

January 2026

## 2025 Year in Review

At year-end, most investment managers look ahead and make predictions. However, combining forward outlooks with a deeper analysis of what sophisticated investors are doing with their portfolios *right now* can provide more holistic insights.

This report bridges the gap between immediate market actions and forward looking expectations across various asset classes. By leveraging aggregated data from more than 600 family offices representing nearly \$1.5 trillion in assets, we provide all clients, from RIAs to institutional investors, with a clear view of real-time positioning and capital flows. Our objective research and exclusive dataset offer a systematic, data-driven framework for uncovering new investment opportunities.

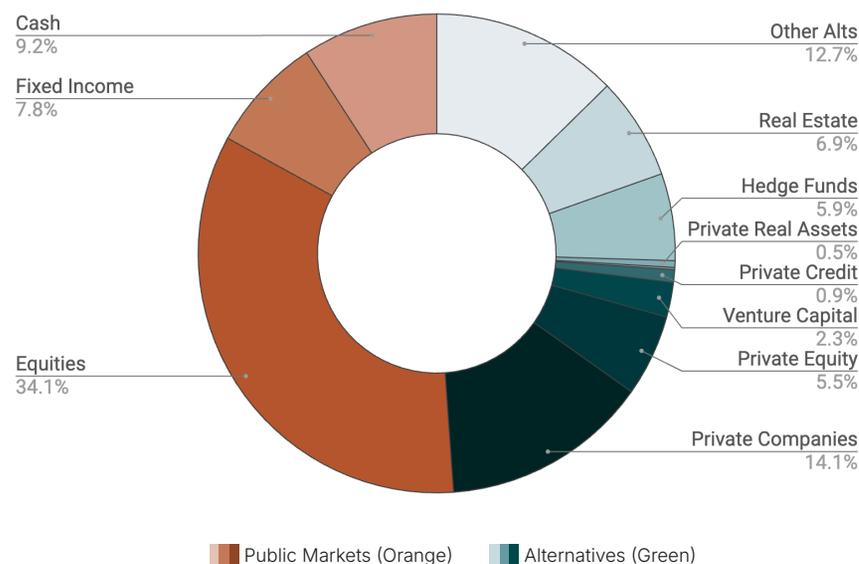
This report reveals key findings in two sections:

1. Allocation trends across major asset classes
2. An evaluation of the historical efficacy of active and passive management in the equity markets

## Asset Allocation

To begin, we show the average asset allocation for a family office in 2025. Alternative assets (i.e., hedge funds, private equity, venture, private credit, private companies and real estate) have remained a prominent feature of family office allocations, comprising 49% of a typical portfolio.

Average Family Office Portfolio, 2025



Note: Real estate includes funds, REITS, and direct. Other alternatives include mixed allocation fund of funds, other collective vehicles, commodities, and collectibles. All positions are as of 12/31/2025 unless otherwise stated.



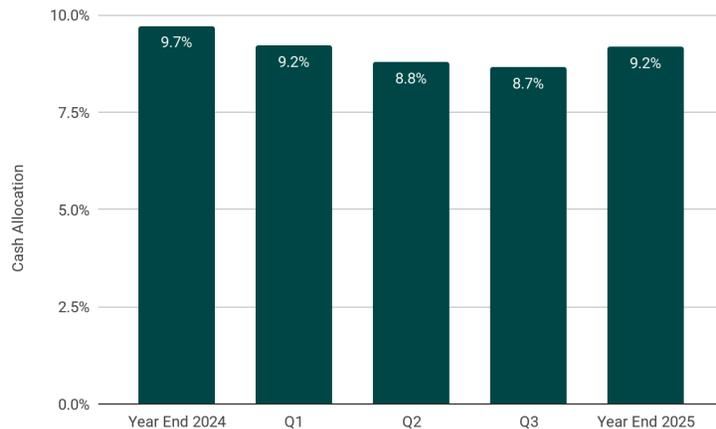
# Highlights

## Asset Class Allocation Trends

### Cash

Throughout 2025, family offices have on average decreased their cash allocations slightly. Family offices continue to maintain higher cash allocations in their portfolios compared to institutional investors. The 9.2% cash allocation in family office portfolios, compared to 2.5% for pension plans<sup>1</sup>, is intended to serve as a buffer against capital calls and provide flexibility to act on attractive investment opportunities. Despite the decreased cash allocations, there remains opportunity to utilize cash flow forecasting solutions to reduce cash drag.

