The GCC Family Office Allocation Shift: From Public Markets to Private Alternatives

A structural map of the move by Gulf family offices and ultra-high-net-worth asset owners from liquid public markets into private alternatives, and the governance, manager-selection, pacing and liquidity capabilities the shift demands.

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ABSTRACT

Gulf Cooperation Council family offices and ultra-high-net-worth asset owners are in the middle of a structural reallocation. A generation of wealth that was built in trading, real estate and concentrated operating businesses, and then parked largely in liquid public markets, cash and direct property, is being redirected towards private alternatives: private credit, buyout and growth equity, infrastructure and digital infrastructure, real assets and secondaries. The shift is not a tactical tilt but a change in the shape of the portfolio, and it is driven by a yield and return gap, a generational handover to a more institutionally minded second generation, a desire to diversify away from concentrated and dollar-heavy exposures, and privileged access to private deals originating in the Gulf itself. This paper maps that shift and, more importantly, the capabilities it demands. It argues that the move into private markets is less a question of conviction than of operating capability: governance and investment-committee discipline, manager sourcing and selection, commitment pacing across vintages, and the management of illiquidity, valuation and reporting. The paper sets out a capability map that contrasts the typical public-markets posture of a family office with the posture the shift requires, a pacing and commitment framework built around the J-curve and vintage diversification, a menu of operating-model options from outsourced advisory to a fully built internal investment office, and a staged twenty-four-month implementation roadmap. All quantitative figures in the paper are illustrative and stylised, designed to make the structure of the shift legible rather than to forecast any particular allocation. The intended reader is the principal, the family-office chief investment officer and the head of alternatives who has decided that private markets belong in the portfolio and now needs a disciplined way to get there.

JEL Classification: G11, G23, G24, D14, O16

Keywords: family offices, private markets, asset allocation, private credit, GCC, ultra-high-net-worth, pacing, illiquidity, governance, alternatives

1. INTRODUCTION

A principal or a family-office chief investment officer in the Gulf who looks at the portfolio today faces a different problem from the one their predecessor faced a decade ago. The question is no longer whether private markets deserve a place in the portfolio. That argument has largely been won, in the Gulf as elsewhere, by a long period in which the most attractive risk-adjusted returns, the most interesting companies and the most useful sources of income have increasingly sat outside the public markets. The question now is how to make the move well: how a pool of capital that has historically been held in listed equities, bonds, cash and direct real estate should be rebuilt around private credit, private equity, infrastructure, real assets and secondaries, and what it takes to do so without importing risks the family is not equipped to manage.

This paper supplies a map of that transition. It treats the allocation shift not as a single decision but as a structural change in the shape of a portfolio, and it sets out the capabilities that change demands. The central claim is simple and, in the author's experience, frequently underappreciated: the binding constraint on a successful move into private markets is rarely conviction or capital. It is operating capability. A family office that can write a large cheque but cannot source and select managers, cannot pace its commitments across vintages, and cannot manage the illiquidity, valuation and reporting that private assets bring, will not capture the returns that drew it into the asset class in the first place. It may instead lock up capital it later needs, concentrate in a handful of relationships, and discover the cost of the J-curve at exactly the wrong moment.

The aim of the paper is practical. It is written for the principal, the family-office chief investment officer and the head of alternatives across the Gulf, and for the private banks, external asset managers and multi-family offices who advise them. It does not tell any reader what their allocation should be, and it names no managers and no funds. It offers instead a way of reasoning about the shift: a layered view of what is changing and why, a capability map that makes the gap between a public-markets posture and a private-markets posture visible, and a set of frameworks for pacing, for choosing an operating model and for sequencing the build.

Three caveats frame the analysis. First, this is an orientation and decision-support document, not investment advice, and nothing in it recommends any investment, manager, allocation or course of action. Second, every quantitative figure in the paper is illustrative and stylised. The charts are drawn to show structure, direction and orders of magnitude, not to report measured data or to forecast outcomes, and the base-case assumptions behind them are recorded in the appendix so that the reader can see exactly what has been assumed and substitute their own numbers. Third, the paper describes a family of asset owners that is genuinely heterogeneous: a single-family office with one principal and a recently liquid balance sheet faces a different version of the shift from a multi-generational office with an established investment team, and the frameworks here are meant to be adapted rather than applied uniformly.

The paper makes three contributions. First, it organises a diffuse and often anecdotal subject, the move of Gulf private wealth into alternatives, into a single, legible structure. Second, it reframes the move from an allocation question into a capability question, and gives the reader a capability map and a pacing framework to act on. Third, it sets out an operating-model menu and a staged roadmap that turn the diagnosis into a plan a family office can actually run.

It is worth stating plainly why a structural and capability-led treatment is more useful to a family office than the more familiar performance-led case for private markets. The case for the asset class, the illiquidity premium, the breadth of the opportunity set, the diversification from public beta, is well rehearsed and not seriously contested. What is far less discussed, and what determines whether a given family captures any of it, is the unglamorous machinery: the governance that lets decisions be made consistently, the discipline that commits steadily across good vintages and bad, and the systems that keep an increasingly illiquid and opaque portfolio legible to the people who own it. That machinery is the subject of this paper.

The remainder of the paper is structured as follows. Section 2 reviews the relevant literature on household and family-office portfolio choice, the illiquidity premium and the institutionalisation of private wealth, and draws from it five propositions that the rest of the paper develops. Section 3 sets out the data and methodology, makes explicit that the approach is analytical and illustrative, and records the base-case assumptions. Section 4 presents the map and the frameworks: the drivers of the shift, the allocation and sub-allocation it implies, the capability map, the pacing model and the operating-model options. Section 5 gives a staged twenty-four-month implementation roadmap. Section 6 sets out the risks, caveats and limitations. Section 7 concludes.

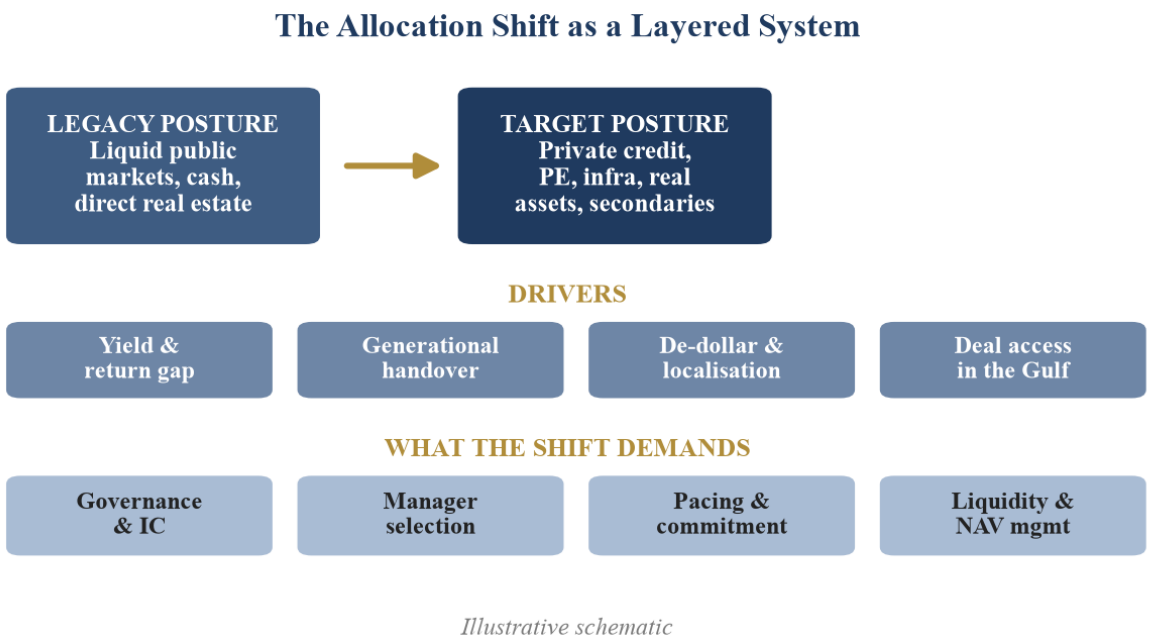

Figure 1. The Allocation Shift as a Layered System

Illustrative schematic. The legacy posture moves towards a private-markets posture under four drivers; the shift in turn places demands on governance, manager selection, pacing and liquidity.

