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Dynasty Dollars: From Passive Holdings to Active Horizons

Family Offices: The Hidden Powerhouses Influencing the Market

With over 15,000 Family Offices (FOs) controlling $10tn worth of assets, FOs have emerged as a powerful force in the global financial landscape. Their influence is set to compound, as $84tn is expected to be inherited by younger generations over the next 20 years.

From Public to Private: A Shift to Private Equity

PE allocation represented 22% of total FO asset allocation in 2023, the highest ever FO allocation for the asset class. This peak can be attributed to FOs being drawn to PE's potential for higher returns, strategic alignment of assets, and diversification benefits. More mature markets, such as the US and Middle East, reveal even higher exposure to PE investments, reaching 35% and 28% allocations, respectively.

From Passive to Proactive: A Shift to Direct Investments

FOs are taking a more active approach to investing, as seen through the emergent allocation to direct investments, which currently comprises 50% of total FO PE investment globally. With more mature markets seeing a more considerable allocation of direct investments from FOs. The shift to direct investments is well suited to FOs and investees alike, with their "patient capital" deployment approach, flexible investment horizons, and higher illiquidity tolerances. FOs are willing to take on the increased risks of active investing as they seek to benefit from PE like advantages and greater investment control.

Family Office Private Equity Allocation Evolution

*FOs have become **dynamic and influential providers of capital**, acting increasingly like traditional private investment funds*

	2010	2015	2017-2018	2019-2020	2021-2022	2023-2024
Private Equity Allocation	6%		18%	21%		22%
Direct Investment Growth		**200% direct investment increase** since 2010		Direct investments **make up more than 50%** of FO PE investment	Direct deal value **increased 8x** since 2013, reaching **$1.5bn in 2022**	Direct investment style has evolved into **smaller deals executed in consortiums**

Private Equity Allocation

Direct Investment Growth

Family offices are growing in numbers and in strength, with an increasing appetite for PE allocation, and are starting to look more like GPs than LPs.

This prompts consideration of how other players in the M&A landscape will be impacted.

A shift towards more direct investments places FOs in competition with PE and VC players, but also creates more opportunities for deal collaboration

How are FOs making direct PE investments?

	2017	2023
More Clubs Deals	28%	59%
Smaller Deals (<$25m)	31%	51%

1 Private Equity Firms

A growing pool of FOs, who continue to allocate capital to fund-of-fund PE investments, will remain a prominent source of LP capital, but an increasing FO interest in direct deals will intensify competition, especially for smaller deals. PE should look to FOs for co-investment opportunities as FOs increasingly favour club deals.

2 Venture Capital Firms

Entrepreneurs seeking investment may find the patient capital of an FO a compelling alternative to VC funding. We expect deal competition to intensify for VCs, considering the increased interest of FOs in smaller ticket sizes. However, as is the case with PE, FOs will remain a prominent source of LP capital for VCs.

3 Corporate Advisory Firms

Opportunity to offer specialised services tailored to direct FO investment strategies that cater to the unique needs and long-term perspectives of FOs. Through an understanding of the investment preferences and criteria of FOs, Advisors will have success in connecting corporate clients with FOs as potential buyers.

Sources: Oceanrock Analysis, BoA Private Bank, Campden Wealth, Credit Suisse, UBS