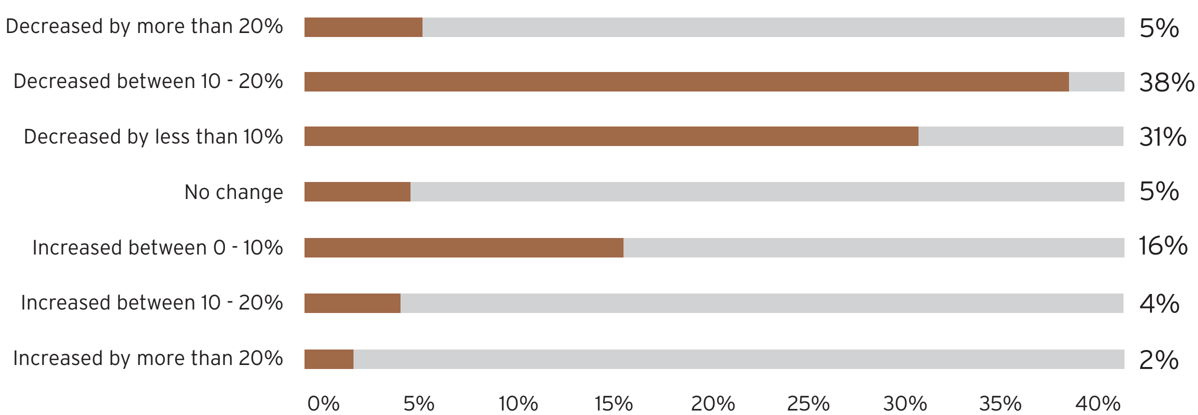
Near-term worries for the financial market and economy

	Asia Pacific	Europe, Middle East & Africa	Latin America	North America
Inflation	64%	86%	75%	76%
Recession	50%	43%	50%	58%
Geopolitical uncertainty	79%	43%	70%	45%
Interest rate increases	50%	64%	30%	44%

MARK-TO-MARKET VALUE

As a result of the dramatic market volatility and downturn that began in early 2022, nearly three quarters (73%) of family offices experienced a decline in overall portfolio mark-to-market values since the beginning of the year. A sizable 43% experienced a decline greater than 10%, which is quite the contrast to last year, where fewer than 13% of family offices reported any decline.

Year-to-date change in portfolio mark-to-market value



We also tried to gauge the impact on returns of several key factors such as leverage, percentage of direct investments, use of external advisors, etc. While such analysis is limited by the sample size, it directionally appears to validate that family offices that use leverage, direct investments, external investment consultants and independent investment committees have fared relatively better year to date.

Tables showing percentage of family offices who reported **an increase in mark-to-market value** despite the significant market downturn since early 2022:

Use of	Family office with usage › 10% of AUM	Family office with usage/ allocation ‹ 10% of AUM
Leverage	21%	16%
Direct investments	26%	14%

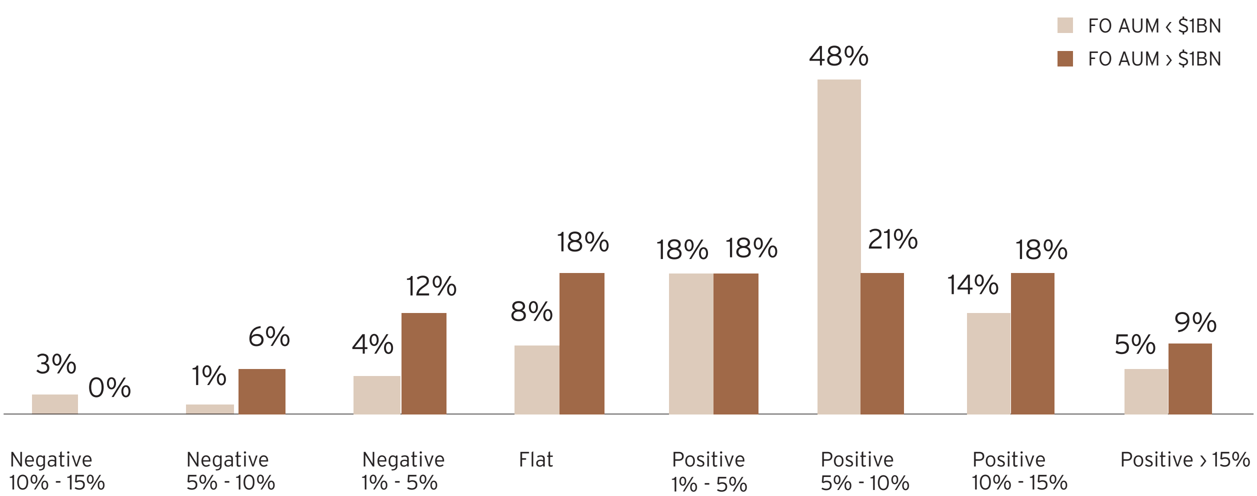
Use of	Family office usage = Yes	Family office usage = No
External investment consultant	23%	17%
Independent investment committee	23%	13%

OUTLOOK FOR THE NEXT 12 MONTHS

Despite the concerns and perhaps a reflection of their sentiment that the market may have bottomed out, there is a high degree of optimism for portfolio returns over the next twelve months, with 80% of the family offices expecting portfolio gains and 62% expecting a 5% or higher increase in portfolio value.

Family offices with AUM <$1BN have a more favorable outlook than those with AUM >$1BN, with 67% reporting an expectation of 5% or higher portfolio returns versus 47% respectively.

Expected total portfolio returns over the next 12 months



Regionally, while there is a generally positive outlook, there is a higher degree of optimism in the Americas and less so in Europe, Middle East and Africa and Asia family offices, likely associated with their geopolitical concerns.

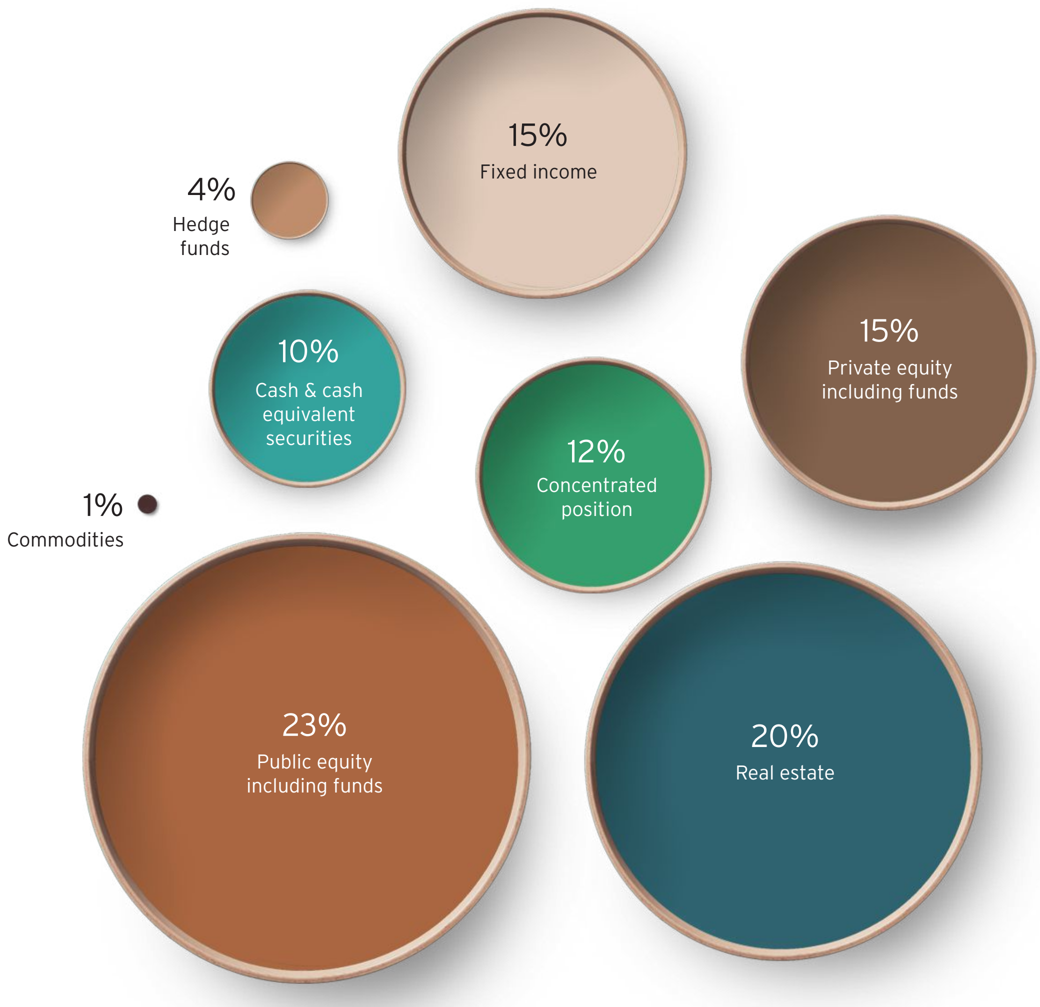
Expected total portfolio returns over the next 12 months

	Asia Pacific	Europe, Middle East & Africa	Latin America	North America
Negative	7%	21%	10%	8%
Flat	29%	29%	0%	7%
Positive	64%	50%	90%	85%
	100%	100%	100%	100%

ASSET ALLOCATION

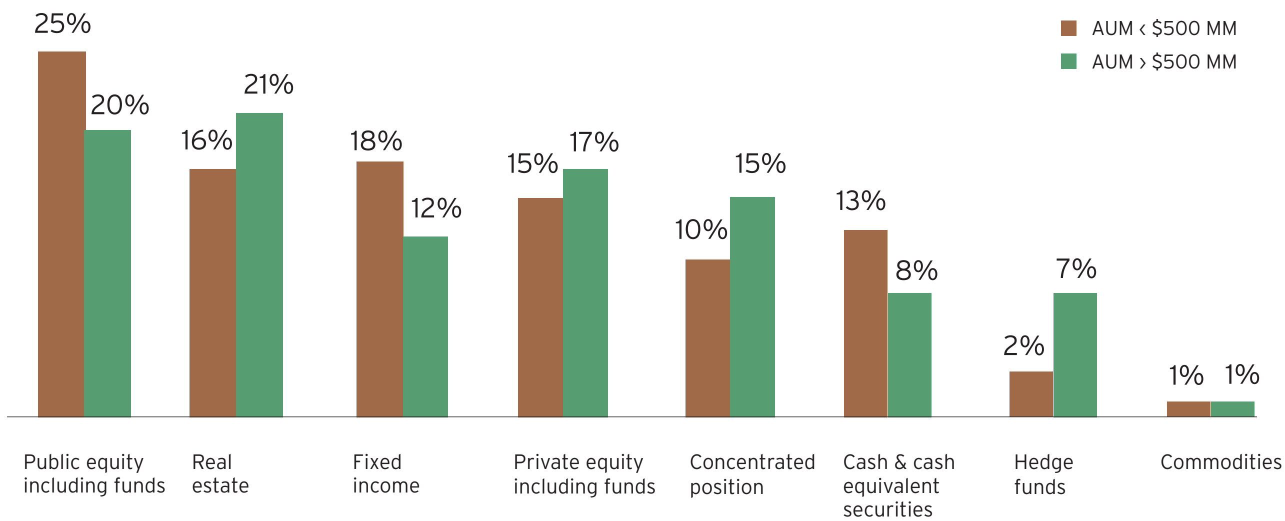
Public equity represents the lion's share at 23%. But the attractiveness of real estate and private equity remains, representing 35% of asset allocations combined (20% and 15% respectively). Cash and fixed income total 25% (10% and 15% respectively), while concentrated positions still account for 12%.

Asset allocation overview



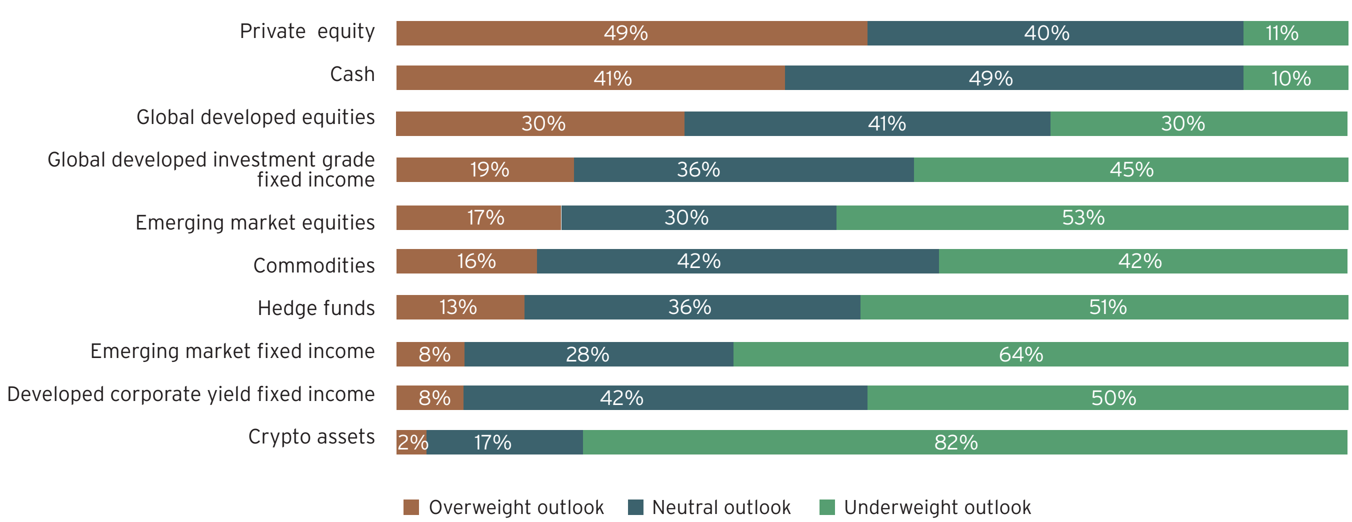
However, the share of real estate and private equity varies markedly between those managing more or less than $500M (38% and 31% respectively), reflecting the greater appetite to deploy patient capital from family offices with greater AUM. Continuation of the strategic and long-term priorities, and limited short-term reactive adjustments to the overall allocation strategy, was a consistent theme that we also heard from our family office CIO speakers at the Family Office Leadership Program in D.C., supporting this observation.

