

4 KEY THINGS TO LOOK FOR IN AN OCIO PROVIDER



OCIO CAN ELEVATE YOUR INVESTMENT PROGRAM WHETHER YOU USE IT HOLISTICALLY OR SELECTIVELY

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In today's uncertain economic environment, having the resources necessary to build the ideal investment management program may seem like a pipe dream for many organizations. But imagine you had unlimited resources at your disposal. How would you improve upon the management of your investment program? What sort of implementation enhancements might you add? What about a manager research function? Or a [transition management program](#)?¹

As far-fetched as this exercise may seem, the truth is it doesn't have to be that way. In fact, we believe these types of additions can become reality when you think beyond what you can accomplish with internal resources and assemble an extended team that maximizes your ability to get stuff done. Often, the key is to shift more of the responsibilities of managing your investment program externally to an [outsourced chief investment officer provider](#)²—especially if you find the right partner who is open to flexing their deliverables to meet your precise needs.

While there are nuances in OCIO for a foundation, public pension, endowment, DC (defined contribution) plan, or family office, there are many traits common to exceptional results for all. The ability to customize to each organization's needs are key to overall success.

In this article, we'll take a look at what we believe are the *must-haves* when selecting a skilled and versatile OCIO provider. But first, let's back up a step and review the case for turning to investment outsourcing in the first place.

Why OCIO? Because it takes a village

It's no secret that the expertise of many is necessary to design and oversee a top-notch investment program. We believe this includes specialists who can couple strategic advice with daily oversight, manager researchers that offer improved access to best-in-class money managers, and experienced administrative staff who execute back-office functions. As cliché as it may sound, just as it takes a village to raise a child, it really does take a village to [manage an investment program](#)³. And we believe that in most cases, it makes sense for this village to be comprised of individuals both within and outside the asset owner's organization—in other

words, a mixture of in-house talent and third-party expertise.

Simply put, for all but perhaps the largest asset owners, the sheer amount of work required in managing an investment program dictates that [some tasks must be delegated](#)⁴ beyond the walls of an organization. As a former CIO at a publicly traded California utility company, I can attest to this. During [my 20-year tenure](#)⁵, I constantly tapped into [a network of external resources](#)⁶ in order to hire, among other things, consultants for asset/liability modeling, specialists to help with transition management, and asset managers to trade stocks and

bonds. Perhaps most importantly, what I realized was incremental strategies that can increase return, control risk or reduce costs all become possible when you're not limited by the bandwidth of your internal resources. In other words, an OCIO provider should serve as [a virtual extension](#)⁷ of your capacity to get stuff done. Striking the right balance is situation-dependent. Where staff is especially lean, this can mean the OCIO takes on most functions. In other cases, the external provider acts in a capacity that is more complementary to your existing team.

What are the key features of a skilled OCIO provider?

With so many firms to choose from, what distinguishes one OCIO provider from the next? We see the following four features as instrumental in setting an investment outsourcing provider apart from the rest of the pack.

1. OCIO is a core component of the provider's business

We've seen some very large asset managers entering this space. However, the OCIO solution is really just a fraction of their focus. Make sure you're working with a provider that is fundamentally solutions (and not product) focused. At Russell Investments, for example, developing customized investments solutions for clients represents the majority of our firm revenue. And that's where we spend our time and focus on innovating and developing talent. For some of our large key competitors, that OCIO revenue number may drop into the single digits. Ask them: If OCIO is only 2% of their business, why should you believe they allocate sufficient resources to meet your specific needs? Do they offer the full range of services you might need, and are they flexible enough to provide these functions in either a comprehensive or a la carte fashion? At the core should be a client-centric solutions mindset, not a product set.

When investment outsourcing and the underlying capabilities are central components of a provider's business, you can rest assured there are no cross-motivations at play, as both of your business interests will be in alignment. In short, there will be no daylight between what drives success for your investment program and success for your provider.

