Direct versus Fund Investing for GCC Family Offices: A Decision Framework for Accessing Private Markets

How a family office should choose between committing to funds, co-investing, and investing directly, and how to build the capability to move along that spectrum

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ABSTRACT

A Gulf family office that has decided to allocate to private markets faces a second decision that matters as much as the first: how to access them. The choice runs along a spectrum, from committing capital to a manager's fund, through co-investing alongside a sponsor, to investing directly and holding an asset on the family's own balance sheet. Each mode trades cost against control, diversification against concentration, and convenience against the burden of building an investment capability. This paper sets out a decision framework for that choice, written for principals and family offices in the United Arab Emirates and Saudi Arabia and for the chief investment officers and heads of alternatives who advise them. It treats the access decision as structural rather than a matter of taste, and organises it around four questions: what the family is trying to achieve, what it can afford to pay, how much control it wants, and what it is capable of doing. The argument is developed through a layered access spectrum, a cost and control trade-off, a decision tree, and a capability map, all illustrated with clearly labelled stylised figures rather than sourced data. The central claim is that there is no single right answer, only a right answer for a given family at a given stage of its development, and that the families that do best are those that match their access mode to their genuine capability and then build deliberately along the spectrum rather than leaping to direct ownership before they are ready for it.

JEL Classification: G11, G23, G24, G32, D14

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1. INTRODUCTION

A family office in the Gulf that has resolved to put money into private markets has answered the easier of two questions. The harder one is how. Private equity, private credit, real assets and venture can each be reached through several routes, and the route chosen shapes the cost the family pays, the control it holds, the diversification it obtains, and the work it must do. A family can commit to a manager's fund and let the manager source, underwrite and steward the assets. It can co-invest alongside a sponsor in a single deal, paying less and concentrating more. Or it can invest directly, holding an asset on its own balance sheet, with all the control and all the burden that ownership implies. Between these poles sit fund-of-funds, secondaries, club deals and syndicates. The decision is not binary and it is rarely permanent.

This paper sets out a framework for that decision. It is written for two audiences that the access question joins together. The first is the principal or family office in the United Arab Emirates or Saudi Arabia, the owner of the capital, who must decide how the family participates in private markets and how much of an investment organisation it wishes to become. The second is the chief investment officer or head of alternatives, in a single-family office, a multi-family office or a private-wealth platform, who advises that principal and must turn an instinct about control into a defensible allocation policy. The two audiences share a problem: the access decision is too often made by reflex, by imitation of a peer, or by the pull of a single attractive deal, when it should be made by reasoning from the family's objectives and its genuine capability.

The Gulf context sharpens the question rather than changing its logic. Family wealth in the region is substantial, often concentrated in an operating business or in real estate, and increasingly directed towards diversification into financial assets and into private markets in particular. Many families have the balance sheet to invest directly and the appetite for control that comes from a heritage of owning and running businesses. That combination is an advantage, but it also creates a temptation: to assume that because the family can write a large cheque it can also underwrite, structure, monitor and, if necessary, rescue a private asset without the apparatus that institutions build for the purpose. The access decision is where that temptation is best examined and disciplined.

Three caveats frame the analysis. First, this is a decision framework, not investment advice, and nothing in it recommends a particular allocation, manager, instrument or transaction. Second, the figures are illustrative. They are stylised constructions used to make the trade-offs legible, not forecasts and not sourced measurements, and every one is labelled as such. Third, the framework is general. It applies across asset classes and is calibrated to conditions in the Gulf in 2026, but it is a way of reasoning rather than a set of numbers to be lifted into a policy document.

The paper makes three contributions. First, it arranges the access modes on a single spectrum and shows what is traded as a family moves along it, so that the choice can be seen whole rather than as a series of unrelated yes-or-no decisions. Second, it supplies a decision tree that takes a family from its objectives and capability to an access mode, and a capability map that makes explicit what each mode demands of the organisation behind it. Third, it argues for a developmental view: that access is a path a family travels deliberately, anchoring first in funds, learning through co-investment, and graduating to direct ownership only where conviction, capability and governance are all in place.

It is worth stating plainly why the access decision deserves treatment as a strategic matter rather than an operational one. The mode of access determines the fees the family pays over a multi-decade horizon, and the difference between paying two layers of fees and paying none compounds into a large number. It determines whether the family controls the assets it owns or delegates that control to others. It determines the shape of the family's cash flows and therefore its liquidity. And it determines what kind of organisation the family must build and pay for. A decision with consequences of that breadth should be reasoned through, not defaulted into.

The remainder of the paper is structured as follows. Section 2 reviews the relevant literature on financial intermediation, on the economics of delegated versus direct investment, and on family-office governance, and draws from it a set of propositions. Section 3 sets out the data and methodology and is explicit about the illustrative nature of the figures. Section 4 develops the framework: the access spectrum, the cost and control trade-off, the decision tree and the capability map. Section 5 turns the framework into an implementation path. Section 6 sets out the risks, caveats and limitations. Section 7 concludes. Three appendices provide the full base-case assumptions, a decision checklist, and a glossary.

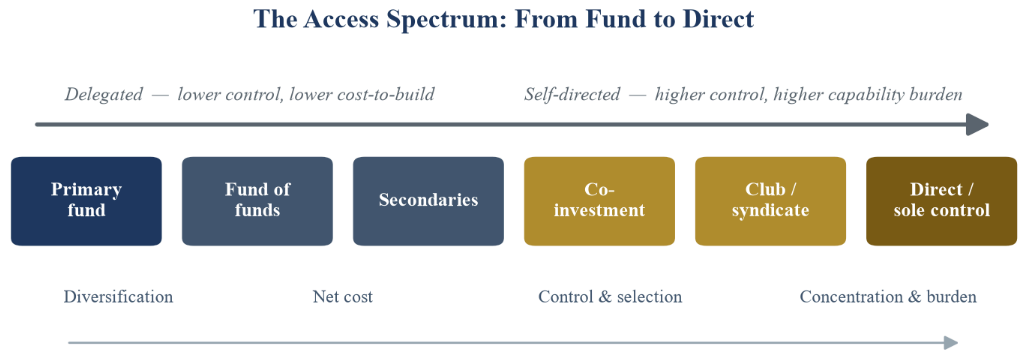

Figure 1. The Access Spectrum: From Fund to Direct

Illustrative schematic. Access modes run from fully delegated fund investing to fully self-directed direct ownership; moving rightward trades convenience and diversification for control and capability burden.