Asset allocation of the family office's portfolio



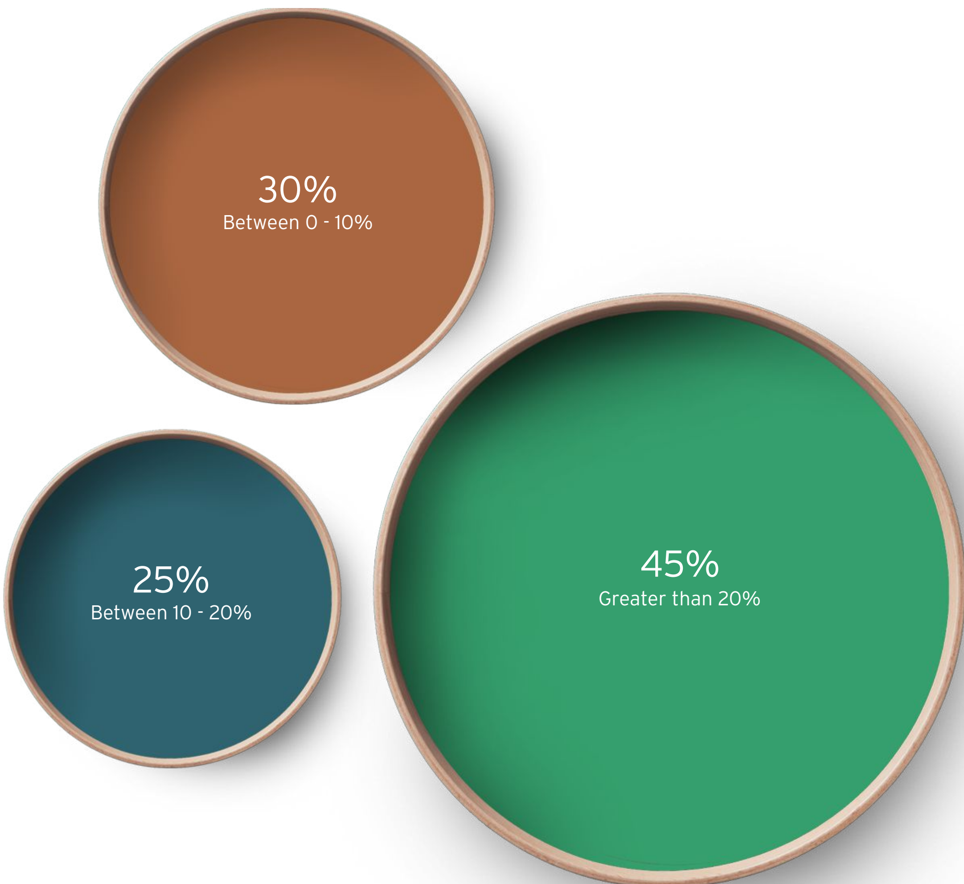
Looking 12 months ahead, the asset class sentiment continues to be overweight to private equity and has been a continued trend over the last three years. Family office CIOs viewed market volatility and dislocation as an opportunity to build more resilient portfolios by focusing on high-quality investments, as can be seen from relatively high overweight sentiment to global developed equities and investment grade fixed income. A complete 2020 to 2022 asset class sentiment overview can be found on pages 40-42 following our CIO's concluding commentary.

Asset class sentiment for the next 12 months



The allocation in passive investments splits the respondents in half, with 45% of family offices reporting an allocation greater than 20% and 55% below that threshold.

Percentage of the family office's portfolio allocation in passive investments



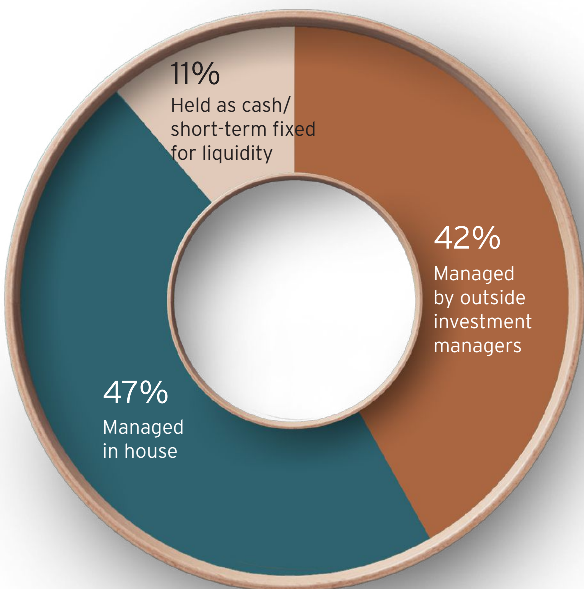
Family offices with AUM <$500MM report a higher allocation to passive strategies than their counterparts with AUM >$500MM.

Percentage of the family office's portfolio allocation in passive investments

	FO AUM ‹ $500 MM	FO AUM › $500 MM
Less than 10% of AUM	23%	38%
Between 10% and 20% of AUM	27%	25%
Greater than 20% of AUM	50%	38%

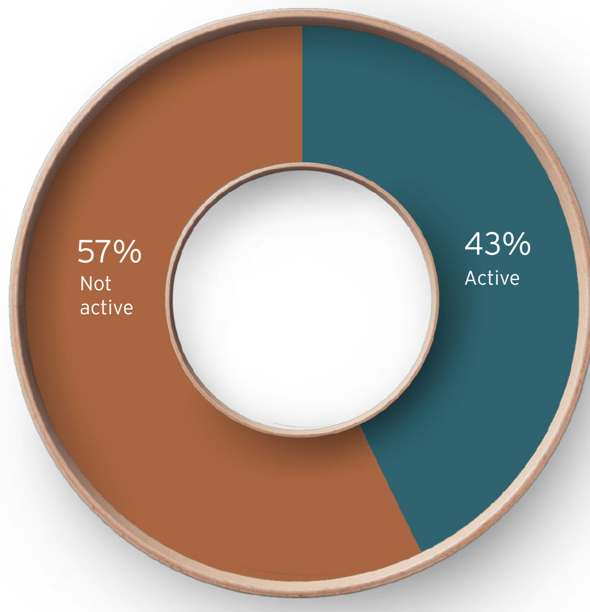
There is a relatively even split between assets managed in house and those trusted to outside investment managers.

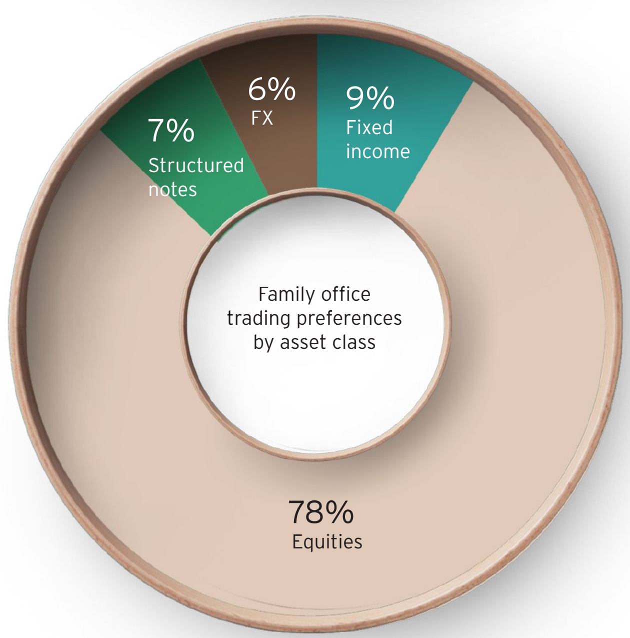
Portfolio managed in house versus by outside investment managers



Nearly 60% of family offices actively trade, and of those who actively trade, equities are the most frequently traded asset class, as might be expected (63%).

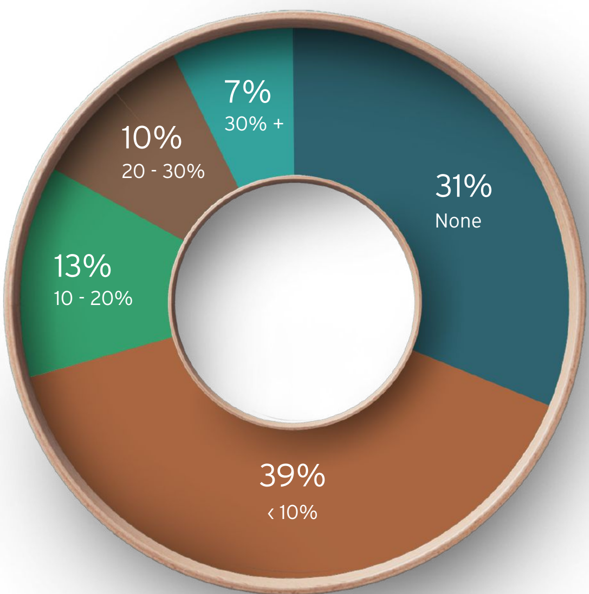
Family office trading preferences





70% of responding family offices use minimal (<10%) or no leverage. Only 7% use 30% or more.

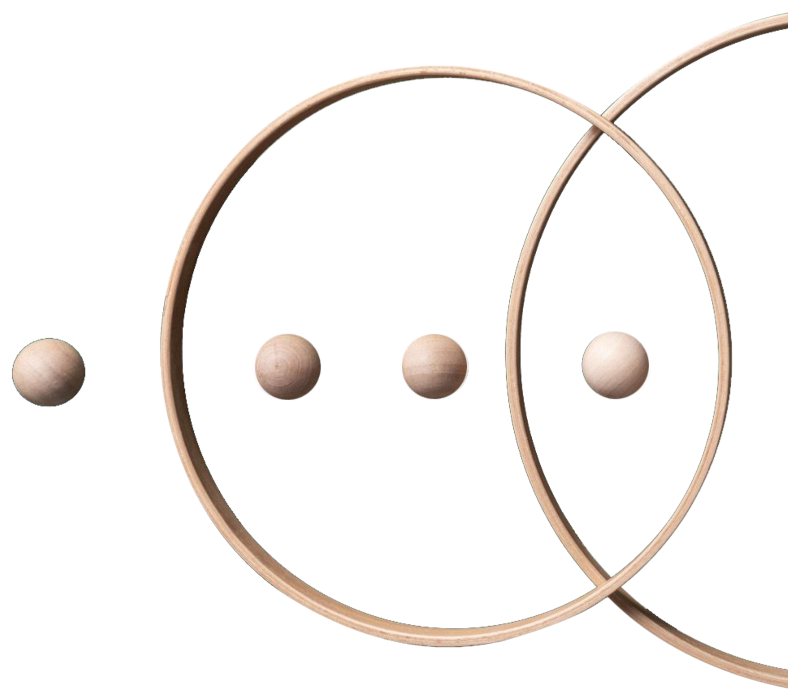
Leverage employed against the family office portfolio



Family offices with larger portfolios tend to use greater leverage with 42% of family offices with AUM >$500MM using 10% or greater leverage versus 17% for those with AUM <$500MM.

