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Key takeaways

- Family offices are transitioning from lean, legacy structures to institutional-style investment organizations with greater specialization and governance.
- Portfolio construction has become a core discipline, integrating public and private assets through more deliberate risk, liquidity, and allocation frameworks.
- Selective outsourcing is enabling family offices to scale capabilities—augmenting internal teams while preserving control and alignment.

Over the past decade, family offices have become one of the most influential – and least well understood – participants in global markets. Once viewed primarily as private investment vehicles tied closely to the operating businesses that created the wealth, many family offices today look and behave much more like institutional investors.

This evolution has been driven by a combination of scale, complexity, and generational change. As assets have grown and portfolios have diversified across public and private markets, family offices have been forced to rethink not only what they invest in, but how they organize themselves to invest well.

This article is the first in a three-part series reflecting on how family offices are evolving – from their operating models and governance structures to the growing importance of portfolio construction as a core discipline. Before debating asset classes or implementation tools, it is worth understanding the kind of investment organizations family offices are becoming.

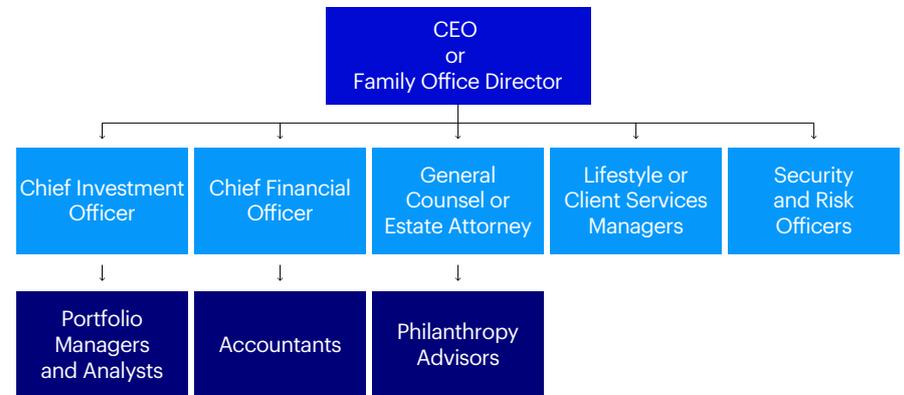
From family office to investment organization

Historically, many family offices operated with lean teams and relatively simple portfolios. Decision making was highly centralized, reporting requirements were modest, and investment activity often reflected the preferences and experience of a single generation. Public markets provided liquidity and income, while private investments were pursued opportunistically, often alongside trusted partners.

That model no longer reflects the reality for many families. Today's family offices frequently manage multi billion dollar portfolios spanning public equities and fixed income, private equity and venture capital, real assets, private credit, and a growing array of specialist strategies. Assets are often spread across jurisdictions, legal entities, and generations. Alongside investment performance, families are increasingly focused on governance, transparency, and the long term sustainability of the structure itself.

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Figure 1 – Example of family office organizational structure



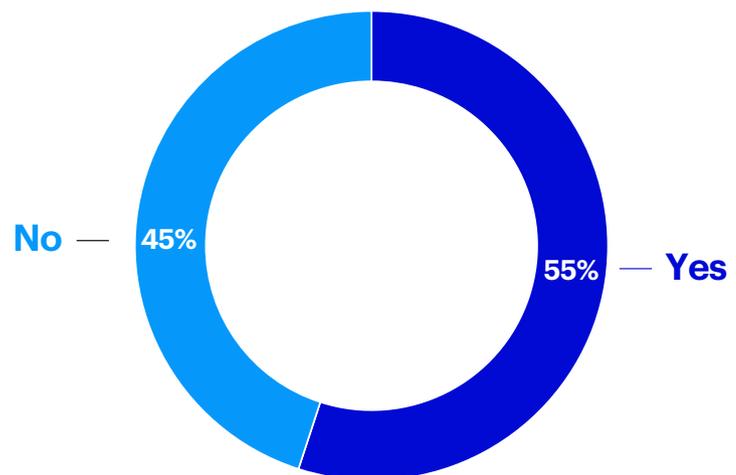
Source: Fundcount, How do family offices work?