2. LITERATURE REVIEW AND PROPOSITIONS

The framework draws on three bodies of work: the literature on financial intermediation and the role of delegated monitoring; the literature on the economics of private-market access, fees and co-investment; and the literature on family-office structure and governance. Each speaks to one face of the access decision, and together they yield the propositions the rest of the paper develops.

2.1 Intermediation and Delegated Monitoring

The first body of work explains why funds exist at all. The theory of financial intermediation holds that an intermediary which pools the capital of many investors and monitors borrowers or portfolio companies on their behalf can do so more cheaply than each investor acting alone, because monitoring has a fixed cost that is wasteful to duplicate. Diamond's account of delegated monitoring formalises the intuition: investors delegate the costly work of screening and oversight to an intermediary, and accept the intermediary's fee as the price of avoiding the duplication and of diversifying the intermediary's own incentive problem across many positions. The implication for a family office is direct. A fund is, among other things, a device for buying monitoring and diversification that the family would otherwise have to produce itself, and the fee is the price of that service. Whether the price is worth paying depends on whether the family can produce the same monitoring more cheaply, which in turn depends on its scale and its capability.

The same literature explains the limits of delegation. Delegation introduces a principal-agent problem of its own: the manager's interests are not perfectly aligned with the investor's, and the structures that private-market funds use, the carried interest, the hurdle, the clawback, the key-person clause, exist to narrow that gap. They narrow it but do not close it. An investor who delegates accepts residual agency cost in exchange for the monitoring and diversification it buys. An investor who invests directly avoids the manager's agency cost but takes on the full monitoring burden and forgoes diversification. The access decision is, at bottom, a choice about where to bear cost: in fees and residual agency cost, or in the capability and concentration that direct investing requires.

2.2 The Economics of Access, Fees and Co-Investment

A second body of work examines the economics of private-market access directly. The recurring finding is that fees are a first-order determinant of the return an investor actually keeps, and that the gap between gross and net widens with the number of intermediation layers. A fund charges a management fee and carried interest; a fund-of-funds charges a second layer on top. Co-investment, by contrast, is typically offered to limited partners at reduced or zero fees, because the sponsor values the additional capital and the deepening of the relationship. The literature on co-investment documents both its attraction, the fee saving and the chance to concentrate in chosen assets, and its hazards: adverse selection, where the deals offered for co-investment are not a random sample of the sponsor's pipeline, and the operational demands of underwriting a single asset on a compressed timetable.

This literature also frames the trade-off that runs through the whole access decision. Lower-cost modes such as co-investment and direct ownership concentrate capital and demand capability; higher-cost modes such as funds and fund-of-funds diversify and delegate. The saving from moving down the cost ladder is real and compounds, but it is earned only if the investor can supply the capability that the cheaper modes assume. An investor who co-invests without the means to underwrite, or who invests directly without the means to monitor and to manage distress, has not saved a fee so much as deferred a cost.

2.3 Family-Office Structure and Governance

A third body of work concerns the family office itself: how it is organised, how it is governed, and how it builds investment capability. The literature distinguishes the embedded family office, run within an operating business, from the standalone single-family office and the multi-family office, and finds that the choice of structure shapes what the family can credibly do in private markets. It emphasises that direct investing is an organisational commitment, not merely a capital one, requiring sourcing, underwriting, legal and structuring capacity, portfolio monitoring, and the governance to make decisions and to hold the organisation to account. It also documents a common failure mode: the family that invests directly on the strength of the principal's conviction and the operating business's success, without building the apparatus that disciplined direct investing requires, and that discovers the gap only when an asset underperforms or a situation turns distressed.

The governance strand of this literature is especially relevant to the Gulf, where families frequently combine deep balance sheets, a heritage of direct ownership, and governance arrangements that are still maturing as wealth passes between generations. It suggests that the access decision and the governance question are inseparable: a family cannot sensibly decide how directly to invest without deciding how it will make and oversee investment decisions, and the maturity of its governance is itself a constraint on how far along the access spectrum it can responsibly travel.

2.4 Synthesis and Propositions

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

Proposition 1. Access to private markets is best understood as a spectrum, from delegated fund investing to self-directed direct ownership, along which an investor trades cost and capability burden against control, selection and concentration.

Proposition 2. The mode of access is a first-order determinant of the return the family keeps, because each layer of intermediation carries a fee, and the saving from moving down the cost ladder compounds over the holding period.

Proposition 3. Lower-cost modes are not free: co-investment and direct ownership substitute the family's own capability for the manager's, and the saving is earned only where that capability genuinely exists.

Proposition 4. Direct investing is an organisational commitment, not merely a capital one; the binding constraint is rarely money and usually capability and governance.

Proposition 5. The access decision is developmental: families do best by anchoring in funds, learning through co-investment, and graduating to direct ownership selectively, rather than by leaping to direct control before they are ready.

3. DATA AND METHODOLOGY

This study is analytical and descriptive rather than empirical. It builds a decision framework and illustrates it with stylised figures whose assumptions are stated explicitly. It does not estimate a model from data, does not report measured returns or fees for any manager, fund or transaction, and does not forecast outcomes. Its purpose is to make the structure of the access decision legible and to give a family office a disciplined way to reason about it.

3.1 The Decision Framework

The framework has four components. The first is the access spectrum, which arranges the modes of access on a single line and identifies what is traded as a family moves along it. The second is the cost and control trade-off, which positions the modes against each other on the two dimensions that most often drive the decision. The third is the decision tree, which takes a family from its objectives and capability to a recommended mode through a sequence of questions. The fourth is the capability map, which makes explicit the functions an investment organisation must perform and the degree to which each mode demands them. Two further constructions, an illustrative net-return comparison and a pacing profile, show why the trade-offs matter to the numbers a family ultimately keeps.

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 a family should access private markets, given its objectives, its budget, its appetite for control and its capability. It is not a recommendation to invest, to allocate in any particular way, or to use any particular mode, manager or instrument. The figures illustrate mechanics and relationships; they are not measurements, and the specific numbers within them, the basis points of cost, the indexed returns, the months on a roadmap, are chosen to make a structure visible and would differ for any actual family. A family applying the framework should populate it with its own circumstances and, where the decision involves regulated activity, take professional advice appropriate to its jurisdiction.

