

Portfolio construction for family offices: Public markets and the role of ETFs

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Key takeaways

- Family offices are using public markets more strategically for flexibility, liquidity, and risk management.
- ETFs are becoming core portfolio tools due to their transparency, efficiency, and targeted market access.
- Used well, ETFs help family offices combine public and private exposures while supporting long-term goals.

In the first two parts of this series, I focused on how family offices are evolving as investment organizations and why many are reassessing the balance between public and private markets within their portfolios. The natural next question is how these views are being implemented in practice.

For an increasing number of family offices, the answer lies in a more deliberate use of public markets – and, in the growing role of ETFs as institutional portfolio building tools rather than simple beta exposures.

This shift is not about abandoning active management or reducing sophistication. It is about using the public markets toolkit in a way that aligns with how family offices now operate: flexible, risk aware, and focused on efficient decision making over long horizons.

Public markets as an active portfolio tool

Public markets have always been part of family office portfolios, but the way they are used has changed.

Historically, public assets often served a limited function: providing liquidity, generating income, or acting as a temporary home for capital awaiting private deployment. Increasingly, public markets are being treated as a strategic layer of the portfolio, with clearly defined objectives and governance.

This is particularly evident in how family offices think about risk management. Public markets allow exposures to be adjusted incrementally rather than structurally. Equity risk can be dialed up or down. Duration can be managed more precisely. Credit exposure can be diversified across instruments and issuers rather than concentrated in a small number of private positions.

In an environment where macro conditions, policy regimes, and correlations are less stable than in the past decade, this flexibility has become more valuable. Public markets provide a way to respond to change without forcing disruptive portfolio decisions elsewhere.

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Why ETFs have moved to the center of implementation

Alongside this reassessment of public markets has come a notable shift in implementation. ETFs are increasingly being used by family offices not as tactical trades, but as core portfolio building blocks.

This reflects several structural advantages that resonate with how modern family offices operate.

First, control and transparency. ETFs provide daily pricing, clear exposure definitions, and the ability to see precisely how risk is being taken. For family offices managing complex, multi entity portfolios, this clarity matters.

Second, efficiency. Industry data consistently shows strong growth in ETF usage among institutional investors, including asset owners and advisory platforms.¹ Surveys of family offices and institutional allocators indicate that ETFs are most used for public equity and fixed income exposure, where cost efficiency and liquidity are particularly valued. This is less about fee minimization in isolation and more about ensuring that capital is deployed intentionally.

Third, breadth of access. The ETF universe has expanded well beyond traditional passive equity benchmarks. Today, family offices can access factor strategies, systematic approaches, active fixed income, credit, and liquid alternatives through ETF structures. This allows portfolios to be built with a high degree of precision while retaining operational simplicity.

Finally, governance. ETFs make it easier to separate asset allocation decisions from vehicle complexity. Investment committees can focus on risk, return, and portfolio role rather than operational mechanics. Rebalancing can be executed efficiently and consistently, reinforcing discipline through market cycles.

ETFs and institutional adoption: what the data tells us

While family offices are often discreet by nature, broader institutional data provides useful context.

Across global markets, ETF assets have grown steadily over the past decade, with particularly strong adoption among institutional investors. Industry analyses show that institutional ETF usage has expanded beyond equities into fixed income and credit, reflecting improvements in market depth and liquidity. In parallel,² surveys of family offices indicate that public equities, public fixed income, and real assets remain among the largest components of portfolios – areas where ETFs are increasingly used as implementation tools.

Importantly, ETF adoption is not confined to smaller or resource constrained investors. Larger family offices, including those with internal CIOs and investment teams, are often among the most sophisticated users. They tend to combine ETFs with active strategies, private investments, and overlays rather than treating them as substitutes.

In practice, ETFs are most often used where they offer clear advantages: broad market exposure, efficient access to specific risk premia, and flexibility in portfolio construction. Active risk, where it is sought, is layered deliberately on top.