Leverage employed against the family office portfolio

	FO AUM ‹ $500 MM	FO AUM › $500 MM
None	35%	23%
‹10%	48%	36%
10 - 20%	7%	21%
20 - 30%	7%	11%
30% +	3%	9%

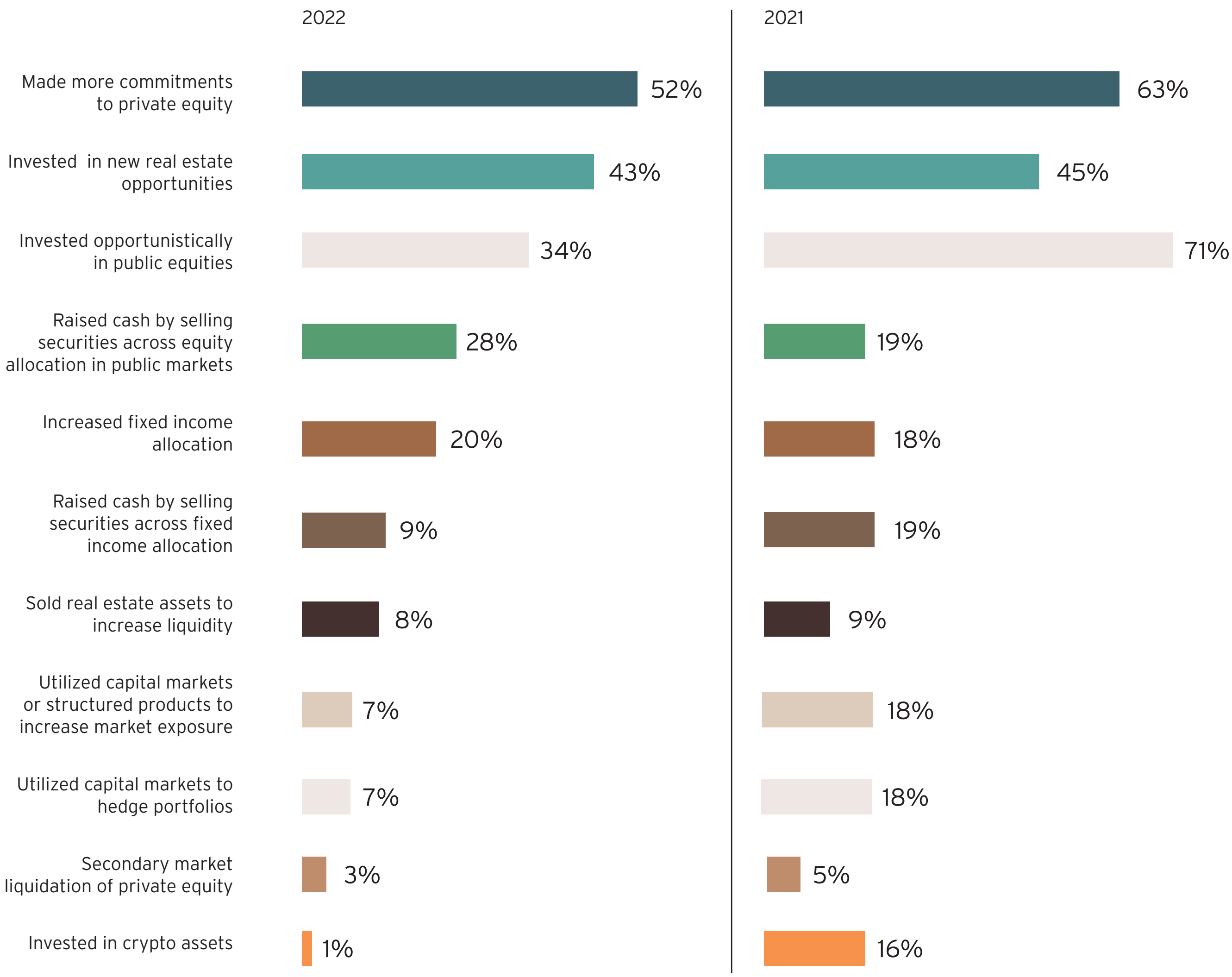


Key portfolio actions

OVERVIEW

Continued commitments to private equity (52%) and investments in real estate (43%) were the top two key portfolio actions, in line with the responses from last year's survey. However, possibly sensing frothiness in the public markets, family offices appear to have shifted toward strategically cashing out of some of their public equity positions (28% in 2022 versus 19% in 2021), while remaining open to opportunistic trades (34% in 2022 versus 71% in 2021).

Key portfolio actions taken

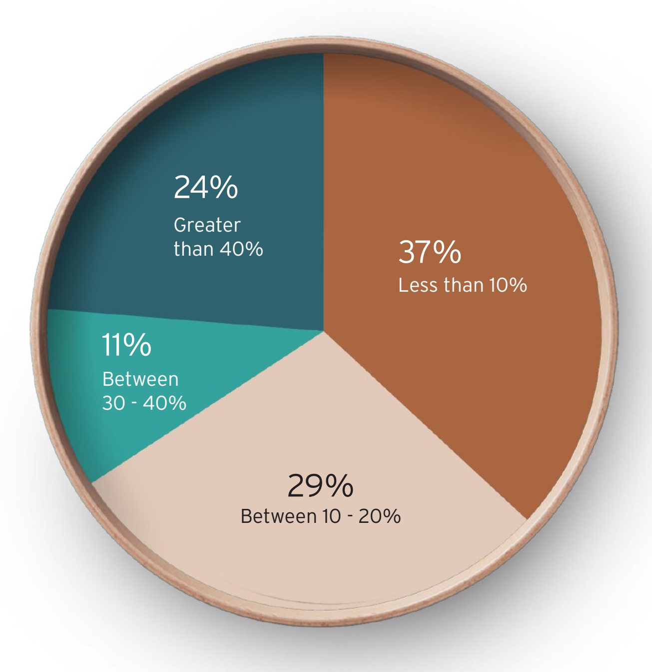


DIRECT INVESTMENTS

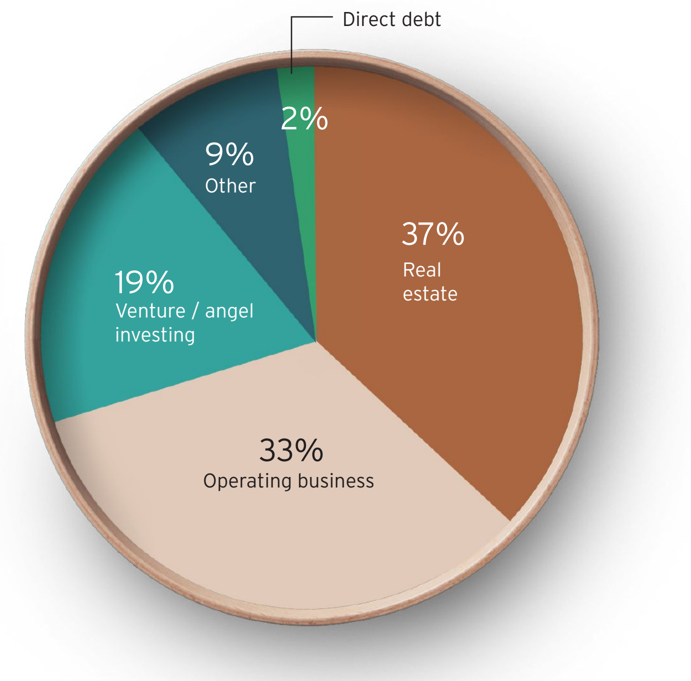
Direct investing remains a primary focus for family offices, with about a third (29%) of them allocating between 10% and 20% of their portfolio, while another third (35%) allocate more than 30%.

Direct investments are split almost evenly between real estate (37%) and operating businesses (33%). Venture capital is growing, representing about 20% of direct investments, fueled in part by family offices not finding sufficient attractive opportunities in operating business and real estate.

Portfolio allocated for direct investments



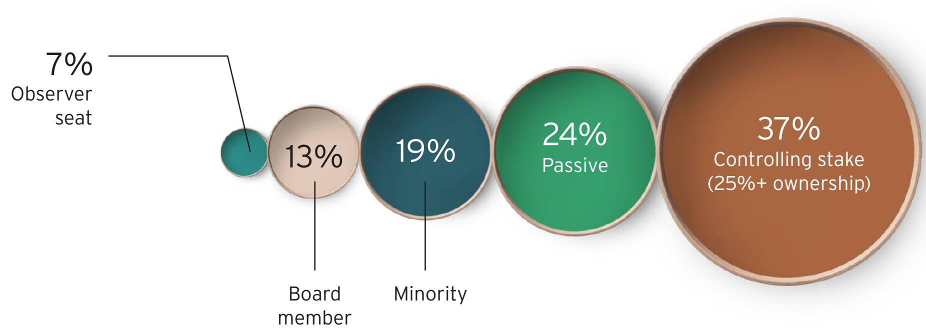
Preference for type of direct investment



With many investors chasing direct investment opportunities, family offices have become quite flexible when it comes to their preferences in terms of type of stake for direct investments, with controlling stakes (defined as 25%+ ownership) representing about a third (37%), followed by passive investments (24%) and minority investing (19%).

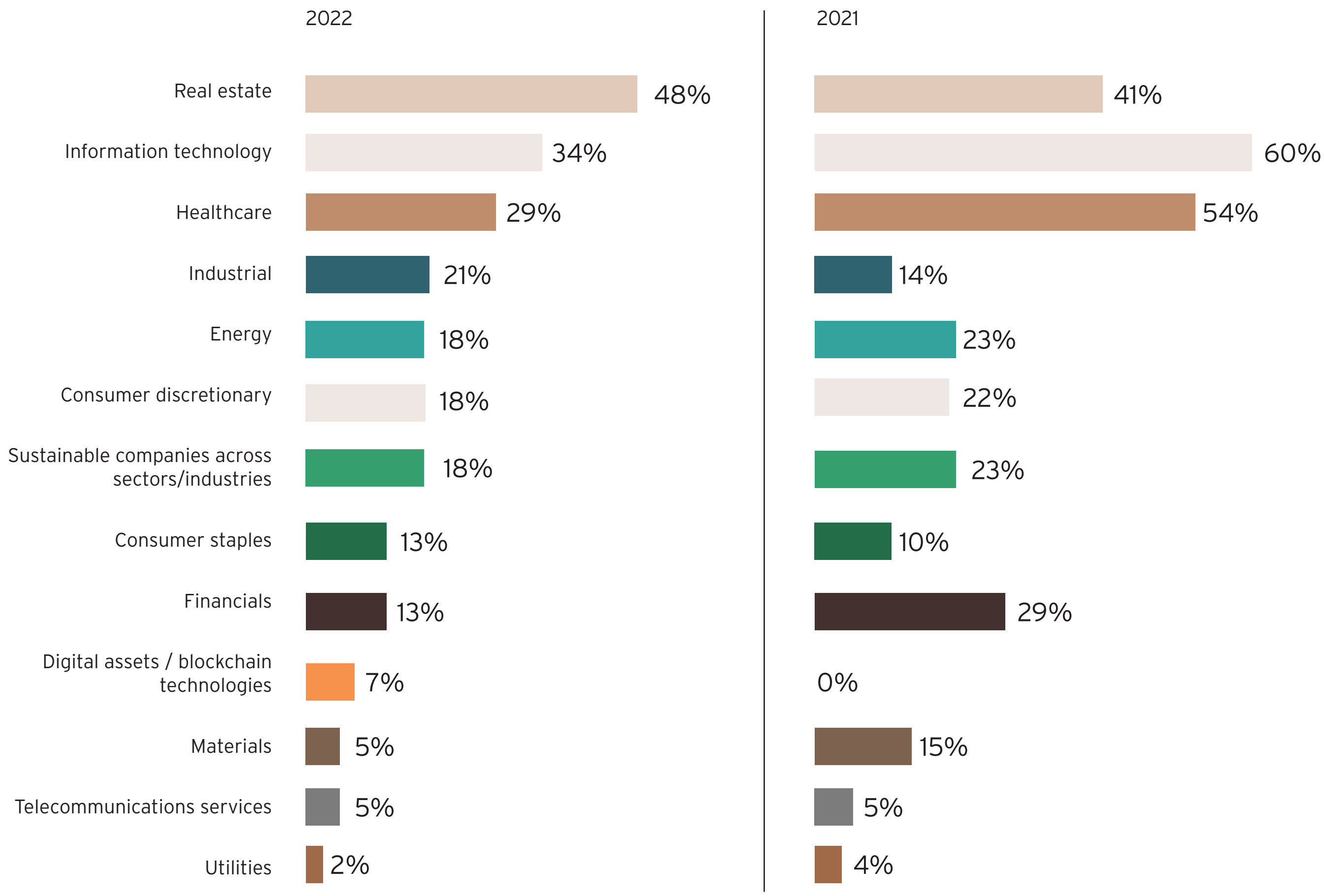
Family offices express a strong preference for direct or co-investments (72%) over other alternatives such as joint ventures or partnerships.

Preference for stake in direct investing



In terms of sectors, real estate (48%), information technology (34%) and healthcare (29%) are the primary focus of family offices for direct investments.

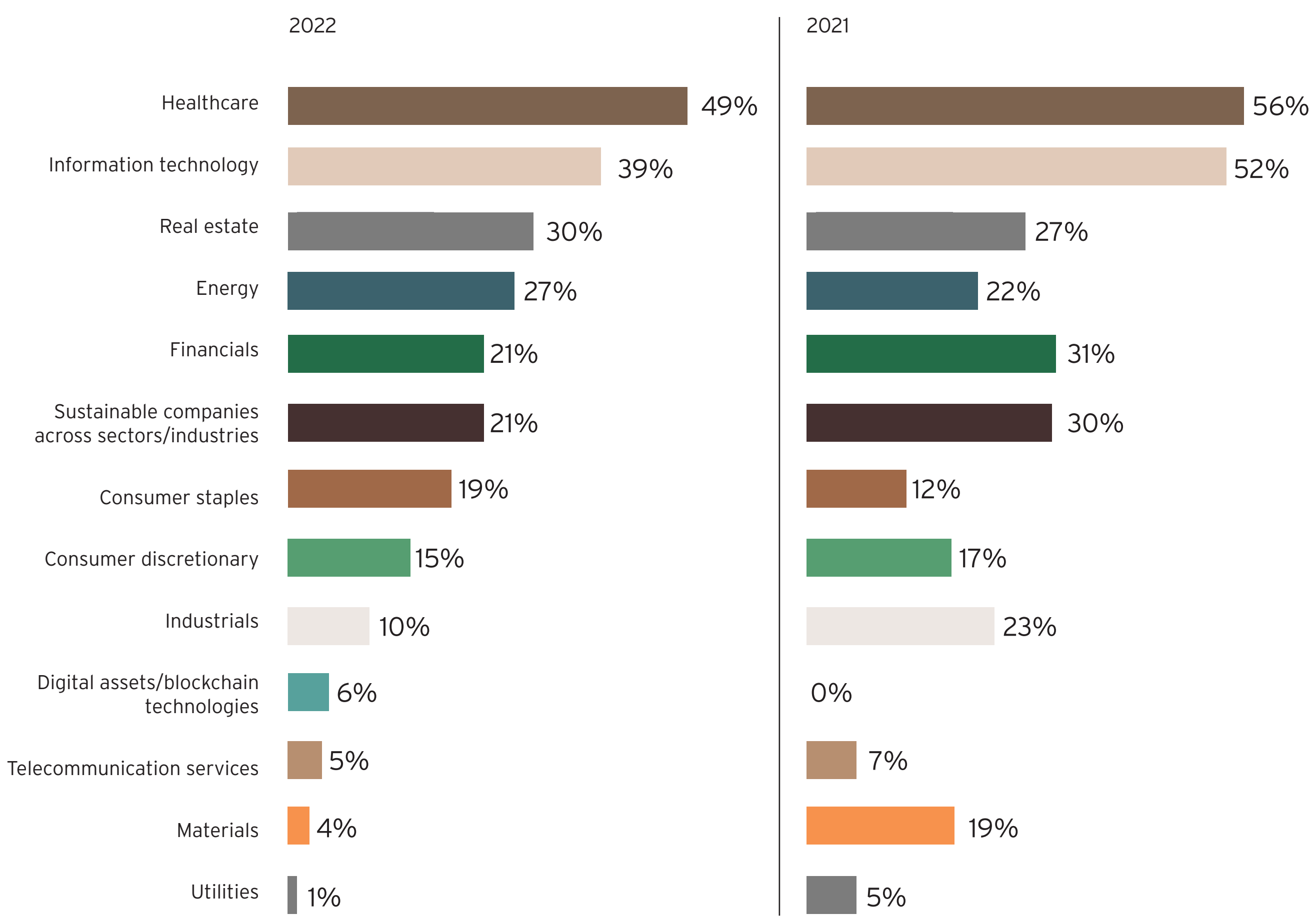
Sector preference for direct investing



SECTOR PREFERENCE FOR PUBLIC MARKETS

Unsurprisingly, healthcare (49%), information technology (39%) and real estate (30%) are the top-three preferred sectors for public markets investing in 2022, followed by energy (27%) and financial services (21%). These sectors have continued to be of predominant interest over the past few years, with relatively minor variations.