2. LITERATURE REVIEW AND PROPOSITIONS

The analysis draws on four bodies of work: the literature on household and ultra-high-net-worth portfolio choice; the literature on the illiquidity premium and the economics of private assets; the literature on the institutionalisation of family wealth and the family-office form; and the applied literature on commitment pacing and private-markets portfolio construction. Each speaks to a different part of the shift, and together they yield the propositions the paper develops.

2.1 Household and Family-Office Portfolio Choice

A long tradition in household finance examines how concentrated, often illiquid, and frequently founder-linked wealth should be diversified. The recurring insight is that wealth created in a single business or sector carries idiosyncratic risk that liquid public markets diversify only partially, and that a deliberate programme of reallocation is required to reduce it. For the family office this insight cuts two ways. It argues for diversification away from the concentrated operating or property exposure on which many Gulf fortunes were built; but it also cautions that moving from one concentrated, well-understood exposure into a small number of poorly diligenced private positions can substitute one form of idiosyncratic risk for another. The literature also stresses that the objective function of a family is not that of an institution: liquidity needs, succession, tax and the preferences of multiple family members shape the portfolio in ways a simple mean-variance frame does not capture.

2.2 The Illiquidity Premium and the Economics of Private Assets

A second literature concerns the returns to bearing illiquidity and complexity. The broad finding, across private equity, private credit and real assets, is that patient capital able to lock up for long horizons has historically been compensated for doing so, though the size and the reliability of that premium are debated and vary widely by strategy, vintage and manager. The literature is equally clear about the conditions under which the premium is captured or forfeited. It is captured by investors who can hold to the natural horizon of the asset, diversify across vintages and managers, and select well; it is forfeited by investors who are forced to sell at the wrong time, who concentrate, or who pay for access without the diligence to distinguish skill from luck. The dispersion of returns between top-quartile and bottom-quartile managers in private markets is far wider than in public markets, which makes selection, not merely allocation, the dominant driver of outcomes.

2.3 The Institutionalisation of Family Wealth

A third strand examines how families build institutions to manage their wealth, and how the family-office form evolves. The literature describes a transition from wealth managed informally by a principal and a trusted adviser towards a governed structure with an investment policy, an investment committee, and professional staff or advisers. This transition is strongly associated with generational change: a second or third generation, often educated abroad and exposed to institutional practice, tends to formalise what the founder ran by instinct. The institutionalisation literature matters here because the move into private markets is, in practice, both a cause and a consequence of this formalisation. Private markets demand governance the family may not yet have; and the act of building that governance is often what makes a serious private-markets programme possible.

2.4 Commitment Pacing and Portfolio Construction

A fourth, more applied literature concerns how a private-markets portfolio is actually built over time. Because committed capital is drawn down and returned over many years rather than invested at once, the investor must plan a pacing schedule: how much to commit each year, across which strategies and vintages, to reach and then hold a target allocation while managing the cashflow profile of the J-curve. This literature provides the tools, commitment models, the distinction between committed and invested capital, vintage-year diversification, that turn a target allocation into a year-by-year plan. It is the most practical of the four bodies of work and the one most often neglected by first-time allocators, who tend to think in terms of a single allocation decision rather than a multi-year commitment programme.

2.5 Synthesis and Propositions

Taken together, these literatures yield five propositions that the rest of the paper develops and illustrates.

Proposition 1. The shift from public markets to private alternatives is best understood as a structural change in the shape of the portfolio, driven by a yield and return gap, generational handover, a desire to diversify concentrated and dollar-heavy exposures, and privileged local deal access, rather than as a tactical tilt.

Proposition 2. For the family office, the binding constraint on capturing private-market returns is operating capability, governance, manager selection, pacing and liquidity management, rather than conviction or capital.

Proposition 3. Because the dispersion between good and poor managers in private markets is wide, selection rather than allocation is the dominant driver of outcomes, and the capability to source and diligence managers is the highest-value capability to build or buy.

Proposition 4. The move into private markets must be paced across vintages and strategies as a multi-year commitment programme, not executed as a single allocation, in order to manage the J-curve and reach a stable target allocation.

Proposition 5. The right operating model, from outsourced advisory through to a fully built internal investment office, is a structural choice that should be matched to the size of the programme, the family's ambitions and its appetite to build capability, and not adopted by default.

3. DATA AND METHODOLOGY

This study is analytical and descriptive rather than empirical. It builds a structural map and a set of decision frameworks for the allocation shift, and it illustrates them with stylised figures calibrated to be plausible for Gulf family offices in 2026. It does not estimate a model from a dataset, and it does not report measured allocations, returns or flows. The reasoning that follows is therefore best read as a framework for the reader to populate with their own current, named data, not as a set of findings to be taken on trust.

3.1 The Mapping and Decision Framework

The framework has five components. The first is the layered view of the shift set out in Figure 1, which separates the legacy posture, the drivers of change, the target posture and the capabilities the change demands. The second is the allocation and sub-allocation view, which describes how the weight of the portfolio moves over time and how the private-alternatives sleeve is itself composed. The third is the capability map, which scores the typical public-markets posture of a family office against the posture the shift requires, and so makes the capability gap visible. The fourth is the pacing model, which translates a target allocation into a multi-year commitment schedule and shows the J-curve cashflow profile that results. The fifth is the operating-model menu, which arranges the ways a family office can build the capability by the cost and the control each entails.

3.1a What the Framework Does and Does Not Do

It is important to be clear about scope. The framework is a tool for reasoning about how an asset owner should approach the move into private markets, and for sequencing the decisions and the build. It is not an optimiser, it does not output a recommended allocation, and it is not a substitute for the strategic asset allocation work a family office should do with its own objectives, liquidity needs and constraints. Its value is in making the structure of the problem explicit, so that decisions are taken deliberately and in the right order rather than by default or by imitation.

The choice of an analytical, illustrative method rather than an empirical one is deliberate and worth defending. Reliable, comparable data on family-office allocations in the Gulf is scarce, private, and rapidly changing, and any single dataset would be partial and quickly dated. A framework calibrated to plausible orders of magnitude, with its assumptions made explicit, is more durable and more honest than a false precision built on thin data. The reader who has access to their own allocation data, or to a credible external dataset, can substitute it directly into the frameworks here.

3.2 Assumptions and Their Justification

The stylised inputs used in the figures, the relative weights of the asset classes over time, the composition of the private-alternatives sleeve, the capability scores, and the pacing and cashflow profiles, are indicative calibrations chosen to make the structure legible. They are consistent with the broad direction of travel observed across Gulf private wealth, a rising private-markets weight led by credit and equity, a maturing operating model, and a multi-year pacing pattern, but they are not measured values and should not be cited as such. Table 1 records the principal base-case assumptions; the full set is in Appendix A.

