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Global Family Office Report

2024

Cover image by Max Rive. Taken with a drone, it's a panoramic view of the Romsdalen Valley, a 60-kilometer long valley in western Norway. The photo is a metaphor for how the family office takes in a broad panorama before setting a strategic path towards its objective.

Content

We are pleased to present to you our largest Global Family Office Report to date. The 2024 study brings together the insights of 320 single family offices across seven regions of the world. Representing families with an average net worth of USD 2.6 billion and covering over USD 600 billion of wealth, it confirms the report as the most comprehensive and authoritative analysis of this influential group of investors.

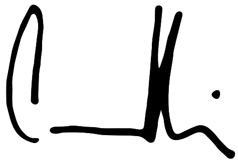
Notably, the 2024 report shows that family offices followed through on the plans for material shifts in strategic asset allocation foreseen in 2023's report. In a move to rebalance portfolios, allocations to developed market fixed income rose by the largest amount seen in five years. Additionally, real estate allocations declined at a time when commercial real estate prices in some regions have corrected. However, family offices do not expect to implement such big changes this year.

Family offices are most concerned about the danger of a major geopolitical conflict, both in the near and medium terms. Over a five-year horizon, they also view climate change as a top risk, alongside high levels of debt.

The bigger data set allows us to refine our analysis, especially by tailoring findings to regions. With US tech companies leading the generative AI revolution, average global asset allocations appear set to remain tilted to North America. Drill down into the data, though, and allocations depend on location, with US, European and Swiss family offices preferring their home markets. We have also analyzed how connected operating businesses affect asset allocation.

Above all, this report is the result of constructive collaboration with the contributing families, executives and advisors. We would like to thank them for making this year's enhancements possible. We are always trying to improve the report and welcome your thoughts. In conclusion, we hope you enjoy the report and its fresh insights.

George Athanasopoulos
Head of Global Family and Institutional Wealth
Co-Head Global Markets



Benjamin Cavalli
Head of Global Wealth Management Strategic Clients

Material shifts in asset allocation as portfolio balance returns

Family offices carried out some of their biggest shifts in strategic asset allocation in 2023, in a move to rebalance portfolios. In a shift that may reflect elevated bond yields as much as active decision-making, they lifted allocations to developed market fixed income by the largest amount seen in five years. Allocations to real estate declined at a time when commercial real estate prices in some regions have been falling. Compared to 2023, fewer family offices expect to make changes in 2024.

Climate change and debt crisis emerge as medium-term risks

The risk of a major geopolitical conflict is clearly the top concern for family offices, both in the near and medium term. Inflation and interest rates are among the other top concerns over the next 12 months but in the longer term they play a less prominent role. Family offices are more concerned about climate change and high levels of debt over the next five years.

Geographical asset allocations set to remain tilted towards North America

Family offices have kept their largest regional allocations in North America. Looking ahead, North America and Asia-Pacific (excluding Greater China) look set to be the top destinations of added allocations, with over a third looking to increase allocations to each of these regions respectively over the next five years. But there remains a strong home bias, especially in the US followed by Switzerland and Europe.

Confidence increases in active management

Family offices say that they are relying more on active management and/or manager selection to diversify portfolios. This comes at a time when the divergence of stock performance has increased. High-quality short duration fixed income is also favored for diversification, especially in the US.

With sustainability in focus, family offices seek information and advice

For family offices, sustainability is becoming an essential matter of risk and opportunity. As many perceive climate change becoming a major concern, so they see sustainability as driving risks and opportunities for both their operating businesses and investment portfolios. As sustainability requirements become more specific, partly driven by regulation in sectors such as real estate, family offices want more sophisticated information and advice.

Family offices focus on being investment specialists first and foremost

Rather than carrying out the full gamut of tasks to support families, many family offices concentrate mainly on investments in-house. Most family offices not only make investment decisions but also execute them. They also focus primarily on financial rather than non-financial risks. With most family offices employing few staff, it is potentially challenging to do anything more than their core tasks.

Asset allocation and portfolio diversification

Key messages

1

Following 2023's appreciation in fixed income prices, family office weightings in developed market bonds have increased materially, reaching the highest weight in strategic asset allocation seen in five years.

2

Geographically, family offices tend to have the highest allocations in North America. Over five years, they plan to shift still more capital there, as well as to Asia-Pacific (excluding Greater China). But European and Swiss family offices have a strong home bias towards Western Europe.

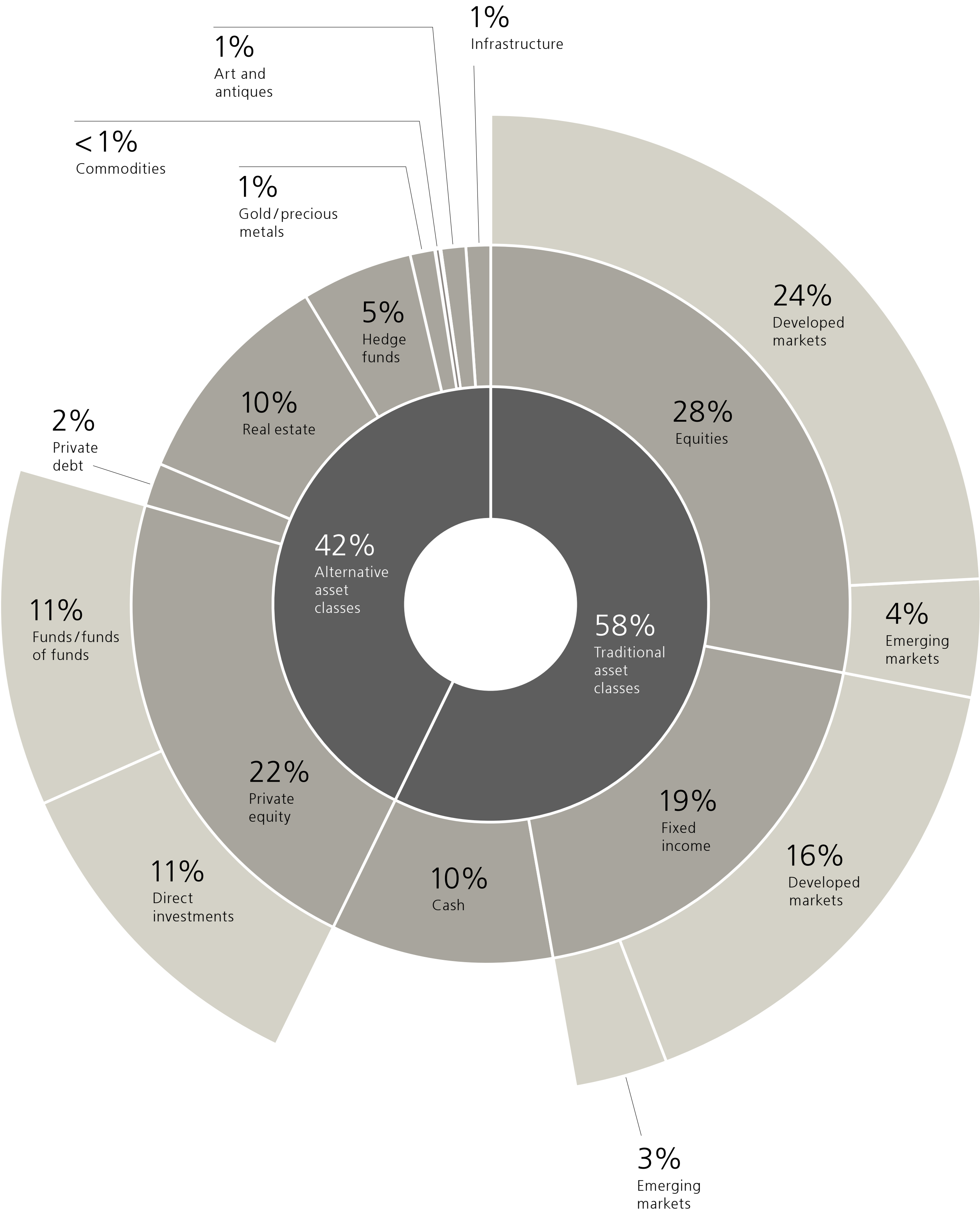
3

There is a notable increase in faith in active management as a means of portfolio diversification.

4

Unsurprisingly, generative artificial intelligence (AI) is the most popular investment theme for the next two to three years.

Strategic asset allocation 2023



Where the data total does not precisely match the related asset %, this is because we have added the figures together to two decimal places, which can result in slight variations to the figures when rounded.

Strategic asset allocation varies by region

Regional breakdown for 2023

	Global	US	Latin America	CH	Europe	Middle East	Asia-Pacific	North Asia	SEA
Traditional asset classes									
Equities	28%	28%	30%	31%	28%	27%	26%	25%	29%
Developed markets	24%	26%	23%	29%	25%	22%	21%	20%	23%
Emerging markets	4%	2%	7%	2%	3%	5%	5%	5%	6%
Fixed income	19%	7%	34%	11%	19%	11%	25%	27%	21%
Developed markets	16%	6%	27%	9%	16%	7%	22%	24%	19%
Emerging markets	3%	1%	7%	2%	3%	4%	3%	3%	2%
Cash (or cash equivalent)	10%	6%	5%	14%	8%	11%	14%	14%	13%
Alternative asset classes									
Private equity	22%	35%	18%	18%	22%	28%	19%	18%	18%
Direct investments	11%	21%	8%	10%	11%	10%	9%	8%	10%
Funds / funds of funds	11%	14%	10%	8%	11%	18%	10%	10%	8%
Real estate	10%	10%	7%	13%	12%	15%	6%	7%	6%
Hedge funds	5%	8%	2%	3%	4%	5%	6%	6%	5%
Private debt	2%	4%	3%	1%	3%	2%	2%	2%	3%
Gold / precious metals	1%	0%	1%	6%	1%	0%	0%	1%	0%
Art and antiques	1%	1%	0%	2%	1%	1%	1%	0%	3%
Commodities	0%	1%	0%	0%	0%	0%	0%	0%	0%
Infrastructure	1%	1%	1%	1%	1%	1%	0%	0%	1%

CH: Switzerland, SEA: Southeast Asia

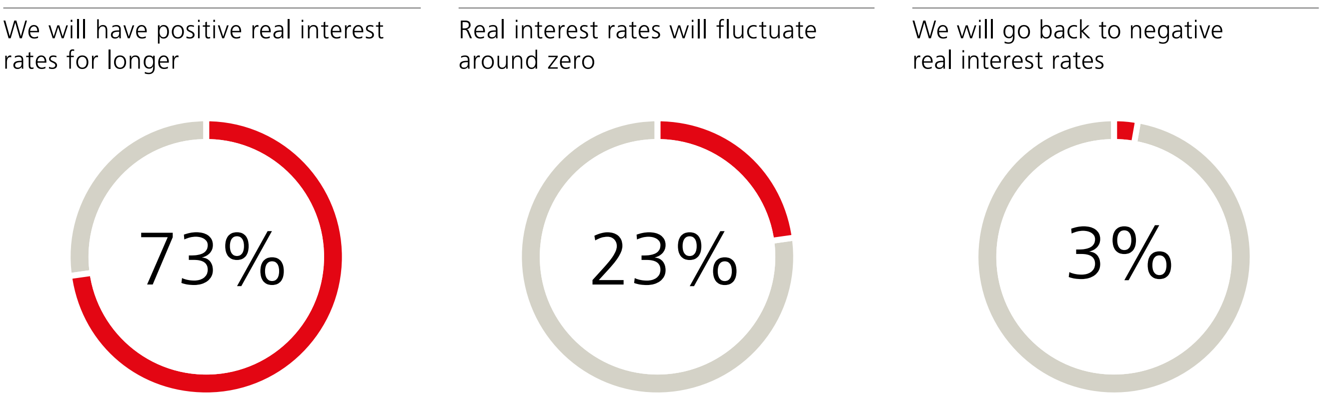
Balance is back; stability returns

In 2024's survey, family office portfolios appear to be moving back into balance. Strategic asset allocations for 2023 show material shifts, as portfolios appear to adjust for a world of moderating inflation and declining policy rates. This change in allocations may partly reflect elevated bond yields, but it is also consistent with the moves foreshadowed by last year's report.

At the heart of this scenario is the stabilizing macroeconomic environment. Inflation and policy rates appear to have peaked in the US and Europe and should gradually move lower in what seems a healthy global economy. Given the seemingly lower interest rate sensitivity of the US, almost three quarters (73%) of family offices say they believe that US real interest rates will remain positive for longer. However, European and Swiss family offices have different expectations: following their experience of negative policy rates over the past 10 years, 38% of those in both locations believe that US real interest rates will fluctuate around zero.

Most family offices believe that we will have positive US real interest rates for longer

Family offices' views on interest rates



	Global	US	Latin America	CH	Europe	Middle East	Asia-Pacific	North Asia	SEA
We will have positive real interest rates for longer	73%	79%	81%	58%	58%	82%	84%	82%	88%
Real interest rates will fluctuate around zero	23%	12%	12%	38%	38%	18%	16%	18%	12%
We will go back to negative real interest rates	3%	9%	8%	4%	4%				

CH: Switzerland, SEA: Southeast Asia

Against that backdrop, family offices' allocations to developed market bonds have increased by the largest amount seen in five years, reintroducing greater balance between bonds and equities.

On average, they allocated 16% to developed market bonds in 2023, up from just 12% in 2022, and plan to maintain this level in 2024.

"The shift towards developed markets fixed income does not surprise me because we have owned little to no fixed income over the past 10 to 15 years," notes the investment office head of a Swiss family office. "With the increase in interest rates, it was a natural shift as the asset class became sufficiently interesting to deploy capital."

Fixed income allocation reaches new high in 2023

Annual change in strategic asset allocation

	2019 (actual)	2020 (actual)	2021 (actual)	2022 (actual)	2023 (actual)	2024 (plan)
Fixed income (developed markets)	11%	13%	11%	12%	16%	16%
Fixed income (emerging markets)	6%	5%	4%	3%	3%	2%
Equities (developed markets)	23%	24%	24%	25%	24%	26%
Equities (emerging markets)	6%	8%	8%	6%	4%	3%
Private equity (direct investments)	9%	10%	13%	9%	11%	9%
Private equity (funds/funds of funds)	7%	8%	8%	10%	11%	13%
Private debt	N/A	N/A	2%	2%	2%	3%
Hedge funds	5%	6%	4%	7%	5%	4%
Real estate	14%	13%	12%	13%	10%	12%
Infrastructure	0%	0%	0%	0%	1%	1%
Gold/precious metals	3%	2%	1%	2%	1%	1%
Commodities	0%	1%	1%	1%	0%	0%
Cash (or cash equivalent)	13%	10%	10%	9%	10%	9%
Art and antiques	3%	1%	1%	2%	1%	1%

Allocations vary substantially by region, depending on local macroeconomic conditions and long-established preferences. For instance, Latin American family offices have historically made high allocations to fixed income and continue to do so: in 2023, they allocated 27% to developed market bonds. In the US, though, family offices allocated, on average, just 6% to developed market bonds.