The choice of an analytical, illustrative method rather than an empirical one is deliberate. Reliable, comparable data on family-office access decisions, on the realised cost of each mode, and on the returns families actually keep are scarce, private and inconsistent across jurisdictions. An analysis that purported to estimate these quantities from such data would convey a false precision. A transparent framework, by contrast, exposes its assumptions and lets a family substitute its own. The aim is a way of thinking that survives the next turn of the market, not a set of numbers that does not.

3.2 Assumptions and Their Justification

The stylised inputs used in the figures, the relative cost of the access modes, the capability scores, the indexed returns and the pacing profiles, are illustrative calibrations chosen to make the framework legible. They are directionally consistent with how the modes are generally understood to relate, fund and fund-of-funds modes cost more and demand less; co-investment and direct modes cost less and demand more, but the specific values carry no claim to measurement. Table 1 summarises the base-case assumptions; the full set appears in Appendix A.

Parameter	Illustrative basis
Access modes	Six modes from fund to direct, plus fund-of-funds and secondaries
Cost dimension	All-in annual cost drag in basis points of capital deployed; illustrative
Control dimension	Qualitative scale from delegated selection to sole control
Capability functions	Seven functions scored low/medium/high per mode
Net-return comparison	Indexed IRR build from gross to net-to-family; two routes
Pacing profiles	Indexed cumulative cash flow over ten years; fund versus direct
Roadmap horizon	Thirty-six month build-out, stylised milestones
Region and date	Calibrated to GCC conditions in 2026; general, not entity-specific

4. THE DECISION FRAMEWORK

This section develops the framework in the order of the propositions. It first sets out the access spectrum and the trade-off it embodies (Propositions 1 and 2), then the way lower cost is paid for in capability (Proposition 3), then the decision tree and the capability map that turn the trade-off into a choice (Proposition 4), and finally the developmental view that frames the whole (Proposition 5).

4.1 The Access Spectrum

The starting point, set out in Figure 1, is that the modes of access form a spectrum rather than a menu of unrelated options. At one end sits the primary fund commitment, where the family delegates sourcing, underwriting, stewardship and exit to a manager and accepts the manager's fee in return. Next come the fund-of-funds and the secondaries fund, which add a further layer of delegation and diversification, the first by selecting managers, the second by buying seasoned positions at a stage where the early losses are behind them. Towards the middle sits co-investment, where the family invests in a single asset alongside a sponsor, typically at reduced or no fee, taking on more concentration and more underwriting work. Further along sit the club deal and the syndicate, where the family invests with a small group of like-minded investors and may take governance rights. At the far end sits direct investment, where the family sources, underwrites, owns and stewards an asset on its own balance sheet, holding all the control and bearing all the burden.

The value of seeing the modes as a spectrum is that it exposes what is traded as a family moves along it. Moving rightward, towards direct ownership, the family gains control over selection and over the asset, sheds layers of fees, and concentrates its capital. Moving leftward, towards the fund, it gains diversification and delegation, sheds the burden of building a capability, and accepts the fees and the residual agency cost that delegation carries. No point on the spectrum dominates the others. The right point for a family depends on what it is trying to achieve, what it can afford, how much control it wants and what it is capable of doing. The remaining components of the framework make those dependencies explicit.

4.2 The Cost and Control Trade-Off

Proposition 2 holds that the mode of access is a first-order determinant of the return the family keeps, because each layer of intermediation carries a fee. Figure 2 positions the access modes on the two dimensions that most often drive the decision: the control the family has over selection and over the single asset, and the all-in annual cost drag that the mode imposes. The picture is illustrative, but the relationships it depicts are the ones the family must weigh.

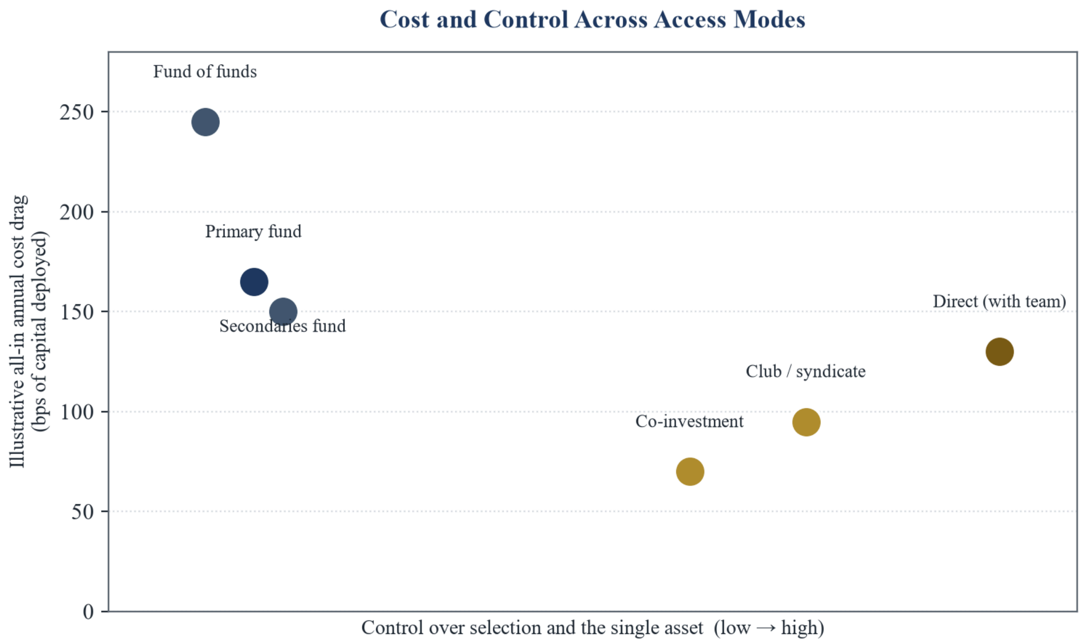

Figure 2. Cost and Control Across Access Modes

Illustrative positioning. Fund and fund-of-funds modes sit high on cost and low on control; co-investment and club modes sit low on cost and high on control; direct ownership carries high control and a moderate but internalised cost.

Three features of the figure are worth drawing out. First, the fund-of-funds sits highest on cost, because it layers a second fee on the underlying fund fees, and lowest on control, because the family is twice removed from the asset. It buys diversification and manager selection at the highest price. Second, co-investment and the club deal sit lowest on cost, because they are typically offered at reduced or no fee, and high on control, because the family chooses the asset and may negotiate terms. They are the most efficient points on the spectrum for a family that can supply the capability they assume. Third, direct ownership carries the highest control but not the lowest cost, because the cost of a direct programme does not vanish; it is internalised as the salaries, systems and overhead of the family's own investment organisation. A family that invests directly does not escape cost so much as convert an external fee into an internal one, and whether that conversion is economic depends on its scale.

