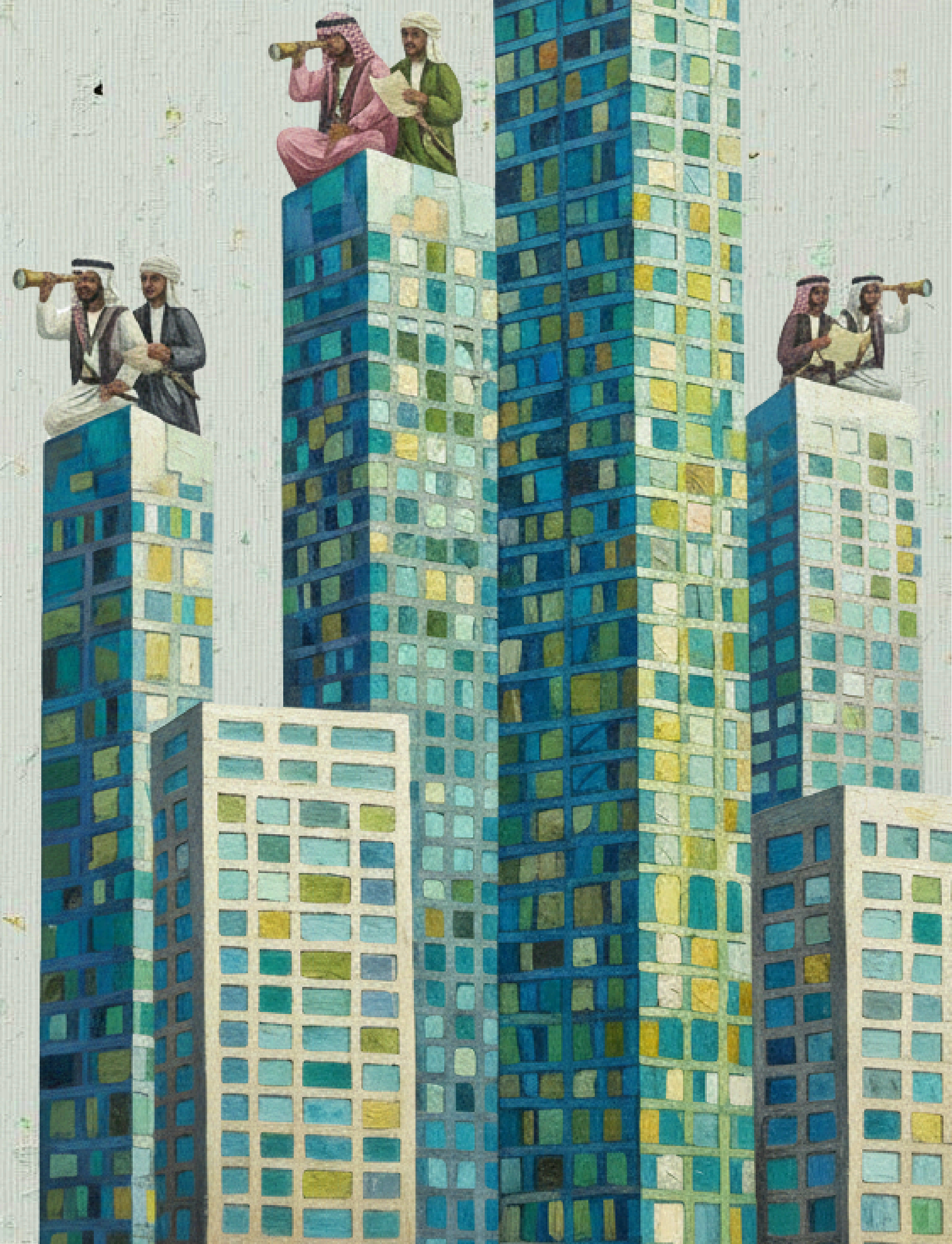
Axial Consulting

FAMILY OFFICE INVESTMENT STRATEGIES IN THE المملكة العربية السعودية



فريق الإعداد

Author
Musa Khan Durrani
Partner

Author
Nida Naguib
Director | Head of Delivery

Author
Furqan Ali
Consultant | Content Development

Design & Illustration
Ayesha Younis
Senior Consultant | Content Development

The Kingdom of Saudi Arabia (KSA) is undergoing an economic and structural metamorphosis, unprecedented in its modern history. Anchored in Vision 2030, the country is pivoting from an oil-dependent economy towards a diversified, sustainable, and innovation-led growth model. In the same vein, a sprouting cohort of Saudi business dynasties and legacy wealth holders is reconfiguring how wealth is managed and multiplied, ushering in a new era for family offices.