Family offices continue to hold their highest weightings in developed market equities, which accounted for almost a quarter (24%) of portfolios in 2023 on average, slightly less than 2022's 25%. In 2024, family offices plan to lift this allocation somewhat to 26%. There is a striking contrast with equities in emerging markets, which made up only 4% of allocations on average in 2023 – half the 8% level reached in 2020 and 2021.

> "Fixed income begins with the handicap that it's not tax efficient versus buy and hold equities," explains the president of one US family office. "But let us say that you have fixed income with a yield of 5% today versus 1% previously. It hits people's radar screen. You go from maybe not doing any fixed income to doing some."

Turning to private equity, overall allocations remain steady. Both direct investments and funds/funds of funds stand at average weightings of 11% in 2023, up from 9% and 10% respectively in 2022. For 2024, though, family offices plan to reduce direct investments to 9% and raise allocations in funds/funds of funds to 13%, likely in search of greater diversification.

Apart from fixed income, the 2024 survey's biggest change in asset allocations was in real estate. Globally, family offices' average allocations to real estate declined to 10% in 2023, down from 13% in 2022, as uncertainty over when valuations will bottom continued and liquid yield-generating assets such as fixed income became more attractive.

> "I can well understand the finding as we have a shopping center in Canada, and in the last five years, with COVID, and recently with the higher interest rates, valuations have taken a beating," notes the principal of a Malaysian family who also oversees the family wealth.

Family offices plan to add equities from developed markets

Changes in asset allocation in the next five years

	Net* 2020	Net* 2021	Net* 2022	Net* 2023	Net* 2024	Increase	Stay the same	Decrease	Don't plan on investing in this asset class
Fixed income (developed markets)	–22%	–18%	–4%	22%	20%	35%	46%	15%	4%
Fixed income (emerging markets)	–10%	3%	8%	10%	2%	14%	57%	13%	16%
Equities (developed markets)	36%	35%	29%	32%	33%	46%	38%	13%	3%
Equities (emerging markets)	57%	56%	28%	18%	18%	29%	49%	11%	11%
Private equity (direct investments)	49%	42%	42%	28%	25%	39%	39%	14%	8%
Private equity (funds / funds of funds)	30%	26%	38%	21%	21%	34%	43%	14%	9%
Private debt	N/A	N/A	27%	15%	23%	29%	47%	6%	17%
Hedge funds	0%	16%	11%	4%	12%	23%	49%	12%	16%
Real estate	42%	22%	37%	22%	14%	28%	50%	14%	9%
Infrastructure	37%	23%	25%	17%	23%	27%	47%	4%	23%
Gold / precious metals	15%	10%	4%	9%	4%	10%	56%	7%	27%
Commodities	2%	9%	10%	12%	2%	7%	54%	5%	34%
Cash (or cash equivalent)	–8%	–18%	–15%	–13%	–7%	21%	48%	28%	4%
Art and antiques	10%	8%	10%	12%	2%	10%	47%	7%	36%

* Net equals increase minus decrease (i.e., a positive net indicates that more family offices plan to increase than to decrease, a negative net indicates that more family offices plan to decrease than to increase)

For 2024, family offices plan to partially reverse the decline in real estate allocation, with the average allocation recovering to 12%.

Allocations to cash are set to fall slightly in 2024, which is unsurprising given that central banks in the US and Europe are signaling future cuts in policy rates. While average allocations held steady at 10% in 2023, family offices plan to reduce them to 9% in 2024.

Looking forward over five years, family offices plan to increase allocations in a range of asset classes. Almost half (46%) of family offices anticipate raising their developed market equity allocations in the next five years. More than a third (39%) plan to add to direct private equity investments, and a similar proportion (34%) to funds/funds of funds. At the same time, over a third (35%) intend to add to developed markets fixed income. Suggesting that they are becoming more optimistic, more than a quarter (28%) of family offices plan to cut cash allocations.

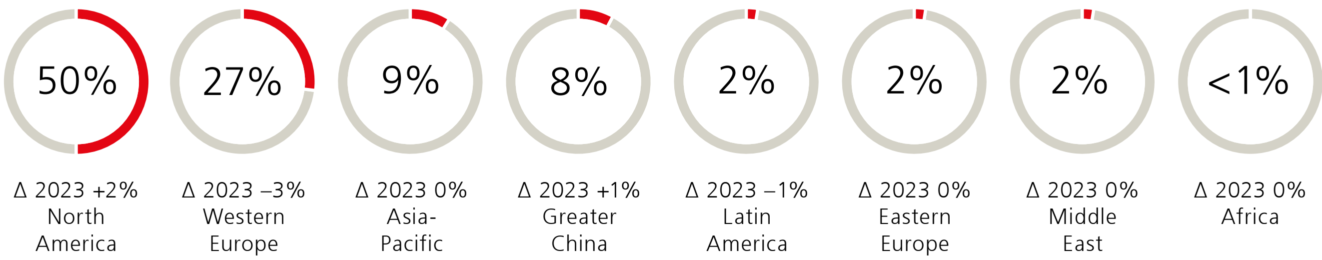
But the uncharacteristic shifts of 2023 – with its rising fixed income and falling real estate allocations – appear to be over. Returning to their habit of making only minor adjustments to strategic asset allocation, fewer family offices are planning changes going forward. On average, only a little over a quarter (27%) of family offices intend to make changes to their strategic asset allocation in 2024 – down from over a third (37%) that said they planned changes for 2023 in last year's report.

Rising allocations in North America and the Asia-Pacific region

Family offices appear to be strong believers in American exceptionalism, as US tech companies lead the generative AI revolution and occupy a growing share of global equity markets. Family offices, on average, have half (50%) of their portfolios invested in North American asset classes, building on a multiyear theme of increasing their investments in a region that has proved resilient to high policy rates and geopolitical risks, while offering the prospect of relieving global labor shortages through AI's anticipated productivity gains.

Assets continue to be concentrated in North America

Asset allocation by region (global average)



Region invested in:	US	Latin America	CH	Europe	Middle East	Asia-Pacific	North Asia	SEA
North America	82%	63%	37%	38%	49%	49%	46%	54%
Western Europe	8%	13%	54%	49%	24%	11%	11%	9%
Asia-Pacific (excl. Greater China)	3%	5%	3%	4%	5%	19%	15%	28%
Greater China	2%	2%	2%	2%	3%	20%	24%	9%
Latin America	3%	13%	1%	1%	2%	0%	1%	0%
Eastern Europe	2%	2%	2%	5%	0%	0%	1%	0%
Middle East	0%	2%	1%	1%	17%	1%	1%	0%
Africa	0%	0%	1%	0%	0%	0%	0%	0%

% Home investment

CH: Switzerland, SEA: Southeast Asia

"If the US is doing fine, why do we need to invest somewhere else?" asks the president of a US family office, adding that almost all its non-real estate assets are in the US. "At the end of the day, this is an absolute return game, not a relative return game. You add to that the fact that the prospects for Europe do not seem as good as in the US."

By contrast, just over a quarter (27%) of allocations are in Western Europe, with its market-leading companies in sectors such as luxury goods and automation. Turning to Asia-Pacific, assets in the region – including markets such as Japan, India and Australia but excluding Greater China – accounted for 9% of portfolio allocations. Meanwhile, Greater China itself accounted for 8%.

As ever, these broad averages mask notable local biases. For instance, US family offices have, on average, 82% of portfolios allocated to North America and just 8% to Western Europe. In a mirror image, Swiss family offices allocated 37% to North America and 54% to Western Europe, while Europeans allocated 38% to North America and 49% to Western Europe. Turning to Asia-Pacific, European and North American family offices have, on average, just 2% allocated to Greater China, against North Asian family offices' 24% and Southeast Asians' 9%.

Looking forward over five years, confidence in North America and Asia-Pacific (excluding Greater China) is enduring. Over a third of family offices plan to increase allocations to North America (38%) and Asia-Pacific (excluding Greater China) (35%).

North America and Asia-Pacific will attract assets

Asset allocation changes by region in the next five years

	Net* 2021	Net* 2022	Net* 2023	Net* 2024	Increase my investments in this region	Stay the same	Decrease my investments in this region	Don't plan on investing in this region
Western Europe	16%	15%	21%	7%	17%	68%	10%	6%
Eastern Europe	4%	9%	0%	–3%	4%	57%	7%	32%
Middle East	4%	5%	1%	3%	5%	52%	3%	40%
Africa	10%	14%	5%	1%	3%	52%	2%	43%
Latin America	16%	6%	0%	3%	7%	55%	4%	34%
North America	23%	23%	21%	29%	38%	52%	9%	1%
Greater China	61%	39%	12%	0%	16%	52%	16%	17%
Asia-Pacific (excl. Greater China)	54%	50%	29%	30%	35%	50%	5%	10%

* Net equals increase minus decrease (i.e., a positive net indicates that more family offices plan to increase than to decrease, a negative net indicates that more family offices plan to decrease than to increase)

Looking to diversify through active management, high-quality short duration fixed income and hedge funds

Just as balanced portfolios appear to be back in favor, so too does active management. Amid rapid technological change, shifting rate expectations and uneven growth, the increased dispersion of returns offers opportunities for active management. Almost four in 10 (39%) family offices globally state that they are currently relying more on manager selection and/or active management to enhance portfolio diversification, up 4% from 2023. Corroborating the increased fixed income weightings, high-quality short duration fixed income is the second most popular strategy for diversification, with 35% diversifying in this way. Finally, hedge funds are used by a third (33%) of family offices for diversification.

Family offices are looking to diversify through active management

Top six strategies currently used for diversification

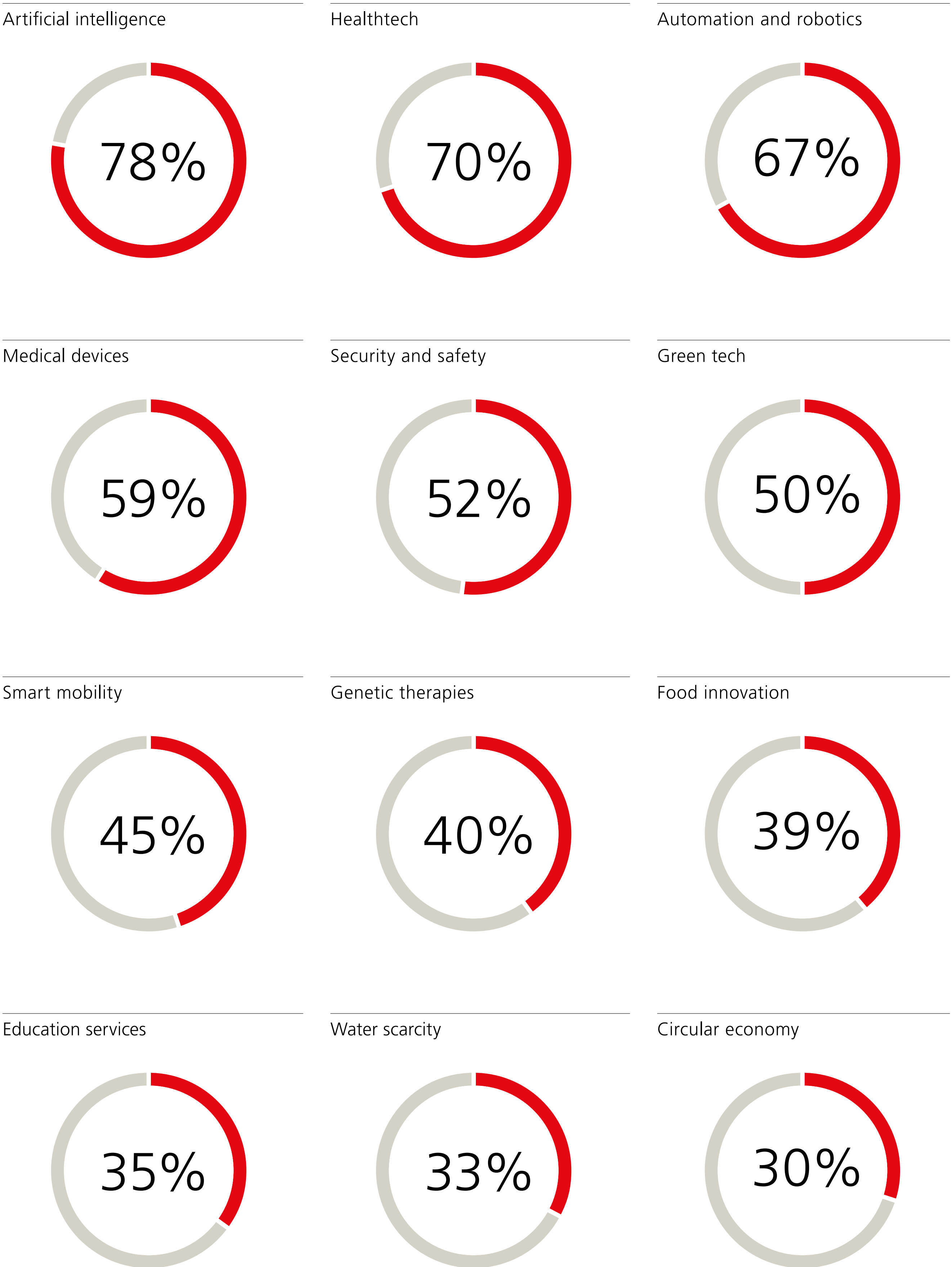
	Global	Δ 2023	US	Latin America	CH	Europe	Middle East	Asia-Pacific	North Asia	SEA
Rely more on manager selection and/or active management	39%	+4%	32%	37%	31%	43%	37%	42%	38%	50%
High-quality short duration fixed income	35%	–1%	47%	37%	26%	33%	10%	44%	45%	41%
Hedge funds	33%	–1%	38%	17%	29%	30%	33%	40%	39%	41%
Tilting portfolio towards more defensive geographies/sectors	27%	–2%	35%	17%	17%	25%	17%	37%	38%	34%
Increasing our amount of illiquid assets	25%	+4%	35%	23%	14%	40%	27%	15%	13%	19%
High-quality long duration fixed income	25%	+15%	18%	27%	14%	25%	17%	34%	36%	28%

CH: Switzerland, SEA: Southeast Asia

Once again, global averages mask big regional differences. In the US, for instance, high-quality short duration fixed income is by far the most popular means of diversification, with almost half (47%) of family offices deploying it. Hedge funds are the second most popular way to mitigate risk, according to over a third (38%). By contrast, active management is most popular in Europe (43%) and Asia-Pacific (42%).

