

# Family Office Direct Investment Patterns

## How Sector Familiarity Drives Transactions

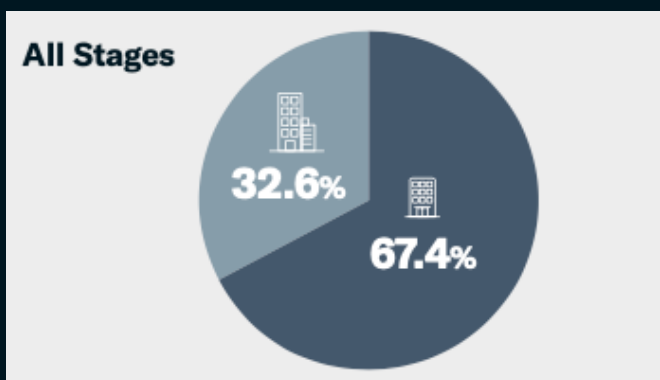
Given the private nature of family offices, these entities allocate capital with fewer restraints in relation to other investment groups. As expected, research shows the primary factor contributing to industry preference of family offices is the ability of such investments to generate alpha. However, several additional variables play a part in the types of investments family offices often make.

One of the more prevalent patterns drawn from our research is the connection between industry of wealth origin and industry of investment interest. As outlined, there is a clear tendency for groups to invest in opportunities throughout familiar industries. Analysis of family office entities broken down by the industry in which the family created its wealth, highlights a distinct preference to invest in the familiar.

### Industry Allocation by Origin of Wealth

Sector Allocation Benchmark	Technology made FOs making Direct Investments	Manufacturing made FOs making Direct Investments	Real Estate made FOs making Direct Investments	Consumer Goods made FOs making Direct Investments	Financial Services made FOs making Direct Investments
Technology <b>61.4%</b>	82.5%	50.7%	41.2%	61%	66.7%
Consumer Goods <b>45.1%</b>	48%	42.8%	38.1%	61.4%	49.2%
Business Services <b>44.2%</b>	48%	33.3%	31.9%	51.4%	51.5%
Healthcare & Biotech <b>44.1%</b>	55%	39.6%	31.9%	45.7%	51.5%
Real Estate <b>42.7%</b>	48%	47.6%	64.9%	42.8%	46.8%
Financial Services <b>37.5%</b>	40%	25.3%	24.7%	27.1%	40%
Manufacturing <b>36.6%</b>	35%	47.6%	25.7%	40%	30.9%

### Family Offices Investing by Financing Round



Research highlights the majority of direct investments are executed by single family offices, regardless of funding round or type. Additionally, the majority of investments made by family offices occur throughout early rounds of funding, as 29.5% of allocations are made in earlier stage seed and venture rounds. Multi-family offices make acquisitions and buyouts with greater frequency than they partake in other stages of investments.



Direct investments, by contrast, enables the SFO to focus on buying companies of a preferred size or industry. Then, the SFO receives more transparent financial information from the company directly, instead of through a fund sponsor.”

**Paul Ferguson,**  
Managing Director at Schwab Advisor Family Office