These family offices, traditionally conservative in investment posture, are increasingly emerging as sophisticated vehicles aligning private capital with national transformation priorities; expanding the non-oil share of GDP, advancing renewable energy, driving technological innovation, promoting sustainability, and pursuing global diversification. This brief explores the evolution and strategic direction of family office investment strategies in Saudi Arabia, examining how macroeconomic, energy, and sustainability dynamics interact with family office behavior, asset allocation, and governance to shape the investment outlook for Saudi family wealth.

The Oil Economy

Saudi Arabia's oil economy remains central to macroeconomic outcomes, despite recent moderation in prices and output.

Following a period of elevated oil prices during 2022–2024, global prices have fallen by nearly 30% from their 2022 peak, shaping a more constrained fiscal and external environment. In 2024, oil GDP contracted by 4.4 percent, reflecting OPEC+ production cuts that kept crude output at around 9 million barrels per day—the lowest level since 2011.

Output is projected to gradually recover, reaching about 9.5 mbpd by mid-2025 and increasing thereafter, with oil production expected to approach 11 mbpd by 2030, against a maximum sustainable capacity of 12.3 mbpd. Lower oil prices have reduced hydrocarbon revenues, contributing to widening fiscal deficits—projected at around 4 percent of GDP in 2025–2026—and a current account deficit that is expected to worsen.

Nevertheless, Saudi Arabia's oil wealth continues to underpin strong buffers, including:

- International assets of about $1.5 trillion
- A net international investment position equivalent to 59% of GDP
- Substantial foreign reserves held by SAMA

These buffers provide resilience against oil market volatility, even as financing needs rise alongside large-scale investment commitments under long-term development plan.

Oil and oil products account for about

77%

of total exports, with Asia, the United States, and Europe as key markets.

The Non-Oil Economy

Saudi Arabia's non-oil economy has emerged as a key driver of growth and resilience amid lower oil prices.

The non-oil private sector recorded investment growth of 6.3% year-on-year in 2024, while non-oil exports grew by 13.4% year-on-year in the first quarter of 2025.

Structural reforms under Vision 2030 have reduced exposure to oil price fluctuations, narrowed diversification gaps with peer emerging markets, and improved the business environment to levels comparable with advanced economies.

Labor market outcomes reflect this shift:

- Private sector employment grew by **12%** in 2024
- Female and youth unemployment rates have **halved** over four years
- Overall unemployment fell to **3.5%.**

In 2024, non-oil GDP expanded by

4.5%

and is projected to grow at around

3.4–3.5%

during 2025–2026, supported by retail, hospitality, construction, and private investment.

Fiscal diversification has advanced, with non-oil revenues doubling over the past five years, alongside energy subsidy reforms and established spending ceilings. The Public Investment Fund (PIF) plays a central role, contributing at least $40 billion annually to domestic investment while crowding in private and foreign partners. Financial deepening, capital market development, and eased access for foreign investors further support non-oil activity, even as growth increasingly depends on addressing skill gaps in technology and hospitality.

The Emerging Saudi Family Office Landscape

Family offices in the Middle East have emerged as central institutions for managing and preserving multi-generational wealth among legacy business families, many of whom initially accumulated capital through hydrocarbons. However, their strategies have begun to shift as the broader macroeconomic landscape evolves.

Historically, these family offices concentrated their investments in real estate due to tangible and stable returns.