The practical lesson is that the cost saving from moving down the ladder is real and compounds, but it is not free, and it is not the same kind of saving at every step. Moving from a fund-of-funds to a primary fund removes a layer of external fee cleanly. Moving from a primary fund to co-investment removes most of the remaining external fee but adds an underwriting burden. Moving from co-investment to direct ownership removes the rest of the external fee but builds a fixed internal cost that only large portfolios amortise. The family should know which kind of step it is taking.

4.3 Where Lower Cost Is Paid For: The Net-to-Family Build

To make the fee point concrete, Figure 3 shows an illustrative build from a gross asset return to the return a family keeps, comparing a fund route with a co-investment route. The gross return on the underlying asset is the same in both; what differs is how much of it survives to the family after the layers of cost.

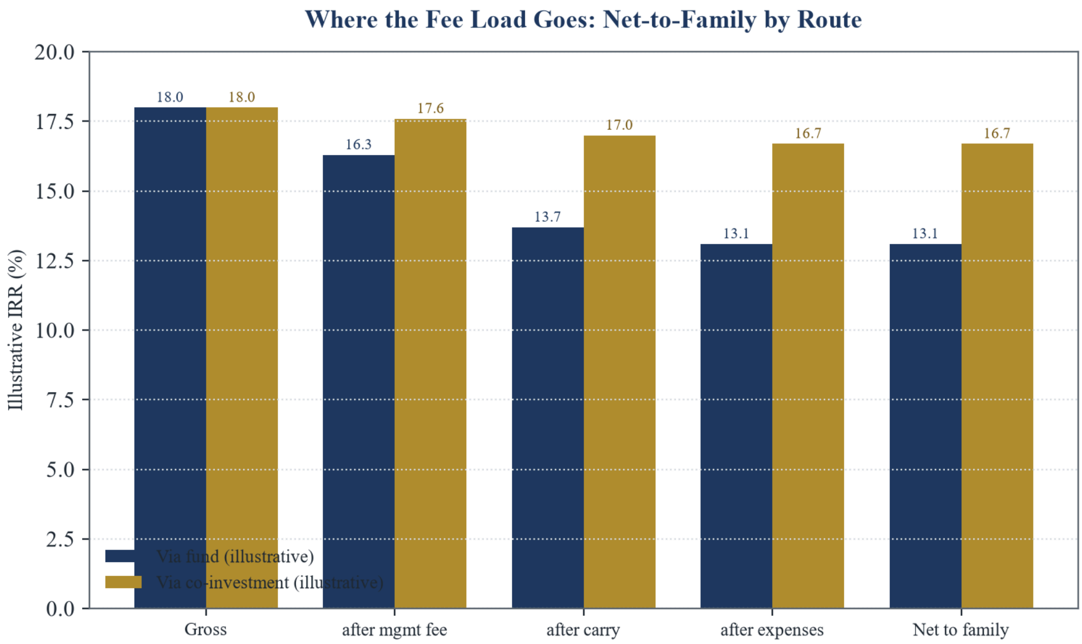

Figure 3. Where the Fee Load Goes: Net-to-Family by Route

Illustrative IRR build. The same gross asset return is reduced by management fee, carried interest and fund expenses on the fund route, and by much smaller amounts on a reduced-fee co-investment route, leaving a higher net-to-family figure on the latter. Stylised; not a forecast.

The figure illustrates Proposition 2 in numbers. On the fund route, the gross return is reduced by a management fee charged on committed or invested capital, by carried interest taken on the profit above a hurdle, and by fund-level expenses, so that the net-to-family figure sits well below the gross. On the reduced-fee co-investment route, the same gross return is reduced by much smaller amounts, and the net-to-family figure sits closer to the gross. The gap between the two net figures is the fee saving that co-investment offers, and over a multi-year hold it compounds into a material difference in wealth.

Two cautions temper the conclusion. The first is that the gross return is not in fact guaranteed to be the same on both routes. A fund spreads its capital across many assets, so its gross return is the diversified average of a portfolio; a co-investment concentrates in one asset, so its gross return is the outcome of a single bet, with a wider range of possibilities around the same expected value. The fee saving is real, but it is earned by taking concentration risk. The second caution is the adverse-selection hazard noted earlier: the deals offered for co-investment are not a random sample, and a family that takes them indiscriminately may find its realised gross return below the fund's diversified average, wiping out the fee saving and more. The figure shows what is available to a family that can select well; it does not promise the saving to a family that cannot.

4.4 The Decision Tree

The trade-off having been set out, the family needs a way to reach a decision. Figure 4 supplies a decision tree that takes a family from its circumstances to a recommended access mode through a sequence of questions, beginning with the one that most often binds.