In response, family offices are professionalizing and have larger and more specialized teams. Investment committees, formal policies, and structured decision making frameworks are becoming standard, particularly among larger and multi generational families. In practice, many family offices now resemble boutique investment organizations – institutional in mindset but tailored to the specific objectives and values of the family/families they serve.

The CIO role – and the reality behind it

One visible marker of this shift has been the growing prevalence of the Chief Investment Officer role within family offices. Larger and more established families are increasingly led by dedicated investment professionals, often supported by analysts and operational staff. However, the presence of a CIO does not eliminate complexity. Running a sophisticated multi asset portfolio requires deep expertise across public markets, private markets, risk management, tax, and portfolio construction. Even well resourced family offices face trade offs between breadth of capability and operational efficiency.

Figure 2 – Proportion of family offices with a CIO



Source: Citi Private Bank 2025 Global Family Office Report. Survey drew responses from 346 family office participants from 45 countries globally, with an average of \$2.1B in net worth.

As a result, many family offices operate hybrid models. Strategic direction and key decisions may remain firmly in house, while specific functions are supported externally. This can include portfolio construction, risk analysis, manager research, or implementation support. Importantly, this approach reflects pragmatism rather than delegation. The goal is not to outsource responsibility, but to extend capability where scale and specialization matter most.

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Outsourcing as augmentation, not abdication

Outsourcing in the family office context is often misunderstood as an all or nothing proposition. In reality, it has become increasingly selective and deliberate.

Rather than handing over the entire investment function, many families choose to partner externally in areas where infrastructure, systems, or market breadth can materially improve outcomes. Risk management, performance measurement, and portfolio construction are among the most common examples. These functions benefit from robust analytical frameworks and a broad market perspective – attributes that can be difficult and costly to replicate internally.

This trend is reinforced by broader operating pressures. Regulatory requirements, reporting expectations, and rising fixed costs all push family offices toward more efficient models. At the same time, many families are expanding the scope of what the office provides – serving multiple branches of the family, operating across regions, and managing philanthropic or foundation assets alongside the core portfolio.

In this environment, outsourcing is best understood as augmentation: strengthening the internal team while preserving control, alignment, and decision making authority.

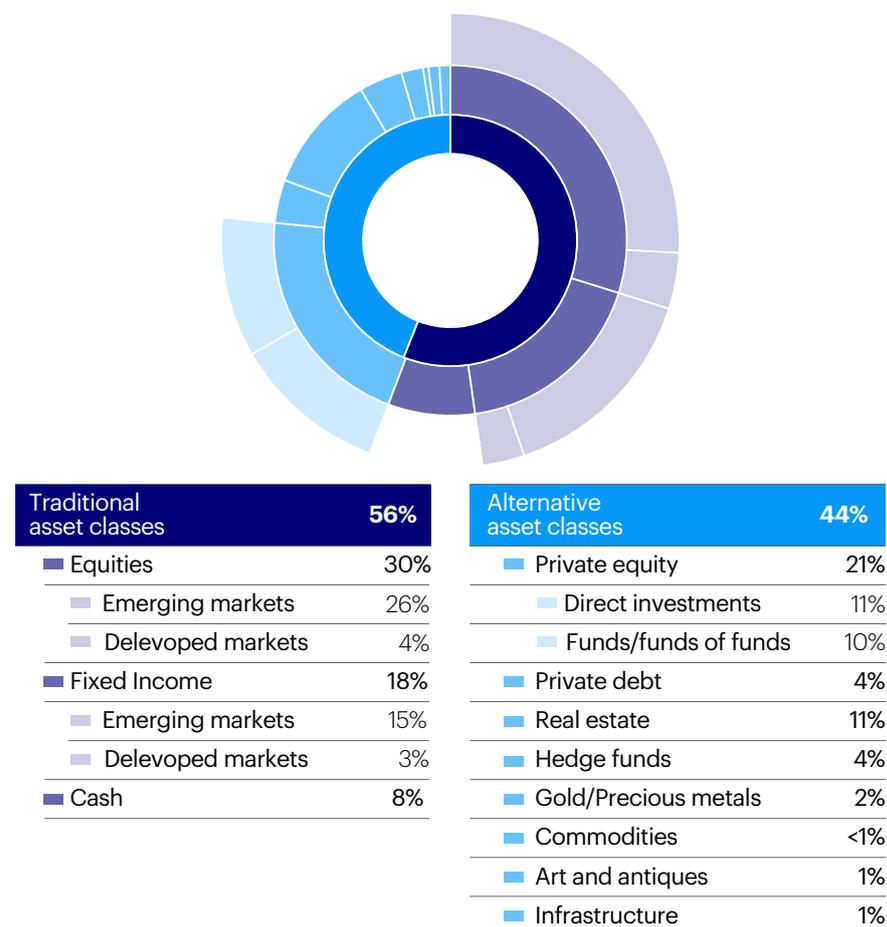
Portfolio construction moves to the center

