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Single Family Offices: Key Trends and Challenges when investing in Private Equity and Venture Capital - Insights from the 2024 Observatoire Family Office Survey

– As part of the launch edition of Observatoire

The world of Single Family Offices is a closely held environment, which Calista Direct Investors prides itself in being exclusively dedicated to since day one.

Leveraging upon the firm's trust-based relationships with leading families globally and its extensive work with these investors across the PE/VC investment cycle, Calista launched a special initiative named Observatoire, to relay first-hand insights, anticipating future trends and opportunities stemming from this unique set of investors. Part of Observatoire's remit is to hold an annual survey amongst the families it works most closely with. Thirty-seven Families responded to this inaugural edition, most of them hailing from Europe and managing over €100M in assets.

Family Offices Remain Varied in their Investment Strategies

One of our most compelling findings from the Calista Observatoire is that, despite the growing sophistication, a significant number of Families still lack a formal Investment Committee, nor do they possess a comprehensive investment process to make fully informed decisions and identify risks attached to a specific investment opportunity.

Furthermore, the Calista Observatoire survey revealed that Single Family Offices suffer from a lack of internal resources as the primary bottleneck in their decision-making processes – This stems from their inherently and deliberately lean structure and the limited resources available to run an extensive investment process. Interestingly there is no direct correlation between the size of AUM and the degree of sophistication of the investment part of the Family Office.

Family Offices Remain Heterogeneous in their Investment Allocations

When Family Offices decide how they wish to split their allocation between fund and direct investments, there is no clear convergence, 22% split their allocations equally, whilst 38% favour funds, and 41% favour direct investments.

Looking specifically at the proportion of their portfolios which is allocated to Venture Capital, it is clear that this segment makes up a significant proportion – with 59% of families allocating more than 20% to VC.

The survey also shows that Healthcare and Deeptech are the most preferred sectors when it comes to direct investments for Family Offices. The healthcare sector is favoured due to its strong growth, resilience and alignment with Family Offices' long-term objectives. Whilst the immense trend of global digital transformation positions DeepTech as a rapidly growing and highly attractive investment area.

On the other hand, many Family Offices are on average more reluctant to invest into the military and defence sector due to the ethical implications. But given the need for technology to be used for defensive purposes and not in an offensive manner, there is growing interest in the sector.

Interestingly, 43% of Families work with an external Chief Investment Officer (CIO), which influences the outcome of investment allocations.

Investment Processes Are still Patchy and Uneven in Quality – Professionalization remains a Key Need

When sourcing opportunities, the most critical factor in ensuring a strong deal flow is a family office's direct network, which accounts for 62% of their deals on average. This highlights the importance of building and maintaining a robust network capable of delivering high-quality opportunities.

When conducting a due-diligence on a direct investment opportunity, only 27% use external consultants – however, this is dependent on ticket size as for larger investments, the proportion increases to 65%. For fund investments an external consultant is less likely to be used (43%).

Without the use of external consultants, due-diligence often lasts 1 to 3 months, with due-diligence of direct investments generally taking longer than fund investments.

Internal Resources Shortage as the Key Bottleneck

The Observatoire Family Office Survey highlights internal resource shortages identified as the primary issue faced by Family Offices. Due to the lean structure of the Family Offices, resource gaps frequently arise, hindering their ability to fully address sourcing and due diligence needs. This shortage is also evident in portfolio monitoring, with over half of the families surveyed reporting insufficient resources for this task.

In the case of due diligence, 38% of Families identified a lack of time as the most significant bottleneck for direct investments, while the quality of data emerges as the main limitation for fund investments – declared by 41% of Families. Combined, these two bottlenecks—lack of time and poor quality of available data—represent more than two-thirds of the major challenges identified by families in their direct and fund due diligence processes.

Fees of investments, though deemed fair by approximately two-thirds of Families, are perceived to not be transparent by half of the respondents, whilst also lacking flexibility.

All these bottlenecks and challenges identified in the survey results underpin Calista Direct Investors's raison d'être: Partnering with Single Family Offices to support the professionalisation of their efforts throughoutt the investment lifecycle.

ATTACHED: FULL COPY OF THE SURVEY RESULTS

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