

Co-Investing Among Families: Opportunity, Illusion, and Discipline



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Co-investing among ultra-high-net-worth individuals, families, and single-family offices has surged in popularity. With more than 8,000 family offices now managing trillions of dollars globally, interest in direct investing continues to grow. More often than not, these opportunities come through trusted investor relationships rather than through traditional fund investments.

This shift in collaborative investing is significant, as many attractive opportunities are not widely syndicated or marketed. Such “club deals” move through small circles where reputation, prior partnerships, and alignment matter more than distribution. That dynamic explains why direct investing continues to grow as the ecosystem expands.

PwC’s Global Family Office Deals Study found that club deals now account for over 70% of all US family office transactions. A different 2025 survey by Citi indicates that 70% of family offices are engaged in direct investments, with 40% of those having increased their activity in the last year.



On the surface, the appeal is clear. Co-investing can offer greater control, lower fee drag, access to differentiated opportunities, and the ability to benefit from the collective experience of like-minded investors. When approached with discipline, co-investments can expand deal flow, add diversification, and create the potential for outsized returns.

At the same time, as co-investing becomes more relationship-driven and network-oriented, a quieter reality deserves attention. Many of these opportunities do not consistently meet the same institutional due diligence standards applied to traditional investments. The result can be concentrated exposures, governance challenges, and capital allocation decisions that fall short of the outcomes investors expect.

At Pitcairn, we believe co-investing can be powerful, but only when approached with institutional discipline.

The Allure of the Network Effect

Family offices are, by nature, relationship-driven. Peer recommendations and trusted introductions often serve as the starting point for new investment opportunities. In a world where proprietary deal flow is highly valued, the chance to invest alongside another respected family can feel like a real advantage.

These relationships can also carry a broader context. Investments may arise within long-standing partnerships, shared philanthropic initiatives, or communities built around schools, foundations, and family enterprises. In some cases, participation reflects not only the opportunity itself but the strength of the relationship and the expectation of future collaboration.

But trust alone is not a process.

In our experience, enthusiasm for a relationship-driven opportunity can sometimes compress timelines, limit independent underwriting, or soften the discipline around risk assessment. When families lean too heavily on another investor's expertise, they can end up inheriting the other investor's blind spots along with the opportunity.

Industry guidance on co-investing underscores the importance of clearly defining investment criteria, relevant investment experience, and governance expectations before committing capital. In practice, these guardrails are not always applied with the same rigor found in institutional private equity or real estate platforms.



Concentrated Risk in a Direct World

Co-investing naturally introduces greater concentration. Unlike a diversified fund portfolio where risk is spread across many investments, a single direct deal can have a meaningful impact on outcomes.

That reality makes the quality of underwriting especially important. In a traditional fund structure, much of the diligence infrastructure is already in place. In the absence of such a fund sponsor, families often need to evaluate many of those elements themselves, including the management team, regulatory history, operating track record, and how the business has performed across different market environments.

Smaller signals matter. While a diligence process may not reveal a glaring red flag, there are often yellow flags uncovered that merit further evaluation. Governance gaps, prior regulatory issues, or leadership transitions that have not yet been tested can become important variables over time. Missing those details early can prove costly later.

Governance and decision-making can also become more complex when multiple families invest together. Questions around decision rights, oversight, and how underperformance will be addressed are

not always clearly defined at the outset. What happens if management misses key operating targets? How will investors respond if strategic decisions need to change?

When expectations around governance and risk tolerance are not clearly aligned, co-investments can become complicated at exactly the moment when clarity is most important.

The Expertise Gap

In our experience, many family fortunes were built in one or two primary industries. That history often creates deep expertise in a particular industry or operating environment, but it does not always translate into broad underwriting capabilities across emerging technologies, complex capital structures, or unfamiliar geographies.

We have seen situations in which a family's reputation or success in one field can lead to assumptions about investment expertise in others. In practice, those skills do not always travel as easily as people expect.

Thoughtful co-investing requires an honest assessment of where conviction truly comes from. Are we leading a deal because we have real domain expertise, or because we trust someone else's judgment?

Industry guidance often points to partnering with investors who have demonstrated track records and exit histories. Even then, experience has shown that independent diligence remains essential. A partner's prior success does not remove the need to validate assumptions, pressure test projections, and understand how a deal might behave if conditions change.

Governance is Not a Footnote

In the excitement of closing a direct deal, governance provisions can be treated as secondary considerations. They should not be.

Clear board representation, defined information rights, covenant protections, and agreed-upon remedies in downside scenarios are foundational. It's also important that there be timely legal, regulatory, and tax compliance, as well as alignment among investors regarding enforcement standards.

Families must ask difficult questions in advance:

- What triggers intervention?
- Who has the authority to act?
- How will disagreements among co-investors be resolved?

The answers should be embedded in documentation, not deferred to goodwill.

At Pitcairn, we counsel families to view co-investments not as social capital opportunities, but as fiduciary decisions. The allure of participating alongside respected peers can be exciting. But enduring wealth is sustained through process, prudence, and discipline.

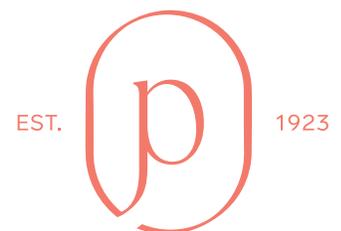
Co-investing can amplify returns. It can also amplify risk. The difference lies not in the strength of the network, but in the strength of the underwriting.

Discipline Over Momentum

None of this suggests that co-investing should be avoided. On the contrary, when executed thoughtfully, co-investments can complement a diversified portfolio and deepen strategic relationships.

However, successful participation requires an institutional mindset. Here are some key areas to keep top of mind.

- **Defined investment philosophy:** Time horizon, liquidity needs, structural preferences, and impact considerations must be articulated before evaluating opportunities.
- **Independent underwriting:** Even within trusted networks, every deal deserves stand-alone analysis.
- **Domain-appropriate expertise:** Either internal capabilities or external advisors should bridge knowledge gaps.
- **Formal governance frameworks:** Alignment on covenants, decision rights, and downside scenarios must be explicit.
- **Portfolio context:** Position sizing should reflect concentration risk and overall asset allocation strategy.



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