Asset Allocation August 3, 2026

Asset Allocation Issues

Family offices are realigning their portfolios to avoid geopolitical, home region, concentration and currency risks.

By Beth Braverman

The true war, additional geopolitical conflicts, escalating tariff policies and deglobalization are creating new challenges to all investors and, specifically, for family office portfolio construction.

"We view [geopolitical conflict] as systemic evidence of a regime change or transition from a unipolar world to a multipolar one," says Richard Weintraub, head of global family office for North America and Latin America at Citi Wealth. "That shift carries structural implications: higher baseline inflation, higher interest rates and elevated market volatility compared to the last cycle."

Family offices and their advisers are making moves in response to this transition. The "2026 UBS Global Family Office Report" found that geopolitical conflict was cited by respondents as the top risk for both the next 12 months and the next five years.

"A lot of family offices are taking a step back to look at how policy and geopolitics are feeding into the opportunities and risks that are present in markets and [to] size them for growth, relative to the hedging of certain risks," says Dan Scansaroli, co-head of investment management for the Americas at UBS. "But they also realize that to grow your assets, you're going to have to take on some substantial risk that won't be under your control."

Never miss a story — sign up for CIO newsletters to stay up-to-date on the latest institutional investment industry news. →

The UBS report found that 60% of family offices are planning to make changes to their asset allocation in the next year, more than double the share that planned to do so in 2024. A July study by Roland Berger found that private equity is gaining the most traction in family office portfolios, both through funds and direct investment assets.

"Family offices are seeking greater control, longer investment horizons and access to differentiated returns that are less dependent on public market direction," Weintraub says.

A Focus on Infrastructure and AI

Real estate is the most widely held asset class, but family offices are starting to moderate these allocations amid changing return expectations and the re-evaluation of physical asset locations.

Infrastructure has emerged as the top sector priority, with 70% of family offices planning to invest in the asset class, according to Roland Berger. Family offices are attracted to infrastructure, Weintraub says, for its stable cash flows, inflation linkages, portfolio diversification and exposure to long-term themes such as energy transition, digital infrastructure and transportation modernization. Plus, infrastructure's long duration may align with family offices' longer investment horizons.

Artificial intelligence remains a dominant investing theme, shaping investment decisions across many asset classes and sectors, with opportunities largely concentrated in the U.S. But the family offices are starting to become less comfortable having so much of their portfolio focused on one market.

"So families are adding diversification around that [AI] anchor, across regions and currencies, and they are doing it gradually," says Juan Xavier Sánchez, head of wealth strategy at Activest Wealth Management.

Geographic Diversification

While North American entities traditionally show an 88% home-region bias, per UBS, global peers are shifting out of U.S. dollar-denominated assets and growing their regional allocations to Asia Pacific and Western Europe.

Meanwhile, they are taking a more cautious approach to emerging markets after seeing 25 years of economic growth in China that never translated to strong overall equity returns there. To balance the growth potential of emerging markets with political and regulatory risks, family offices need to take a more nuanced approach to such markets, says Douglas Evans, CIO at Callan Family Office, who recommends investors underwrite governance, cost of capital and shareholder rights at the security level, rather than buying the beta.

"Practically, that means active or targeted exposure over broad EM index products, often accessing EM demand for developed-market-domiciled operators with EM revenue," Evans adds.

While re-evaluating geographic exposure, family offices must also ensure that the portfolio complements their existing operating risks, rather than replicating them, says Ron Albahary, the CIO of wealth management firm Laird Norton Wetherby. That means considering the family's total balance sheet, rather than looking at the investment portfolio in isolation.

"If a family has significant exposure to a country or region through its operating business, the liquid-portfolio should incorporate macro and regulatory drivers," Albahary says. "Unfortunately, many families unknowingly compound the same risks across both their business and investment assets."

Building in Flexibility

Family offices and their advisers are likely to consider liquidity when making decisions about their asset allocation strategies, viewing cash reserves as a means of retaining portfolio resilience amid volatility and to take advantage of opportunities.