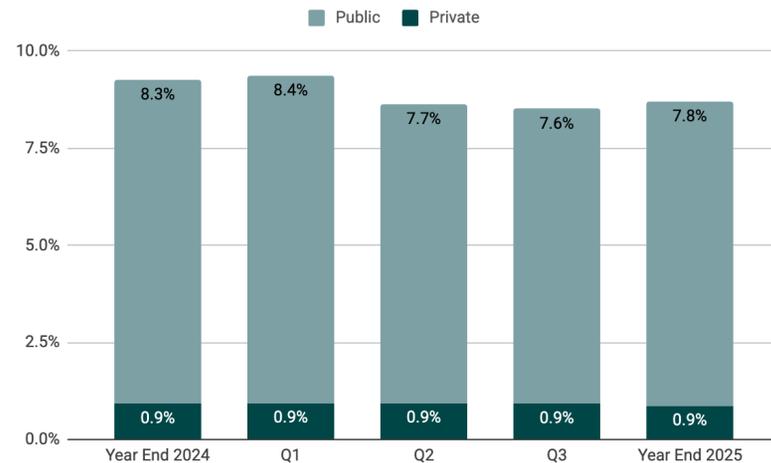
Average Cash Allocations for Family Offices



### Fixed Income

Public fixed income allocations have declined throughout 2025 while private credit allocations have held steady. Within public fixed income, allocations favor corporate bonds (32.8%) and municipal bonds (23.5%), comprising the majority of the 7.8% average public fixed income allocation in family office portfolios. Investors continue to see opportunities in private credit, in the 2025 Capital Markets Assumptions Survey investors highlighted an attractive risk/reward profile especially in asset-backed lending.

Average Public vs Private Fixed Income Allocations for Family Offices



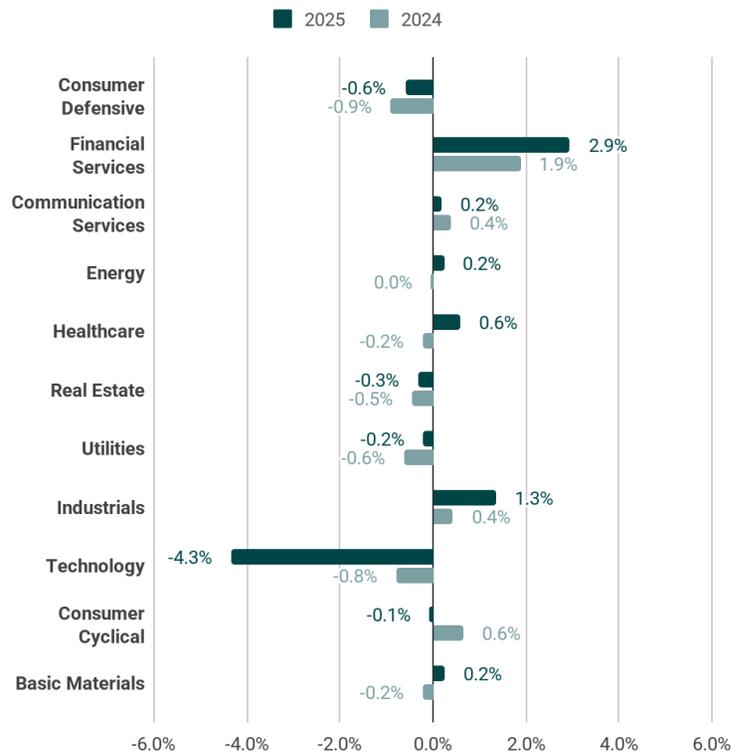
<sup>1</sup> Source: Public Plans Data



## Equities

Family offices allocate nearly 60% of their equity portfolios to individual securities. By sector, they are notably underweight technology and overweight financial services which has contributed to underperformance in 2025. By geography, 76% of equity portfolios are allocated to US equities, down from 80% at 2024 year end. Another 17% is allocated to developed ex-US equities and the remaining 7% is allocated to emerging markets.