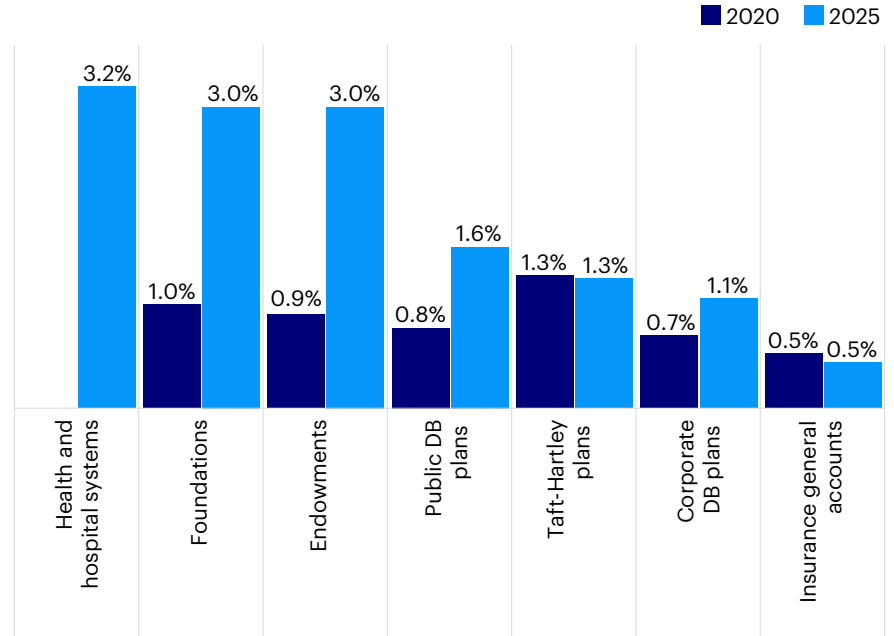
1. Source: Inside Institutional ETF Adoption - How asset owners are broadening use cases, Cerulli Associates, data as of April 2026.

2. Source: UBS Global Family Office Report 2025, data as of May 2025.

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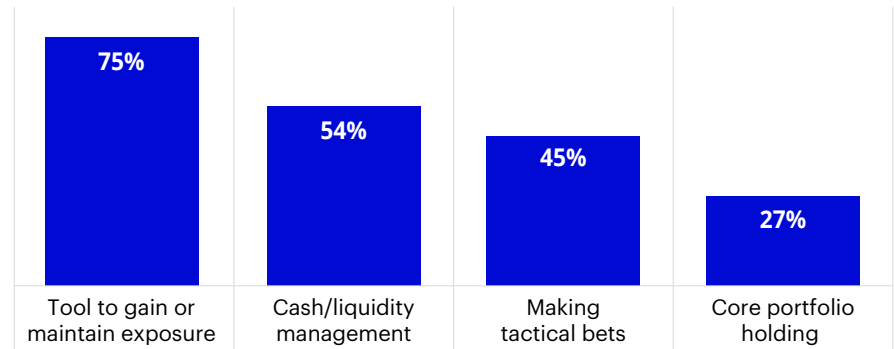
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Figure 1: US institutional asset owner ETF allocations by channel, 2020 vs. 2025



Sources: ISS Market Intelligence SIMFUND, 13F Filings, FactSet, S&P Dow Jones Indices, and Cerulli Associates (Inside Institutional ETF Adoption Report, April 2026). Note: Cerulli did not begin sizing the health and hospital system channel until 2025, 2025 and therefore does not have a historical ETF allocation figure for 2020. ETF allocation percentages are calculated by dividing total channel ETF assets by total channel assets.

Figure 2: Asset owners' reasons for using ETFs, 2025



Source: Cerulli Associates (Inside Institutional ETF Adoption Report, April 2026). Note: This question was only presented to asset owners using ETFs.

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Active, passive, and the false dichotomy

One of the more persistent misconceptions around ETFs is that they imply a passive or “set and forget” approach. For family offices, the opposite is often true.

ETFs are increasingly used as enablers of active decision making. They allow asset allocation views to be expressed quickly and precisely. They facilitate tactical adjustments without disrupting long term strategy. And they make it easier to manage liquidity and risk alongside illiquid private investments.

Many family offices now view ETFs as a conduit rather than a category – a way to deliver both passive and active exposures efficiently. This perspective aligns well with institutional portfolio construction, where the focus is on the role an exposure plays rather than the label attached to the vehicle.

Integrating public and private portfolios

Perhaps the most important role ETFs play within family office portfolios is in helping bridge the gap between public and private markets.

Private investments introduce long duration, illiquid exposures that can be difficult to rebalance or hedge directly. Public market instruments, including ETFs, provide a way to manage overall portfolio risk around those positions. They allow family offices to maintain liquidity buffers, manage factor exposures, and respond to market stress without interfering with long term private commitments.

This integration is increasingly intentional. Rather than managing public and private assets in parallel silos, family offices are using public market tools to support the portfolio as a whole – smoothing cash flows, managing drawdowns, and preserving optionality.

Looking ahead

The growing role of ETFs in family office portfolios is best understood as part of a broader evolution in how these investors operate. As family offices become more institutional in mindset, they are adopting tools and frameworks that support disciplined decision making without sacrificing flexibility.

Public markets, implemented thoughtfully, are not a compromise. They are a strategic resource. ETFs, when used deliberately, enhance rather than diminish sophistication by allowing family offices to focus on portfolio design, risk management, and long term objectives.

Taken together, the themes across this series point to a common conclusion. The most effective family office portfolios today are not defined by allegiance to any single asset class or vehicle. They are defined by balance, clarity of purpose, and structures that support good decisions over time.

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