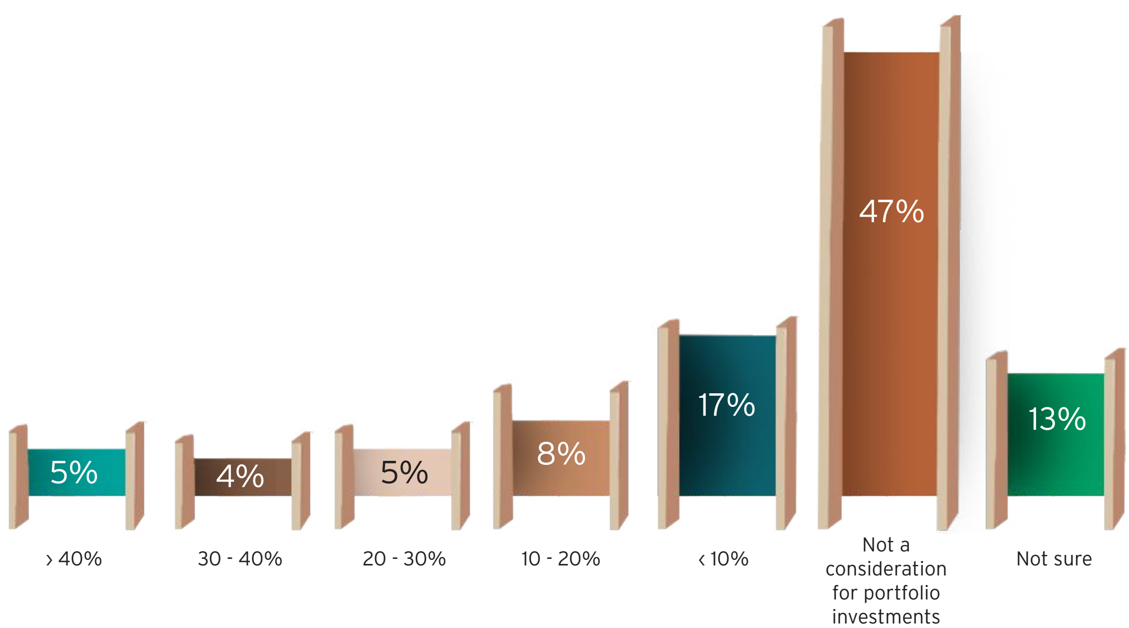
Sector preference for public markets exposure



SUSTAINABILITY AND ESG INVESTING

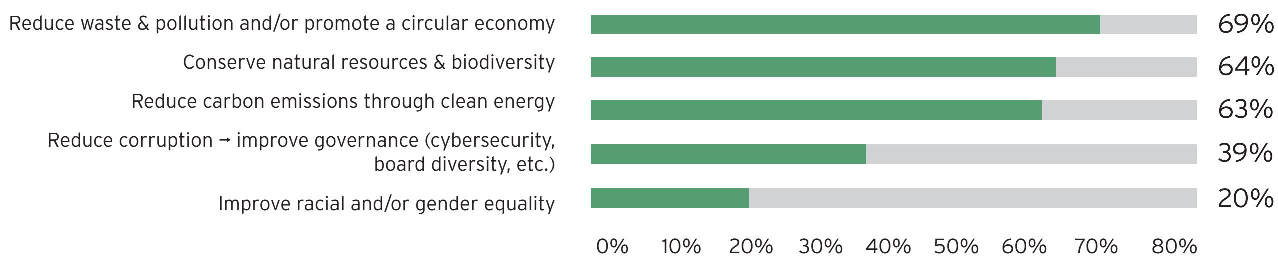
The opportunity to translate curiosity about sustainable or ESG investments into action remains significant, as 60% of family offices still have not considered aligning some of their portfolio with such themes or are unsure how they align. There is no favorable change in this position year over year. This is perhaps a conundrum worthy of a deeper look, given the significant press and expressed intention by business and political leaders. Additional education may also be required to better communicate and quantify sustainable investing within a portfolio, as demonstrated by the 13% who are unsure how their portfolio aligns.

Portfolio alignment with sustainability and ESG principles



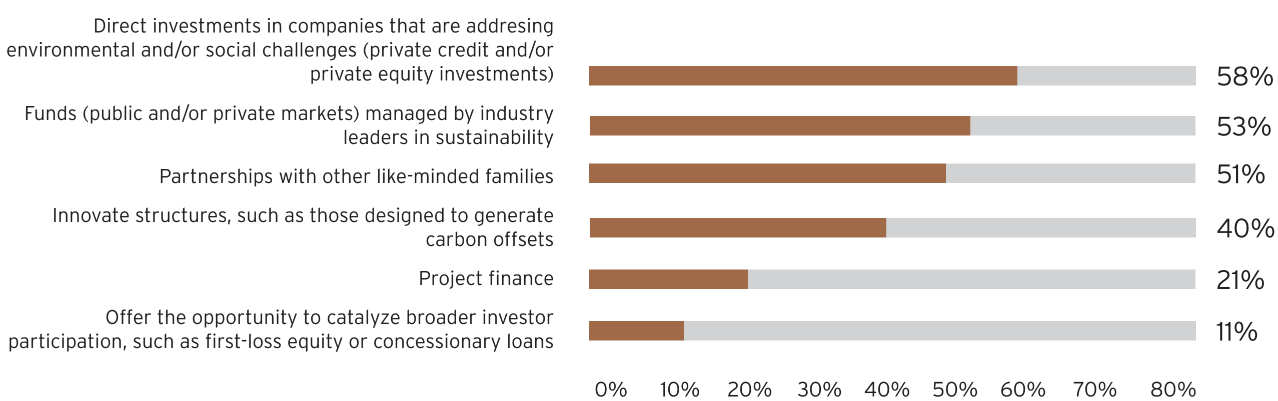
Significant demand remains within the environmental issues of ESG, with social concerns still lagging in interest, potentially due to the difficulty in measuring impact in this area.

Preference for ESG focus in addition to returns



Co- or direct investment opportunities, private markets more broadly, innovative solutions and partnerships demonstrate the greatest potential for ESG-related investments. This may demonstrate investor preferences to direct capital into opportunities that have a clear and measurable impact, and family offices are particularly well positioned to utilize their networks to partner with like-minded families to access deals. It would be interesting to know if these partnerships could also include advocacy and/or philanthropic efforts.

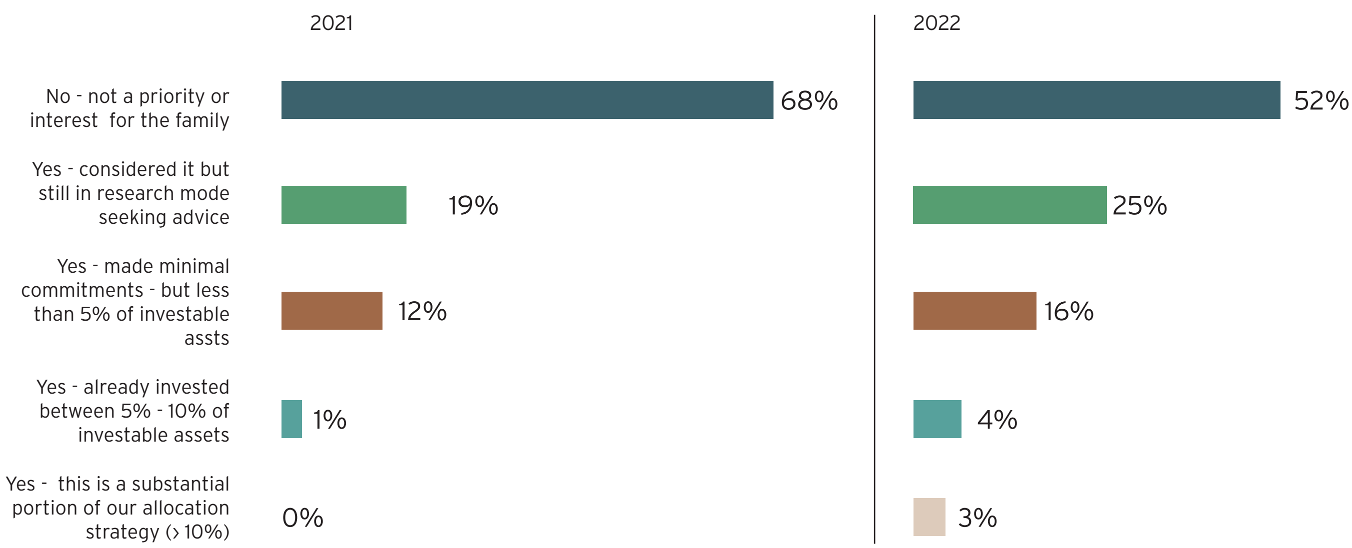
Preference for ESG investment types



CRYPTO ASSETS

As might be expected, family office executives have taken the time to learn and evaluate potential allocations to crypto assets. They appear to have concluded their research and elected not to join the space or have left the space, as 51% of family offices stated crypto assets were not a priority or interest of the family in 2021, whereas in 2022 this number grew to 68%. The number of families in research mode or having made minimal commitments decreased by a total of 10% as well. Based on the feedback received at our Family Office Leadership Program, most choose to invest in picks and shovels (i.e., infrastructure) versus the cryptocurrencies themselves.

Investing, buying and trading crypto assets

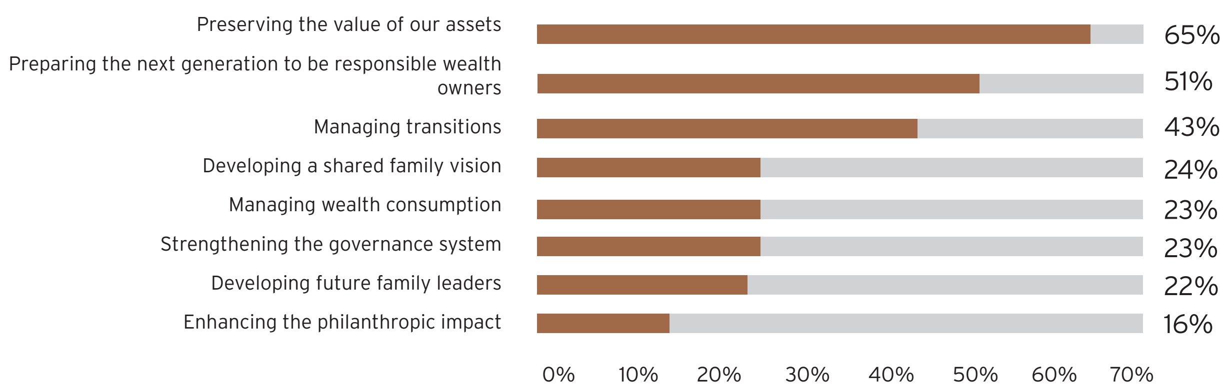


Family and family office matters

KEY CONCERNS AND TRANSITIONS

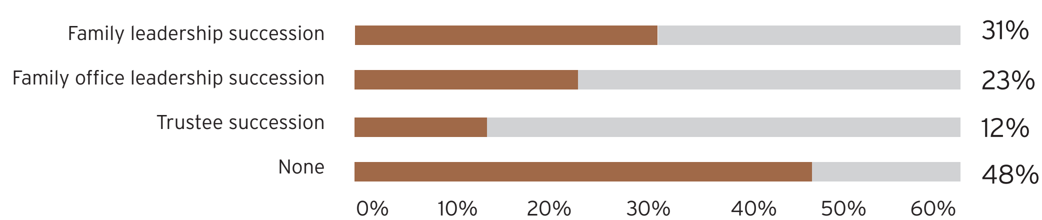
The top three family concerns transcend financial assets and include preserving the value of their assets (65%), preparing the next generation to be responsible wealth owners (51%) and managing transitions (43%), indicating a growing awareness of the dual necessity to prepare wealth for families and families for wealth.

Key family and family office concerns



Leadership successions at the family, family office or trustee levels are among the key transitions that the majority of respondents are expecting to face in the next five years, with some facing multiple transitions, raising the critical issue of families' preparedness to manage such critical inflection points in turbulent times.