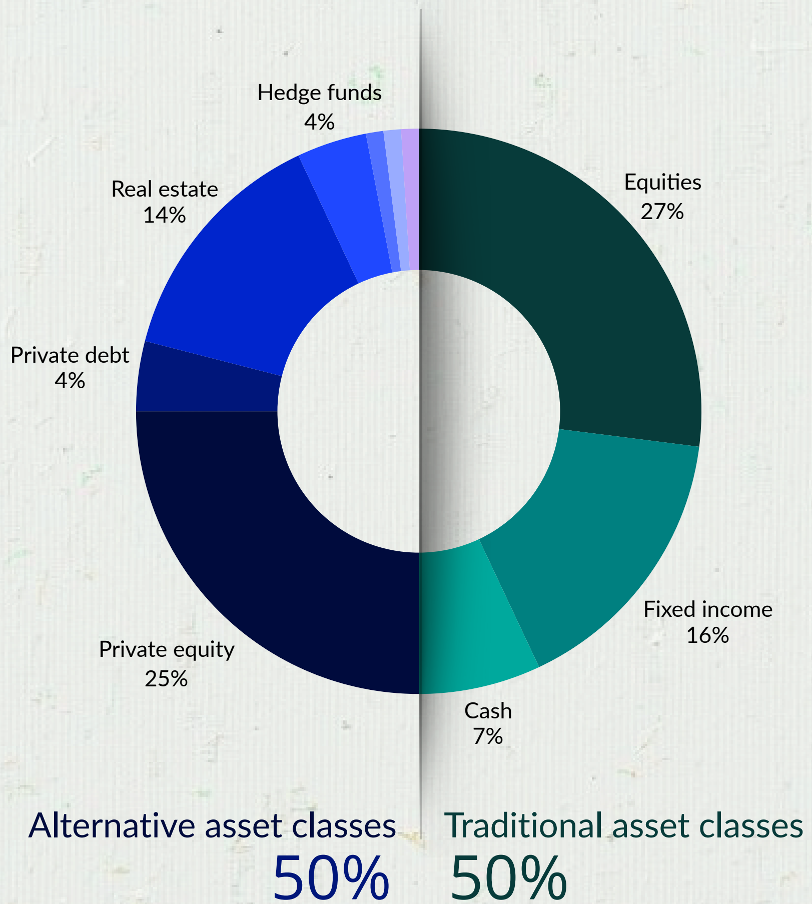
However, the 2009 Dubai property market crash prompted a shift toward greater portfolio diversification and stronger governance frameworks. Since then, the sector has undergone increasing institutionalization. Middle Eastern family offices have expanded their investment focus to include technology, renewable energy, healthcare, infrastructure, private equity, and overseas markets.

These entities are established to formalize wealth management and governance, safeguard privacy, and align financial decisions with family vision, values, and legacy objectives. Beyond portfolio oversight, family offices in the region typically coordinate a wide range of services, including risk management, tax and estate planning, succession structuring, family education, and lifestyle support.

Philanthropy and impact-oriented investing also feature prominently, reflecting a strong emphasis on legacy building and social contribution. Triggers for establishing family offices in the region often include the separation of family wealth from operating businesses, liquidity events, and the growing complexity of cross-border assets. Structurally, families choose between single family offices, offering maximum control and confidentiality, and multi-family offices that pool resources to achieve economies of scale, with cost considerations playing a significant role in this decision.

Middle East Strategic Asset Allocation

Alternative asset classes	%
Private equity	**25%**
Direct investments	**15%**
Funds/fund of funds	**10%**
Private debt	**4%**
Real estate	**14%**
Hedge funds	**4%**
Infrastructure	**1%**
Art and antiques	**1%**
Gold/precious metals	**1%**
Commodities	**<1%**

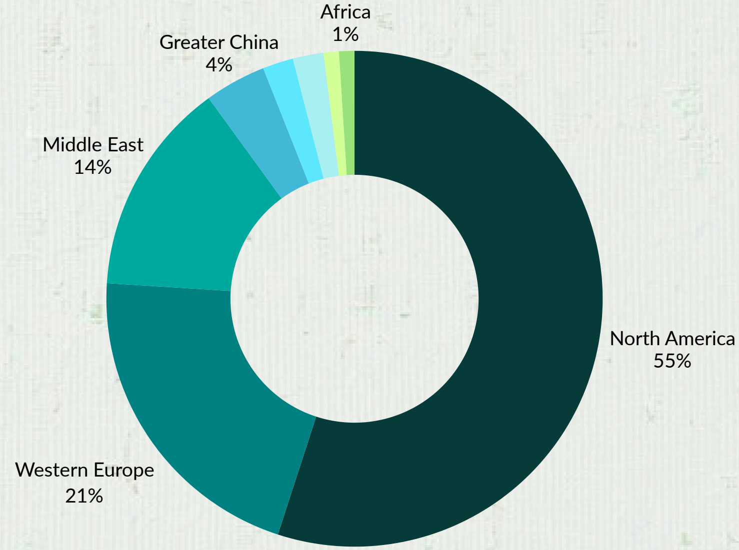


Traditional asset classes	%
Equities	**27%**
Developed markets	19%
Emerging markets	8%
Fixed income	**16%**
Developed markets	12%
Emerging markets	4%
Cash	**7%**

Middle East Regional Asset Allocation

From an investment perspective, Middle Eastern family offices exhibit a distinctively balanced yet return-seeking asset allocation. Portfolios are typically split evenly between traditional and alternative asset classes, with equities, fixed income, and cash collectively accounting for about half of total assets, while, inter alia, private equity, real estate, private debt, and hedge funds make up the remainder. A notable feature is the strong preference for private equity, particularly direct investments, which reflects families' entrepreneurial backgrounds and appetite for active ownership.

