THE FAMILY OFFICE MIGRATION: WHY FAMILY OFFICES ARE BECOMING INDEPENDENT SPONSORS' NEW LP BASE

CAPITAL IS SHIFTING FROM INSTITUTIONS TO INDIVIDUALS WITH INSTITUTIONAL AMBITIONS

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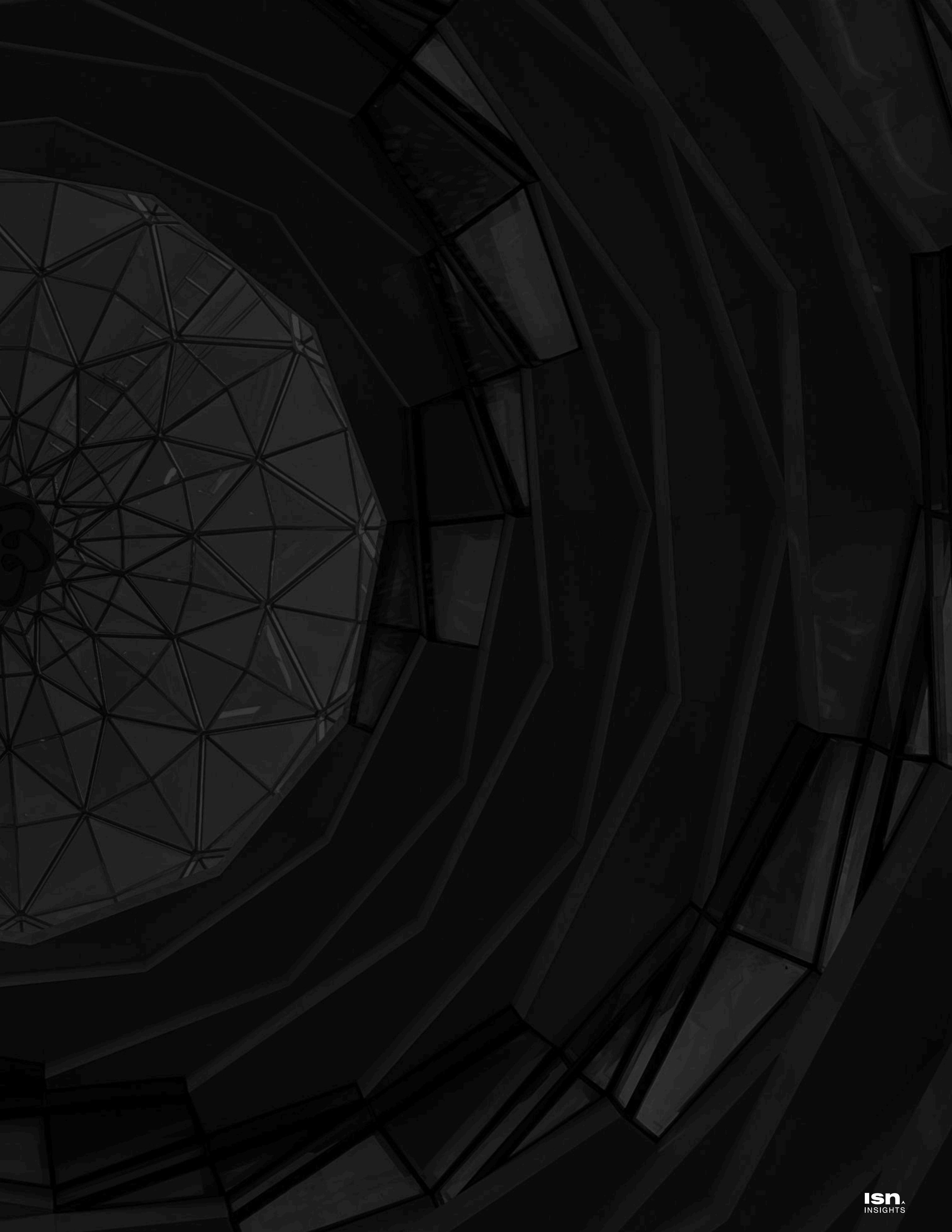
EXECUTIVE SUMMARY