Table 1. Base-Case Assumptions for the Mapping and Decision Framework

Parameter	Base-case (illustrative)
Legacy listed-securities weight (start of window)	~58%
Target listed-securities weight (end of window)	~34%
Private-alternatives weight, start to end of window	~8% to ~39%
Largest sub-sleeve within alternatives	Private credit (~30%)
Indicative steady-state pacing horizon	5 to 7 vintage years
J-curve trough (cumulative net cashflow)	~ -44% of commitment, ~Year 4
Capability scoring scale	1 (low) to 5 (high)

Indicative, illustrative calibrations used to make the structure legible; not forecasts or sourced data. See Appendix A for the full set.

4. THE MAP AND THE FRAMEWORKS

This section presents the analysis in the order of the propositions. It first describes the shift and its drivers and the allocation it implies (Proposition 1), then turns to the capability the shift demands and why selection dominates (Propositions 2 and 3), then to pacing the move as a commitment programme (Proposition 4), and finally to the operating-model choice (Proposition 5).

4.1 The Shift and Its Drivers

The starting point for most Gulf family offices is a portfolio whose centre of gravity is liquid and familiar: listed equities and bonds, large cash balances, and direct real estate, often alongside a concentrated stake in the operating business or businesses from which the wealth came. This posture has virtues. It is liquid, it is transparent, and it is easy to govern with a small team. Its weakness is that it leaves the family heavily exposed to public-market beta and, very often, to a single domestic property cycle, while earning little of the illiquidity premium available to patient capital.

Four drivers are moving this posture towards private markets, and it is worth naming each because their relative weight differs from family to family. The first is the yield and return gap: a prolonged search for income and for returns above public beta has drawn capital towards private credit, whose contracted coupons are attractive to an income-minded principal, and towards private equity and real assets for growth. The second is generational handover. As a more institutionally minded second generation takes responsibility, often after education and professional exposure abroad, the family formalises its governance and adopts the practices of the institutions it has watched, of which a serious private-markets allocation is one. The third is the desire to diversify concentrated and dollar-heavy exposures, both away from the originating business and, increasingly, across currencies and geographies. The fourth, and the one most distinctive to the Gulf, is privileged access to private deals originating in the region itself: co-investment alongside sponsors, club deals, and direct positions in real assets and operating companies that a local family is uniquely placed to see and to underwrite.

Figure 2 sets out the resulting movement in the shape of the portfolio in stylised, indexed form. The picture is one of a steadily falling weight in listed securities and cash, a roughly stable direct-property weight, and a rising weight in private alternatives that, by the end of the window, has become a major block of the portfolio rather than a satellite. The exact numbers are illustrative; the shape and the direction are the point.

It is worth pausing on a feature of the Gulf context that distinguishes the shift here from the same move in other markets. Much Gulf wealth is first-generation or second-generation and closely tied to an operating business, a property portfolio or a trading franchise. The liquid securities and cash on the balance sheet often represent the proceeds of a partial exit or the accumulated surplus of an operating company rather than a long-managed financial portfolio. This matters for the shift in two ways. First, the family frequently retains a large, undiversified exposure to the originating business alongside its financial portfolio, which sharpens the diversification argument for private alternatives that are uncorrelated with that business. Second, the family's instincts about risk and return are shaped by the operating world, where control, direct knowledge and patient ownership are the sources of return, instincts that map more naturally onto private markets than onto the impersonal beta of public ones. The shift, on this reading, is partly a return to a familiar way of creating value, now applied through a financial portfolio rather than a single company.

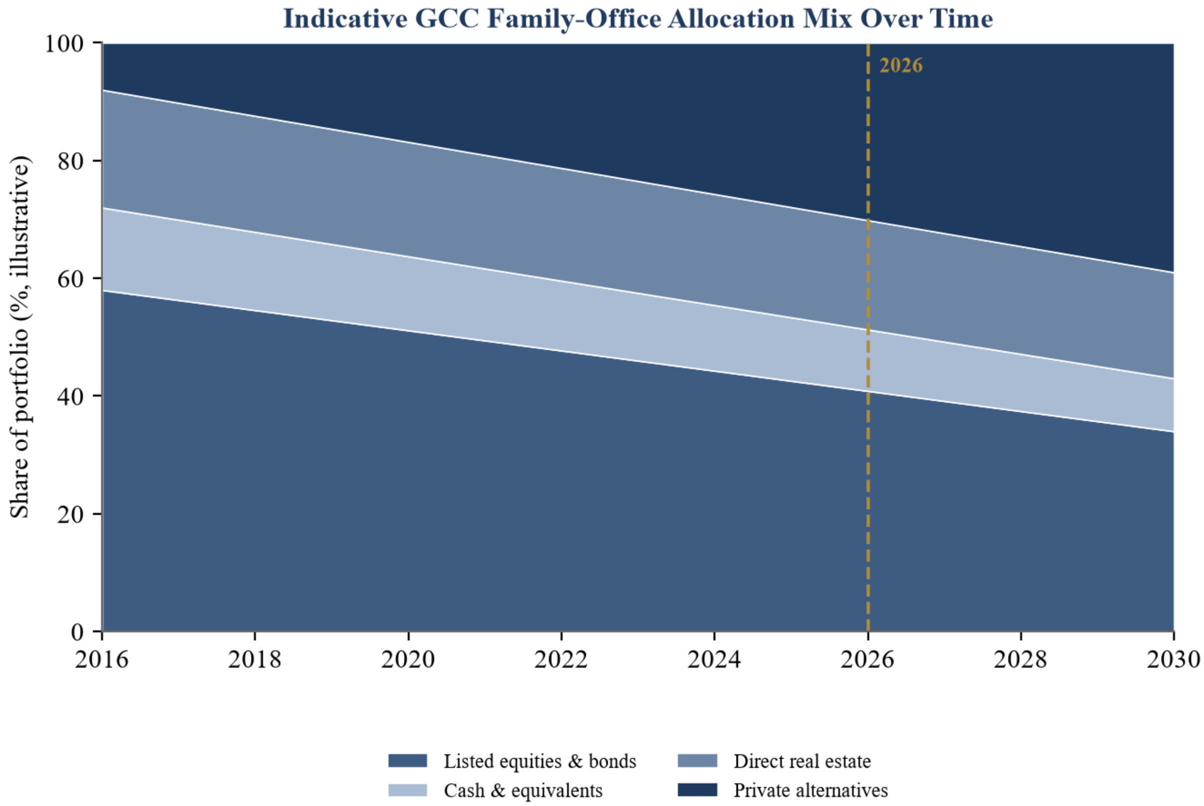

Figure 2. Indicative GCC Family-Office Allocation Mix Over Time

Illustrative, indexed shares summing to 100%. The listed-securities and cash weights fall, the direct-property weight is broadly stable, and the private-alternatives weight rises to become a major block. The dashed line marks 2026.

The allocation view answers the question of how much, but it leaves open the question of into what. Figure 3 decomposes the private-alternatives sleeve into its principal components. The stylised composition is led by private credit, reflecting both the income appetite of many principals and the depth of real-asset-backed lending opportunities in the region, followed by buyout and growth equity, then infrastructure and digital infrastructure, real assets, venture and co-investment, and a smaller but strategically useful allocation to secondaries. The composition a given family chooses should follow its objectives: an income-led family will weight credit and real assets more heavily; a growth-led family will weight equity, venture and infrastructure.