Succession events in the next five years

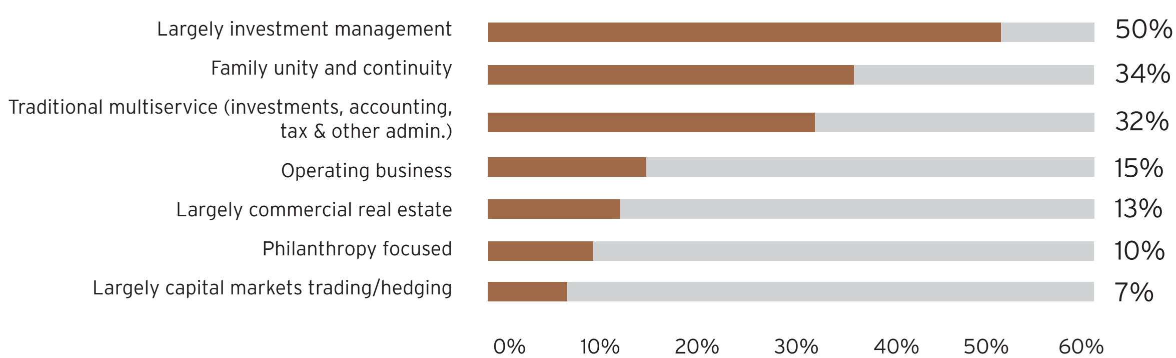


At the Family Office Leadership Program, Professor John Davis of the Cambridge Institute for Family Enterprise emphasized that family enterprises are facing a perfect storm. On one hand, external forces of change include environmental degradation and ecological disruption, technological advances and digital disruption, globalization and deglobalization, and socioeconomic and political influences. On the other hand, the families themselves are changing as they are becoming better educated, more geographically dispersed, increasingly diverse in many ways, more focused on satisfying individual needs and supporting individual success, spreading out over three or more generations thanks to longer life spans, and being challenged to be more transparent and inclusive about decision making. In this context, Professor Davis recommends five transformation strategies that can help family enterprises adapt to change and succeed: (1) reorient and retool your owners; (2) get ready to pivot; (3) accelerate your digital transformation; (4) make social impact a priority; and (5) engage and revitalize your family.

OVER TIME, FAMILY OFFICES FOCUS INCREASINGLY ON FAMILY UNITY AND CONTINUITY

The primary focus of family offices today delineates two main types – those centered mainly on investment management (50%) and those primarily focused on family unity and continuity (35%). Interestingly, the prioritization of unity and continuity increases as the wealth transitions from first generation (25%) to second and beyond (43%).

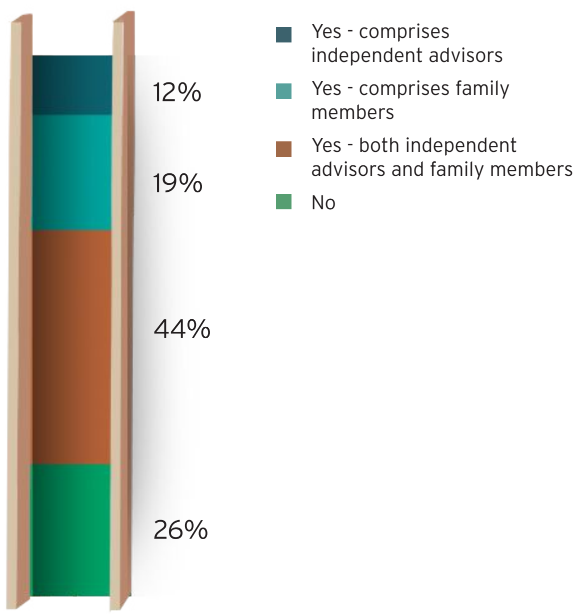
Primary focus of the family office



THE PROFESSIONALIZATION OF THE INVESTMENT FUNCTION CONTINUES

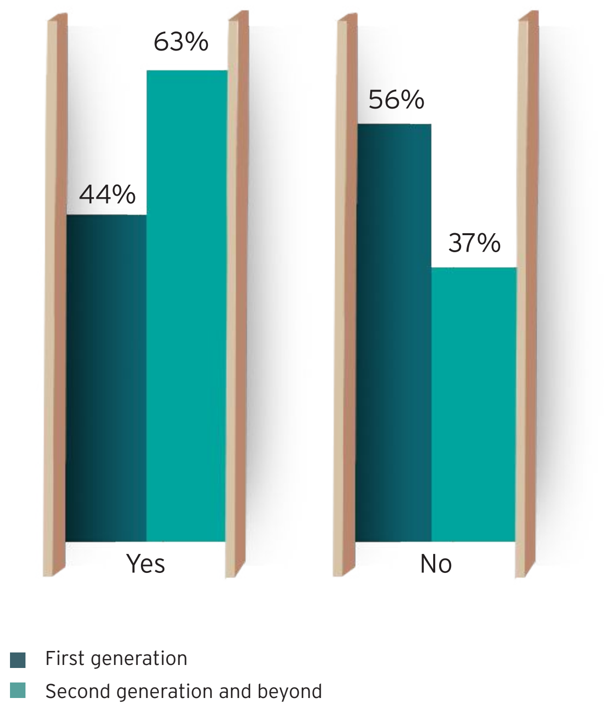
75% of family offices have an investment committee or board and, of those, close to half (44%) comprise both independent advisors and family members.

Existence of an investment committee or board



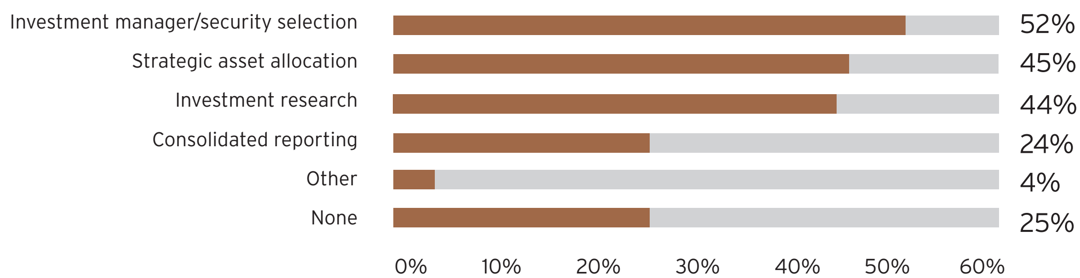
A majority (55%) of family offices have an active investment policy statement, but the percentage varies significantly whether the family is first generation (44%) or second and beyond (63%).

Existence of investment policy statement



75% of family offices rely on external investment consultants, primarily for manager selection (52%), strategic asset allocation (45%) and investment research (44%).

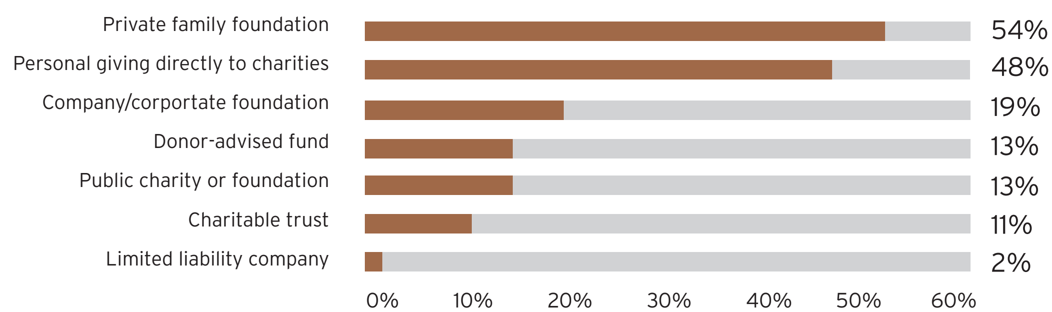
Services received from external investment consultants



PHILANTHROPY

Families continue to use a variety of charitable giving vehicles, with private family foundations and personal giving directly to charities representing the most popular ways to facilitate philanthropy at 54% and 48% respectively. Historically, we have seen an increase in the number of foundations globally, with about 65% concentrated in Europe and 35% in North America. In the US, the large share of personal giving to charities highlights the potential opportunity for families to explore the benefits of bringing a structured endowment to their philanthropic endeavors. The growth of an endowment of charitable assets gives philanthropists additional resources to support the causes they care about and allows them to align their investment strategy with their philanthropic mission and values, thus creating a 'double bottom-line impact'.

Facilitation of charitable giving

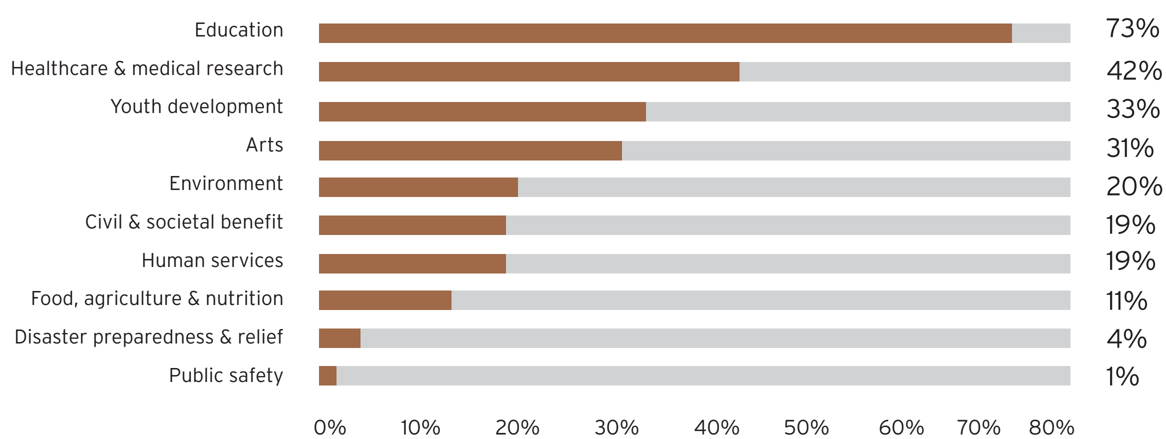


One of the panel discussions during our recently concluded Family Office Leadership Program covered the topic of trust-based philanthropy. The panelists emphasized how this approach addresses the power balance between donors and non-profits and, with a disciplined approach, can lead to accelerated outcomes.

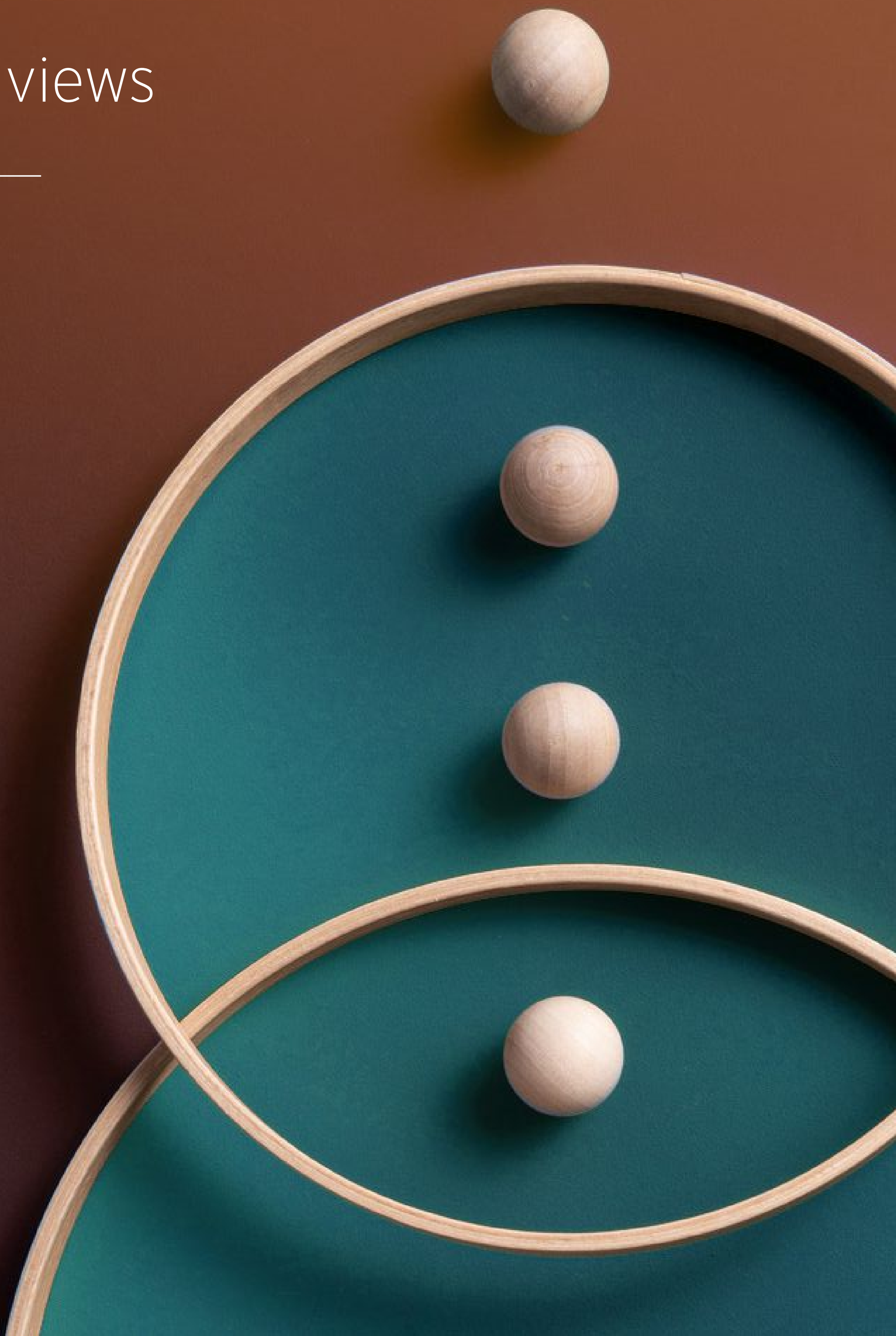
Trust-based philanthropy also shifts the onus onto funders to get a better understanding of their grantees, instead of having their grantees prove their efficacy. This fundamental shift is resulting in more appropriate funding provisions and is enhancing the potential of non-profit organizations to be more effective in delivering their mission, retaining talent and implementing longer-term strategies. While every family should define a philanthropic strategy that fits their needs, it's typically helpful to learn from peers to be inspired and identify best practices or common mistakes to avoid.