Artificial intelligence is the top ranking investment theme

Likelihood of investing over the next two to three years



Artificial intelligence is the most popular investment theme

From a thematic perspective, it's to be expected that generative AI is the most popular investment theme, with more than three quarters (78%) of family offices stating it is likely to be an area of investment in the next two to three years. This is closely followed by healthtech (70%) and then automation and robotics (67%). Again, there are regional differences related to where industries have the strongest presence domestically. Some 83% of US family offices state they are likely to invest in AI, while 76% of Swiss family offices are likely to invest in healthtech.

Risk matters: geopolitics lead concerns, followed by climate change over five years

While economies may appear to be stabilizing, family offices express concern about a range of investment risks. Geopolitics is the top concern, but climate change emerges as a top risk in the medium term.

Most (61%) say they will take similar amounts of portfolio risk to 2023 in the next 12–18 months but appear to find today's fractious geopolitics unsettling. Over 12 months, 58% say they are concerned about the possibility of a major geopolitical conflict and its possible impact on their financial objectives. There also appear to be concerns that central banks may only be able to cut interest rates slowly, with 37% of family offices stating they have concerns about higher interest rates and 39% about higher inflation. Corresponding with the drop in real estate asset allocations, a real estate correction is also a concern for 39%.

Family offices plan to leave levels of risk unchanged

Managing portfolio risk in the upcoming 12–18 months vs. 2023

	Global	US	Latin America	CH	Europe	Middle East	Asia-Pacific	North Asia	SEA
I will likely take on less risk	21%	15%	27%	13%	19%	20%	27%	29%	21%
I will take the same risk	61%	76%	54%	70%	60%	60%	54%	56%	50%
I will likely take on more risk	18%	9%	19%	17%	21%	20%	19%	15%	29%

CH: Switzerland, SEA: Southeast Asia

When asked to look further forward over five years, longer-term worries come into sharper focus. While geopolitical conflict remains the top concern (62%), almost half (49%) are worried about climate change and nearly as many (48%) are concerned about a debt crisis at a time when Western countries are burdened by high levels of public debt that might appear unsustainable.

For the sake of comparison, just 12% cite they are concerned about the risk of climate change with regard to their financial objectives over the next 12 months and only 20% worry about a debt crisis.

> For the investment manager of a Mexican family office, climate change is already top of mind as the country has been suffering from a drought for several years. "To me the finding makes sense," he says. "Let me explain why. In Latin America, infrastructure for things like water does not develop as fast as in developed countries. It takes time. If you can adapt the infrastructure to harbor resources, you can at some level mitigate the impact. If your infrastructure is 30–40 years old, though, the impact is huge."

Geopolitics is the main risk over the short and medium term

Risks over the next 12 months and five years

	Next 12 months	Next 5 years
Major geopolitical conflict	58%	62%
Higher inflation	39%	24%
Real estate correction	39%	24%
Higher interest rates	37%	24%
Global recession	36%	38%
Supply chain disruptions affecting the operating business and/or investments	26%	22%
Financial market crisis	26%	43%
Higher energy costs	22%	35%
Technological disruptions affecting the operating business and/or investments	21%	40%
Debt crisis	20%	48%
Higher taxes	17%	43%
Climate change	12%	49%
Deflation	8%	16%
Migration and the impact on the operating business	7%	15%
Global health crisis	5%	24%
Food crisis	4%	22%

There are noteworthy variations in family offices' top concerns. For instance, the top concern over the next 12 months among Latin Americans is inflation – although they are also concerned about geopolitics, it appears less of a concern than in other regions. Technological disruptions are a greater concern for those family offices with operating businesses than those without.

When seeking to hedge risk in their portfolios, family offices typically either increase portfolio liquidity (47%) or reduce exposure to riskier asset classes (45%). More than a fifth (21%) use derivative overlays.

Anecdotally, the appetite for risk depends on the generation of the family in charge. "Some of China's first generation tech entrepreneurs have founded big family offices and their pioneering spirit often results in a relatively aggressive investment style," notes a Hong Kong family office executive. "However, in the Chinese families where the second or third generations are assuming leadership, priorities are tending to shift towards preserving legacy and ensuring the long-term stable growth of wealth. This generational transition often results in a more conservative approach."

How operating businesses influence strategic asset allocation

The report reveals the relationship between family offices and connected operating businesses for the first time this year. With more than three quarters (77%) of family offices still having a related operating business, it is significant that, on average, almost two thirds (62%) of family offices with related operating businesses state that they consider the main business' exposure when setting strategic asset allocation.

Quite how they do so varies. Most commonly, almost three quarters (72%) of those that consider the exposure say that they use strategic asset allocation as an effective way of diversifying the operating business's economic exposures. Just over a third (34%) state that some/all of the liquid part of the asset allocation acts as an emergency reserve. And almost as many (32%) view part of the asset allocation as a hedge to a wider unexpected event affecting the operating business – for example a geopolitical event or an economic downturn.

The nature of the operating business may also affect the investment portfolio in other ways. For instance, family offices with connected real estate businesses have lower allocations to fixed income (14%) than those without (23%). This may be because real estate is also a source of income. Additionally, family offices with businesses in the real estate sector allocate significantly more to real estate (22%) in their investment portfolios than those without (7%).

Finally, having an operating business seems to curb risk appetites. Family offices with connected operating businesses appear to invest less in public and private equity than those without. The exception is family offices with businesses in the start-up/growth stages, which invest more than average in direct private equity while having lower fixed income and cash allocations.

Fixed income

Key messages

1

As they ramp up bond allocations, family offices are mainly doing so through reducing cash.

2

They are prioritizing high-quality bonds while avoiding longer duration bonds that have greater interest rate sensitivity.

3

Most family offices are using fixed income for diversification, but benefiting from high yields and generating a steady income are also motivations.

Funding higher bond allocations from cash

With cash rates likely to fall, many family offices aim to fund their increased fixed income allocations mainly from cash. Of those family offices seeking to add to fixed income over the next five years, more than half (53%) say that they plan to do so by shrinking cash allocations. Additionally, around a fifth plan to fund higher fixed income allocations by cutting their weightings in private equity (21%) and real estate (20%) respectively.

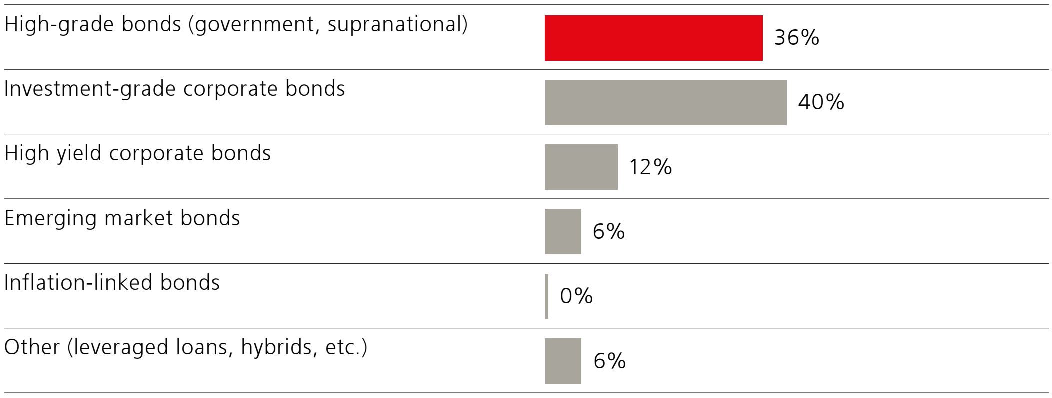
However, a third (33%) of family offices that are looking to increase fixed income allocations and have a connected operating business say that they will buy fixed income with the cash-flows from their operating businesses.

Preferring quality; shorter duration

Family offices with fixed income investments are prioritizing high-quality bonds. On average, 40% of fixed income investments are allocated to investment-grade corporate bonds and 36% to high-grade government or supranational bonds.

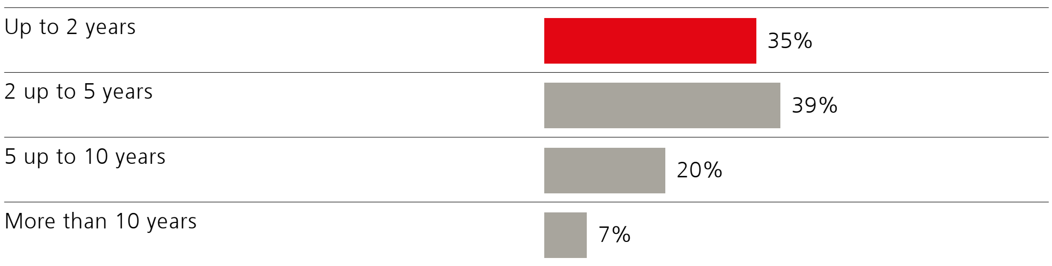
Investment-grade and high-grade bonds are favored

Type of investments (family offices with fixed income investments in 2023)



Family offices prefer bonds with tenors of one to five years

Tenor of investments (family offices with fixed income investments in 2023)



Family offices are chiefly concentrating on bonds with tenors of up to five years, which have the attractions of high yield, stability and sensitivity to falling policy rates. On average, 35% of their fixed income investments have tenors of up to two years, with a further 39% having tenors of two to five years. Family offices are reluctant to hold tenors of more than 10 years, with an average allocation of just 7%.

Motivations: from diversification to steady income

When asked why they are holding fixed income, most family offices (60%) with fixed income investments reply that it is to diversify portfolios. Half (50%) say it is to balance risk and almost half (49%) want to benefit from high yields. Forty-eight percent say they do so to receive a steady stream of income. However, there are interesting regional differences, with US family offices most commonly stating that they want to benefit from high yields.

> "You have less control with long duration so it could be volatile," notes an executive at a Singaporean family office. "The short and the intermediate terms are where you have a better understanding and can use to reduce portfolio volatility."

Private equity and real estate

Key messages

1

The top concern for investors in private equity in the next 12 months is the lack of exits and liquidity.

2

Potentially seeking diversification, family offices mainly invest in funds, although direct investments are also popular.

3

Real estate investors favor direct investments in fully-owned physical property, although co-investments are almost as popular in the US.

“We want to see some realizations before people come back to raise more money,” says the president of a US family office. “I think that is a similar thing to what most of the endowments are pushing for. I do not worry about the exits because I think they will happen eventually but if private equity firms want to raise more funds they will have to calm down.”

Private equity investors worry about lack of available exits and liquidity

Among family offices investing in private equity, the slowdown in realizations and exit activity is the main concern for the next 12 months. Some 61% of them cite this worry, with a further 48% naming a lack of liquidity.

There continues to be confidence in the asset class's returns. On average, 71% of family offices investing in private equity explain that they are doing so to diversify their investment portfolios, while 71% think the long-term returns are likely to be better than in public equities.

Most commonly, private equity investments are allocated to funds and funds of funds (62%), which offer the benefits of diversification and general partner (GP) expertise. However, many family offices make their own direct equity investments, with allocations to direct investments at 38% – 15% of allocations are for investments as an active shareholder, 13% are allocations for investments as a passive shareholder and 10% of allocations go towards co-investments alongside a GP. The popularity of direct investments rises among the largest family offices. Of those with more than USD 1 billion in assets almost half (49%) of allocations go towards direct investments.

"We like the directs; they are fun; we think we can do it. It is in our DNA," says the CEO of a Benelux family office.

Real estate investors favor physical property

Turning to real estate, family offices with real estate investments most commonly buy fully-owned physical property, making 52% of real estate investments in this way. However, co-investments in physical real estate are increasing in popularity, as are investments in direct closed-end funds, with allocations of 19% going to each respectively. In the US, co-investments are almost as popular as direct investments. While 34% allocations go towards direct investments, 33% are co-investments.

Private equity investments are mostly allocated to funds

Manner of investing (family offices with private equity investments in 2023)

		Δ 2023
Private equity funds	52%	–5%
Private equity funds of funds	10%	2%
Direct investment(s) in private equity as an active shareholder	15%	0%
Direct investment(s) in private equity as a passive shareholder	13%	2%
Direct co-investments in private equity as an active shareholder	2%	–1%
Direct co-investments in private equity as a passive shareholder	8%	1%

Real estate investors favor physical property

Manner of investing (family offices with real estate investments in 2023)

		Δ 2023
Direct investments in fully owned physical real estate	52%	–8%
Co-investments in physical real estate (i.e., investing with others to buy physical real estate)	19%	5%
Investments in direct closed-end funds	19%	6%
Investments in direct open-end funds	5%	0%
Investments in fund of funds	1%	–1%
Listed real estate (e.g., REITs)	4%	–2%

Section 4

Sustainability and impact

Key messages

1

With climate and nature increasingly in the spotlight, family offices that take sustainability and impact into account commonly consider it an essential matter of risk and opportunity – for both their investments and related operating businesses.

2

As they get more familiar with the topic of sustainability and impact, family offices want more sophisticated information and advice.

An essential matter of risk and opportunity

It appears that sustainability is becoming an increasingly important topic affecting not just family offices' investment portfolios, but also the long-term outlook of operating businesses. This is consistent with the finding that almost half (49%) of family offices view climate change as a top risk over the next five years (as reported in section 1).

More than half (57%) of family offices with an operating business are either taking sustainability considerations into account already for their operating businesses or plan to do so in the future. Echoing this, almost half (49%) of these respondents say that finding the right approach to addressing the net zero transition and reducing emissions will be of key importance to their operating businesses over the next one to three years.

Several family offices with large real estate holdings indicate that sustainability has become critical for them.

Evidently, net zero and the wider topic of sustainability have become an everyday matter of both risk and opportunity. Among those family offices incorporating sustainability and/or impact considerations, 47% say it is important to manage financial and non-financial risks for both their investment portfolios and business operations, and 42% say it makes commercial sense by providing attractive investment and business opportunities. Beyond these commercial motivations, 44% state that sustainability is fundamentally important to the beneficial owner.

> A Benelux family office CEO notes that sustainability is a key part of his investment strategy. "We strongly believe in office buildings because we think we can buy them cheap. We can buy them, strip them down and make them ESG future proof."

For the investment portfolio, sustainability is far from just a "hygiene factor." For two thirds (66%) of family offices, market-based financial returns are a defining feature of sustainable and impact investments, similar to other more traditional investments. Also, 44% of family offices either take or intend to take sustainability or impact into account in their liquid investment portfolios, and 45% when making direct investments in green tech or other sustainability-related ventures.

> As the Malaysian principal and family member who oversees his family's wealth explains: "I've been managing our family office for 40 years and my nephew is taking over now. Usually, it's very hard to pass on the reins, but I have moved to an even better job which is running the family philanthropic foundation."

Understanding philanthropy

When it comes to philanthropy, almost a third (32%) of family offices globally are focusing on and/or looking to better understand it. This is especially pronounced in the Asia-Pacific region, where 41% of family offices agree or strongly agree that innovative financial approaches like blended finance or outcomes-based finance will lead to a convergence of traditional investing and philanthropy activities.

Philanthropy and charitable giving appear especially popular in the US and Asia-Pacific, with 45% of family offices in both regions saying they currently take it into account.