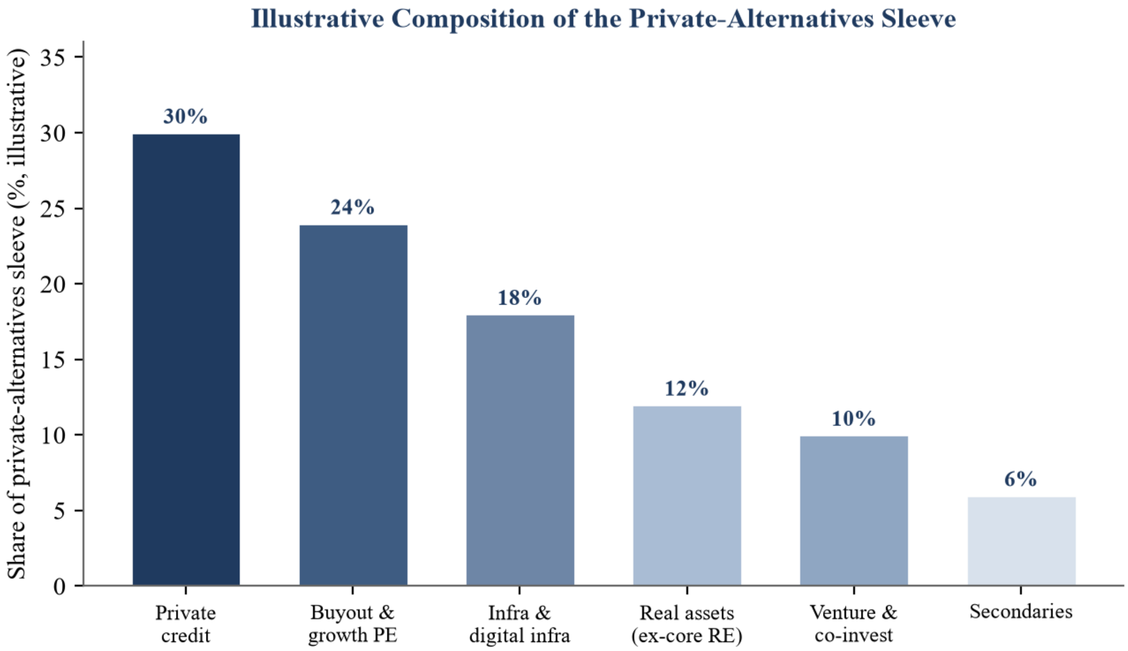

Figure 3. Illustrative Composition of the Private-Alternatives Sleeve

Illustrative shares of the private-alternatives sleeve. Private credit leads, reflecting income appetite and real-asset-backed lending depth; the mix should follow each family's objectives.

4.2 The Capability the Shift Demands

Proposition 2 holds that the binding constraint on capturing private-market returns is operating capability rather than conviction or capital. The clearest way to see the constraint is to compare the capabilities a family office typically has, having run a liquid public-markets portfolio, with the capabilities the private-markets posture requires. Figure 4 makes that comparison on six dimensions.

The contrast is instructive. On the dimensions that liquid investing rewards, liquidity management and, to a degree, valuation and reporting, the typical public-markets posture is already reasonably strong, because daily prices and ready liquidity make those tasks straightforward. On the dimensions that private investing rewards, manager sourcing and selection, underwriting and diligence, and above all commitment pacing, the typical posture is weak, precisely because liquid investing never required them. Governance and investment-committee discipline sit in between: present in form at many family offices but rarely yet exercised with the rigour that a long-locked, hard-to-reverse private commitment demands.

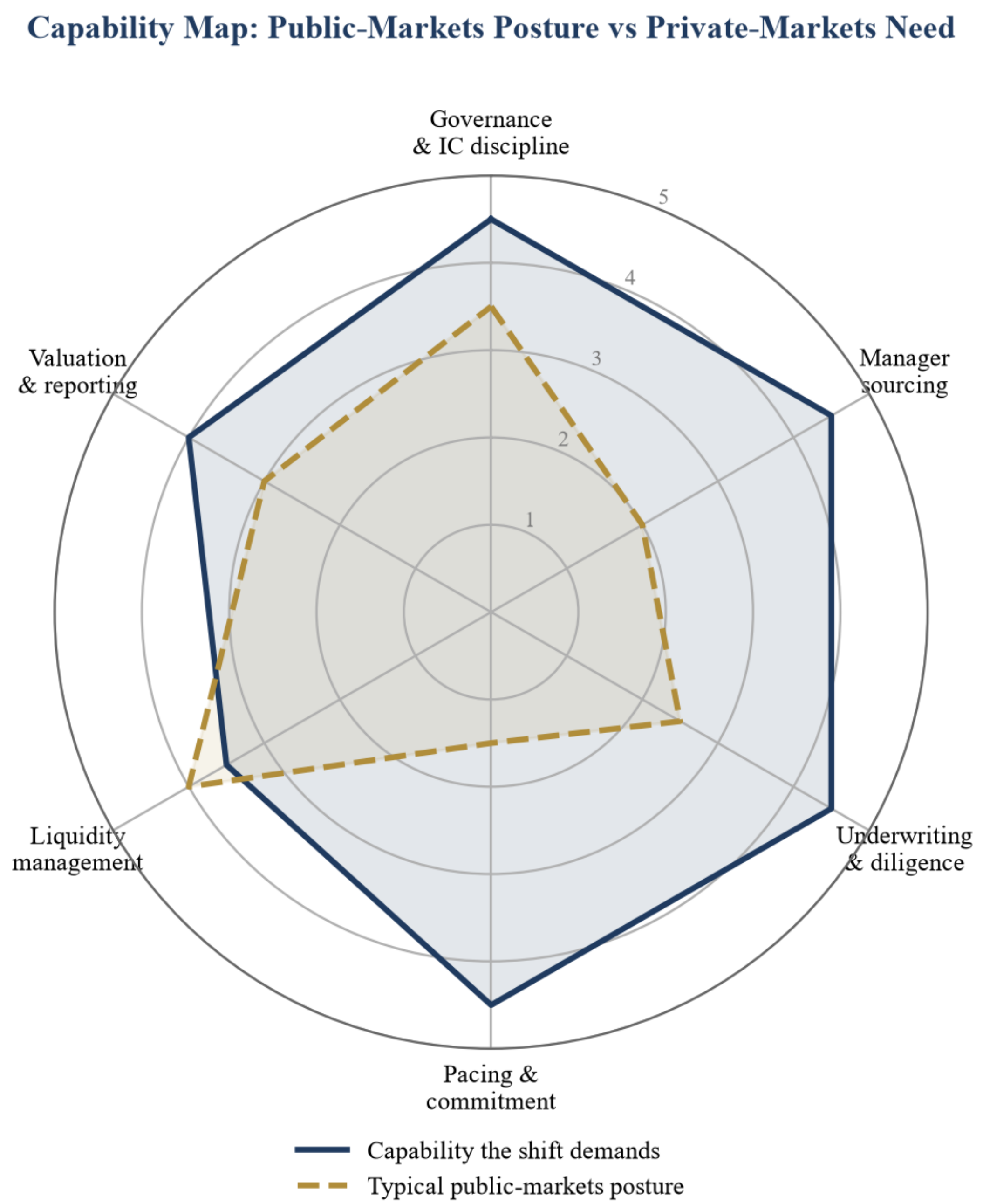

Figure 4. Capability Map: Public-Markets Posture vs Private-Markets Need

Illustrative scoring on a one-to-five scale across six capabilities. The gap is widest on manager selection, underwriting and pacing, the capabilities liquid investing never built.