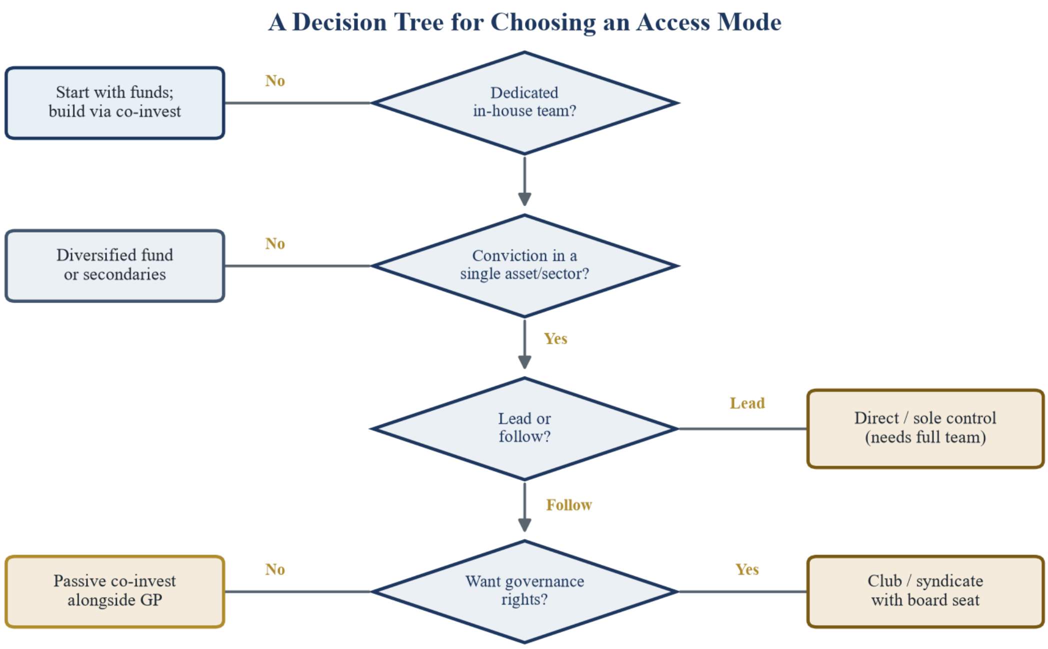

Figure 4. A Decision Tree for Choosing an Access Mode

Illustrative decision logic. The tree begins with capability and conviction and resolves towards a mode of access; it is a structure for reasoning, not a prescription, and a family should adapt the questions to its own situation.

The first question is whether the family has, or is willing to build, a dedicated in-house investment team. If it does not, the tree directs it to funds, with co-investment used selectively as a way to learn and to build relationships rather than as a core strategy. This is not a counsel of timidity; it is a recognition that the cheaper modes assume a capability that an unequipped family cannot supply, and that committing to a fund is the responsible default for a family that has not yet built one.

The second question, reached only if the family has or will build a team, is whether it has genuine conviction in a single asset or sector, conviction grounded in knowledge rather than in the attractiveness of a particular deal in front of it. A family without such conviction is directed to diversified funds or secondaries, which spread the capital and do not require the family to back its own selection. A family with conviction proceeds to the third question.

The third question is whether the family wishes to lead, taking the initiative and the control of a transaction, or to follow, participating in a transaction that another party leads. A family that wishes to lead is directed to direct or sole-control ownership, the most demanding mode, available only to a family with the full apparatus of an investment organisation. A family that prefers to follow proceeds to the fourth question.

The fourth question is whether the family wants governance rights, a board seat, information rights, a say in major decisions, or is content to participate passively. A family that wants governance is directed to the club deal or syndicate, where a small group of investors shares control and the family can hold a seat; a family content with passivity is directed to co-investment alongside a sponsor, where it concentrates in a chosen asset but leaves the stewardship to the lead. The tree is deliberately simple, and its branches are not exhaustive, but it has the virtue of forcing the family to confront the questions in the order in which they matter: capability first, conviction second, control last.

4.5 The Capability Map

Proposition 4 holds that the binding constraint on direct investing is rarely money and usually capability. Figure 5 makes that explicit by mapping the functions an investment organisation must perform against three representative access modes: the fund limited partner, the active co-investor, and the direct or sole owner.

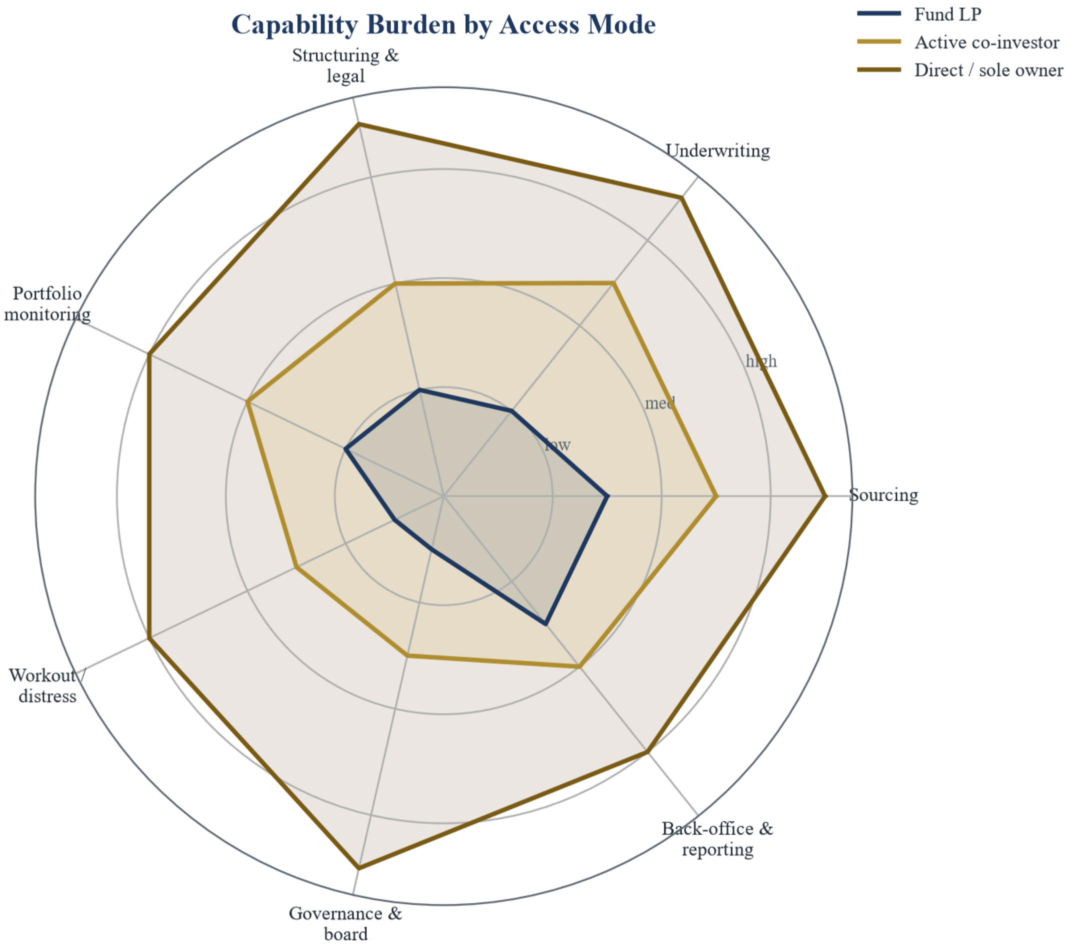

Figure 5. Capability Burden by Access Mode

Illustrative capability profile. Each axis is a function the investment organisation must perform; the area enclosed grows as the family moves from fund LP to direct owner, showing how the capability burden rises along the access spectrum. Stylised scoring.