Healthcare is the top sustainability theme, followed by the climate-related topics net zero and energy transition

Healthcare is the top-rated sustainability and impact theme that family offices are looking to focus on or better understand, according to 39% of family offices, as well as net zero and the energy transition (32%), clean tech/green tech/climate tech (30%) and education (28%). These are all themes that lend themselves well to investors earning a competitive investment return while simultaneously seeking to generate a positive impact. Importantly, these are areas where investors may find it somewhat easier to measure the impact achieved.

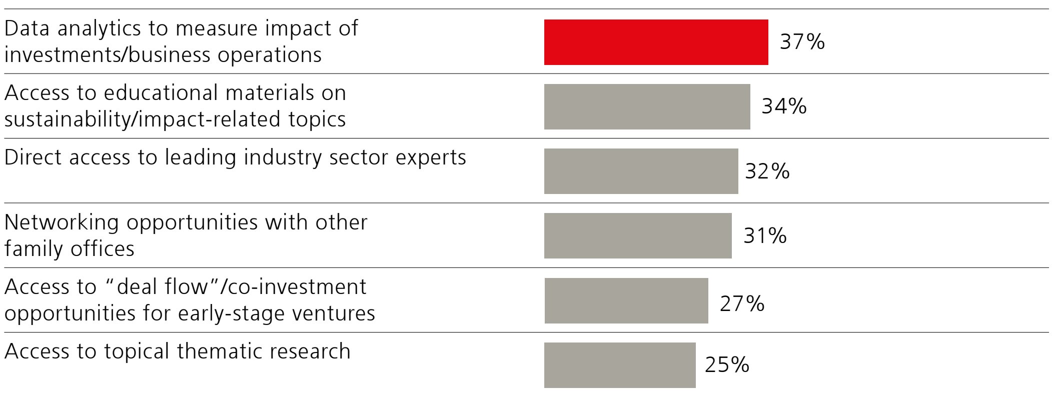
Requiring more sophisticated information and advice

As the topic of sustainability matures, family offices need more information and advice. Better data analytics to measure the impact of investments and/or business operations would help in achieving sustainability and/or impact goals, according to 37% of respondents. Similarly, 34% would find educational materials helpful, with 32% also looking for direct access to industry experts.

Notably, over half (55%) of family offices globally strongly agree or agree that difficulties in accurately measuring impact are holding them back from allocating more money to impact investments. However, as they become more sophisticated in their approach, family offices appear to doubt the usefulness of sustainable investment product labels, with only 36% stating that labels are important indicators when selecting investments.

Data analytics in demand

Options to better achieve goals (family offices taking sustainability/impact into account)



Professionalization and governance

Key messages

1

Many family offices have room for further professionalization.

2

The services carried out in-house mainly relate to investment management, with specialist services like tax, legal and cyber-security outsourced.

3

There is a focus on financial risks rather than the wider range of risks a family faces, such as reputational and medical risks.

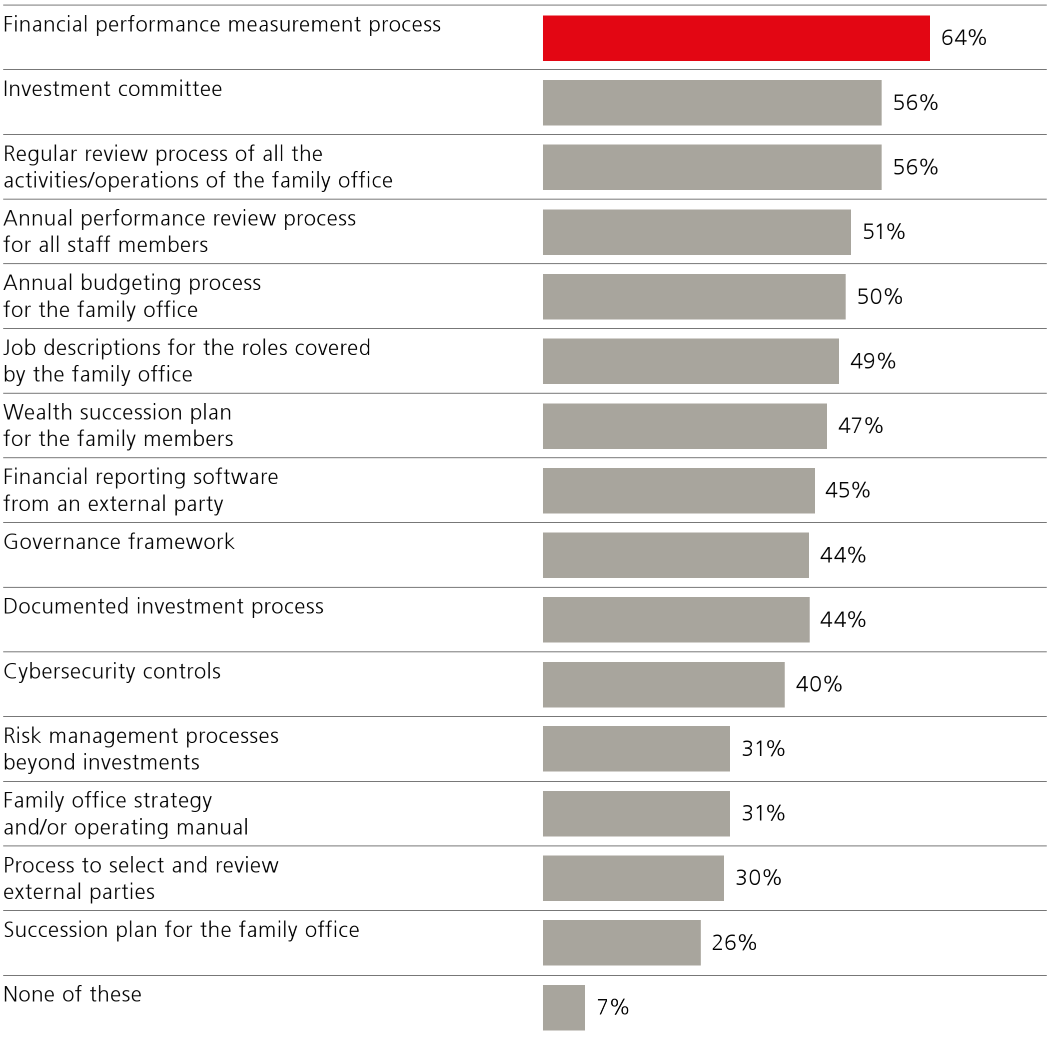
Many family offices have room to professionalize further

While family offices can cover a wide range of a family's needs, many appear to have a narrower scope and room to professionalize further. For instance, when it comes to the family office's key role of investment management, the picture is mixed. An average of just 56% of family offices globally have an investment committee, with only 44% having a documented investment process. What's more, in Switzerland and Southeast Asia fewer than 40% of family offices have documented investment processes (39% and 38% respectively).

Turning to broader controls, just 44% globally have an overall governance framework in place, 40% have cybersecurity controls (down from 44% last year) and only 31% have risk management processes extending beyond investments.

Most family offices have opportunities for institutionalization

Common governance controls and processes in place



The picture looks much better in family offices with more than a billion dollars in assets. More than three quarters (76%) of these family offices have an investment committee and 60% a documented investment process. Continuing the comparison, 64% have a governance framework, 68% cybersecurity controls and 44% risk management processes extending beyond investments. Similar uplifts in scores can be found when comparing first generation family offices with later-stage family offices, and family offices with few staff versus those with large teams. This underlines the journey family offices go through from inception to maturity.

Performing investments in-house; outsourcing non-core services

Family offices mainly perform financial tasks in-house – either around the management of investment portfolios or reporting. Almost all family offices (85%) perform strategic asset allocation in-house, with 78% carrying out portfolio risk management, 71% financial reporting and 71% bookkeeping and accounting.

Three types of specialist services tend to be outsourced: legal services (67%), cybersecurity (57%) and tax planning (53%). Investment research is roughly equally performed in-house (50%) and outsourced (44%).

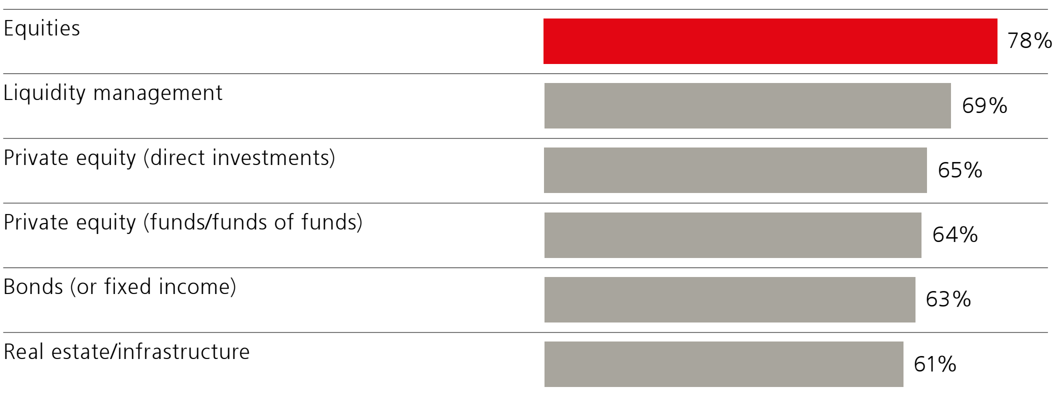
Some services simply are not covered by many family offices in any way. Almost half (47%) of family offices do not perform lifestyle services. A similar proportion (45%) does not carry out pension and/or life assurance planning.

In-house investment professionals act across asset classes

On average, more than half (52%) of family offices say that in-house investment professionals decide and actively execute the majority of their investment decisions. A further 27% splits investment management roughly equally between in-house teams and external partners. The split varies across regions. In the US, for example, 65% conduct most investment activity in-house. By contrast, in Latin America and the Middle East the proportion falls to 39% and 31% respectively. Taking a global average, it's surprising that more than a third (37%) of family offices with up to three staff members say that they make and execute most investment decisions in-house.

Investment professionals concentrate mainly on equities

Top areas of focus for in-house investment professionals (family offices with active investment professionals)



Among those family offices that said they decide and actively execute at least some of their investments in-house, they most commonly focus on equities (78%).

However, 69% focus on liquidity management and 63% on fixed income. When it comes to private equity, 65% concentrate on direct investments and 64% on funds/funds of funds. Similarly, 61% focus on real estate/infrastructure.

Managing financial risk first

Corroborating the picture of a primary focus on investment management is risk management. Most family offices concentrate on managing financial risk, with less emphasis on other types of risk. An average of 59% say they have measures and/or procedures in place to deal with financial risk and 40% economic risk.[1] But only 24% focus on reputational risks, and 14% address medical risks and travel emergencies for the family.

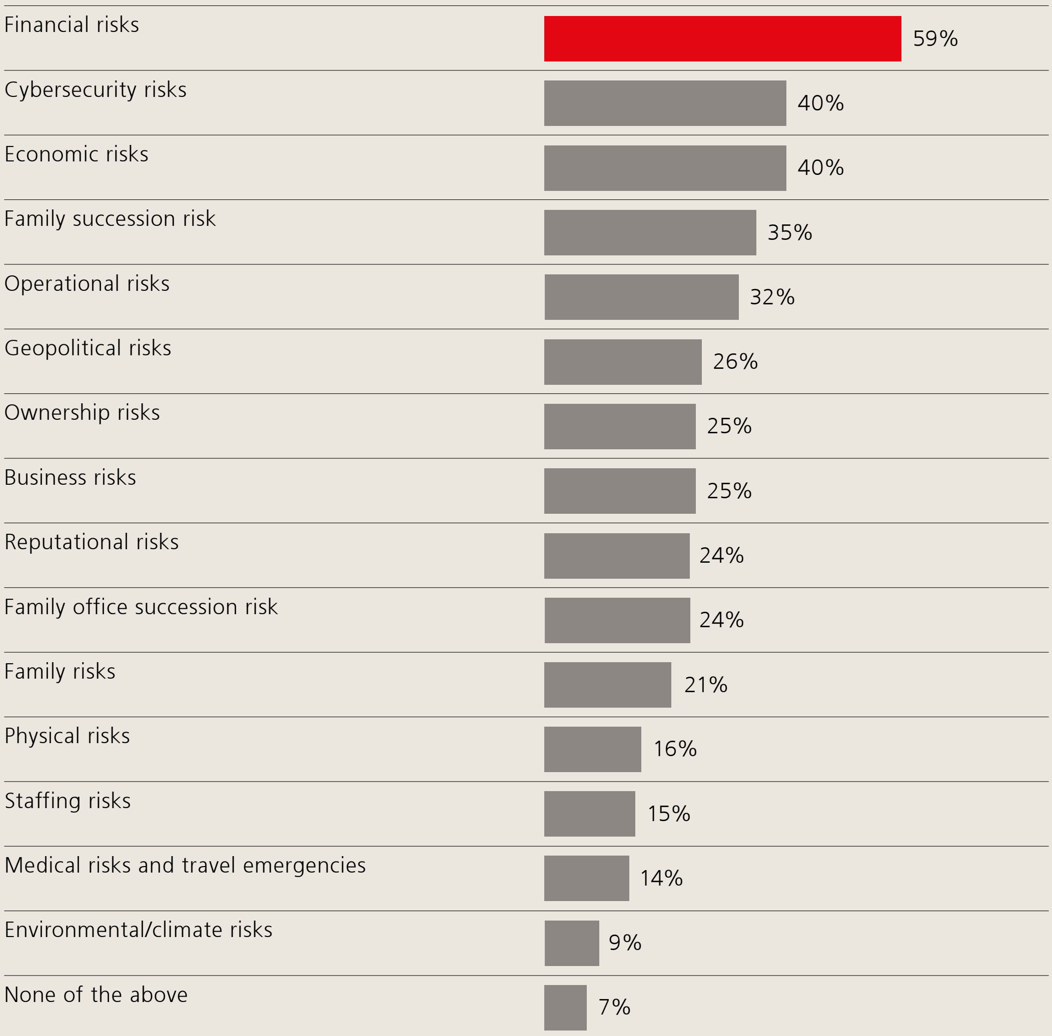
There is some evidence of inadequate planning for "key person risk." Almost four in 10 (39%) of family offices say that they currently have key person risk within the family office, yet only around a quarter (26%) have a succession plan in place for the family office to deal with business risks such as continuity of staff and services.

The succession opportunity

When it comes to the top-stated purpose of supporting the generational transfer of wealth, family offices have an opportunity. Indicating the magnitude of the wealth handover to come, it's estimated that over the next 20 years more than 1,000 billionaires will pass an estimated USD 1.2 trillion to their children.[2] Yet, on average, just 47% of family offices say that they currently have a wealth succession plan in place for family members, showing the potential for starting to plan how wealth will pass to the next generation.