Finally, the top-three areas of philanthropic focus are education (73%), healthcare and medical research (42%) and youth development (33%), notably ahead of the environment (20%). This is relatively consistent with the highest rated global philanthropic focus areas over the past several years, with education a top priority followed by health. The interest in youth development may reflect a philanthropic response to the disproportionate effect the pandemic has had on young people. As the intergenerational transfer of wealth takes place, younger philanthropists – as they become decision makers globally – will likely shift the giving landscape with an increased interest in supporting environmental causes.

Areas of family office philanthropic focus



CIO views



By David Bailin and Steven Wieting

PATIENCE, FORTITUDE AND RESILIENT PORTFOLIO CONSTRUCTION

Staying invested has been the hallmark of many successful family office leaders. After an unusual period of weakness across virtually all financial assets during the first half of 2022, we have seen the benefits of our asset allocation shifts to quality solutions. And we expect to see opportunities for profits ahead.

The core purpose of family office portfolios is to preserve and grow wealth over generations. Such long-term holding periods will include down years for risk assets but should also reflect stronger and sustained returns from leading industries, themes and companies that far outweigh the setbacks.

Our own estimates of ten-year returns for most asset classes have gone up as a result of the downturn we have experienced (see figure 1 on the following page) as well as our belief in the sustained growth of the global economy.

Family office professionals overwhelmingly listed inflation, fear of recession and geopolitical uncertainty as their top-three economic concerns. These are the critical risks ahead. Surprisingly, they also shared a favorable outlook for portfolio returns over the next 12 months. Nearly 80% of family offices expect positive returns in the coming year.

Market history is on their side. Multi-year declines in US equities have occurred just eight times over the last century. After joint declines in stocks and bonds of a significant scale over the last 60 years, the US bond market has seen a positive return in 100% of cases. For the US stock market, the history is less decisive. In three of five cases, positive returns have occurred in the half year following joint stock/bond declines.

While we don’t see a US/global recession as an appropriate public policy aim of central banks, market views suggesting we are already meaningfully into an economic contraction seem premature. No past US recession has seen employment and corporate profit gains. Thus far, the US has merely seen slower gains in both (see figures 2 and 3 on the following pages).

More importantly, despite our view that a great deal of the inflation the world has faced over the past year has been the result of exogenous shocks and one-off policy stimulus, the impact of tighter monetary policy seems far from complete.

Figure 1. Strategic return estimates: Start of 2022 and mid-year 2022

	Strategic Return Estimate for 2022	Strategic Return Estimate at mid-year 2022
Global Equity	4.2%	6.2%
Global Fixed Income	2.0%	3.6%
Cash	0.9%	1.5%
Developed Market Equities	3.8%	5.6%
Emerginig Markets Equities	8.1%	9.9%
Investment Grade Fixed Income	1.8%	3.4%
High Yield Fixed Income	2.6%	5.1%
Emerging Market Fixed Income	3.6%	5.9%
Cash	0.9%	1.5%
Hedge Funds	4.1%	6.2%
Private Equity	11.6%	14.9%
Real Estate	8.8%	9.4%
Commodities	1.5%	2.0%

Source: Citi Global Wealth Investments Global Asset Allocation Team.
2022 mid—year SRE update is based on data as of 30 April 2022. 2022 SRE update is based on data as of 31 Oct 2021. Global Equity consists of Developed and Emerging Market Equity. Global Fixed Income consists of Investment Grade, High Yield and Emerging Market Fixed Income. Strategic Return Estimates are in US dollars; all estimates are expressions of opinion, are subject to change without notice and are not intended to be a guarantee of future events. Strategic Return Estimates are no guarantee of future performance.

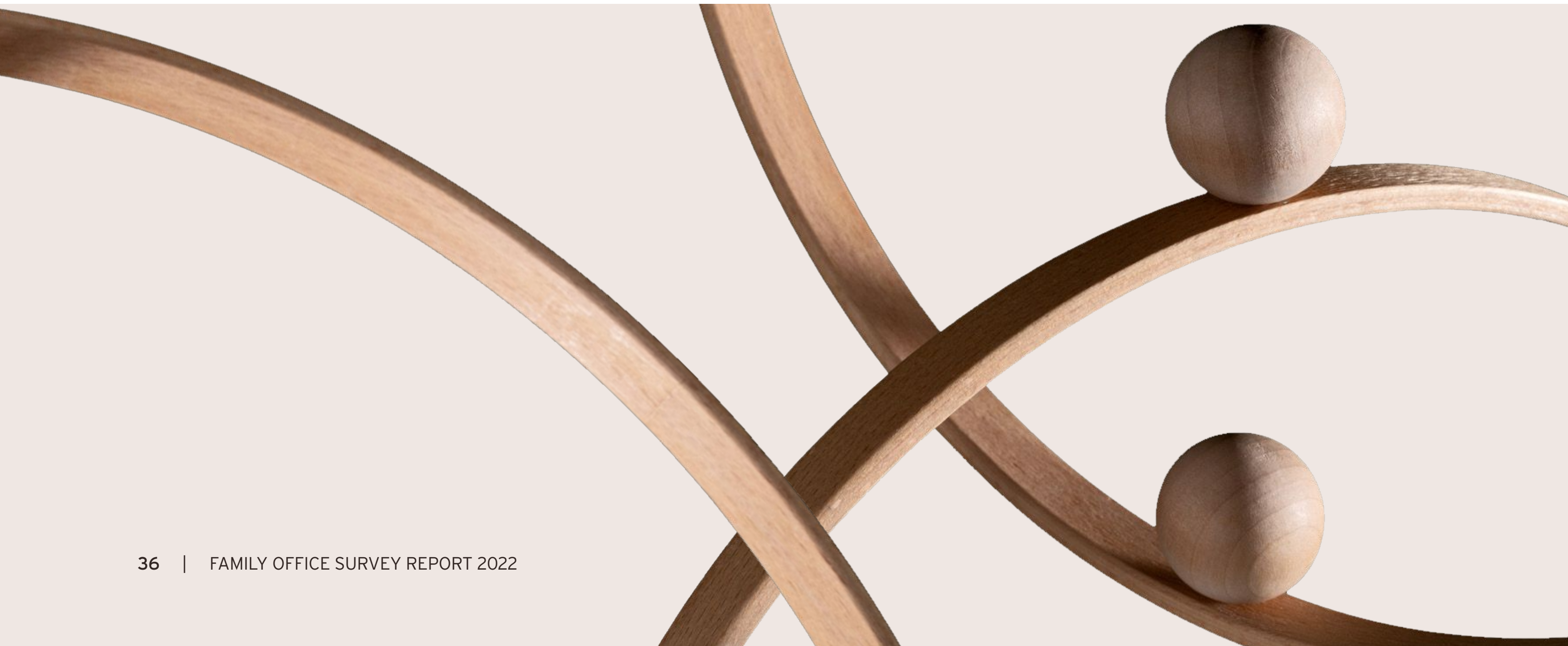


Figure 2: US employment: Monthly change in thousands

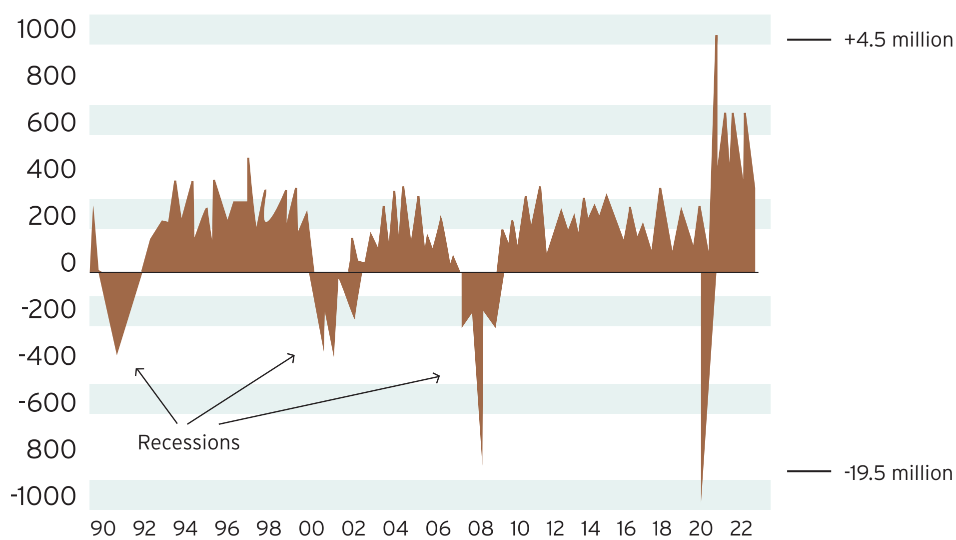
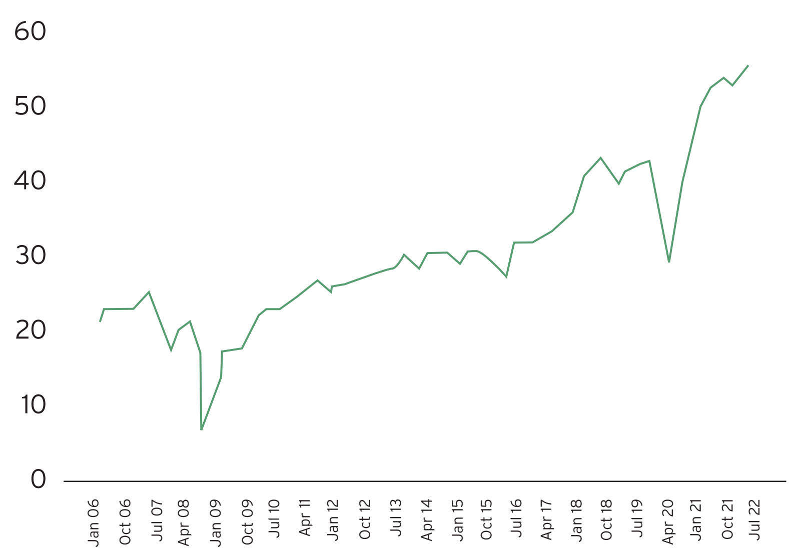


Figure 3: S&P 500 EPS Level



Source: Haver Analytics as of July 27, 2022.
Past performance is no guarantee of future results. Real results may vary. An investor cannot invest directly in an index. They are shown for illustrative purposes only.

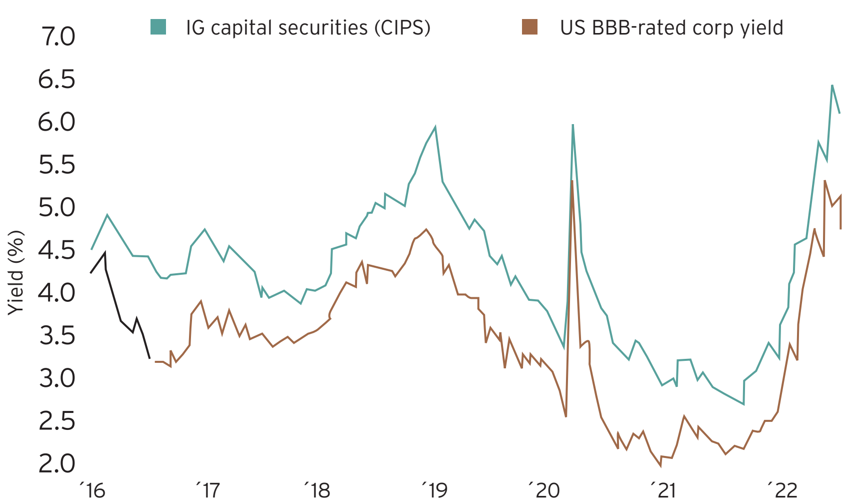
Family office CIOs viewed market volatility and dislocation as an opportunity to build more resilient portfolios by focusing on high-quality investments. We could not agree with them more. The sharp rise in investment grade bond yields in a coming period of slower growth stands out as an appropriate overweight. (Our medium-risk global portfolios have gone from as much as -11% underweight in global fixed income to +10% overweight US fixed income today.) Yields reflect a return to value and the core asset allocation function for fixed income to dampen portfolio risk (see figures 4 and 5).

Turning to equities, we view current market dislocations differently than those of 2020. Back then, economic activity and corporate profits quickly sank to a depressed level. As the COVID shock wore off and stimulus money rained down, profits were poised to rise. Many riskier assets such as small-cap stocks and high yield debt were priced for recession without recovery. For a brief market moment, it was relatively easy to find investments pricing in an economic collapse without recovery. Our key overweights of the time included small caps, emerging markets and leveraged commercial real estate.

Unfortunately, US corporate profits are high now and very much at risk as central banks diminish demand. While a collapse is not necessary in our view, the depth and duration of the coming period of economic weakness remains unclear. With the Fed reducing lending, the most leveraged entities are at risk of future distress.

