

Sujet traité : Les family offices regardent au-delà des actions pour un rendement plus élevé, moins de volatilité / Family offices look beyond stocks for higher return, less volatility

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## Family offices look beyond stocks for higher return, less volatility

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### KEY POINTS

- Family offices have 46% of their total portfolio in alternative investments, according to the JPMorgan Private Bank Global Family Office Report.
- Alternatives include private equity, real estate, venture capital, hedge funds and private credit.
- Unlike stocks, which can swing wildly, alternatives such as private equity and private companies have more gradual valuation changes, smoothing out volatility.

Large family offices have nearly half their investments in private markets and alternatives, as they move out of the stock market in search of higher returns and lower volatility, according to a new study.

Family offices have 46% of their total portfolio in alternative investments, which includes private equity, real estate, venture capital, hedge funds and private credit, according to the JPMorgan Private Bank Global Family Office Report, released Monday. The family offices covered by the survey had 26% of their assets invested in publicly traded stocks.

The study surveyed 190 single family offices around the world, with an average of \$1.4 billion in assets.

Large family offices in the U.S. are even more concentrated in alternatives, the study found. American family offices with upward of \$500 million in assets had more than 49% invested in alternatives, with 22% in public stocks, according to the survey.

Of the alternative investments detailed by the survey, 19% of family office holdings was in private equity, 14% in real estate, 5% in venture capital, 5% in hedge funds and 4% in private credit.

The move from public to private markets represents a major shift in family offices, the private investment arms of wealthy families that have exploded in size and number in recent years. With family offices now deploying more than \$6 trillion in assets, they are becoming a powerful force in private equity markets, direct deals, venture capital and private credit.

William Sinclair, head of the U.S. Family Office Practice at JPMorgan Private Bank, said that while stocks and bonds remain important for family offices, they are increasingly moving to alternatives for higher returns.

Family offices typically have longer time horizons, investing for the next 50 to 100 years or more, so they can hold assets for decades and benefit from the so-called "liquidity premium" of higher returns for more patient capital. Unlike stocks, which can swing wildly from day to day or even hour by hour, alternatives such as private equity and private companies have more gradual valuation changes, smoothing out volatility.

"These clients are taking a multi-decade view of their wealth, and they can take the illiquidity," Sinclair said. "Many of them are seeing opportunities outside of public markets."

The report also said many family office founders started as entrepreneurs themselves and sold a business. Those founders now want to use their family offices to take ownership stakes in other private companies and apply their experience to helping the companies grow.

"[JPMorgan] is fortunate enough to work with 60% of the billionaires in this country," Sinclair said. "So there are companies that want our clients on their board and on their cap table to be alongside some of the biggest venture capital and private equity firms out there."

Sinclair said he thinks the growth of family office investments in alternatives will continue.

"In particular, I think you'll see growth in private credit," he said. "And I think many clients are under-allocated in infrastructure, and in particular digital infrastructure, when you think about some of these data centers that are being built now and the power that is required."

On their other investments, U.S. family offices had an average of 9% in cash, which is historically high, and 10% in bonds.

Surprisingly, less than half of family offices have an overall investment return target, according to the survey. In the U.S., only 49% of family offices have a long-term target return for their portfolio. Among those who do have a target return, the median return target was 8%.

Still, family offices use various benchmarks for their investment portfolios, with more than three-quarters of those surveyed using some benchmark to evaluate performance. Larger family offices are more likely to use customized benchmarks, according to the survey.

Increasingly, family offices are looking to outsource more functions to reduce costs, especially among smaller family offices of under \$500 million. The report said 80% now use external advisors, mainly for investment management, access to managers, trade execution and portfolio construction.

Family offices are also increasingly turning to companies such as JPMorgan for help with cybersecurity to protect against hacking. Of the family offices surveyed, 40% said cybersecurity is their biggest "gap" in capabilities and nearly 1 in 4 said they have been a victim of a cyberattack.

"They're looking to us for help," Sinclair said.

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