"One of the worst outcomes during periods of market stress is being forced to sell quality assets at depressed values simply to meet cash needs," says Alison Davis, managing director of family office strategies at Bank of America Private Bank. "Cash-flow planning is paramount."

To decide how much risk they can prudently take, she says, families must understand upcoming capital calls, spending needs, tax obligations, philanthropic commitments and other liquidity demands.

Despite current challenges, more than half of family offices surveyed by Schroders said they were looking for buying opportunities. In this market, those opportunities include not only the potential to purchase securities at a discount, but also to take advantage of tax-loss harvesting within their portfolios.

"The volatility is adding uncertainty and making it more challenging to put capital to work," Scansaroli, of UBS, says. "But in the alternative space, one of the most attractive strategies to our family clients has been the long/short tax-loss harvesting, since the volatility is creating more opportunity to be more tax efficient, while earnings growth has been resilient and equity markets have continued to advance."

Tags: Artificial Intelligence, balance sheet, concentration of risk, diversification, Emerging Markets, Family Offices, Geopolitics, Portfolio Construction

EDITORS' PICKS

Brookfield, CPP Investments Partner On $5.2B Take-Private Deal
The asset manager and the Canadian pension fund will acquire warehouse and logistics company LXP.

Private Markets Don't Need More Data; They Need Data That Connect
Standardized information to compare fund and manager performance across cohorts and to reconcile exposure, risk.

MOST POPULAR

Foundation Launches in Memory of Slain Blackstone Executive
Bloomberg to Buy Carne Intelligence in Private Markets Data Push
Beyond Bill Pay: What an Insurance Mindset Can Teach Institutional Investors About Private Credit
Private Capital CFOs Face Growing Demand for Transparency
Risk to a Case: CIOs Need to Know Which Layer Matters Most

Technology August 3, 2026

For Family Offices, AI Is Both an Investment Theme and an Operational Test

Adoption of artificial intelligence tools and investments are rising across family offices.

By Matt Toledo

Family offices are increasingly interested in artificial intelligence as both an investment theme and as an operating tool, although adoption and access to investment opportunities vary widely amongst different family offices. Family office surveys show growing interest in using artificial intelligence for research, reporting, risk analysis, manager selection, forecasting and other operational tasks.

Additionally, the rise of AI has led to an increase in cybersecurity risks for family offices, with these investors increasingly outsourcing cybersecurity to specialist firms.

Adopting AI

Family offices, like most institutional investors, are finding AI most useful for operational tasks, with humans making final decisions on things such as investments.

"In the investment management business, whether you are a family office or a wirehouse or [a registered investment adviser], I [think the] differentiator is how nimble you are as an organization," says Matt Malone, head of investment management at private markets OCIO firm Opto Investments. "So single-family offices: probably pretty nimble, but probably not a lot of bandwidth. Multifamily offices maybe have a little more bandwidth to build this infrastructure and make it worth the investment to try to build out AI tools."

Still, while AI adoption is increasing, it varies from firm to firm. According to a family office report from Citi, 22% of family offices reported automating some operating tasks or doing investment analysis with AI tools—up from 14% in 2024. Approximately 57% of family offices lack the internal expertise to adopt AI within their organizations, according to Citi.

A report from PWC noted that the market is crowded with vendors offering AI products for family offices.

"Partly as a result, many [family offices] are also adopting a 'wait-and-see' approach: one that involves continually watching out for tomorrow's big game-changer—and inadvertently missing out on the useful things they could be doing with AI today," the report stated.

Malone says family offices that have begun integrating AI have mostly stopped short of allowing it to call the shots.

"You just have to be aware of what the limitations of AI are: For deterministic tasks, it may not be the best thing, but it may still get you 80% or 90% of the way there," Malone says, adding that investors are increasingly weighing the costs of the newest models of AI tools.