Most family offices are covered against financial risks

Risks covered by family offices



[1] Financial risks are described as asset diversification, single stock concentration, liquidity, poor performance loss, etc. Economic risks are described as market downturn, currency depreciation, etc.
[2] UBS Billionaire Ambitions Report 2023: The great wealth transfer.

Costs and staffing

Key messages

1

Most family offices employ up to 10 staff, meaning they likely only have sufficient resources to carry out their core tasks.

2

Typically, family offices support only the first and/or second generation.

3

Costs are forecast to stabilize in 2024, after a small rise in 2023.

Most family offices do not have the resources for a wide range of tasks

With most family offices employing just a small number of staff, they appear to lack the capacity to do anything more than their core tasks. The data suggests these tasks are managing investments and performing the supporting administration (see section 5).

Two thirds (66%) of family offices only employ up to 10 members of staff (with 20% just employing up to three), which is typically not enough to carry out the full gamut of services that might be expected – from investment management through to bookkeeping, philanthropy, tax and lifestyle support. Also, in 72% of family offices at least one employee is a family member. The limited capacity of family offices can be seen in the fact that just over a third (37%) of family offices managing more than USD 1 billion still only employ up to 10 members of staff.
That said, there are some very well staffed institutions in this bracket, with a similar proportion (26%) employing from 21 to 50 people: a few, 8%, employ more than 50.

"Family offices tend to be very lean," explains a former head of a Swiss family office who now acts as a family office advisor. "There is a tendency to take the really private stuff outside the family office. I can confirm that most family offices have no more than 10 people. They think very clearly about make or buy. What can you insource and what can you outsource? In my view, this is a noticeable change."

More than half of family offices support only the first (52%) and/or second (59%) generation. On average, family offices support just seven family members, for instance paying them an income or providing supporting services.

Costs are stabilizing

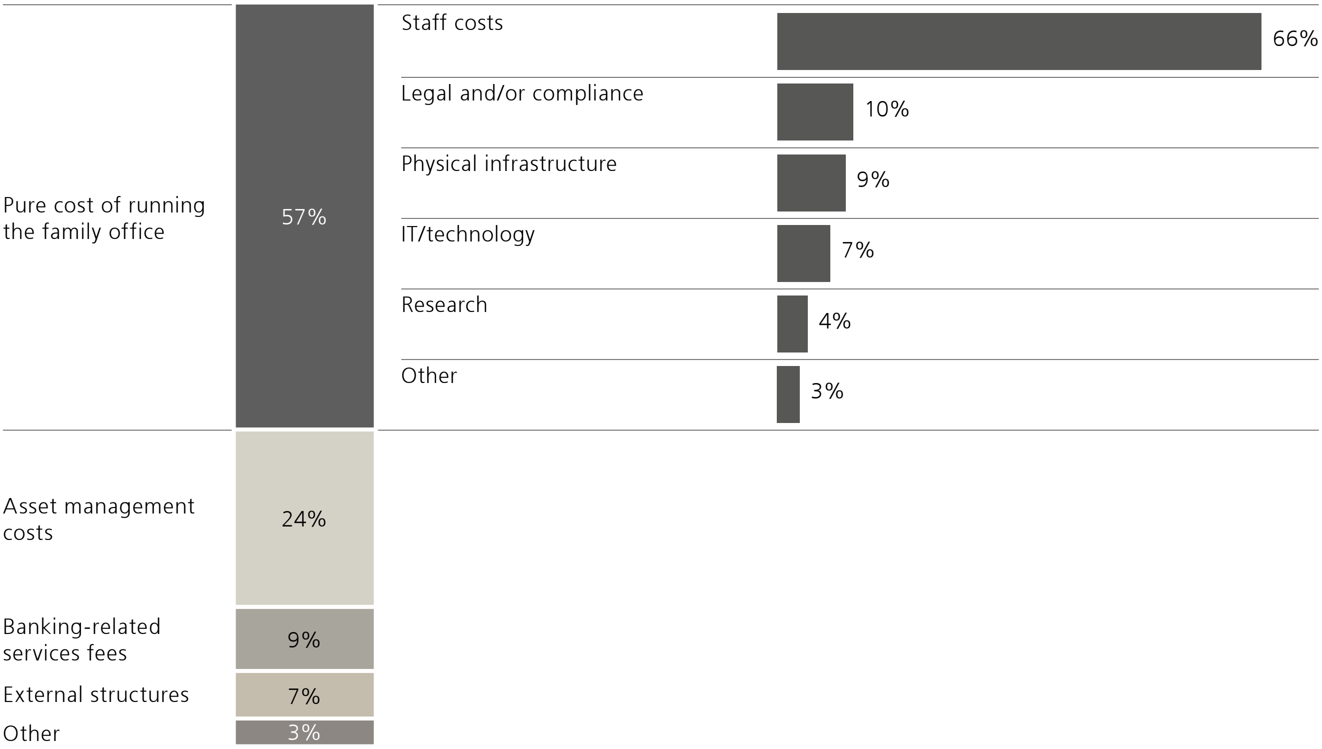
There was a small increase in the costs of running a family office in 2023, although they now appear to be stabilizing. On average globally, the overall pure cost of operating the family office in 2023 was 39.8 basis points (bps) of assets under management (AUM), up from 38.1 bps in 2022. Looking forward to 2024, planned costs are 40.3 bps.

Scale brings cost benefits. Costs fall when wealth managed grows from the USD 100 m to 250 m range to over USD 1 bn. In the former range, actual costs for 2023 average 43.2 bps, while for the latter they average 35.2 bps.

As in previous years, the family office's largest projected cost in 2024 will be the cost of running itself, rather than paying its external partners. The pure cost of running the family office – including personnel, infrastructure, IT, etc. – accounts for 57% of projected costs in 2024. The next largest cost was asset management, at 24%.

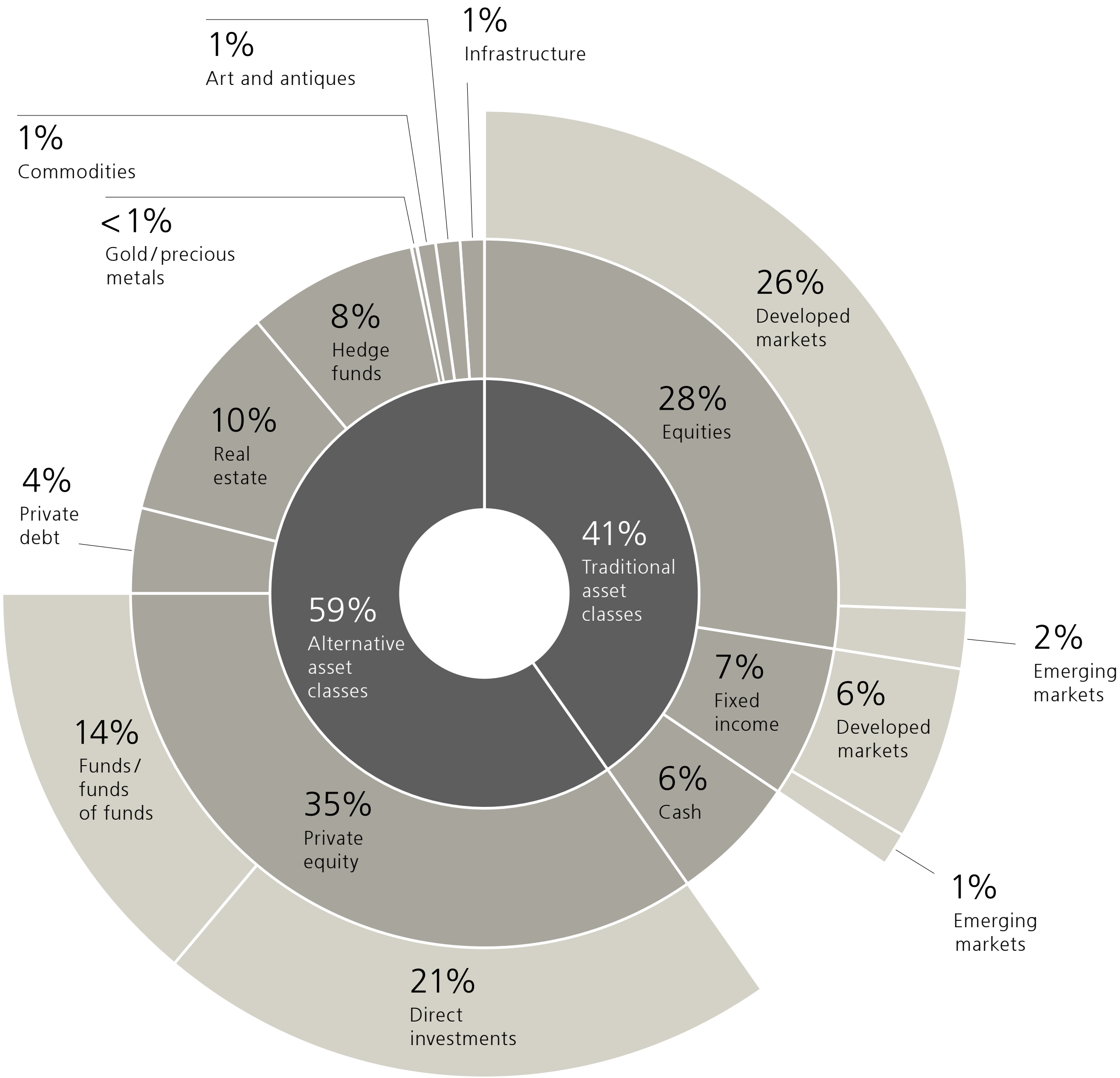
Pure family office spending remains the driver of overall cost

Split of overall and operating costs in 2024

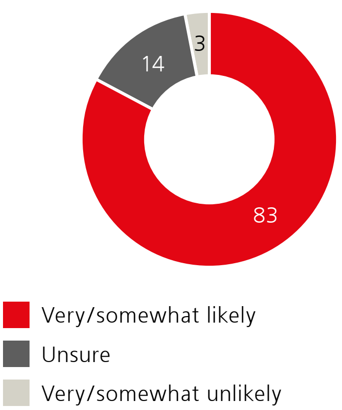


United States

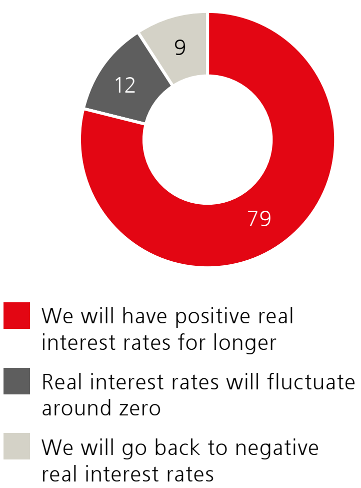
Strategic asset allocation 2023



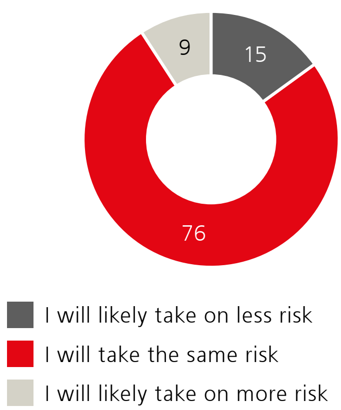
Likelihood to invest in AI in the next 2–3 years



Interest rate trend in the current investment cycle



Portfolio risk in the next 12–18 months vs. 2023



Top risks over the next 12 months

Top risks over the next five years

Strategies to hedge against risk within investment portfolio

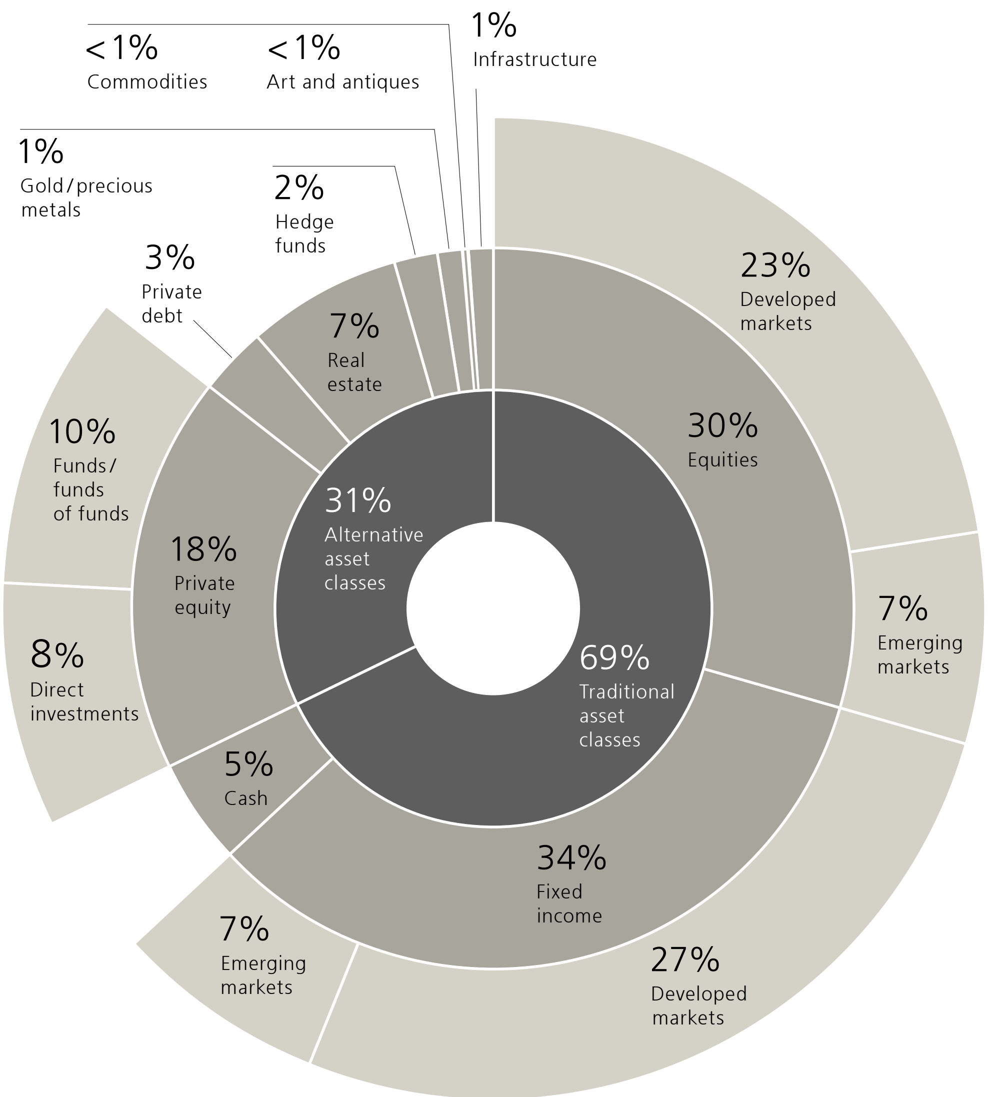
Strategies to enhance portfolio diversification