The functions are seven. Sourcing is the ability to see opportunities, which a fund LP largely outsources to managers but a direct owner must generate itself. Underwriting is the ability to assess an opportunity, modest for an LP relying on a manager's diligence, substantial for a co-investor reviewing a single asset, and complete for a direct owner. Structuring and legal is the ability to design and negotiate the terms of an investment, light for an LP signing a manager's documents, heavy for a direct owner negotiating its own. Portfolio monitoring is the ongoing oversight of holdings, which a fund performs for an LP but a direct owner must perform itself. Workout and distress is the ability to manage an asset that is failing, a capability an LP never needs but a direct owner cannot do without. Governance and board is the ability to exercise control rights, irrelevant to a passive LP, central to a club investor and a direct owner. Back-office and reporting is the administrative machinery of valuation, accounting and reporting, which a fund supplies to an LP but a direct owner must build.

The map's lesson is visual and immediate: the area enclosed by the direct owner's profile is several times that of the fund LP's, and the difference is the organisation the family must build and pay for. A family that wishes to invest directly should read the map as a checklist of the capabilities it must possess, and should be honest about the axes on which it is weak. The most dangerous gaps are the ones a family discovers only under stress: a family may source and underwrite competently in benign conditions and find, when an asset turns distressed, that it has no workout capability at all. The capability map is the instrument that turns the access decision from an expression of appetite into an assessment of readiness.

4.6 Pacing and the Shape of Cash Flows

A final dimension of the access decision, easily overlooked, is the shape of the cash flows each mode produces. Figure 6 contrasts the indexed cumulative cash-flow profile of a diversified fund programme with that of a concentrated direct book.

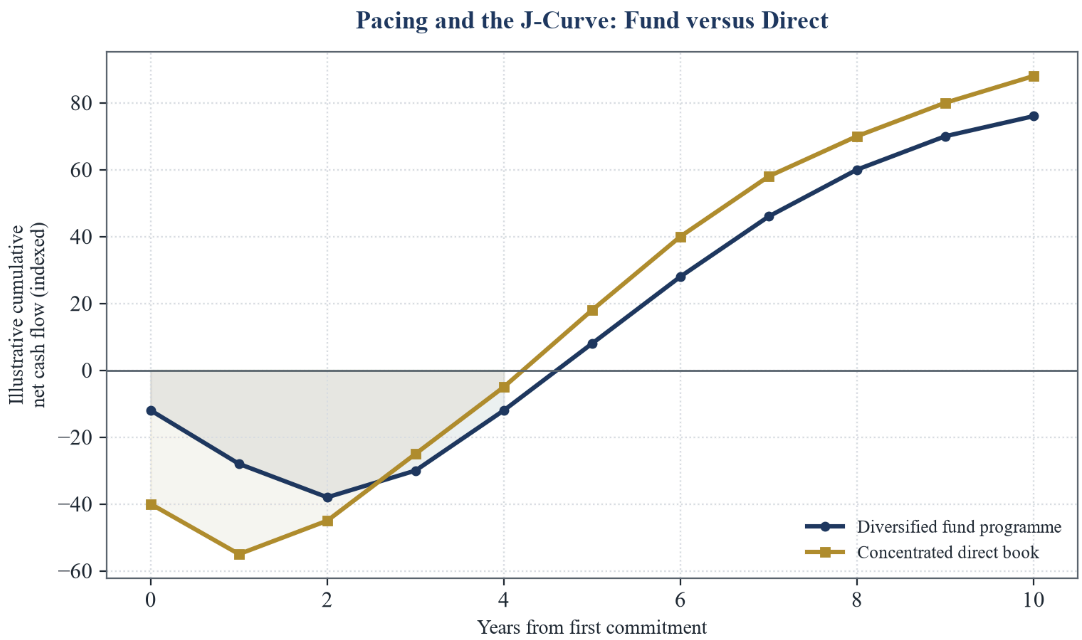

Figure 6. Pacing and the J-Curve: Fund versus Direct

Illustrative cumulative net cash flow indexed over ten years. A diversified fund programme smooths the J-curve through pacing across vintages; a concentrated direct book has a deeper and more variable early drawdown. Stylised; not a forecast.

A diversified fund programme, built by committing to several funds across vintages, smooths the familiar J-curve: as later commitments draw capital while earlier ones begin to distribute, the programme's net cash flow turns positive sooner and more steadily than any single fund would. A concentrated direct book, by contrast, has a deeper and more variable early drawdown, because the family funds whole assets rather than gradual capital calls, and its distributions depend on the timing of a few exits rather than the average of many. The direct book may ultimately return more, having paid no fees, but it does so with a less predictable cash profile and a greater demand on the family's liquidity in the early years. A family choosing its access mode is also, whether it realises it or not, choosing the shape of its liquidity, and a family that has not planned for the deeper early drawdown of a direct programme may be forced to sell assets at the worst time to meet it.

5. IMPLEMENTATION: A DEVELOPMENTAL PATH

Proposition 5 holds that the access decision is developmental, that families do best by anchoring in funds, learning through co-investment, and graduating to direct ownership selectively, rather than by leaping to direct control before they are ready. This section turns that proposition into a path. Figure 7 sets out an illustrative thirty-six-month build-out from fund limited partner to selective direct owner.