Cost is "becoming more of a focus area for some people: 'How do we use this efficiently?'" Malone says. "The whole point is to maybe not [to] replace people, but [to] enhance people, but you [have] to look at what your cost is to do that. The technology is just evolving faster than most people have the bandwidth to really process, and we're still yet to see what the future holds."

Hiring for Talent in an AI Age

Jim Besaw, CIO of multifamily office GenTrust, says demand for staff with expertise in AI systems is growing.

"We have several family offices that have asked us in the past 12 months to help them find staffing … [to] help them figure out what AI should they be using to automate their lives," Besaw says. "Everything from bill pay, concierge—all the stuff in the family office that would have normally been done by a team of five or 10 people—[they're saying], 'Help me find somebody that can find the technology that can help me do all that.'"

Citi's report added that some family offices believe their analysts will be replaced by AI agents—employees would move from doing analytical work to managing AI processes and agentic workflows, shifting the skillsets required.

Still, humans will continue to be in the loop.

"You will never be able to automate the human connection and anticipation an intuitive adviser can create with a client," says Jennifer Quent, director of family office services at accounting firm Kaufman Rossin. "At the end of the day, our clients want to be heard and cared for. You can program a robot to react in a certain way based off specific parameters, but in the end, it's still a robot. We have all interacted with AI customer service bots on the phone and experienced frustrations and wasted time. Our clients still want to pick up the phone and talk to a real human or occasionally meet in person."

Investing in the AI Theme

Despite AI investments being a top priority for family offices, few actually have direct private equity or venture exposure to the sector so far, according to a family office survey from J.P. Morgan.

Approximately 65% of family offices surveyed by J.P. Morgan reported they plan to prioritize AI investments, but at the same time, more than half reported no exposure to growth equity or venture capital. Additionally, 79% of family offices said they had no allocation to infrastructure, even as the asset class has served as the backbone of the buildout of hardware and software needed to build and run AI tools.

Family offices have increasingly turned to special purpose vehicles that offer access to coveted companies such as SpaceX, Anthropic and OpenAI. However, these SPVs are often layered with fees, and the validity of their access to the underlying companies—some of which are still private—has also come into question.

Besaw adds that despite slow take-up so far, family offices are increasingly looking at the "picks and shovels" of AI investment, as well as at related sectors, such as quantum computing.

Cybersecurity Risks

Citi's report cited cybersecurity and privacy concerns as organizations' third largest barrier to the adoption of technology and AI, held by 28% of family offices.

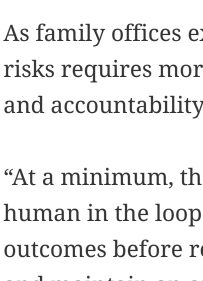
Cybersecurity functions are the third-most-outsourced functions by family offices, at 38%, according to J.P. Morgan's survey, which also found that cybersecurity is the specific service that family offices need the most, at 32% of firms.

"Cybersecurity remains a top focus for family offices. The evolving landscape, shaped by global geopolitical tensions and rapid advances in artificial intelligence, has led to increasingly targeted and sophisticated cyber threats against businesses, individuals and families," wrote Ileana van der Linde, J.P. Morgan Private Bank's head of cyber advisory, in the firm's 2026 global family office report. "Vigilance and proactive defenses are critical to safeguarding assets and family office operations."

As family offices experiment with AI tools, experts note that managing the associated risks requires more than cybersecurity protections alone and requires clear oversight of and accountability for how AI is used in decisionmaking.

"At a minimum, the office should document the data inputted into an AI tool, keep a human in the loop with authority to override AI decisions, test the tool against known outcomes before relying on it, perform strong vendor diligence on security and data use, and maintain an audit trail showing what the model recommended and what the human decided," says Kathryn Nadro, a partner in law firm Levenfeld Pearlstein. "You should always be able to reconstruct the human reasoning behind a decision."

More on this topic:



Family Offices Growing in Number, Size

Tags: Family Offices