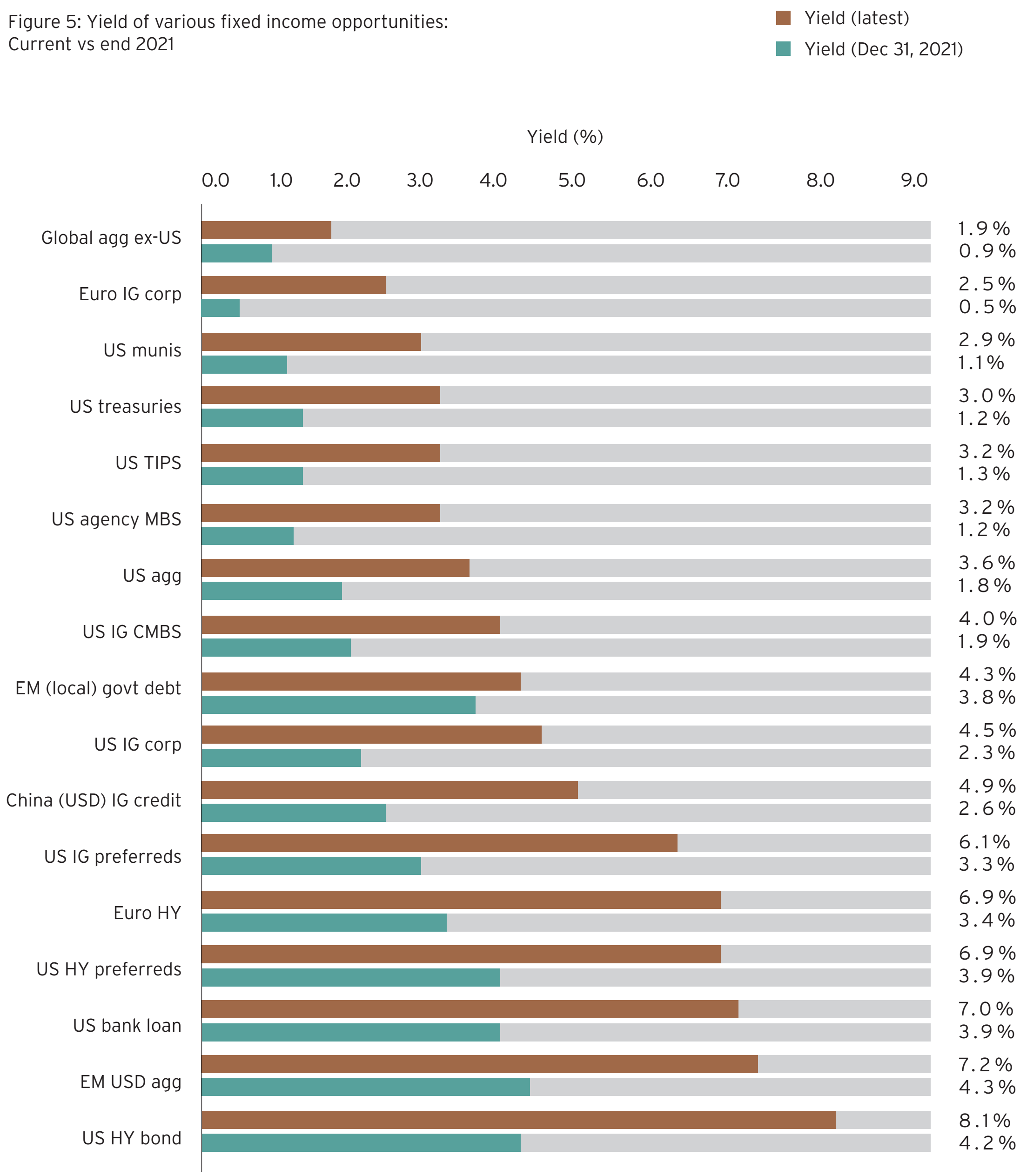
We remain committed to focusing on the highest quality income-producing assets in both equities and fixed income. When a new period of cyclical acceleration or very depressed asset prices presents itself, we will look forward to taking greater portfolio risk.

Figure 4: Yields of US Investment Grade Corporates (BBB-rated) and Investment Grade Preferred Stock



Source: Bloomberg as of July 27, 2022.
Based on the following indexes: ICE BofA US Investment Grade Institutional Capital Securities Index, Bloomberg US Corporate BBB–rated Index. An investor cannot invest directly in an index. They are shown for illustrative purposes only. Past performance is not indicative of future results.

Figure 5: Yield of various fixed income opportunities:
Current vs end 2021

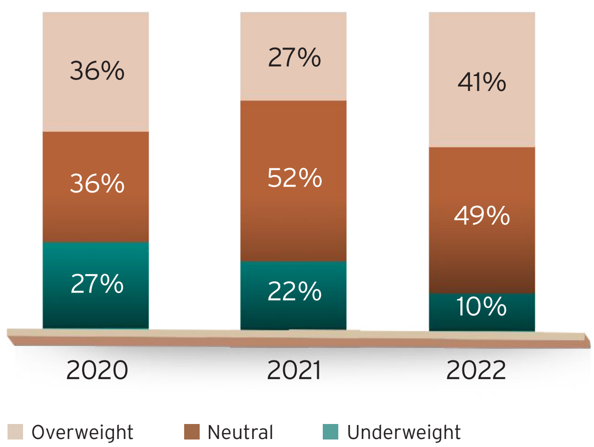


Source: Bloomberg as of July 27, 2022.
An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Past performance is no guarantee of future results. Real results may vary.

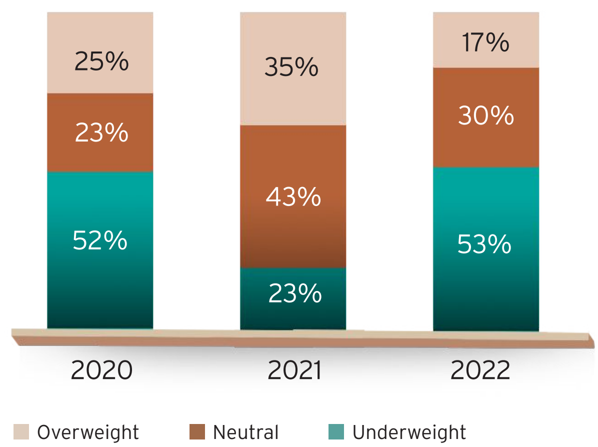
MULTI-YEAR ASSET CLASS SENTIMENT

The section below tracks asset class sentiment as reported in each of the last three surveys from 2020 to 2022.

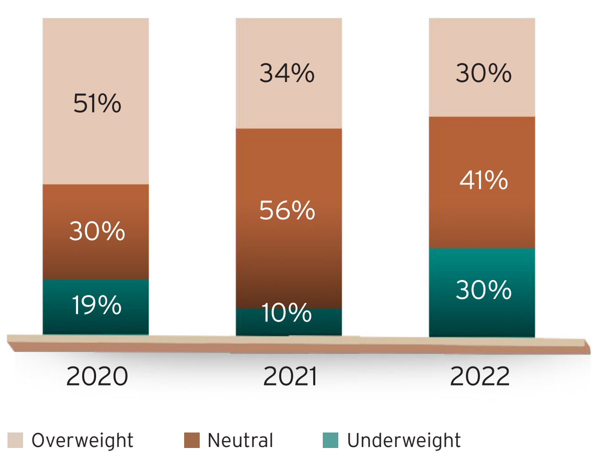
Cash



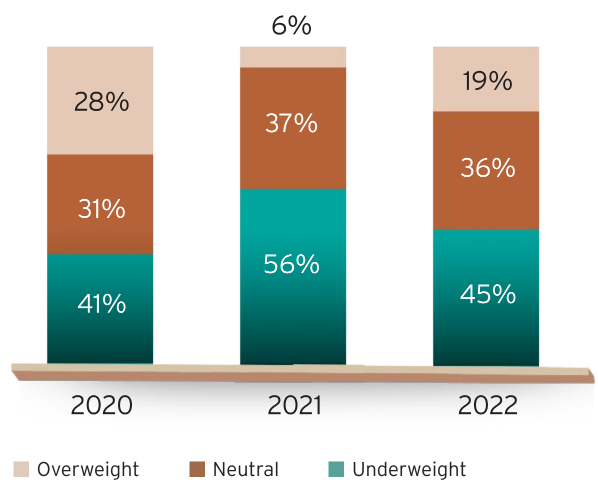
Global Emerging Market Equities



Global Developed Market Equities

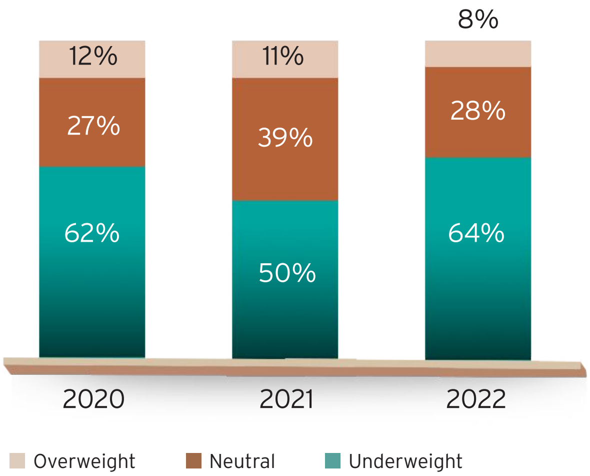


Fixed Income

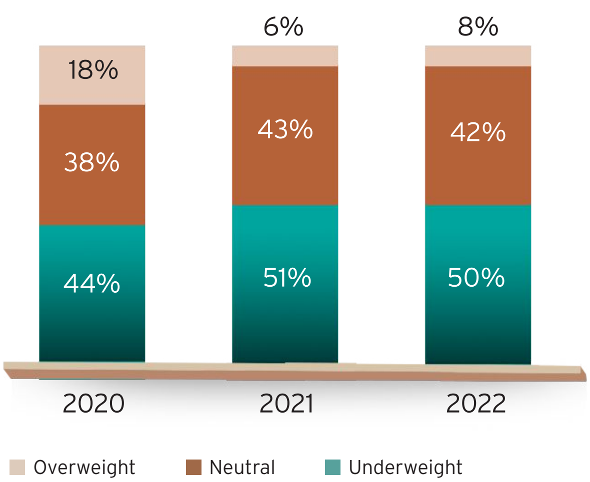


Percentages may not total 100% due to rounding.

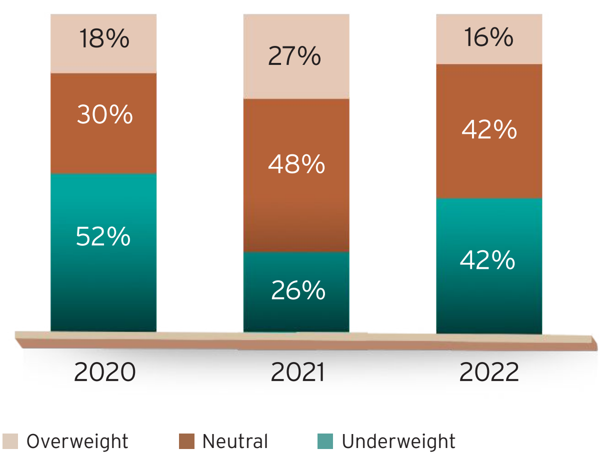
Emerging Market Fixed Income



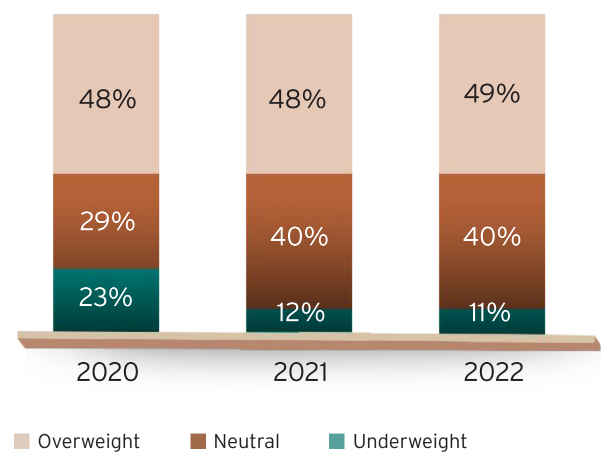
Global Developed Corporate High Yield Fixed Income