The capability map is not merely descriptive; it is a work plan. The widest gaps, manager selection, underwriting and pacing, are exactly where a family office should concentrate the capability it builds or buys, and they are the dimensions on which the operating-model choice in Section 4.4 turns. A family that closes those gaps, whether by hiring, by partnering or by outsourcing, converts the abstract case for private markets into the ability to actually realise it.

4.2a Why Selection Dominates

Proposition 3 holds that, because the dispersion between good and poor managers in private markets is far wider than in public markets, selection rather than allocation is the dominant driver of outcomes. The practical implication is uncomfortable for a first-time allocator: getting the allocation roughly right but the managers wrong can produce worse outcomes than a more modest allocation to well-selected managers. This is why the capability to source, access and diligence managers, and to distinguish repeatable skill from a fortunate vintage, is the highest-value capability in the whole programme. It is also why access alone, the ability to get into a well-regarded fund, is necessary but not sufficient: access without diligence simply transfers the selection decision to whoever granted the access.

The selection problem is sharpened in the Gulf by the prevalence of relationship-led deal flow. Privileged access to local co-investments and club deals is a genuine advantage, but it is also a channel through which inadequately diligenced positions enter a portfolio, carried on the strength of a relationship rather than an underwriting. The discipline the shift demands is therefore not to forgo relationship-led deals, which are often the best ones, but to subject them to the same underwriting as any third-party fund.

There is a further, subtler reason selection dominates in the family-office context specifically. Unlike a large institution, a family office allocates a finite pool of attention as well as a finite pool of capital. It can sustain a working relationship with only so many managers, diligence only so many opportunities a year, and monitor only so many positions with the depth that good stewardship requires. This attention constraint argues for a deliberately concentrated roster of well-chosen, long-term manager relationships rather than a sprawling list, but it raises the stakes of each choice, because a poor selection consumes scarce attention as well as capital. The resolution is not to spread attention thinly across many managers but to invest selection effort heavily up front, so that the concentrated roster the family can actually monitor is populated by managers it has underwritten with real rigour. Selection and the capacity to monitor are, in this sense, two faces of the same capability.

4.3 Pacing the Move

Proposition 4 holds that the move into private markets must be paced across vintages and strategies as a multi-year commitment programme rather than executed as a single allocation. The reason is structural. Committed capital in closed-ended private funds is not invested at once; it is drawn down over several years as the manager finds deals, and returned over several more as those deals are realised. An investor who commits its entire target in a single year therefore ends up under-invested for years, then over-exposed to a single vintage, and is fully exposed to the cashflow shape known as the J-curve, in which early fees and drawdowns push cumulative cashflow negative before distributions pull it back.

Figure 5 shows that cashflow shape in stylised form for a single programme. Capital is called heavily in the early years, distributions build only later, and cumulative net cashflow troughs well below zero before recovering. The depth and the timing of that trough are exactly what a pacing plan must anticipate, because a family that needs the capital during the trough, or that loses its nerve there, will not reach the recovery.

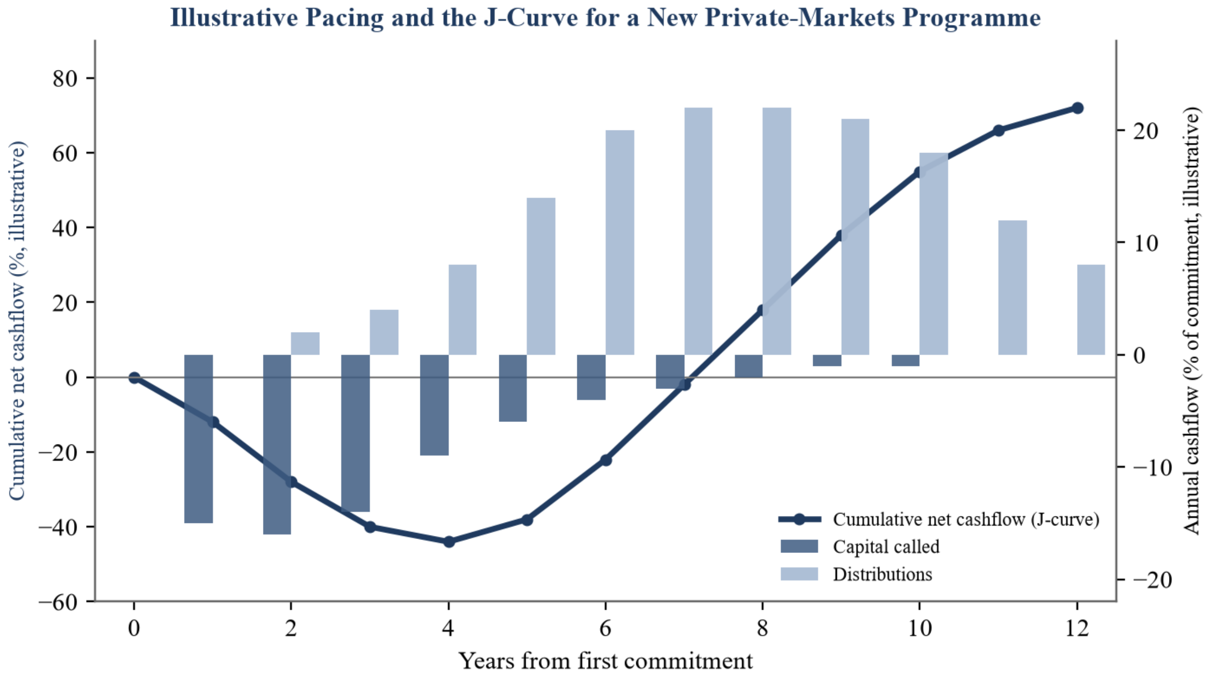

Figure 5. Illustrative Pacing and the J-Curve for a New Private-Markets Programme

Illustrative cashflow profile as a percentage of commitment. Capital is called early, distributions build later, and cumulative net cashflow troughs before recovering.

The answer to the J-curve is not to avoid it but to diversify across vintages, so that mature, distributing programmes fund the drawdowns of younger ones and the portfolio as a whole reaches a steady state in which it is both substantially invested and self-funding. Figure 6 illustrates a vintage-diversified commitment schedule, in which the family commits a planned share of an annual budget across strategies each year for several years, layering vintages rather than concentrating in one. The discipline this requires, committing steadily through good markets and bad, is precisely the governance capability the capability map identifies as only partly developed at most family offices.