Main purposes of the family office's assets and activities

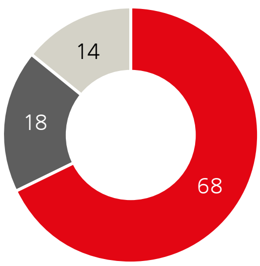
Family office processes in place

Latin America

Strategic asset allocation 2023

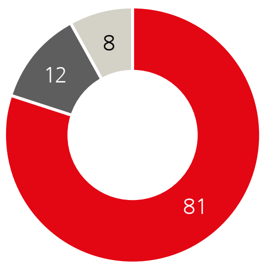


Likelihood to invest in AI in the next 2–3 years



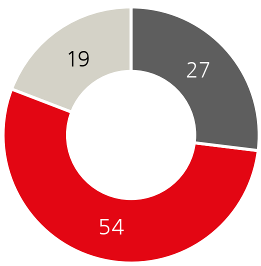
- Very/somewhat likely
- Unsure
- Very/somewhat unlikely

Interest rate trend in the current investment cycle



- We will have positive real interest rates for longer
- Real interest rates will fluctuate around zero
- We will go back to negative real interest rates

Portfolio risk in the next 12–18 months vs. 2023



- I will likely take on less risk
- I will take the same risk
- I will likely take on more risk

Top risks over the next 12 months

Higher inflation	60%
Major geopolitical conflict	52%
Higher interest rates	52%

Top risks over the next five years

Climate change	48%
Technological disruptions affecting the operating business/investments	48%
Higher energy costs	43%

Strategies to hedge against risk within investment portfolio

Increase our cash holdings	42%
Increase our portfolio liquidity	38%
Reduce our exposure to riskier asset classes	29%

Strategies to enhance portfolio diversification

Rely more on manager selection/active management	37%
High-quality short duration fixed income	37%
High-quality long duration fixed income	27%

Main purposes of the family office's assets and activities

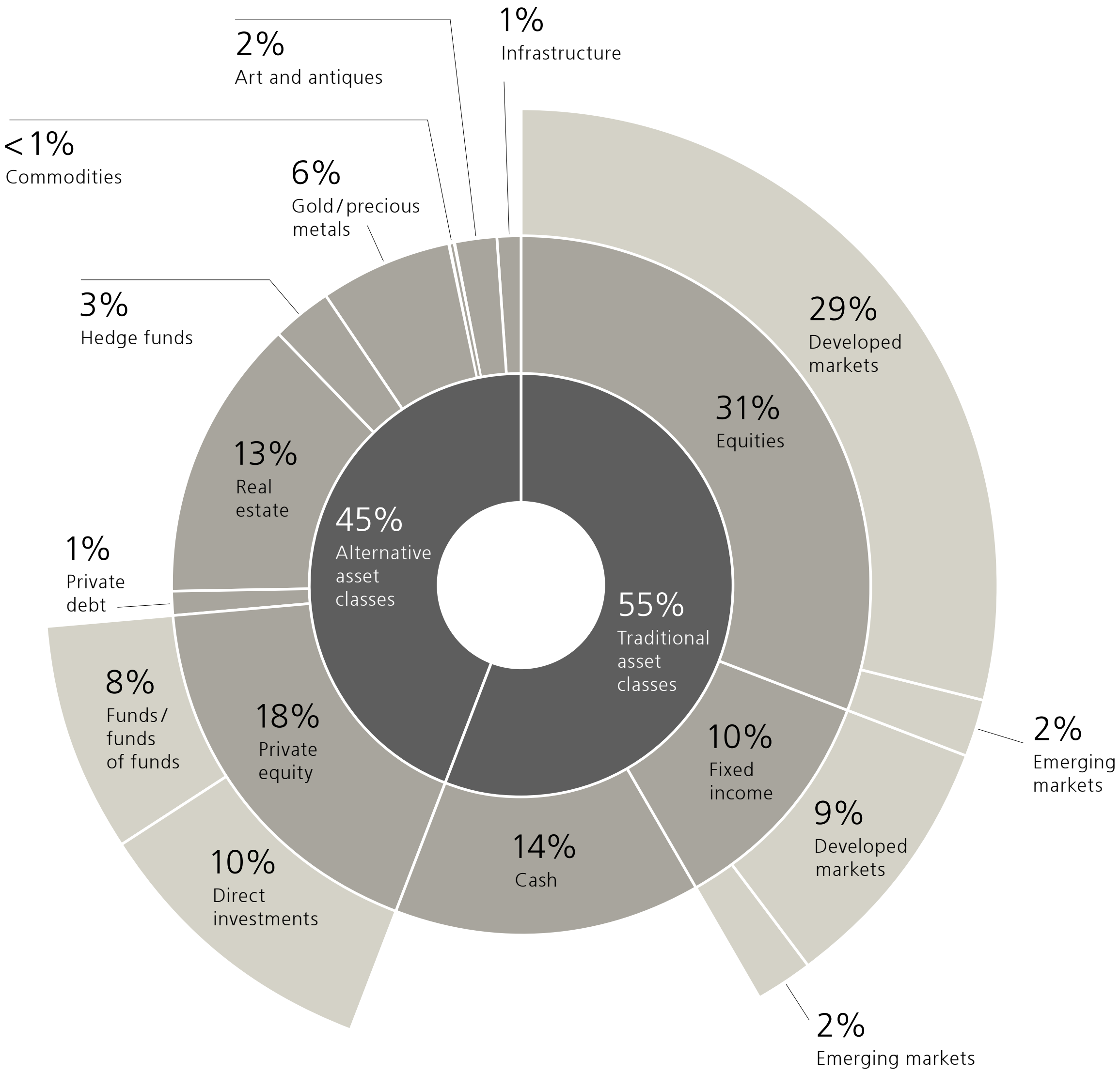
Support generational transfer of wealth	66%
Diversify away from the operating business	45%
Invest excess cash from the operating business	38%

Family office processes in place

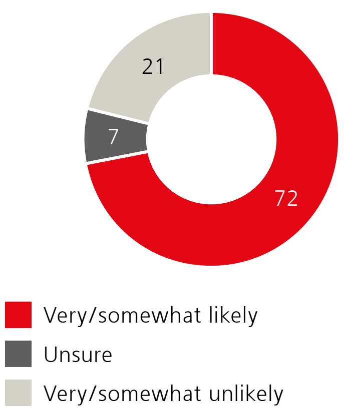
Regular review process of all the activities/operations of the family office	63%
Investment committee	60%
Financial performance measurement process	53%

Switzerland

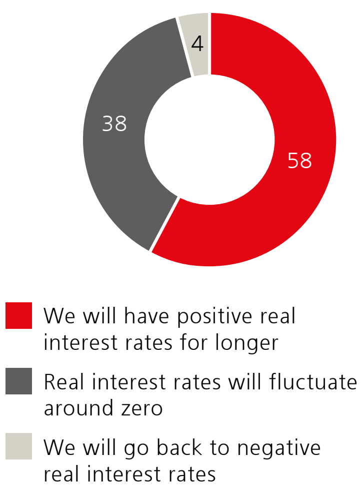
Strategic asset allocation 2023



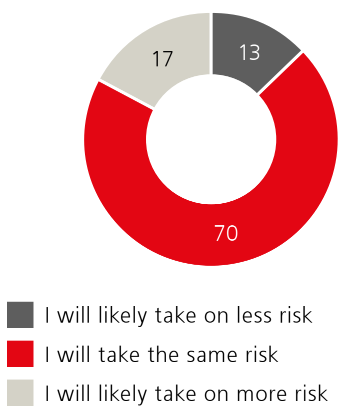
Likelihood to invest in AI in the next 2–3 years



Interest rate trend in the current investment cycle



Portfolio risk in the next 12–18 months vs. 2023



Top risks over the next 12 months

Major geopolitical conflict	62%
Global recession	35%
Financial market crisis	35%

Top risks over the next five years

Major geopolitical conflict	71%
Debt crisis	65%
Climate change	61%

Strategies to hedge against risk within investment portfolio

Reduce our exposure to riskier asset classes	38%
Increase our portfolio liquidity	34%
Increase our cash holdings	25%

Strategies to enhance portfolio diversification

Precious metals	34%
Rely more on manager selection/active management	31%
Hedge funds	29%

Main purposes of the family office's assets and activities

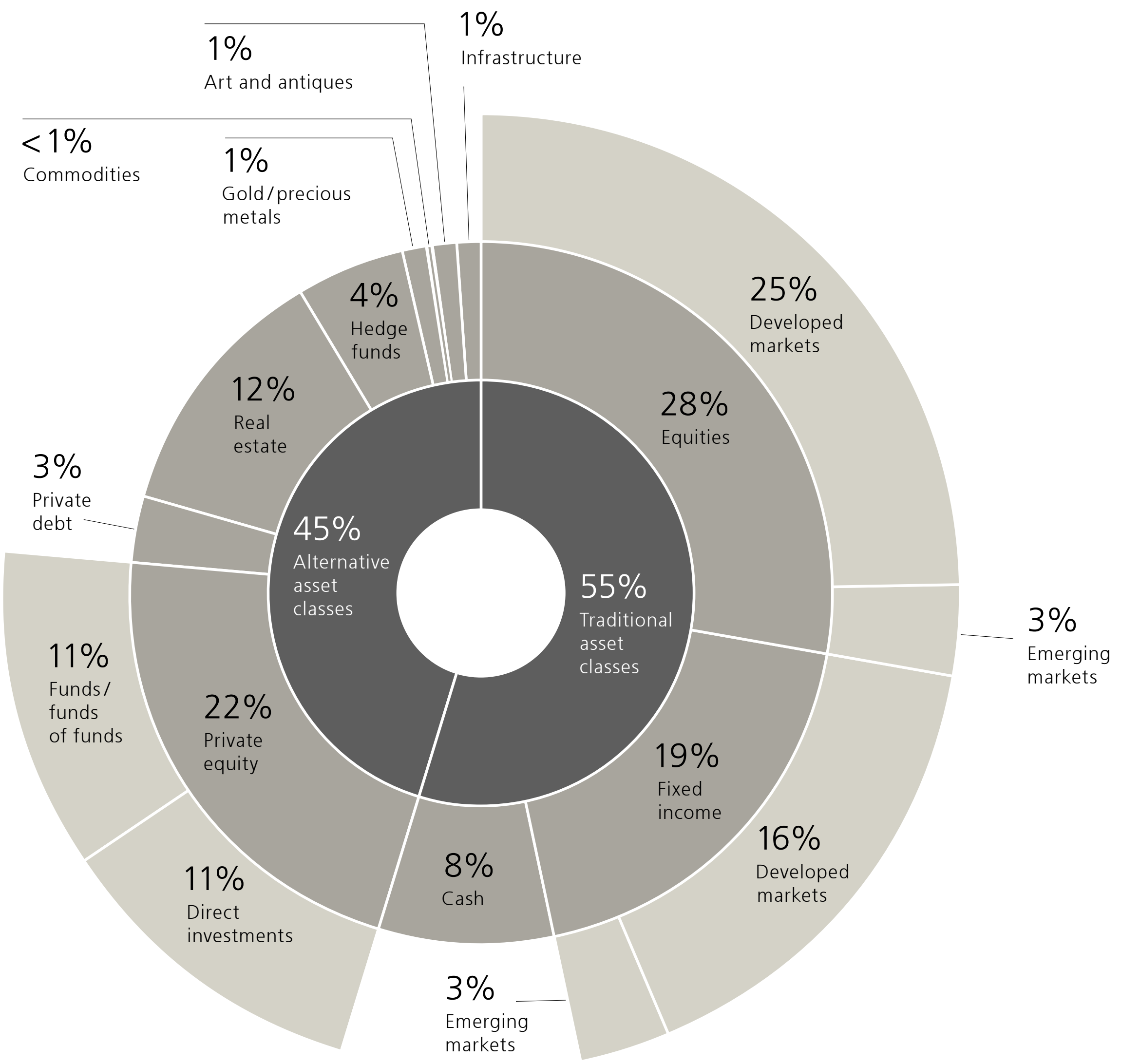
Support generational transfer of wealth	64%
Provide income to the family members	64%
Manage administrative tasks	64%

Family office processes in place

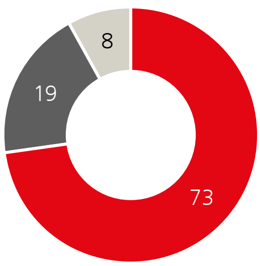
Investment committee	69%
Financial performance measurement process	58%
Regular review process of all the activities/operations of the family office	56%

Europe

Strategic asset allocation 2023

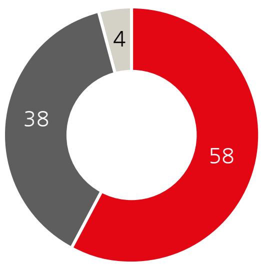


Likelihood to invest in AI in the next 2–3 years



- Very/somewhat likely
- Unsure
- Very/somewhat unlikely

Interest rate trend in the current investment cycle



- We will have positive real interest rates for longer
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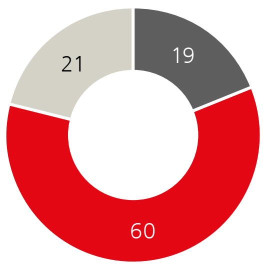
Portfolio risk in the next 12–18 months vs. 2023



- I will likely take on less risk
- I will take the same risk
- I will likely take on more risk

Top risks over the next 12 months

Major geopolitical conflict	61%
Real estate correction	51%
Global recession	36%

Top risks over the next five years

Major geopolitical conflict	71%
Climate change	56%
Debt crisis	47%

Strategies to hedge against risk within investment portfolio

Reduce our exposure to riskier asset classes	45%
Increase our cash holdings	38%
Increase our portfolio liquidity	28%

Strategies to enhance portfolio diversification

Rely more on manager selection/active management	43%
Increasing our amount of illiquid assets	40%
High-quality short duration fixed income	33%