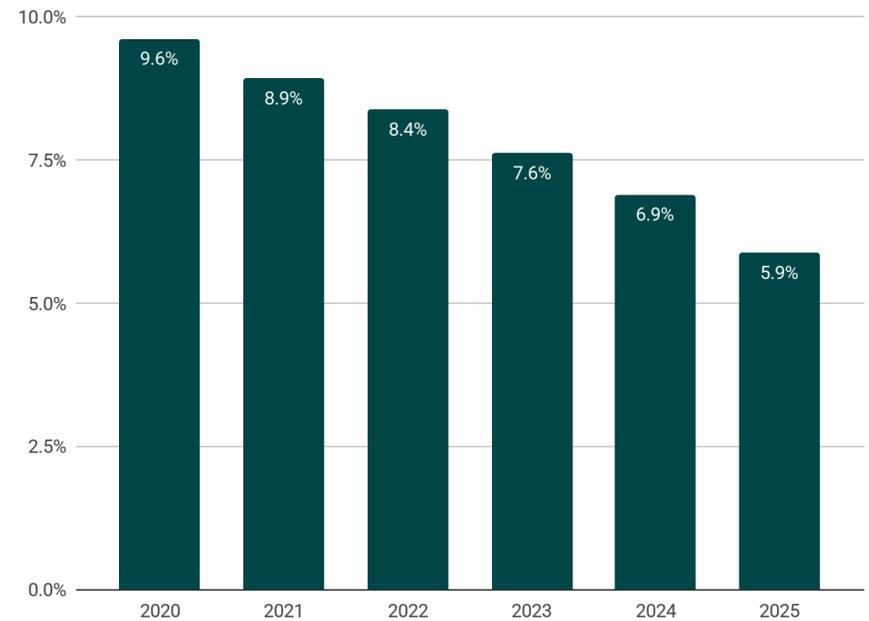
Average Weight of Securities in Family Office Portfolios Relative to the S&P 500 by Sector



## Hedge Funds

Allocations to hedge funds decreased by 1% in 2025 following a declining pattern seen over the last 5 years. In 2025, hedge funds benefited from a shift in market dynamics as the extreme "Magnificent Seven" concentration of 2024 began to thaw, creating a better environment for stock-picking. As a result, they were able to capture more upside, most notably mid-year, while navigating a year defined by policy-driven volatility bringing 2025 returns to 9.5%.

Average Hedge Fund Allocations in Family Office Portfolios, 2020-2025



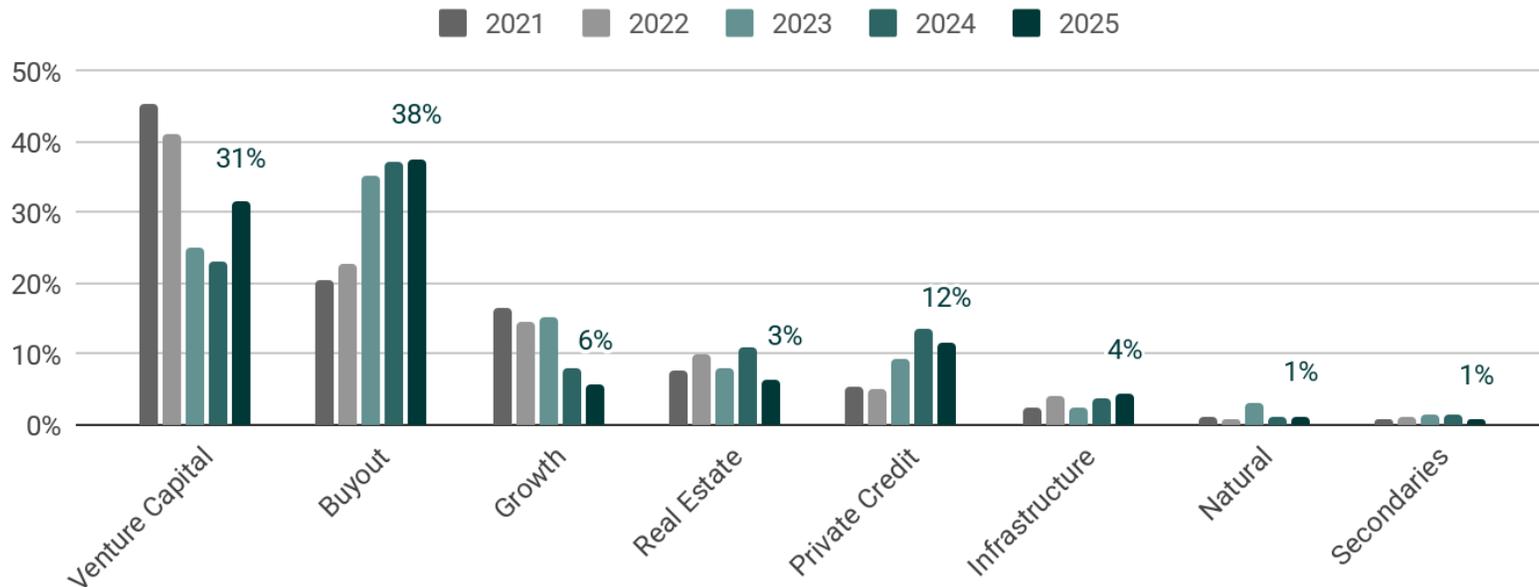
Note: Data are average allocations at year-end.