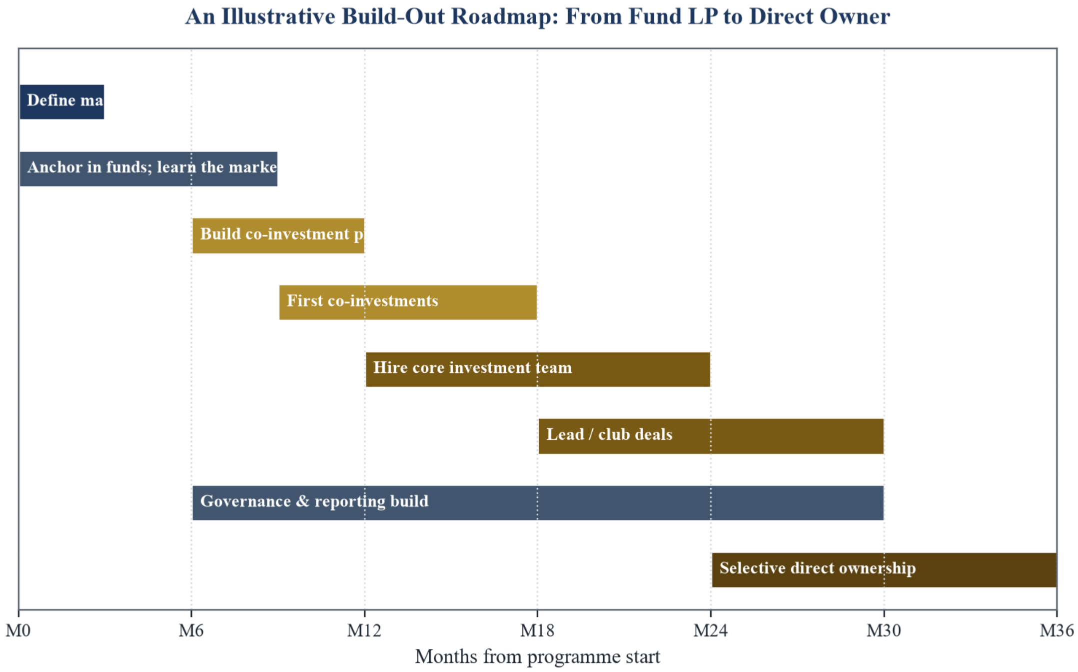

Figure 7. An Illustrative Build-Out Roadmap: From Fund LP to Direct Owner

Illustrative sequencing over thirty-six months. The bars overlap deliberately: a family builds capability and relationships through funds and co-investment before taking on direct ownership. Timings are stylised and would differ for any actual family.

5.1 Months 0 to 3: Define the Mandate

The path begins not with a deal but with a decision about what the family is trying to achieve. Before any capital is committed, the family should set out its objectives, its return requirement, its liquidity needs and its appetite for control, and should write them down in a form that can govern later decisions. This is also the moment to be honest about capability: to take the capability map of Figure 5 and to assess, function by function, where the family stands. A family that skips this step and begins with a deal will find that the deal, rather than the family's objectives, has set its access strategy.

5.2 Months 0 to 9: Anchor in Funds

The first commitments should be to funds, for two reasons. The first is that funds deliver diversified exposure to private markets quickly and without requiring a capability the family has not yet built, so the family is invested while it learns. The second is that a fund relationship is the most reliable route to the co-investment opportunities that come later: sponsors offer co-investment to their limited partners, and a family that has committed to a manager's fund earns a place in the queue. Anchoring in funds is thus both an investment and an investment in the relationships that the next stage depends on.

5.3 Months 6 to 12: Build the Co-Investment Pipeline

With fund relationships established, the family can begin to build a co-investment pipeline. This is the stage at which it starts to develop its own underwriting capability, reviewing the single-asset opportunities its sponsors offer, learning to distinguish the attractive from the adversely selected, and building the discipline to decline most of what it sees. The family is not yet committing large sums; it is learning to underwrite on real opportunities, with the sponsor's own diligence as a benchmark against which to test its developing judgement.

5.4 Months 9 to 18: First Co-Investments

The first co-investments follow. These should be modest in size relative to the family's portfolio, concentrated in sectors the family understands, and made alongside sponsors whose judgement the family has come to trust through the fund relationship. The purpose is as much developmental as financial: each co-investment exercises the family's underwriting, monitoring and, eventually, governance capabilities on a real asset, and builds the track record and the confidence that more ambitious modes require. A family that has made a dozen sound co-investments has learned more about direct investing than any amount of planning could teach it.

5.5 Months 12 to 24: Build the Team

As the co-investment programme grows, the family must decide whether to build the in-house team that direct investing requires. This is the most consequential and the most expensive commitment on the path, and the decision should be driven by the family's genuine intention to invest directly at scale, not by the prestige of having a team. A family that builds a team it does not keep busy has converted a variable external fee into a fixed internal cost without the volume to justify it. The team should be built to the family's actual pipeline, function by function, with the gaps identified on the capability map filled first.

5.6 Months 18 to 30: Lead and Club Deals

With a team in place and a co-investment track record established, the family can begin to lead, taking the initiative in transactions and inviting others to follow, and to participate in club deals where it shares control and holds governance rights. This is the stage at which the family moves from following the judgement of others to backing its own, and at which the governance arrangements built earlier are first tested in earnest. A family that reaches this stage has become, in substance, an investment organisation, and should be governed as one.

5.7 Months 24 to 36: Selective Direct Ownership

Only at the end of the path, and only selectively, does the family take on sole-control direct ownership: sourcing, underwriting, owning and stewarding an asset on its own balance sheet, with no sponsor to share the burden. The word selectively is the operative one. Direct ownership is the most demanding mode and should be reserved for the assets in which the family has the deepest conviction and the most relevant capability, not adopted as a default because the family has built a team. A mature family office will hold a portfolio that spans the spectrum, funds for diversified exposure, co-investments for concentrated conviction at low cost, and a small number of direct holdings where it has a genuine edge, rather than abandoning the earlier modes as it acquires the later ones.

5.8 Common Pitfalls and How the Path Avoids Them

The developmental path is designed to avoid the failures that the literature and practice document. The first is leaping to direct ownership on the strength of the operating business's success, without building the investment capability that direct ownership requires; the path avoids it by making direct ownership the last stage, reached only after capability has been built and tested. The second is taking co-investments indiscriminately, falling prey to adverse selection; the path avoids it by building underwriting discipline before scaling co-investment, and by anchoring co-investment in trusted sponsor relationships. The third is building a team before there is work for it to do; the path avoids it by making the team a response to a growing pipeline rather than a precondition for one. The fourth is neglecting governance until a decision goes wrong; the path avoids it by building governance and reporting capability in parallel from an early stage, rather than bolting it on after the fact.

6. RISKS, CAVEATS AND LIMITATIONS

6.1 The Limits of an Illustrative Framework

The most important limitation is methodological. The framework is analytical and its figures are illustrative; they make relationships legible but they are not measurements, and the specific numbers within them carry no claim to accuracy for any actual family. A family applying the framework must populate it with its own objectives, costs, capabilities and constraints, and should resist the temptation to treat the stylised figures as data. The framework is a way of reasoning, and its value lies in the structure of the reasoning rather than in any number it displays.

6.2 Cost and Selection Risks

The framework treats lower-cost modes as attractive for a capable family, but the cost saving they offer is conditional and can be illusory. Co-investment and direct ownership concentrate capital, so a family that selects poorly can lose far more than the fee it saved. The adverse-selection hazard, that the deals offered for co-investment are not a random sample, is real and is easy to underestimate. A family that reads the framework as a counsel to minimise fees, rather than to match its access mode to its capability, has misread it.