Main purposes of the family office's assets and activities

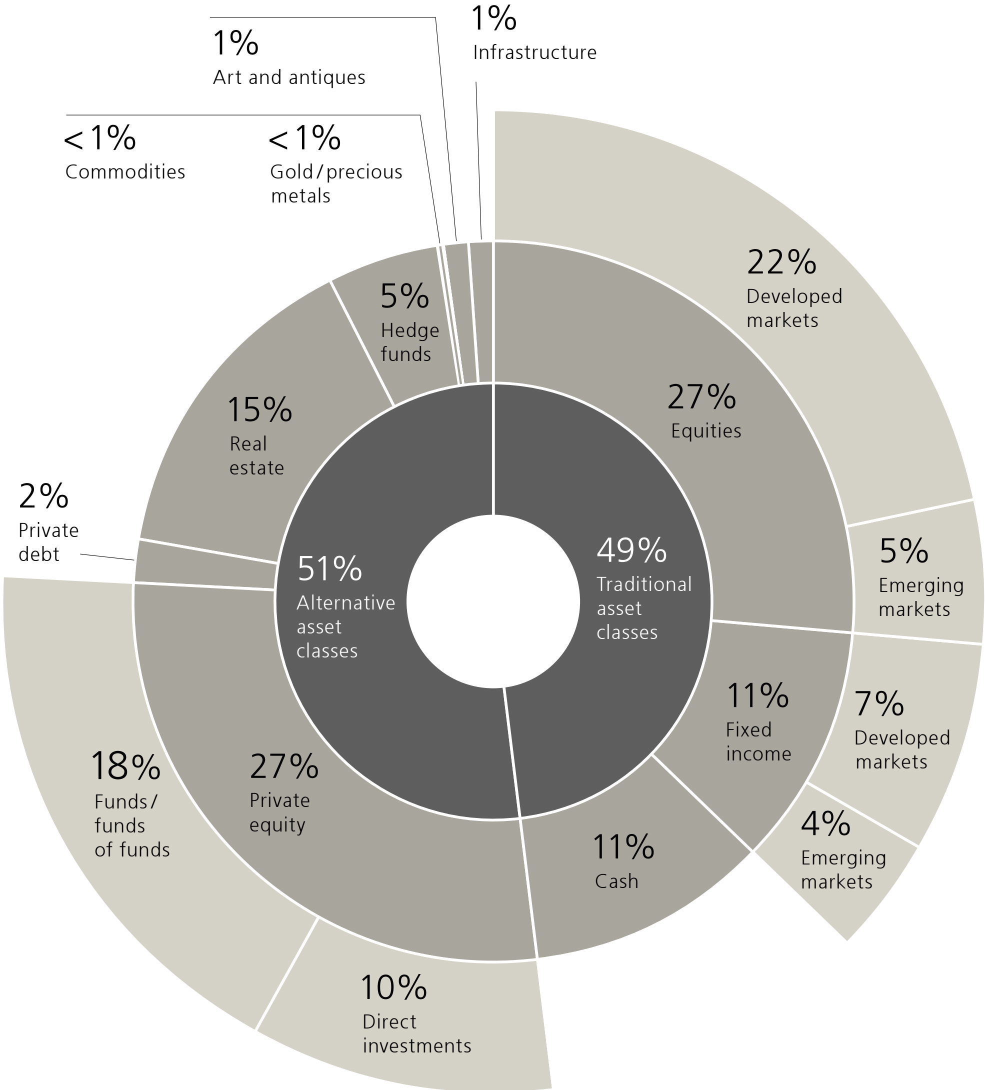
Support generational transfer of wealth	68%
Provide income to the family members	53%
Diversify away from the operating business	44%

Family office processes in place

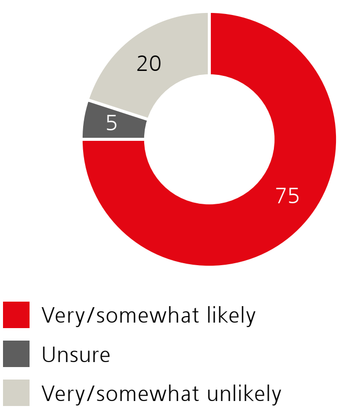
Financial performance measurement process	72%
Financial reporting software from an external party	63%
Investment committee	60%

Middle East

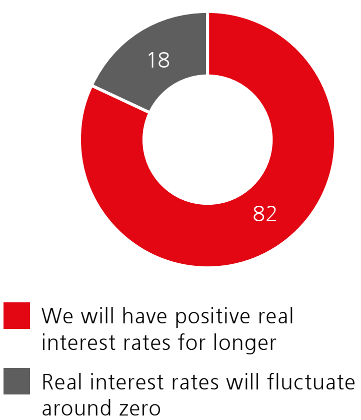
Strategic asset allocation 2023



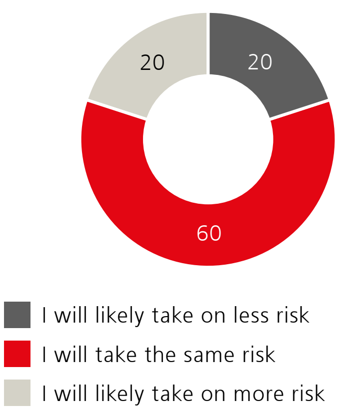
Likelihood to invest in AI in the next 2–3 years



Interest rate trend in the current investment cycle



Portfolio risk in the next 12–18 months vs. 2023



Top risks over the next 12 months

Major geopolitical conflict	68%
Higher inflation	53%
Higher interest rates	42%

Top risks over the next five years

Financial market crisis	57%
Technological disruptions affecting the operating business/investments	48%
Major geopolitical conflict	43%

Strategies to hedge against risk within investment portfolio

Increase our portfolio liquidity	61%
Reduce our exposure to riskier asset classes	52%
Increase our cash holdings	48%

Strategies to enhance portfolio diversification

Rely more on manager selection/active management	37%
Hedge funds	33%
Increasing our amount of illiquid assets	27%

Main purposes of the family office's assets and activities

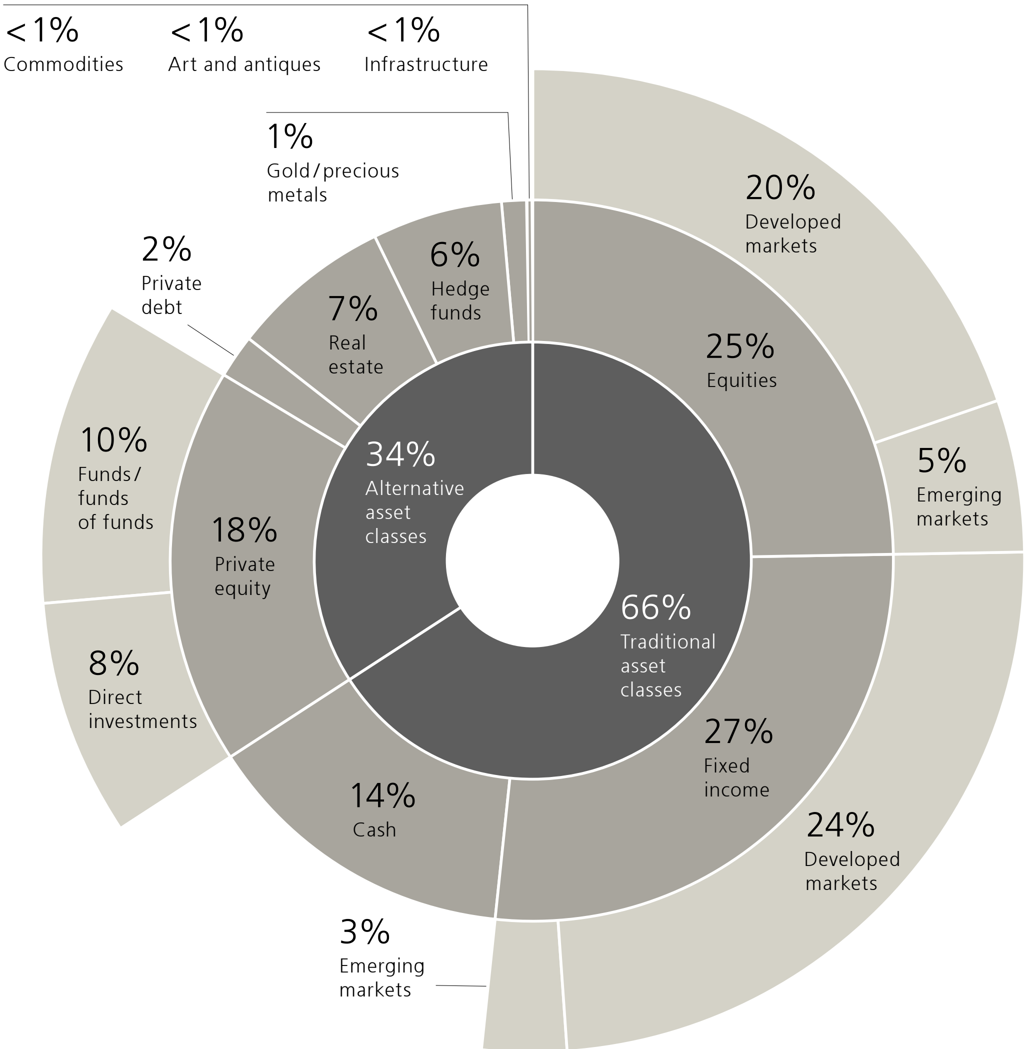
Support generational transfer of wealth	75%
Provide income to the family members	68%
Diversify away from the operating business	50%

Family office processes in place

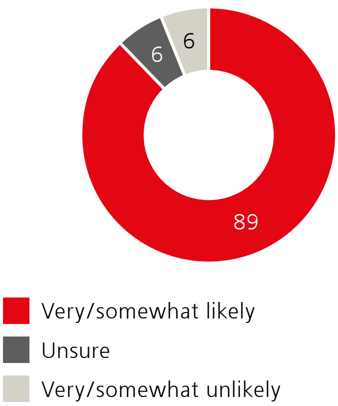
Investment committee	63%
Financial performance measurement process	53%
Governance framework	53%

North Asia

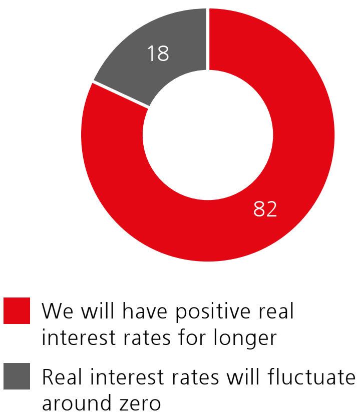
Strategic asset allocation 2023



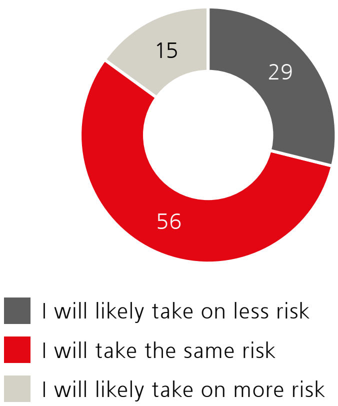
Likelihood to invest in AI in the next 2–3 years



Interest rate trend in the current investment cycle



Portfolio risk in the next 12–18 months vs. 2023



Top risks over the next 12 months

Top risks over the next five years

Strategies to hedge against risk within investment portfolio

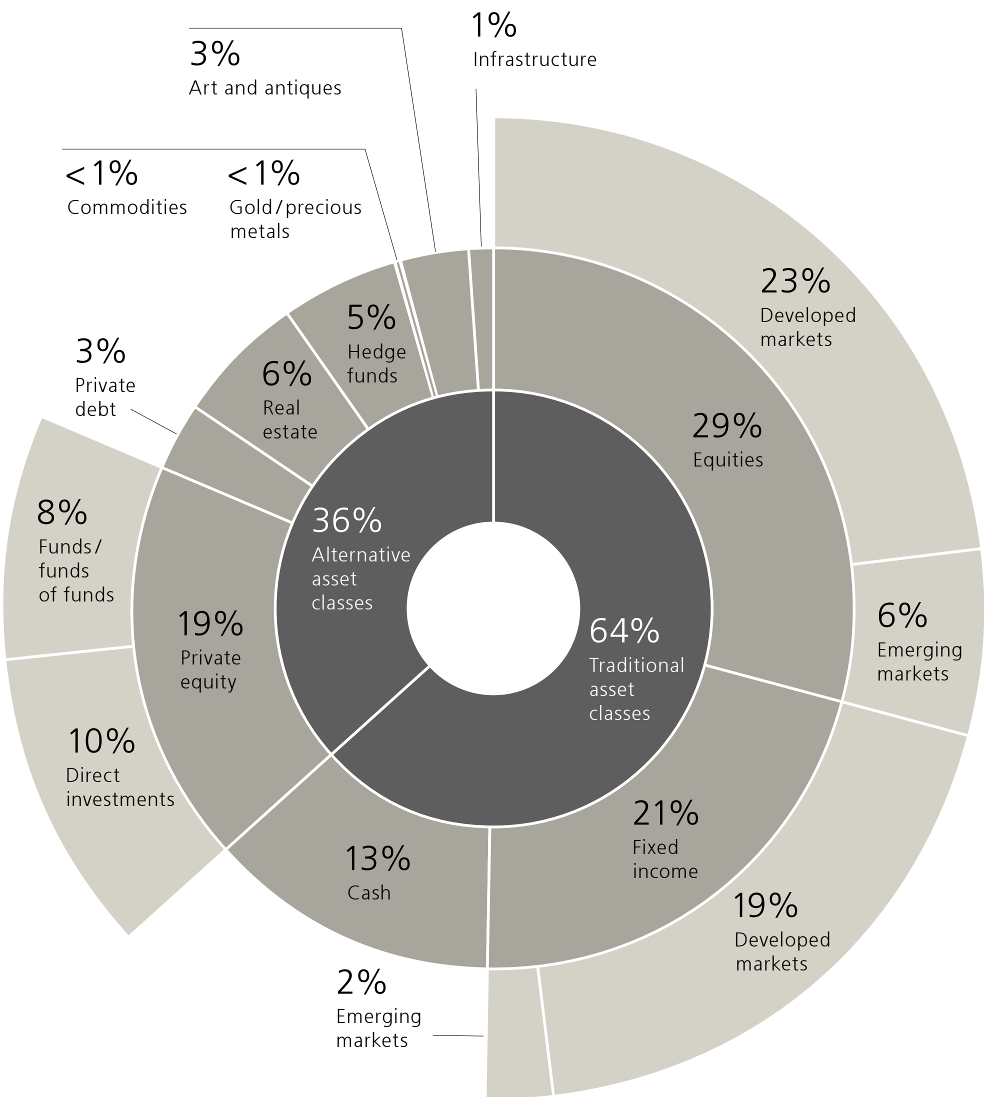
Strategies to enhance portfolio diversification