Geographically, asset allocation is heavily outward-looking: around 55 percent of assets are invested in North America and 21 percent in Western Europe, while only 14 percent is allocated within the Middle East itself. This global diversification strategy underscores both risk management considerations and the pursuit of mature capital markets, even as regional investments continue to play a strategic and relational role.



North America	55%
Western Europe	21%
Middle East	14%
Greater China	4%
Asia-Pacific (excl. Greater China)	2%
Eastern Europe	2%
Latin America	1%
Africa	1%

Sustainable Transition

Saudi Arabia's energy transition, a defining pillar of Vision 2030, is shaping investment strategies across both public and private wealth vehicles. Per PwC, the Kingdom targets 130 GW of renewable energy capacity by 2030, plans to export up to 150 GW of green electricity, and aims to plant 10 billion trees under the Saudi Green Initiative (SGI).

For family offices, these national priorities serve as both a thematic compass and an investment opportunity map. Capital deployment is gradually shifting toward renewable energy, green infrastructure, and localization of automobile manufacturing. The rise of Saudi Arabia's EV ecosystem—anchored in Lucid's local assembly operations with plans to transition to full-scale manufacturing, Ceer's development of indigenous EV models leveraging BMW technology, and the Hyundai–PIF joint venture establishing a factory for both electric and conventional vehicles, illustrates how industrial policy is translating into tangible capacity-building. Together with renewable energy localization through Badeel, ACWA Power, and Aramco, these initiatives reflect a policy environment that rewards long-horizon, patient capital, precisely the kind of capital family offices are poised to deploy.

Thus, Saudi family offices are increasingly viewing sustainability not merely as corporate social responsibility but as a core investment thesis. According to KPMG, family business leaders typically frame sustainability around three interconnected objectives: ensuring long-term economic viability alongside social, environmental, and reputational resilience for current and future generations; embedding responsible environmental and social practices within core business operations; and exercising leadership beyond the firm through philanthropy, including charitable giving, family foundations, and impact-oriented investments managed through family offices.

The NEOM Green Hydrogen Project, a flagship $8.4 billion investment, exemplifies the intersection of sustainability, industrial innovation, and long-term value creation.

This orientation aligns closely with regional investment norms. According to the CFA Institute, around one-third of Middle East family offices practice Sharia-compliant investing, which requires avoiding interest-bearing instruments and certain sectors. Notably, ESG and Sharia-compliant investing share common exclusions, such as alcohol and gambling, creating natural overlap, with Sharia-compliant investors increasingly allocating capital to ESG-aligned products. And also, the UBS Global Family Office Report 2025 corroborates this shift globally, noting that 46% of family offices view sustainability as an opportunity, and 37% are investing in clean tech and climate tech; a pattern also evident in the Middle East, where values-driven investment mandates are converging with long-term sustainability and impact-oriented strategies.

Traits of Family offices

Saudi family offices, in line with their global peers, are navigating a complex investment landscape marked by geopolitical risk, interest rate uncertainty, and climate transition pressures. Middle Eastern family offices, including those in Saudi Arabia, exhibit four key traits:

High Exposure to Alternatives
With 25% of assets in private equity and 14% in real estate, Saudi family offices are following a global trend of allocating nearly half of portfolios to illiquid assets. Private equity-both direct and fund-based-allows families to back growth-stage companies, particularly in sectors aligned with the national diversification agenda (renewables, technology, logistics, tourism, health and whatnot).

Active Management Preference
71% of Saudi and regional family offices manage equities actively. This stems from entrepreneurial DNA, a preference for control, and skepticism toward passive indexing. Actively managed portfolios allow families to express thematic convictions, such as AI, electrification, and healthcare, areas where Middle Eastern family offices report familiarity and strategic engagement.