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2. A lengthy heritage and record of success

As more investors increasingly rely on an outsourcing model to satisfy their investment management needs, we've seen an increasing number of firms toss their hats into the OCIO-provider ring. But there's a big difference between a service offering and service quality—and we believe that when it comes to something as complex as full investment outsourcing, the more experience the provider has, the more likely the service will be of higher quality.

This is why we contend that firms with a [long heritage](#)⁸ of guiding investors through both good *and* bad markets have a leg up on other providers. When selecting an OCIO partner, consider how many years of investment outsourcing it has under its belt—and whether that tenure comes with a proven track record of success. Has the firm offered OCIO services for decades, or did it only recently dip its toes in the water? How long is its average client tenure? Check references. Understanding how an OCIO provider manages day-to-day client engagement can foretell a successful partnership.

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3. The right tools and systems

Third on our list are proper tools and systems for the job at the hand. Most internally managed investment programs lack the ability to see across an entire portfolio on a frequent basis, making a robust system with visibility at the total-portfolio level a *must-have* when fully outsourcing. In addition, we believe it's critical that the investment platform in use be both scalable and customizable—as there is [no one-size-fits-all solution to an investment strategy](#)⁹. But whether it's a piece of the investment program or the whole enchilada, fulsome and transparent risk management should be part of the package.

Perhaps most importantly of all, we think the platform should be mature and representative of years of insight. The right platform will have been adapted to encounter and anticipate these challenges, allowing them to benefit from the provider's decades of experience managing investment programs. After all, who wants their OCIO provider to be learning with their money?

4. Superior implementation capabilities

Last but not least, we see enhanced implementation capabilities as a must. The right OCIO provider will understand that even the best-designed investment strategy can be derailed by poor execution. Put another way, it's one thing to offer great advice—but it's another thing to actually implement that advice simply and successfully.

As such, a skilled OCIO provider will be able to handle critical risk management functions, such as overlays and transitions, on an internal basis. These end-to-end implementation capabilities will then naturally translate into a single point of accountability for more holistic outsourcing clients, but should also be available for more narrowly focused, extension-of-staff assignments.



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The bottom line

A robust investment management system, enhanced implementation capabilities, a core OCIO business model, and a demonstrable record of success in investment consulting and program management are the key components that we believe set the top OCIO providers apart. Selecting a partner that checks the box for each of these features can go a long way toward designing and implementing the investment program of your dreams. Let us know how we can help.

¹ Houchin, J. (2022). Best practices for fixed income restructures: Evaluating four portfolio transition strategies. *Russell Research*. Available here: <https://russellinvestments.com/us/blog/four-portfolio-transition-strategies>

² Russell Investments (2024) What is OCIO? And how can partnering with an OCIO provider help your organization? *Russell Research*. Available here: <https://russellinvestments.com/us/blog/what-is-ocio>

³ Outsourced Chief Investment Officer (OCIO) Russell Investments. Accessed: November 6, 2024. Available at: <https://russellinvestments.com/us/solutions/institutions/outsourced-cio-ocio>

⁴ Corippo, P. (2023). What do investment outsourcing and ice cream have in common? *Russell Research*. Available here: <https://russellinvestments.com/us/blog/investment-outsourcing-solutions>

⁵ Corippo, P. (2019). Confessions of a former CIO...on OCIO. *Russell Research*. Available here: <https://russellinvestments.com/us/blog/confessions-of-a-former-cio-on-ocio>

⁶ Corippo, P. (2020). Confessions of a former CIO, Part 2: Aren't you already outsourced? Available here: <https://russellinvestments.com/us/blog/ocio-confessions-already-outsourced>

⁷ Corippo, P. (2024). I think I know what OCIO is ... but what the heck is a strategic partnership? Available here: <https://russellinvestments.com/us/blog/ocio-strategic-partnership>

⁸ Bro, S. Turner, K. (2024). 3 reasons why firms borne from consulting can make for better OCIO providers. Available here: <https://russellinvestments.com/us/blog/borne-from-consulting-ocio-provider>

⁹ See endnote 3

QUESTIONS?

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