6.3 Capability and Governance Risks

The framework's central warning is that capability, not capital, is the binding constraint on direct investing, but capability is hard to assess honestly from the inside. A family that has succeeded in an operating business may overestimate how far that success transfers to investing in unfamiliar sectors and structures. Governance compounds the risk: a family whose decision-making concentrates in a single principal, or whose succession is unsettled, may lack the institutional discipline that direct investing at scale requires, however deep its balance sheet. The capability map is offered as an aid to honest assessment, but it cannot supply the honesty.

6.4 Liquidity and Pacing Risks

The pacing analysis warns that a concentrated direct book has a deeper and more variable early drawdown than a diversified fund programme. A family that has not planned for that drawdown, or that has committed too large a share of its wealth to illiquid direct holdings, may be forced to sell other assets at an inopportune time to meet capital needs. The access decision is also a liquidity decision, and a family that attends only to cost and control while neglecting the shape of its cash flows has analysed the choice incompletely.

6.5 Scope

Finally, the framework is general and is not a substitute for advice specific to a family's circumstances and jurisdiction. It does not address the tax, regulatory, Shariah-compliance or reporting considerations that bear on access decisions in particular cases, and it does not recommend any allocation, manager, instrument or transaction. Its purpose is to organise the family's thinking, after which the family should take the professional advice that its specific situation requires.

7. CONCLUSION

A Gulf family office that has decided to invest in private markets must still decide how to access them, and that second decision shapes the cost it pays, the control it holds, the diversification it obtains and the organisation it must build. This paper has argued that the decision is best understood as a position on a spectrum rather than a choice from a menu, that the mode of access is a first-order determinant of the return the family keeps, that lower-cost modes substitute the family's own capability for a manager's and are not free, that the binding constraint on direct investing is capability and governance rather than money, and that the families that do best treat access as a developmental path travelled deliberately rather than a destination reached in a single leap.

The framework set out here, the access spectrum, the cost and control trade-off, the decision tree, the capability map and the developmental roadmap, is offered as a structure for that reasoning. It will not make the decision for a family, and it is not meant to. Its claim is more modest and, in a market where access decisions are too often made by reflex or by imitation, more useful: that a family which maps the modes, weighs cost against control, assesses its own capability honestly and plans its path before it commits will choose a better route into private markets, price the risks of each mode more accurately, and avoid the two errors that recur, paying for delegation it does not need, and reaching for control it is not yet equipped to hold.

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APPENDIX A. BASE-CASE ASSUMPTIONS

The following table records the full set of illustrative assumptions used in the figures. They are stylised calibrations chosen to make the framework legible; they are not forecasts, sourced measurements or recommendations, and a family applying the framework should substitute its own values.

Item	Illustrative value or basis	Used in
Access modes	Primary fund; fund-of-funds; secondaries; co-investment; club/syndicate; direct	Figs 1, 2
Fund cost drag	~165 bps p.a., illustrative	Fig 2
Fund-of-funds cost drag	~245 bps p.a., illustrative (layered fee)	Fig 2
Co-investment cost drag	~70 bps p.a., illustrative (reduced/no fee)	Fig 2
Direct cost drag	~130 bps p.a., illustrative (internalised overhead)	Fig 2
Gross asset return	18% IRR, identical across routes	Fig 3
Fund net-to-family	~13.1% after fee, carry, expenses	Fig 3
Co-invest net-to-family	~16.7% after reduced costs	Fig 3
Capability functions	Sourcing; underwriting; structuring/legal; monitoring; workout; governance; back-office	Fig 5
Capability scale	Low / medium / high, scored per mode	Fig 5
Pacing horizon	Ten years, indexed cumulative net cash flow	Fig 6
Roadmap horizon	Thirty-six months, eight overlapping workstreams	Fig 7
Region and date	GCC, calibrated to 2026 conditions; general	All

APPENDIX B. ACCESS-DECISION CHECKLIST

The following questions are offered as an aid to applying the framework. They are not exhaustive and are not a substitute for advice specific to a family's circumstances and jurisdiction.

- Objectives: Have we written down our return requirement, liquidity needs, time horizon and appetite for control before considering any specific deal?
- Cost: Do we understand the all-in cost of each access mode we are considering, including the layered fees of any fund-of-funds and the internalised overhead of any direct programme?
- Capability: Have we assessed ourselves honestly against each function on the capability map, and identified the functions on which we are weakest?
- Selection: If we are considering co-investment, do we have the underwriting discipline to distinguish attractive deals from adversely selected ones, and to decline most of what we see?
- Concentration: Have we sized any concentrated co-investment or direct holding so that a single failure cannot impair the family's position?
- Governance: Do our decision-making and oversight arrangements match the access mode we are contemplating, and will they survive the next generation?
- Liquidity: Have we planned for the deeper and more variable early drawdown of a concentrated direct programme, and can we meet it without forced sales?
- Sequencing: Are we building along the spectrum deliberately, anchoring in funds and learning through co-investment, rather than leaping to direct control?
- Team: If we are building an in-house team, is it a response to a genuine and growing pipeline rather than a precondition we hope to justify later?
- Advice: Where the decision involves tax, regulatory, Shariah-compliance or structuring questions, have we taken professional advice appropriate to our jurisdiction?

APPENDIX C. GLOSSARY OF KEY TERMS

Access mode. The route by which an investor participates in private markets, from fund commitment to direct ownership.

Carried interest. The share of a fund's profit, above a hurdle, paid to the manager as performance compensation.

Club deal. A transaction in which a small group of investors co-invest, often sharing control and governance rights.

Co-investment. Investment by a limited partner in a single asset alongside a sponsor, typically at reduced or no fee.

Direct investment. Investment in which the family sources, underwrites, owns and stewards an asset on its own balance sheet.

Family office. An organisation that manages the wealth and affairs of a wealthy family, embedded, single-family or multi-family.

Fund-of-funds. A vehicle that invests in other funds, adding a layer of manager selection and a second layer of fee.

J-curve. The early-life dip in a private-market programme's cumulative cash flow before distributions exceed drawdowns.

Secondaries. The purchase of existing fund interests, typically at a stage where early losses are behind the position.

Sponsor. The manager or general partner that originates and leads a private-market transaction.