



FAMILY OFFICE METRICS, LLC

Strategic advisors to family offices and family fiduciaries on people, process, and technology

Memorandum To: Institute for Private Investors
 Investor-Advisor Dialogue / Roundtable

From: Jon Carroll

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Subject: MFO Outsourcing: due diligence and conflicts of interest

What is an MFO? An MFO may be defined as a for-profit, investment-centered coordinator and provider of products and services to high net worth families.

What should an MFO consider when outsourcing? An MFO should consider its own core competency first. Strategic business goals, including business growth and business value creation, as well as cost and return on investment are key factors.

Outsourcing, Challenges, and Conflicts of Interest

Outsourced Activities	Challenges	Conflicts of Interest
Investment consulting Portfolio management Asset allocation	Trust (but verify) Track record Time horizon	Layers of fees; profit margin; cover fixed costs Best in breed / edge
Technology applications Network administration	Fit / functionality Advice (proactive or reactive) Service / price Competence	Manufacturers sell a product not a solution IT support business model (hardware sales v. service contract annuity)
Accounting and tax preparation	Service / price Flexibility	Control; confidentiality
Legal	Most trusted advisor or specialist Client relationship	Operating business advisor Co-trustee / fiduciary
Custody / Brokerage	Personal service Data control Depth of offering	Institutional trustee and captive investment advice

Does a disclosure of a conflict of interest eliminate the conflict? No.

What successful practices can mitigate conflict of interest?

1. Define business goals, policies, and the means to evaluate.
2. Prepare comparative quantitative analyses (when buying and selling).
3. Review and update goals, policies, and evaluation methods periodically.
4. Document all of the above.