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Family offices beef up alternatives allocations

Matthew Wai

Family offices are bullish on alternatives as inflation, unpredictable central bank policies and geopolitical risks have seen traditional investment playbooks thrown out, according to experts.

The 2025 *Schroders Global Investor Insights Survey*, which gathered responses from 90 family offices worldwide, shows most family offices are now focusing on a balance between defensive positioning and strategic growth, with 56% identifying that as their primary objective moving forward.

Schroders Australia head of private wealth Theone Star says she is seeing a shift in how family offices are constructing their portfolios, with many turning to alternative assets to build portfolio resilience.

She says that private assets, along with real estate and infrastructure investments, have become integral to achieving a balanced portfolio for family offices.

"Private assets provide access to high-growth opportunities with lower correlation to public market fluctuations, but perhaps more importantly, these assets offer greater control over investments, which is particularly valuable in periods of market turbulence," Star says.

Pitcher Partners partner Adam Stanley agrees, noting that valuations in equity markets have been exceptionally high, making more of a case for alternatives.

"In relation to most market measures, Aussie equity and international equity valuations are quite stretched," Stanley says.

As such, family offices are looking for other assets providing equity-like returns, but without the same level of volatility that they experience from equity markets.

"And we're a number of years into a bull market, and the longer you stay in a bull market, the closer you are to a decent market correction. Alternatives are seen as a place to reduce some of the volatility in a portfolio without sacrificing any of the potential returns," he explains.

That said, many of Stanley's clients still have an allocation to equities but with an underweight exposure.

"You just never know what the news headline of the day is going to be, and that impacts

how markets perform. Whereas in alternatives, you don't have to worry as much about what the news headlines are saying to get a reasonable return," Stanley says.

Unsurprisingly, family offices are also turning their attention towards private credit amid the lure of hefty returns.

"Private credit, you're still seeing about eight to 10% returns in that asset class, and you're sitting at the top of the capital structure, whereas the equity markets, through a cycle, you're expecting maybe a 10-12% return but you're at the very bottom of the capital structure, absorbing all that volatility," Stanley explains.

"Alternatives are seen in a similar light, with around 10-12% returns up for grabs, but private assets don't get marked to market on a day-to-day basis – your portfolio doesn't experience the same level of volatility as in equity markets."

Likewise, venture capital has seen significant momentum recently, driven by the rapid development of artificial intelligence (AI).

Stanley has seen enormous flows into the sector, including from family offices, noting that the level of new offers and the number of third-party providers, such as fund managers starting new funds and looking to raise capital, has "exploded".

"We've seen a lot more opportunity in venture capital recently, and most of that has been AI-focused. The big challenge with venture capital is the structure, because you get access at quite an early stage of these companies, so the money gets locked up for a period, and there haven't been a lot of exits of late," Stanley says.

"A significant portion of that is flowing into AI..."

This aligns with Star's views on how family offices are increasingly incorporating next-generation perspectives, including digital assets, technology, and thematic strategies into their investment decisions.

"The most successful family offices will be those that combine disciplined risk management with the flexibility to capitalise on emerging opportunities," Star said.

"By maintaining a balanced approach, investors can position themselves for ongoing growth." **FS**



Adam Stanley
Pitcher Partners