For years, Independent Sponsors built their capital base opportunistically, piecing together family offices, high net worth individuals, and the occasional institutional check on a deal by deal basis. That dynamic is changing shape. Family offices are no longer a supplemental capital source. They are becoming the primary one. JPMorgan Private Bank's 2026 Global Family Office Report, which surveyed 333 single family offices across 30 countries, found that 37% plan to increase their private equity allocations and, notably, 50% plan to execute direct deals specifically through Independent Sponsors. That is not a passive allocation shift. It is a structural bet on the deal by deal model itself.

The result is a capital base that behaves differently than a traditional LP base, and Independent Sponsors who understand that difference will raise faster and build more durable relationships.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WHY FAMILY OFFICES ARE LEANING IN

The appeal is not complicated. Family offices increasingly want direct exposure to operating businesses, transparency into how value is actually created, and the ability to engage with a deal rather than simply fund one. The Independent Sponsor model offers exactly that: no blind pool, no multi-year fund lockups, and a clear line of sight from underwriting to exit on a single asset.

This preference lines up with a broader pattern. Family Office Exchange research on direct investing has long shown that first and second generation family offices, in particular, gravitate toward direct deals because they want the transparency and, in some cases, the control that a diversified fund structure does not offer. Independent Sponsors sit directly in that appetite.

THE DATA BEHIND THE SHIFT

The scale of this shift is measurable. Axial's 2025 buyer trend data shows Independent Sponsors closed 27% of all lower middle market deals tracked on its platform, the highest share of any single buyer type. WhiteHorse Capital data shows the number of active Independent Sponsors in the U.S. has nearly doubled over five years, with conference attendance in the space tripling over the same period.

Family offices are not sitting on the sidelines of that growth. They are underwriting it.

WHAT FAMILY OFFICES WANT DIFFERENTLY FROM TRADITIONAL LPS

Family offices do not evaluate Independent Sponsor relationships the way institutional LPs evaluate fund managers. They tend to prioritize the specific deal thesis over a broader platform narrative, want direct access to management teams and board seats, and expect faster, more informal communication than a quarterly reporting cycle.

IQ-EQ's 2026 private markets outlook flags a related trend worth watching: institutional LPs are now beginning to allocate capital specifically for Independent Sponsor deals, mirroring the broader institutional push toward direct co-investment. That means Independent Sponsors increasingly sit at the intersection of two capital pools, family office and institutional, that historically operated on different timelines and different expectations.

IMPLICATIONS FOR SPONSOR ECONOMICS

This capital shift does not remove friction from fundraising. Axial's 2025 data shows 72% of Independent Sponsors are still required to contribute personal equity, typically 2 to 5% of the deal's equity check, regardless of who the outside capital comes from. Family office capital changes who Independent Sponsors are raising from. It does not change the discipline required to raise at all.

Sponsors who treat family offices as a distinct capital relationship, not a smaller version of an institutional LP, will build more durable pipelines of repeat capital.

WHAT ACTUALLY MATTERS NOW

01

Build direct relationships with family offices as a primary capital strategy, not a fallback.

02

Tailor communication and reporting to what family offices actually want: clarity and directness over formality.

03

Recognize that institutional LPs are now watching this capital pool too, and structure deals accordingly.

04

Treat personal equity commitment and alignment as a constant, regardless of who else is at the table.

The Independent Sponsor model was built on flexibility. Family offices are proving to be the capital base that rewards it most directly.

Capital is not just growing in this space. It is changing character. The sponsors who understand who they are actually raising from will out-execute those still pitching yesterday's LP.

JPMorgan Private Bank, 2026 Global Family Office Report
Axial, 2025 Buyer Trend Data
WhiteHorse Capital, 2025 Independent Sponsor Market Data
IQ-EQ, Global Private Markets Predictions for 2026
Family Office Exchange (FOX), Global Investment Survey research on direct investing
Citrin Cooperman, 2025 Independent Sponsor Survey

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