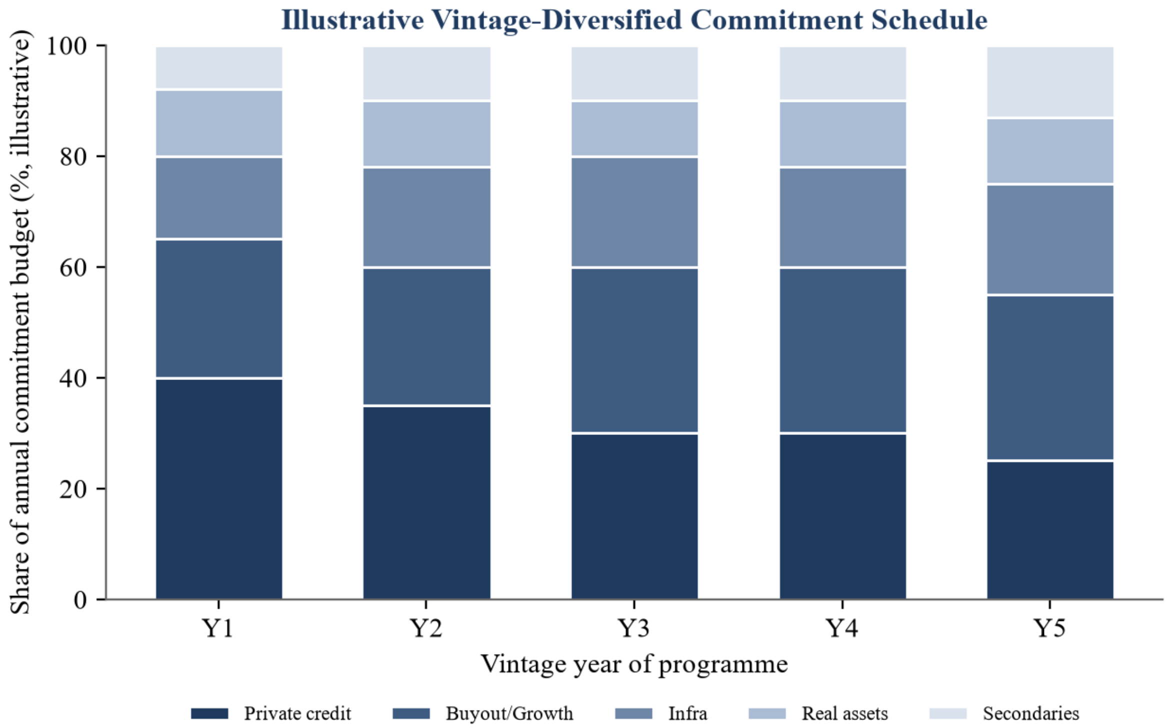

Figure 6. Illustrative Vintage-Diversified Commitment Schedule

Illustrative shares of an annual commitment budget across strategies and vintages. Layering vintages smooths the cashflow profile and avoids concentration in a single year.

4.4 Choosing an Operating Model

Proposition 5 holds that the right operating model is a structural choice to be matched to the programme, not adopted by default. A family office has a menu of ways to acquire the capabilities the shift demands, and they differ in cost, in the control and access they confer, and in how much internal capability they build. Figure 7 arranges the principal options by these dimensions.

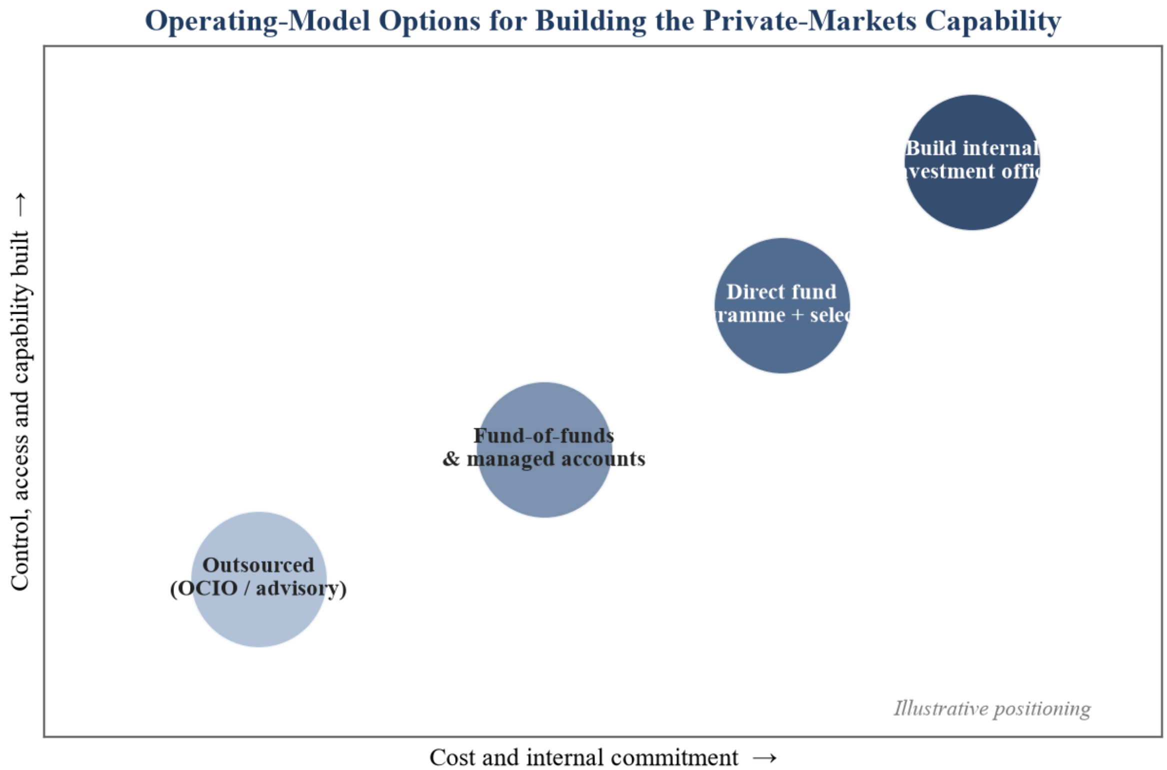

Figure 7. Operating-Model Options for Building the Private-Markets Capability

Illustrative positioning of operating-model options by cost and internal commitment against the control, access and capability each builds. The framework declares no single winner.

The principal options, in ascending order of cost and internal commitment, are:

- Outsourced advisory or an outsourced chief investment office. The lightest route: a third party designs the allocation, selects managers and runs pacing, while the family retains the decision. It buys capability quickly and cheaply relative to building, but it builds little internal capability and depends heavily on the quality and the alignment of the adviser.
- Funds-of-funds and managed accounts. The family commits to vehicles that themselves select and diversify across underlying managers, buying instant diversification and selection at the cost of an additional fee layer and a degree of distance from the underlying assets.
- A direct fund programme supported by external selectors. The family commits directly to primary funds and co-investments, using external research and selection support where it lacks internal depth. This builds real capability and control while sharing the selection burden.
- A fully built internal investment office. The fullest route: a professional team that sources, diligences, commits and monitors in-house. It builds the deepest capability, control and access and, at scale, can be the most cost-effective, but it is a significant fixed-cost and governance commitment that only larger programmes can justify.

The framework declares no winner. The right model depends on the size of the intended programme, the family's ambition to build a lasting institution, and its appetite to carry fixed cost and governance. A common and sensible pattern is to begin towards the outsourced or fund-of-funds end of the menu, where capability can be bought quickly, and to migrate towards direct programmes and an internal office as the programme scales and the family's own capability deepens. The error to avoid is adopting the fullest model before the programme justifies it, or the lightest model and then never building the capability to graduate from it.

The cost of the operating model deserves a clear-eyed treatment, because it is frequently underestimated at the lighter end and overestimated at the heavier end. An outsourced or fund-of-funds approach appears cheap because its fees are visible and modest relative to a salaried team, but it carries the hidden cost of an additional fee layer on every underlying position and the strategic cost of building no lasting capability of the family's own. A fully internal office appears expensive because its fixed costs, senior salaries, systems and premises, are large and immediate, but at a sufficient scale of assets those costs fall as a share of the portfolio and buy control, alignment and an institution that compounds. The honest comparison is therefore not fee against salary but total cost, including fee layers and foregone capability, against the scale of the programme. Below a certain scale the lighter models dominate on this fuller measure; above it, the case for building tilts decisively, which is why the migration pattern described above is so common and so sensible.

