

Why Family Offices Are Shifting to Real Assets

And What It Means for RIA Portfolios

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Global family office surveys suggest a sustained shift from hedge funds toward real assets. The capital isn't leaving alternatives - it's moving within them.

Over the past decade, family offices have been steadily reducing hedge fund exposure while increasing allocations to farmland, timberland, infrastructure, and direct real estate. This trend, documented in surveys from UBS, Campden Wealth, and others, reflects a fundamental reassessment of what hedge funds deliver relative to their cost.

WHY HEDGE FUNDS HAVE LOST GROUND

Fee-Return Mismatch

Many hedge fund strategies have struggled to justify 2-and-20 fee structures. Net-of-fee returns have, in numerous cases, lagged simpler balanced portfolios over extended periods.

Rising Correlations

As hedge fund industry assets have grown, many strategies have become more crowded and more correlated to broader markets, reducing the diversification benefit that originally justified the allocation.

Limited Transparency

Family offices increasingly want to understand what they own. Hedge fund reporting can be opaque, with limited position-level disclosure and complex derivative exposures.

Alignment Concerns

Short-term performance incentives with asymmetric payoffs can be misaligned with multi-generational family office time horizons, where capital preservation matters as much as growth.

WHY REAL ASSETS ARE GAINING SHARE

Income without complexity. Farmland generates annual lease income. Infrastructure provides contracted cash flows. Simple, understandable yield streams.

Structural inflation protection. Real assets tend to rise with input costs. This is structural hedging, not a derivative overlay that may or may not perform.

Intergenerational suitability. Farmland and infrastructure naturally match multi-decade family office horizons. These assets compound - they don't need to be "exited."

Lower total cost. Typical real asset fees are meaningfully below hedge fund structures. Over a decade, the fee differential on a large allocation compounds significantly.

Scarcity value. Productive farmland and prime infrastructure are finite. As more capital competes for these assets, early allocators may benefit from demand-driven appreciation.

WHAT THIS MEANS FOR RIA CLIENTS

High-net-worth clients share the same objectives as family offices: preserve purchasing power, generate income, reduce volatility, and transfer wealth. If the families with the most resources and the best access to information are moving toward real assets, the signal is worth considering. For clients evaluating alternatives, real assets may offer a simpler entry point - lower fees, structural inflation protection, and return profiles that don't depend on manager skill to generate alpha.

The capital isn't leaving alternatives. It's moving from complex, fee-heavy strategies toward tangible, income-producing assets with structural tailwinds.



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