## Private Capital Commitments

Despite increased concerns about diminished illiquidity premiums and delayed distributions, investor sentiment still reflects cautious optimism towards private capital<sup>2</sup>, though total commitments as a percent of assets under management were down slightly in 2025. In 2025, venture capital and buyout took center stage with a combined ~70% of total yearly commitments across the platform allocated to these strategies. However, while family offices generally perform on par with institutional investors, a stark performance gap emerges across different wealth levels. This disparity is most evident in venture capital, where the most affluent investors outperform the least affluent by approximately 13 percentage points (in Public Market Equivalent terms)<sup>3</sup>. Recent research suggests this heterogeneity is not due to exclusive access to top-tier funds, but rather the quality of advisors and fund selection expertise. This gap widens further when accounting for the preferential fee structures enjoyed by wealthier offices. Ultimately, the combination of selection differences and aggressive fees effectively erases the illiquidity premium for smaller investors, underscoring the importance of utilizing private fund benchmarks and fund quartile analysis to maintain a competitive performance edge.

Percentage of Total Private Capital Commitments in Family Office Portfolios by Year, 2021-25



<sup>2</sup> Source: Addepar's Q4 2025 Capital Markets Assumptions Survey

<sup>3</sup> Balloch, Mainardi, Oh, Vokata, "Democratizing Private Markets: Private Equity Performance of Individual Investors", September 2025

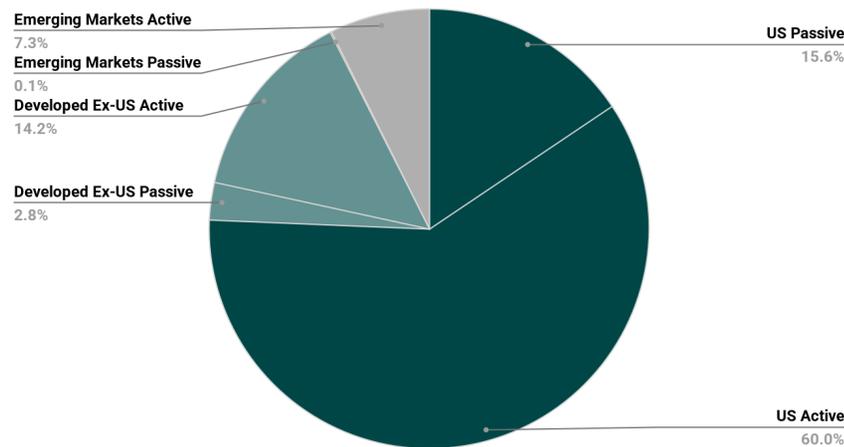


## Spotlight

# Active vs. Passive Investing

In 2025, the active vs. passive landscape saw a change in dynamics as the market broadened, tariff-related volatility increased, and several sector rotations occurred. While this provided a more varied environment for selection, active managers generally continued to trail passive benchmarks in the developed market space. From an allocations standpoint, family offices primarily invest actively within their public equity portfolio with a large tilt towards US equity.

Average Allocations by Region



## Return Comparison

While active management saw increased opportunities in the large-cap space over the past year, the long-term data presents a more nuanced picture. Over a 10 year period, results vary significantly by geography: active managers in Emerging Markets historically have been more likely to outperform passive alternatives vs. active managers in the US and international developed markets. Only 7% of active US large cap managers and ~14% of active European managers outperformed passive strategies over a 10 year period<sup>4</sup>.

## Opportunity to Reduce Fees

A strategic focus on active management within high-dispersion sectors, where alpha is more historically abundant, paired with low-cost passive vehicles for core exposures, can help optimize the 'alpha-to-fee' ratio. This hybrid framework is designed to capture specialized outperformance in areas like emerging markets while naturally lowering the portfolio's total weighted expense ratio.

<sup>4</sup> Source: Morningstar's Active vs. Passive Barrometer, as of December 31, 2024



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