5. IMPLEMENTATION: A TWENTY-FOUR-MONTH ROADMAP

The map and the frameworks lead to a plan. This section sets out a staged twenty-four-month roadmap for a family office beginning or formalising the move into private markets. The roadmap is illustrative and should be compressed or extended to the family's circumstances, but the order of the workstreams matters, because each depends on the ones before it. Figure 8 shows the sequencing.

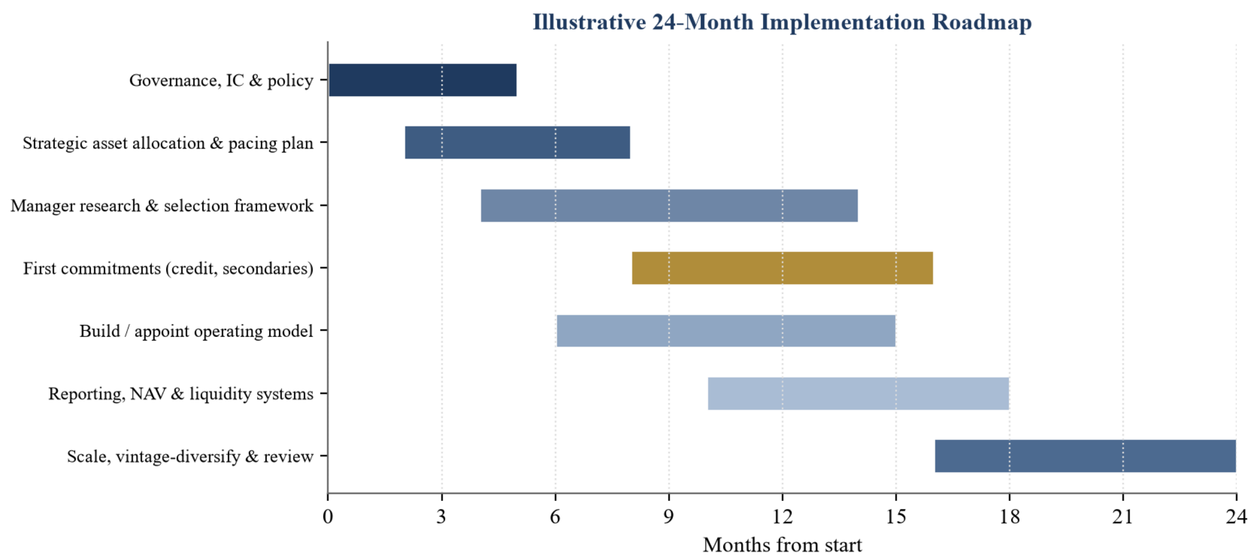

Figure 8. Illustrative 24-Month Implementation Roadmap

Illustrative sequencing of seven workstreams over twenty-four months. Governance and asset allocation come first; commitments follow the selection framework; scale and review come last.

5.1 Months 0 to 5: Governance, Investment Committee and Policy

The first workstream is governance, because nothing durable can be built on top of an undecided decision-making structure. The family agrees who decides, how, and against what policy: it establishes or refreshes an investment committee, writes an investment policy statement that states objectives, return and risk targets, liquidity needs and the target private-markets allocation, and defines the limits and the reporting it expects. This is the workstream that the institutionalisation literature identifies as both the hardest and the most consequential, and it is best done before any capital moves.

5.2 Months 2 to 8: Strategic Asset Allocation and Pacing Plan

Overlapping with governance, the family sets its strategic asset allocation, the target weight for private alternatives and its composition across credit, equity, infrastructure, real assets and secondaries, and translates that target into a multi-year pacing plan. This is where the J-curve and vintage-diversification frameworks of Section 4.3 are applied to produce a year-by-year commitment budget, calibrated to the family's liquidity needs so that the trough of the J-curve never coincides with a moment the family needs its capital.

5.3 Months 4 to 14: Manager Research and Selection Framework

The longest and most important workstream is building the capability that the capability map identifies as the widest gap and Proposition 3 identifies as the dominant driver of outcomes: manager sourcing, access, diligence and selection. The family decides how it will acquire this capability, the operating-model choice of Section 4.4, and puts in place a repeatable process for underwriting managers and co-investments, including the discipline to subject relationship-led local deals to the same diligence as any third-party fund.

5.4 Months 8 to 16: First Commitments

With a policy, a pacing plan and a selection process in place, the family makes its first commitments. A common and prudent sequence begins with the strategies that are most income-like and least exposed to the deep end of the J-curve, private credit and secondaries, before adding primary buyout, growth, infrastructure and venture commitments. The first vintage is deliberately modest, sized to let the family learn its own process before scaling.

5.5 Months 6 to 15: Build or Appoint the Operating Model

In parallel with the early commitments, the family stands up the operating model it has chosen, whether that means appointing an outsourced chief investment office or fund-of-funds relationships, engaging external selectors alongside a direct programme, or beginning to hire an internal team. The point of running this in parallel is that the operating model must be functioning before the programme scales, not after.

5.6 Months 10 to 18: Reporting, NAV and Liquidity Systems

As the portfolio acquires illiquid, infrequently valued positions, the family builds the systems to keep it legible: consolidated reporting across liquid and illiquid assets, a process for handling manager valuations and net asset value statements, and a liquidity and commitment-tracking framework that shows uncalled commitments, expected drawdowns and distributions, and the headroom the family has against its liquidity needs. This is the capability that prevents the unpleasant surprise, an unexpected drawdown into a liquidity squeeze, that ends more private-markets programmes than poor returns do.

5.7 Months 16 to 24: Scale, Vintage-Diversify and Review

In the final phase the family scales its commitments according to the pacing plan, layering new vintages on top of the first, and conducts its first full review: of the managers selected, of the process, and of the operating model, asking whether it should graduate from a lighter model towards a more direct or more internalised one. By the end of the twenty-four months the family has not merely made an allocation; it has built the repeatable machinery to run a private-markets programme for the long term.

5.8 Common Pitfalls and How the Roadmap Avoids Them

The staged sequence is designed to avoid the pitfalls that recur when family offices move into private markets. The first is committing capital before governance and policy are settled, which leaves decisions ad hoc and inconsistent; the roadmap puts governance first. The second is treating the move as a single allocation rather than a paced programme, which exposes the family to a single vintage and to the full force of the J-curve; the roadmap builds the pacing plan before the first commitment. The third is prizing access over diligence, which lets inadequately underwritten positions in on the strength of a relationship; the roadmap builds the selection framework before scaling. The fourth is neglecting reporting and liquidity systems until a drawdown forces the issue; the roadmap builds them as the portfolio becomes illiquid, not after.

6. RISKS, CAVEATS AND LIMITATIONS

A map of the allocation shift is only useful if it is honest about what it cannot see and about the risks of the territory it describes. This section sets out the limits of the framework and the principal risks an asset owner should weigh.

6.1 The Limits of an Illustrative Framework

The figures in this paper are stylised and illustrative. They are designed to show structure, relationships and orders of magnitude, not to report measured allocations, returns or flows, and not to forecast them. The allocation mix, the sleeve composition, the capability scores and the cashflow profiles are indicative calibrations, recorded in Appendix A, that the reader should replace with their own current and named data before acting. Treating any number here as a measured fact would be a misuse of the paper.

6.2 Illiquidity and Liquidity Risk

The defining risk of the shift is the one the family is deliberately taking on: illiquidity. Private commitments lock capital for long horizons, drawdowns arrive on the manager's schedule rather than the family's, and an investor forced to raise cash from an illiquid portfolio may have to sell good assets at a discount in a secondary market or fail to meet a capital call. The pacing and liquidity frameworks here mitigate but do not remove this risk; a family that under-budgets for liquidity, or that lets the private-markets weight drift too high relative to its real liquidity needs, can find the illiquidity premium turning into an illiquidity trap.

