The Colony Group

PERSPECTIVES
Institutional Series

WHY AN OCIO COULD BE THE RIGHT FIT FOR YOUR INSTITUTION

What is an Outsourced Chief Investment Officer ('OCIO')?

An OCIO provides the services of a full-time, in-house investment office and is responsible for the management, oversight, and administration of an institution's investment portfolio. Beyond providing a high degree of investment management expertise, OCIOs can offer solutions tailored to the specific financial needs of an institution or family office. They can also provide access to investment opportunities otherwise unavailable to some institutions and family offices given their smaller size.

What is the difference between an OCIO and other available investment advisory solutions?

The primary difference is the degree of discretion. OCIOs undertake and share the fiduciary responsibility of managing and administering their client's investment portfolios, making many of the day-to-day investment decisions on their client's behalf and in their best interest.

How does working with an OCIO benefit an institution?

One of the greatest potential benefits of working with an OCIO is relieving the burden of full-time portfolio management and administration. However substantial a board's, committee's, and/or trustees' experience and dedication, the challenges and complexities of financial markets require considerable time and expertise to execute the necessary asset allocation decisions and select the appropriate investment managers/strategies. Working with an OCIO eliminates wasted time associated with board/ committee/trustee decision-making while simultaneously providing additional resources and investment capabilities.

Are there advantages to the portfolio itself when partnering with an OCIO?

Absolutely. One of the most meaningful and inherent advantages to institutions working with an OCIO is access to investment managers and strategies across asset classes that have been properly vetted by experienced investment professionals. Additionally, an OCIO's ability to quickly execute new investments, rebalance the portfolio, and implement manager changes, eliminates sluggish bureaucracies inherent in board/committee/ trustee structures. Beyond the clear investment benefits, an OCIO will typically provide a detailed review of an institution's governance structure including amending or drafting an investment policy statement ('IPS'); simplified and concise reporting; and board/committee/trustee education and communication regarding the portfolio, specific investments, and the broad investment landscape.

What are the costs associated with partnering with an OCIO?

Depending on the OCIO, there can be additional fees associated with the ongoing management and oversight of an investment portfolio in addition to those with underlying managers and investments. That said, for many small and mid-sized institutions, the comparative costs associated with building an in-house dedicated investment office with qualified personnel and the necessary resources would be far greater.

Is a financial consultant an alternative solution for an institutional portfolio?

It depends on the objectives of the institution and the investment experience of the consultant(s) overseeing its portfolio. For example, while a consultant will typically recommend an investment and/or allocation, the decision to accept and then execute the recommendation resides with those managing and administering the portfolio (e.g., board/committee/trustees/ staff, etc.). Since an OCIO typically has discretion to transact on behalf of an institution, it is ultimately their responsibility to make and execute the investment decisions that can benefit the portfolio and support the institution's long-term investment objectives.

Will an OCIO provide support to institutions in setting forth long-term investment objectives?

Yes, in fact, one of TCG's Institutional Advisory Practice's greatest differentiators is our extensive experience working with endowments and foundations in the development, implementation, and monitoring of formal investment policies. Reviewing and developing an IPS is iterative and born out of an understanding of the investment objectives of the institution. There are three primary areas of focus: 1) defining a sound governance structure, 2) determining the institution's risk tolerance, and 3) setting appropriate and consistent return goals necessary to meet the institution's financial needs. Establishing these not only guides investment management decisions, but also maintains and supports the portfolio's long-term investment objectives during times of disruption.

ANDREW VOGELSTEIN
President, Institutional Advisory Practice

LISA LONGEST, AIF®
Senior Investment Advisor

SARAH WITHERS
Institutional Marketing Manager

CONTACT

avogelstein@thecolonygroup.com
(646) 292-1214
www.thecolonygroup.com