As family offices professionalize, portfolio construction has shifted from being an implicit outcome of manager selection to an explicit discipline in its own right. This reflects a growing recognition that asset allocation, risk budgeting, and implementation choices are at least as important as individual investment ideas.

With portfolios spanning both liquid and illiquid assets, understanding how exposures interact –and how risks aggregate – becomes critical. Liquidity planning, rebalancing discipline, and drawdown management all require a holistic view of the portfolio rather than a collection of standalone investments.

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Figure 3 – Strategic asset allocation of family offices in 2024



Source: UBS Global Family Office Report 2025; Note: Views of 317 UBS family office clients. The average net worth of participating families was USD 2.7 billion, with their family offices managing USD 1.1 billion each. The online survey was conducted from 22 January to 4 April 2025. Where the data total does not precisely match the related asset percent, this is because we have added the figures together to two decimal places, which can result in slight variations to the figures when rounded.

Increasingly, family offices are focused on building portfolios designed to function across a range of market environments, rather than optimizing for a single set of assumptions. This has led to greater attention on diversification within public markets, the role of fixed income beyond yield generation, and the selective use of liquid alternatives as risk management tools.

Importantly, this shift does not diminish the role of private markets. Instead, it places them within a broader framework where public and private assets are deliberately integrated rather than managed in parallel silos.

Implementation efficiency and tax awareness

Alongside changes in portfolio design, implementation has also come under greater scrutiny. Family offices are paying closer attention to how portfolios are expressed in practice – through which vehicles, at what cost, and with what tax implications.

There is growing awareness that implementation decisions can materially affect long term outcomes. Efficient market access, disciplined rebalancing, and thoughtful tax management can all add incremental value without increasing risk. As a result, families are increasingly focused on aligning investment decisions with operational and tax considerations, rather than treating them as separate exercises.

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While approaches vary by jurisdiction and family circumstance, the common theme is a more deliberate and informed approach to how portfolios are constructed and maintained over time.

A distinct position in the investment landscape

All these developments highlight the unique position family offices occupy within the broader investment ecosystem.

Family offices share many characteristics with large institutional investors: long time horizons, multi asset portfolios, and an emphasis on governance and risk management. At the same time, they retain a level of agility that is difficult for larger organizations to replicate. Decision making can be faster, mandates can be more flexible, and portfolios can be tailored closely to the family's objectives.

This combination of institutional discipline and entrepreneurial flexibility is a genuine advantage – but only if the operating model and portfolio structure are designed to support it. Excessive complexity or illiquidity can undermine that advantage. Thoughtful portfolio construction, supported by the right balance of internal capability and external expertise, helps preserve it.

Setting the stage

Understanding how family offices are evolving as investment organizations is a necessary starting point for any discussion about portfolio design. Operating models shape investment behavior, just as much as asset allocation choices do.

In the next article in this series, I will turn to how these structural changes are influencing portfolio construction itself – and why many family offices are reassessing the balance between public and private markets in pursuit of resilience, flexibility, and long term effectiveness.

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