6.3 Selection and Concentration Risk

Because manager dispersion is wide, the family that selects poorly can underperform public markets even with the right allocation, and the family that concentrates, in a few managers, a single vintage, or a cluster of relationship-led local deals, compounds the risk. The frameworks stress selection capability and vintage and manager diversification precisely because these are the risks most likely to disappoint a first-time allocator, and they are risks of execution that no allocation decision alone can address.

6.4 Governance and Key-Person Risk

The institutionalisation the shift requires is itself fragile. A family office that builds its private-markets capability around one trusted individual carries key-person risk; one that fails to give its investment committee real authority and discipline may revert to ad hoc decisions under pressure. Generational handovers, the very events that often drive the shift, are also the moments at which governance is most tested. These are organisational risks that sit alongside the investment risks and deserve equal attention.

6.5 Valuation, Transparency and Conflicts

Private assets are valued infrequently and with judgement, which can flatter reported volatility and obscure the true mark of a position until an exit. Relationship-led local deal flow, a genuine Gulf advantage, can also carry conflicts of interest where the same network sources the deal, the co-investors and the valuation. The discipline to underwrite independently, to demand transparent reporting, and to take qualified external valuation and legal advice is part of the capability the shift demands.

6.6 Scope

Finally, this paper is an orientation and decision-support document for family offices and their advisers. It does not name managers, funds or deals, it does not rank strategies, and it offers no view on any specific allocation. It describes a way of reasoning about a structural shift and the capability it requires, and it should be read alongside, not in place of, the family's own strategic asset allocation work and qualified professional advice.

7. CONCLUSION

Gulf family offices and ultra-high-net-worth asset owners are reshaping their portfolios, moving a centre of gravity that long sat in liquid public markets, cash and direct property towards private credit, private equity, infrastructure, real assets and secondaries. The drivers, a yield and return gap, generational handover, the wish to diversify concentrated and dollar-heavy exposures, and privileged local deal access, are structural rather than tactical, and the shift they are producing is a change in the shape of the portfolio rather than a passing tilt.

The argument of this paper has been that the move is less a question of conviction than of capability. The case for private markets is well made and widely accepted; what determines whether a given family captures any of the returns that case promises is the operating machinery, the governance, the manager selection, the pacing and the liquidity management, that the move demands and that liquid investing never required the family to build. The capability map makes the gap visible; the pacing framework turns a target allocation into a disciplined multi-year programme; the operating-model menu and the roadmap turn the diagnosis into a plan.

Two observations close the argument. The first concerns sequence. The temptation, for a family with capital and conviction, is to commit first and build the capability afterwards. The order should be reversed: governance, policy and a selection process first, then paced commitments, then scale. The family that builds the machinery before it deploys at size will capture far more of the illiquidity premium than the family that deploys at size and builds the machinery under pressure. The second concerns the distinctive Gulf advantage. Privileged access to local private deals is real and valuable, but it is captured only by a family that subjects those deals to the same discipline it would apply to any third-party fund. Access without diligence is not an advantage; it is a concentration risk in disguise. The families that pair their access with capability will, on the argument of this paper, be the ones for whom the allocation shift delivers what it promises.

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ABOUT THE AUTHOR

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APPENDIX A. BASE-CASE ASSUMPTIONS

The table below records the stylised assumptions used in the figures and frameworks. They are indicative, illustrative calibrations chosen to make the structure legible, not measured data or forecasts. Readers should substitute their own current and named figures.

Table A1. Full Base-Case Assumptions

Parameter	Illustrative value	Used in
Listed securities weight, start to end	~58% to ~34%	Figure 2
Cash & equivalents weight, start to end	~14% to ~9%	Figure 2
Direct real estate weight, start to end	~20% to ~18%	Figure 2
Private alternatives weight, start to end	~8% to ~39%	Figure 2
Private credit share of alternatives sleeve	~30%	Figure 3
Buyout & growth PE share	~24%	Figure 3
Infrastructure & digital infra share	~18%	Figure 3
Real assets (ex-core RE) share	~12%	Figure 3
Venture & co-investment share	~10%	Figure 3
Secondaries share	~6%	Figure 3
Capability scores, public-markets posture	1.5 to 4.0 (of 5)	Figure 4
Capability scores, private-markets need	3.5 to 4.5 (of 5)	Figure 4
J-curve trough (cumulative net cashflow)	~ -44% of commitment	Figure 5
J-curve trough timing	~Year 4	Figure 5
Pacing horizon (vintage layering)	5 vintage years	Figure 6
Operating-model axes	Cost vs control/access	Figure 7
Implementation horizon	24 months	Figure 8

Illustrative assumptions; see Section 3. Not sourced data or forecasts.

APPENDIX B. ALLOCATION-SHIFT READINESS CHECKLIST

The following checklist distils the frameworks into the questions a family office should answer before and during its move into private markets.

- Have we written an investment policy that states our objectives, our target private-markets allocation, and the liquidity we must always retain?
- Does our investment committee have real authority and a discipline that will hold through good markets and bad?
- Have we translated our target allocation into a multi-year pacing plan, rather than treating the move as a single allocation?
- Have we stress-tested the J-curve against our liquidity needs, so a drawdown can never coincide with a moment we need the capital?
- Have we built or bought a repeatable manager-selection and underwriting capability, given that selection, not allocation, drives outcomes?
- Do we subject relationship-led local co-investments to the same diligence as any third-party fund?

- Have we chosen an operating model deliberately, matched to the size and ambition of the programme, rather than by default?
- Do we have consolidated reporting, NAV handling and commitment tracking across liquid and illiquid assets?
- Have we diversified across vintages and managers, rather than concentrating in one year or a few relationships?
- Have we taken qualified external legal, tax and valuation advice on the structures we are entering?

APPENDIX C. GLOSSARY OF KEY TERMS

The following glossary defines the principal terms used in this paper for readers less familiar with private-markets portfolio construction.

Private alternatives. Asset classes outside listed public markets, including private credit, private equity, infrastructure, real assets and secondaries.

Illiquidity premium. The additional return an investor may earn for committing capital that cannot be readily withdrawn over a long horizon.

Commitment pacing. The practice of planning how much capital to commit to private funds each year, across strategies and vintages, to reach and hold a target allocation.

J-curve. The characteristic shape of cumulative net cashflow in a private-markets programme: negative early as fees and drawdowns precede distributions, then recovering.

Vintage year. The year in which a fund or commitment begins investing; diversifying across vintages reduces dependence on the conditions of any single year.

Drawdown (capital call). A request by a fund manager for committed capital to be paid in to fund an investment.

Distribution. A return of capital and gains from a fund to its investors as investments are realised.

Net asset value (NAV). The estimated value of an investor's interest in a fund, typically reported periodically and based on the manager's valuation.

Secondaries. Transactions in which an existing investor sells its interest in a private fund or asset to another investor, providing liquidity and access to seasoned exposure.

Co-investment. A direct investment made alongside a fund or sponsor in a specific deal, usually with reduced or no fees.

Outsourced chief investment office (OCIO). An external provider that designs and runs an investor's portfolio, including allocation, manager selection and pacing, while the investor retains ultimate decision rights.

Single-family office (SFO). A private organisation that manages the wealth and affairs of one family.

Strategic asset allocation. The long-term target mix of asset classes a portfolio is built around, set against the owner's objectives, risk tolerance and liquidity needs.