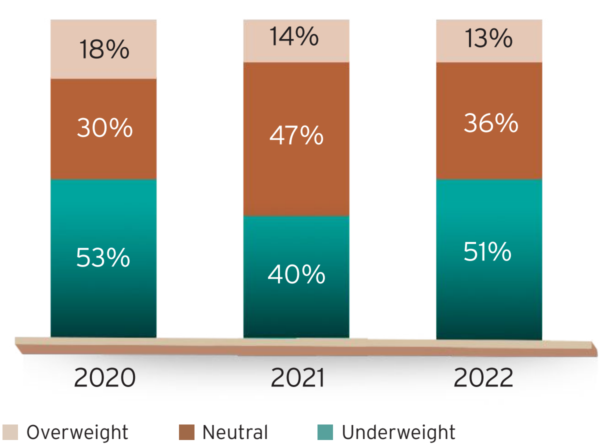
Commodities



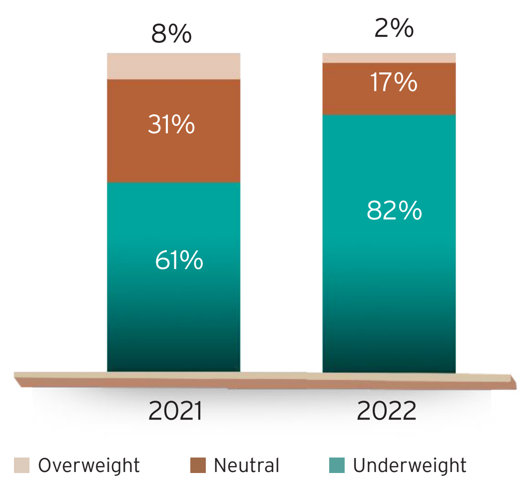
Private Equity



Hedge Funds

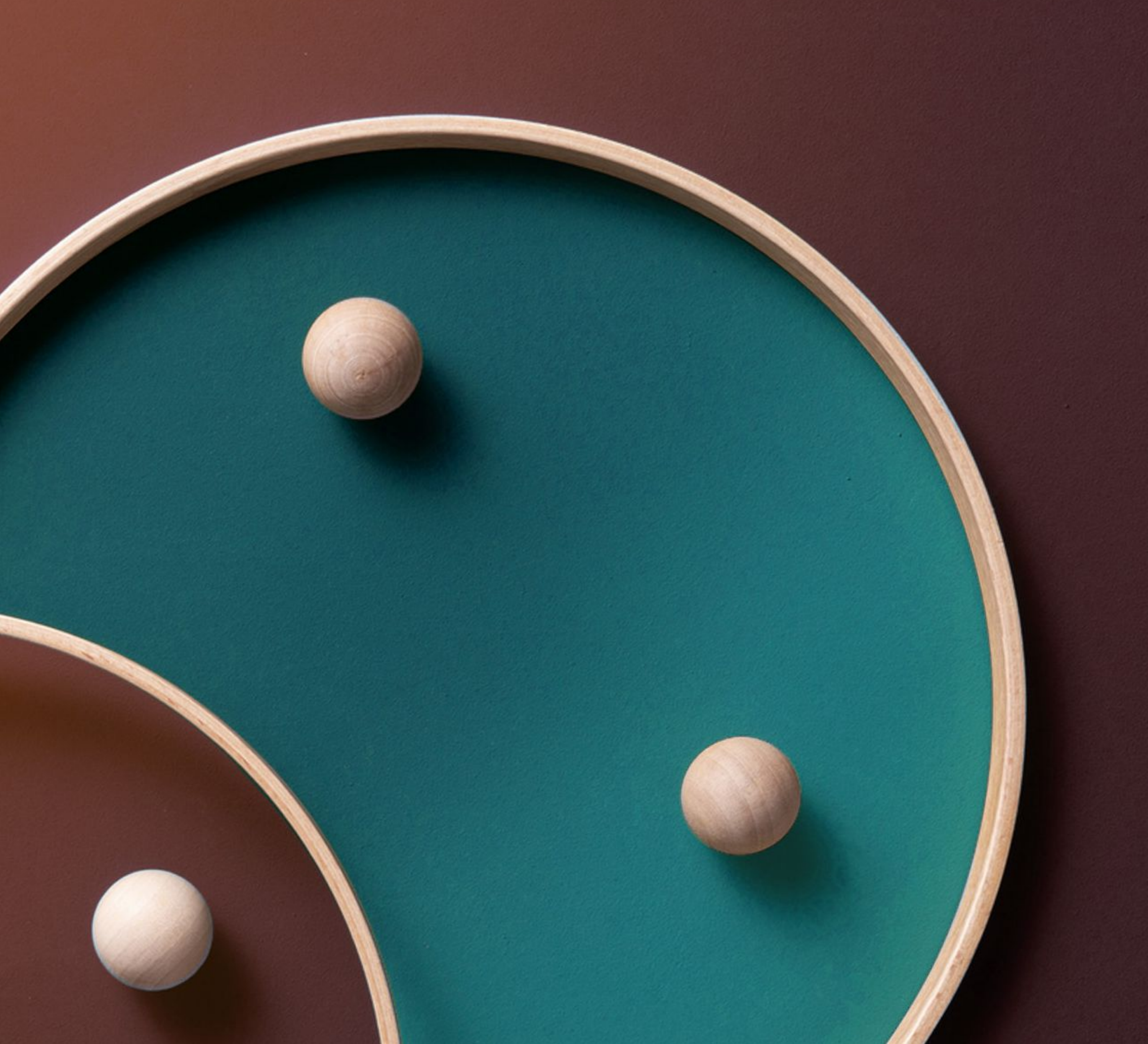


Crypto Assets



Percentages may not total 100% due to rounding.

Survey particulars

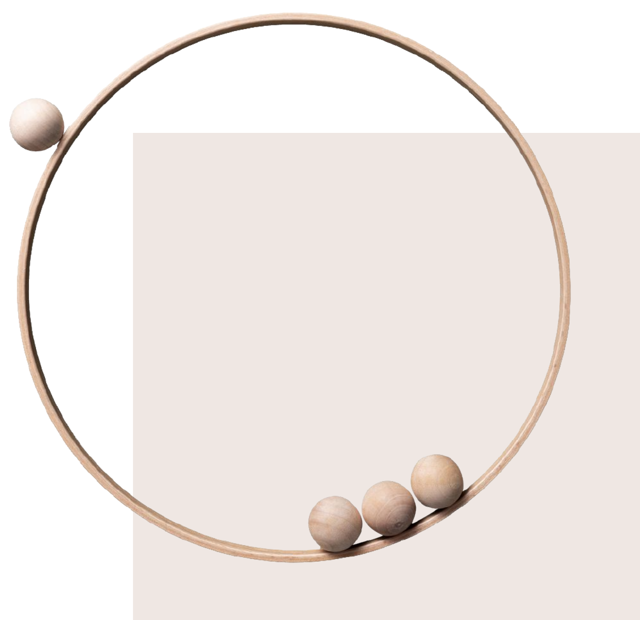


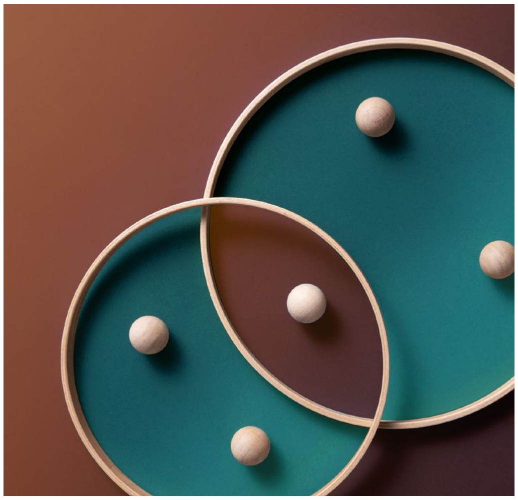
The Family Office Survey 2022 was initiated during the Private Bank's 2022 Family Office Leadership Program, held from June 6 to 8. The survey was subsequently released to family office clients globally and was open for input until July 8.

The survey included over 30 questions aimed at gauging investment sentiment and portfolio actions of clients in the wake of macroeconomic headwinds and market volatility in early 2022. It drew responses from nearly 200 participants, of which 126 were completed and considered for this report.

Of the 126 family office respondents, 123 elected to identify the primary geographic location of their family office. The survey received 74 responses from North America, accounting for 60% of the respondents that identified geographically. The percentage of respondents from Latin America was 17%, followed by both Asia Pacific and Europe, Middle East and Africa with 11% of respondents.

For statistical purposes and the respondents' questionnaire, the US dollar was the valuation currency of the survey. Of the total number of family office respondents, 12% had more than $2 billion in assets under management (AUM); 18% had AUM in the $1 billion to $2 billion range; 17% in the $500 million to $1 billion range; 24% in the $250 million to $500 million range; and 29% had under $250 million in AUM.





Acknowledgements

Principal Authors
Alexandre Monnier, Global Head, Family Office Services & Network
Ajay Kamath, Director, Family Office Services & Network

Research & Analysis
Alan Rios, Vice President, Family Office Group
Zack Weinstein, Analyst, Family Office Group
Ritika Chekuri, Intern, Family Office Group

Contributors
Ida Liu, Global Head, Citi Private Bank
David Bailin, Chief Investment Officer and Head of Citi Global Wealth Investments
Steven Wieting, Chief Investment Strategist & Chief Economist

Marketing & Editorial
Jane Miglierina
Dmeca Maddox
Dominic Picarda

For media inquiries please contact:
Gabriel Morales, Global Public Affairs, Citi
718-248-7029
gabriel.morales@citi.com

Glossary

Asset class definitions:

Cash is represented by US 3-month Government Bond TR, measuring the US dollar-denominated active 3-month, fixed-rate, nominal debt issues by the US Treasury.

Commodities asset class contains the index composites — GSCI Precious Metals Index, GSCI Energy Index, GSCI Industrial Metals Index and GSCI Agricultural Index — measuring investment performance in different markets, namely precious metals (e.g., gold, silver), energy commodity (e.g., oil, coal), industrial metals (e.g., copper, iron ore), and agricultural commodity (i.e., soy, coffee) respectively. Reuters/Jeffries CRB Spot Price Index, the TR/CC CRB Excess Return Index, an arithmetic average of commodity futures prices with monthly rebalancing, is used for supplemental historical data.

Emerging Markets (EM) Hard Currency Fixed Income is represented by the FTSE Emerging Market Sovereign Bond Index (ESBI), covering hard currency emerging market sovereign debt.

Global Developed Market Corporate Fixed Income is composed of Bloomberg Barclays indices capturing investment debt from seven different local currency markets. The composite includes investment grade rated corporate bonds from the developed-market issuers.

Global Developed Market Equity is composed of MSCI indices capturing large-, mid- and small-cap representation across 23 individual developed-market 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 Developed Investment Grade Fixed Income is composed of Bloomberg Barclays indices capturing investment-grade debt from twenty different local currency markets. The composite includes fixed-rate treasury, government-related, and investment grade rated corporate and securitized bonds from the developed market issuers. Local market indices for US, UK and Japan are used for supplemental historical data.

Global Emerging Market Fixed Income is composed of Bloomberg Barclays indices measuring performance of fixed-rate local currency emerging markets government debt for 19 different markets across Latin America, EMEA and Asia regions. iBoxx ABF China Govt. Bond, the Markit iBoxx ABF Index comprising local currency debt from China, is used for supplemental historical data.

Global High Yield Fixed Income is composed of Bloomberg Barclays indices measuring the non-investment grade, fixed-rate corporate bonds denominated in US dollars, British pounds and euros. 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.

Hedge Funds are 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 a 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.

High Yield Bank Loans are debt-financing obligations issued by a bank or other financial institution to a company or individual that holds legal claim to the borrower's assets in the event of a corporate bankruptcy. These loans are usually secured by a company's assets, and often pay a high coupon due to a company's poor (non-investment grade) credit worthiness.

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

Index definitions:

Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes US dollar denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

FTSE All-World Index is a stock market index representing global equity performance that covers over 3,100 companies in 47 countries, starting in 1986.

MSCI AC Asia ex-Japan Index captures large- and mid-cap representation across two of three Developed Markets (DM) countries* (excluding Japan) and nine Emerging Markets (EM) countries* in Asia. With 1,187 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). With 704 constituents, the index covers about 85% of this China equity universe.

MSCI Emerging Markets Index captures large- and mid-cap representation across 24 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets EMEA Index captures large- and mid-cap representation across 11 Emerging Markets (EM) countries* in Europe, the Middle East and Africa (EMEA). With 173 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Latin America Index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 113 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Europe Index captures large- and mid-cap representation across 15 Developed Markets (DM) countries in Europe*. With 437 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

MSCI Global Alternative Energy Index includes developed and emerging market large-, mid- and small-cap companies that derive 50% or more of their revenues from products and services in alternative energy.

MSCI ACWI Energy Index includes large- and mid-cap securities across 23 Developed Markets (DM) and 27 Emerging Markets (EM) countries. All securities in the index are classified in the Energy as per the Global Industry Classification Standard (GICS).

MSCI ACWI Index MSCI's flagship global equity index, designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 27 emerging markets. As of November 2020, it covers more than 3,000 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The VIX or the Chicago Board Options Exchange (CBOE) Volatility Index is a real-time index representing the market's expectation of 30-day forward-looking volatility, derived from the price inputs of the S&P 500 index options.

Other terminology:

Adaptive Valuations Strategies is Citi Private Bank's own strategic asset allocation methodology. It determines the suitable long-term mix of assets for each client's investment portfolio.

Correlation is a statistical measure of how two assets or asset classes move in relation to one another. Correlation is measured on a scale of 1 to -1. A correlation of 1 implies perfect positive correlation, meaning that two assets or asset classes move in the same direction all of the time. A correlation of -1 implies perfect negative correlation, such that two assets or asset classes move in the opposite direction to each other all the time. A correlation of 0 implies zero correlation, such that there is no relationship between the movements in the two over time.

EU, or the European Union, is a political and economic union of 27 member states in Europe.

IEA, or the International Energy Agency, is an autonomous intergovernmental organization established in the framework of the OECD in the wake of the 1973 oil crisis to further energy consumers' interests.

LIBOR, or London Interbank Offered Rate, is the rate of interest at which banks offer to lend funds to each other. It is used as a reference rate for large amounts of financial contracts.

OECD, or the Organisation for Economic Co-operation and Development, is an intergovernmental economic organization with 38 member countries, aimed at stimulating economic progress and world trade.

Sharpe ratio is a measure of risk-adjusted return, expressed as excess return per unit of deviation, typically referred to as risk.

SPAC, or Special-Purpose Acquisition Company, is a shell corporation with no business or operations but is listed on a stock exchange with the purpose of acquiring a private company, thereby making it public without going through the conventional initial public offering process.

Disclosures

Citi Private Bank is a business of Citigroup Inc. ("Citigroup"), which provides its 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, and also Citi Private Advisory, LLC ("Citi Advisory"), member FINRA and SIPC. CGMI accounts are carried by Pershing LLC, member FINRA, NYSE, SIPC. CGMI, Citi Advisory and Citibank, N.A. are affiliated companies under the common control of Citigroup.

Outside the U.S., investment products and services are provided by other Citigroup affiliates. Investment Management services (including portfolio management) are available through CGMI, Citi Advisory, Citibank, N.A. and other affiliated advisory businesses.

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. and 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.

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.

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 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 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 Mutual Fund Dealers Association of Canada ("MFDA"); consequently, clients of CCIFL will not have available to them investor protection benefits that would otherwise derive from membership of CCIFL in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA.

Citibank, N.A., Hong Kong/ Singapore 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 the aforementioned entity. 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 the aforementioned entity. 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, 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 2022/623).

Citigroup Inc. and its affiliates do not provide tax or legal advice. You should seek advice based on your particular circumstances from an independent tax advisor. To the extent that this material or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

www.citiprivatebank.com

Private Banking for Global Citizens

Private Bank citi®