Main purposes of the family office's assets and activities

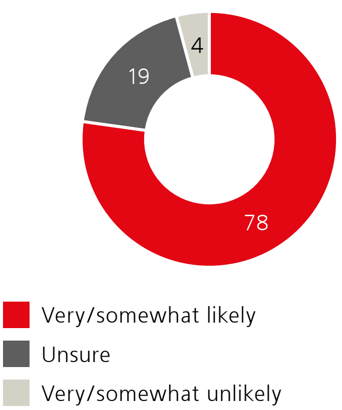
Family office processes in place

Southeast Asia

Strategic asset allocation 2023



Likelihood to invest in AI in the next 2–3 years



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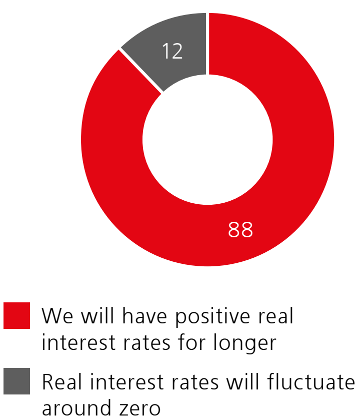
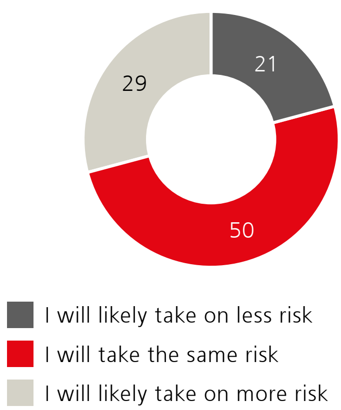


Portfolio risk in the next 12–18 months vs. 2023



Top risks over the next 12 months

Top risks over the next five years

Strategies to hedge against risk within investment portfolio

Strategies to enhance portfolio diversification

Main purposes of the family office's assets and activities

Family office processes in place

Some facts about our report

Net worth averaging USD 2.6 billion

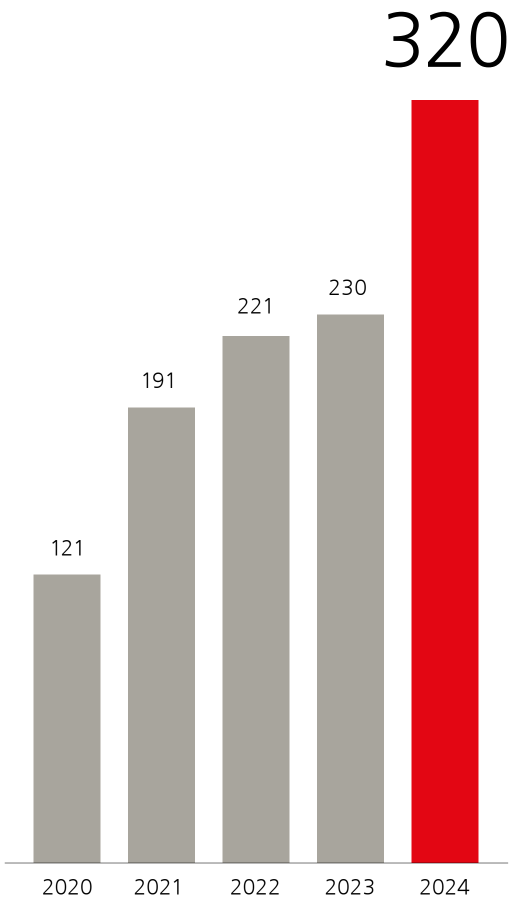
The Global Family Office Report 2024 is the fifth of our annual surveys on the activities of family offices researched and written in-house. The number of family offices responding to our survey has increased to 320, up from 230 last year.

The average net worth of participating families is USD 2.6 billion. On average, their family offices manage USD 1.3 billion.

Total wealth is calculated based on number of clients who answered this question.

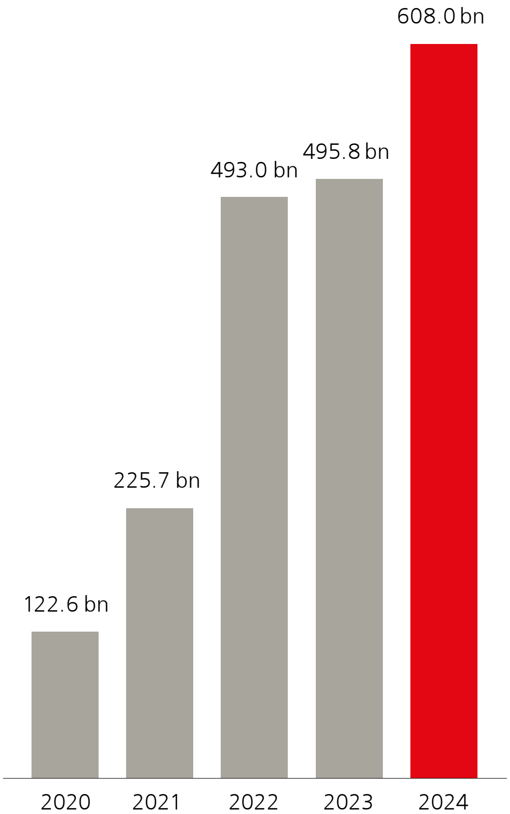
320 family offices globally

Sample size year-over-year

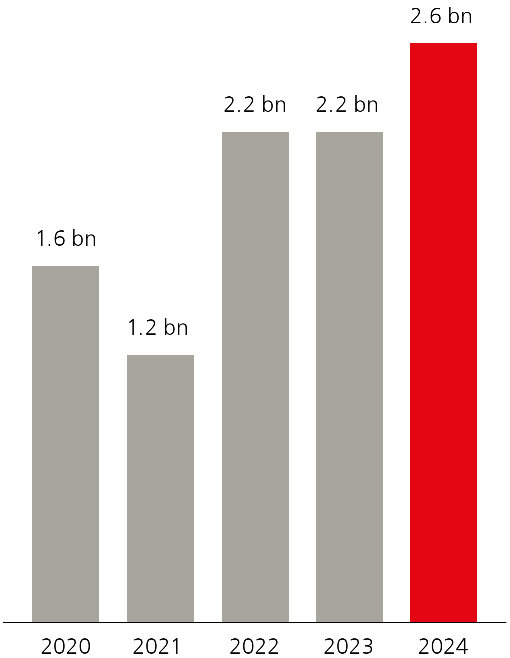


Wealth covered reaches new heights

Total net worth of founding family



Total wealth in survey reaches USD 608.0 bn



Average total net worth reaches USD 2.6 bn

Generational split

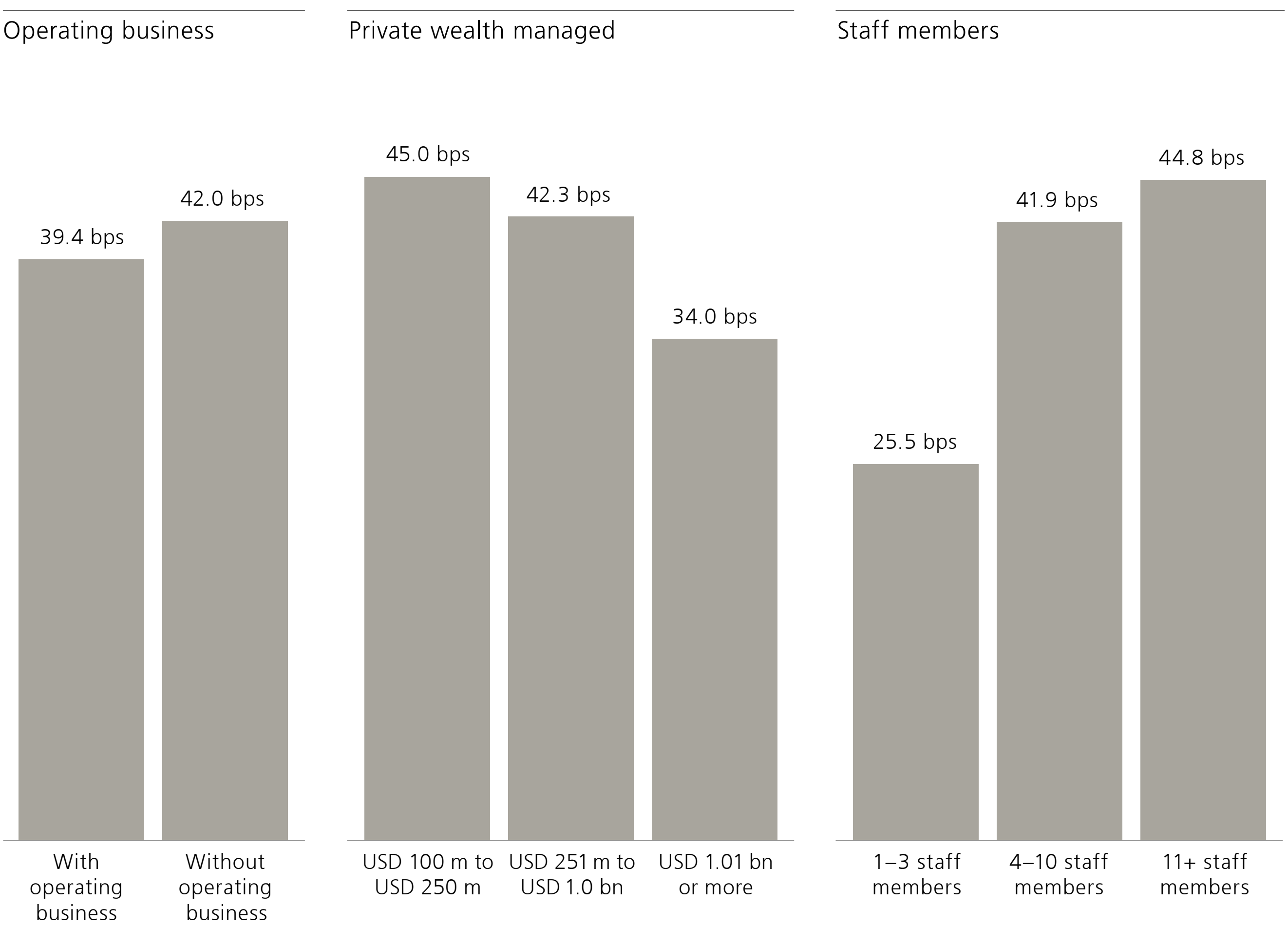
Most of the family offices serve the first and second generations. Fifty-two percent serve the first generation and 59% the second.

Operating businesses

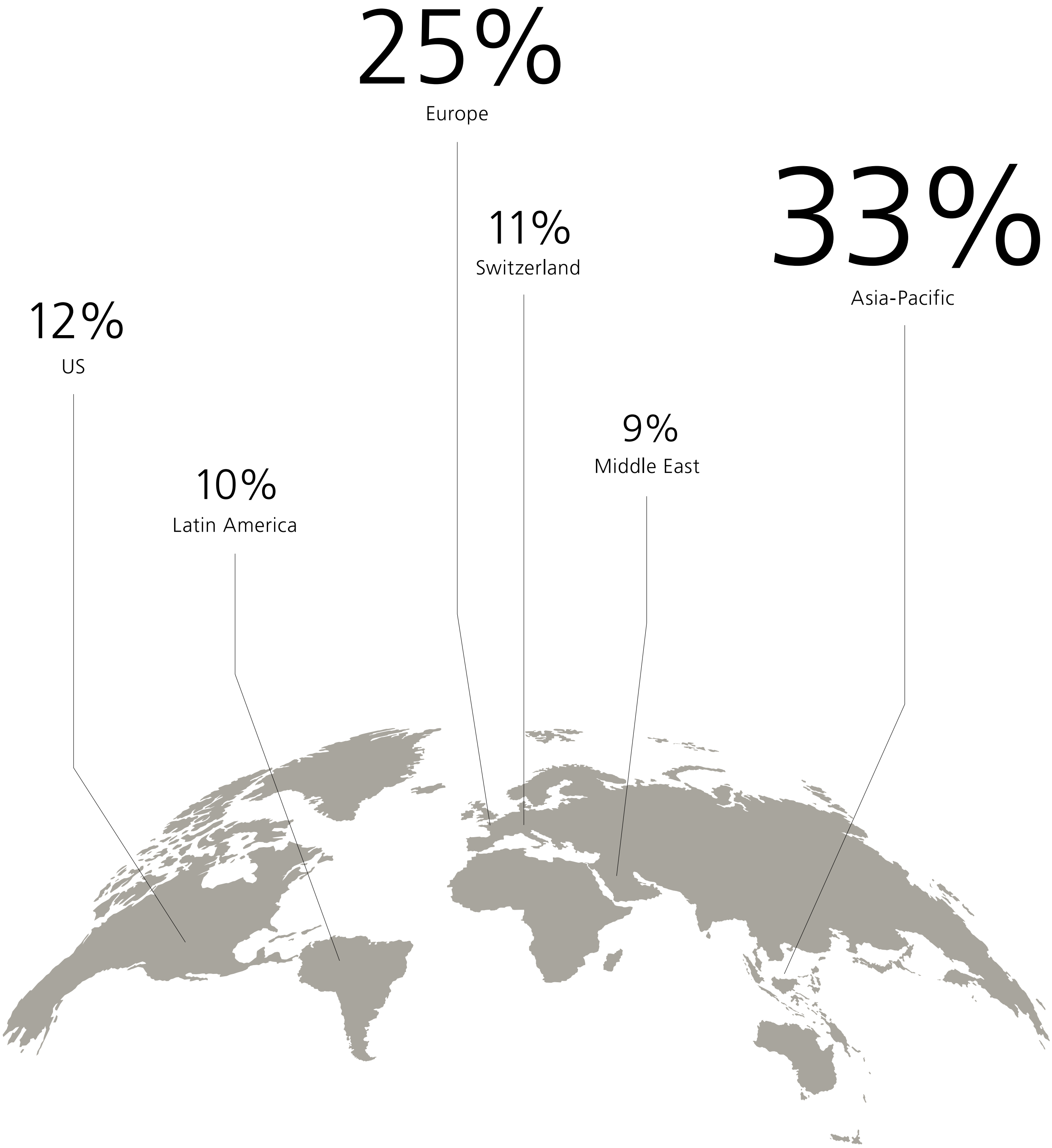
More than three quarters (77%) of family offices have an active operating business. The most common sector of the main operating business is real estate (13%) followed by banks/financial services (9%), consumer goods (7%) and retailing (6%).

Operating business, private wealth managed and staff members have an impact on costs

Pure cost projections of operating the family office in 2024



Regional distribution of 2024 sample



Methodology

This marks the fifth iteration of the Global Family Office survey. UBS surveyed 320 of its clients between 18 January and 22 March 2024. Participants from across more than 30 countries worldwide were invited using an online methodology. The sample size is significantly larger than in prior years

Due to rounding, numbers presented throughout this report may not add up precisely to the related totals provided.

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Managing wealth is our craft

Looking after wealth demands time, dedication and passion. With UBS, you'll benefit from our decades of experience helping family offices pursue what matters to them most.

We understand the unique needs of family offices and we craft personalized financial solutions that help them protect and grow their investments, powered by insights from our award-winning Chief Investment Office.

As a leading and truly global wealth manager, present in every major market, we can connect our clients with their peers, and leaders and experts who can inspire and empower them to achieve their ambitions. And we're uniquely placed to draw on our knowledge and experience to give our clients unmatched intelligence to inform their financial decisions.

From our Global Family Office Report and Billionaire Ambitions Reports to our Global Wealth Report, we provide deep insights into the trends that promise to have a significant impact on the changing world of wealth.

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