Conservative Fixed-Income Posture
Fixed-income allocation remains below global averages, reflecting a preference for yield-enhanced or inflation-hedged strategies, including private credit. In a high-interest-rate environment, family offices are selectively increasing exposure to developed-market bonds for stability.

Home-Region Investment Anchoring
Despite globalization, Saudi family offices maintain high exposure to North America and Middle East, suggesting that while international diversification remains strong, there is renewed confidence in local investment opportunities driven by Vision 2030 projects, IPOs, and private placements in infrastructure and energy transition ventures.

Risk Management in Saudi Family Offices

Globally, family offices are rapidly professionalizing, maintaining strong in-house capabilities in strategic asset allocation, risk management, and financial reporting; Saudi family offices are mirroring this trend by adopting more formal governance frameworks, investment committees, and audit functions, often modeled on the institutional rigor of PIF.

Despite this progress, succession planning remains a relative weakness, as only 41% of Middle Eastern family offices have formal succession plans compared to 65% in Southeast Asia, due to reluctance around inheritance discussions, limited next-generation preparedness, and low awareness of intergenerational and tax-efficient structures.

However, this is gradually shifting as second- and third-generation leaders move family offices from founder-centric models toward governance-driven institutions that emphasize education, next-generation inclusion, sustainability-linked legacy building, board participation for heirs, and philanthropy leadership as stewardship training.

At the same time, family offices (including those in KSA) are becoming more attuned to global volatility. Key risks for 2025 are identified as global trade wars (**70%**), geopolitical conflict (**52%**), and higher inflation (**44%**) in the short run, alongside longer-term risks such as debt crises and climate change, reflecting the World Economic Forum's Global Risks Outlook. In response, family offices are adopting more diversified and sophisticated risk-management strategies, including manager diversification and active management, increased hedge fund exposure, short-duration high-quality fixed income, and allocations to gold and other precious metals. While maintaining a conservative focus on capital preservation, these offices are becoming more agile and selectively pursuing growth opportunities.

The Next Decade of Saudi Family Office Investing

Saudi family offices stand at the intersection of national transformation and generational wealth evolution. The alignment of Vision 2030's goals with global investment megatrends (energy transition, digitalization, and sustainability etc.), positions them as critical capital allocators in shaping both the Saudi and global investment landscape. Looking ahead, several trajectories, inter alia, are likely to define Saudi family office investment strategies:

١ Localization of Capital Markets

Increasing participation in Saudi-listed companies and IPOs as the Tadawul market matures, anchoring wealth locally while benefiting from market growth.

٢ Co-investment with Sovereign Funds

Collaboration with sovereign funds like PIF, in renewable energy, tourism, and smart-city projects, leveraging larger-scale investments and aligning private capital with national priorities.

٣ Institutionalization and AI Integration

Adoption of AI-driven portfolio analytics, digital tools, and automated reporting enhances decision-making, operational efficiency, and cyber protection. Robust governance frameworks—clear policies, accountability, and communication channels—ensure alignment between family stakeholders and professional managers while preserving culture and values.

٤ Intergenerational Legacy Structures and Risk Management

Formalizing governance through trusts, foundations, and philanthropic vehicles enables structured succession and next-generation inclusion. Offices are strengthening risk management to address investment, cyber, talent, succession, and geopolitical risks, supported by diversified teams, external partnerships, and outsourcing options.

٥ Sustainability as a Core Strategy

Integrating Sharia compliance with ESG and impact objectives as defining investment principles. Family offices are pursuing thematic investments aligned with Saudi Arabia's energy transition, industrial policy, and global sustainability trends.

٦ Flexible Structures, Global Expansion, and Talent Mobility

Offices are exploring independent, embedded, virtual, and multi-family structures to meet diverse family needs. Geographic mobility and remote-working capabilities allow access to top talent, global investment opportunities, and operational redundancy.

٧ Technology-Enabled Growth

Advanced digital platforms enhance transparency, reporting, risk management, and investment access, enabling sophisticated strategies across asset classes while protecting against cyber threats.

Drawing on Axial Consulting's experience working with family offices across the MENA region, the coming decade will test whether Saudi family offices manifest evolution from adaptive participants into deliberate architects of the Kingdom's transformation, deploying patient capital, institutional-grade governance, and sustainability-aligned investment strategies to anchor both generational wealth preservation and long-term national development.

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Axial Consulting
axialconsulting.io
contact@axialconsulting.io
+92-333-5214-385
axialconsultingpvt
Axial Consulting