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The Chestnut Solutions Institute™ is an independent research forum designed to help the solutions industry establish and promote strong standards and norms. This article is part of the Institute's mission to educate all stakeholders - investors, asset managers, investment solutions providers and their partners - about the capabilities and benefits of investment solutions.

Outsourced Chief Investment Officer (OCIO) is the solutions and asset management industry's fastest-growing segment today; we forecast over 11% annualized growth that will take the industry to \$4T of AUA by 2026. As the OCIO market continues to expand, with an ever-wider range of providers and capabilities to choose from, investors are increasingly retaining third party evaluators, also known as OCIO search consultants, to help them evaluate and select OCIO providers. These search consultants play an increasingly important intermediary role, similar to that played by traditional investment consultants evaluating asset managers for investors.

Chestnut Advisory Group is a boutique, practitioner-led management consulting firm dedicated to asset managers and investment solutions providers.

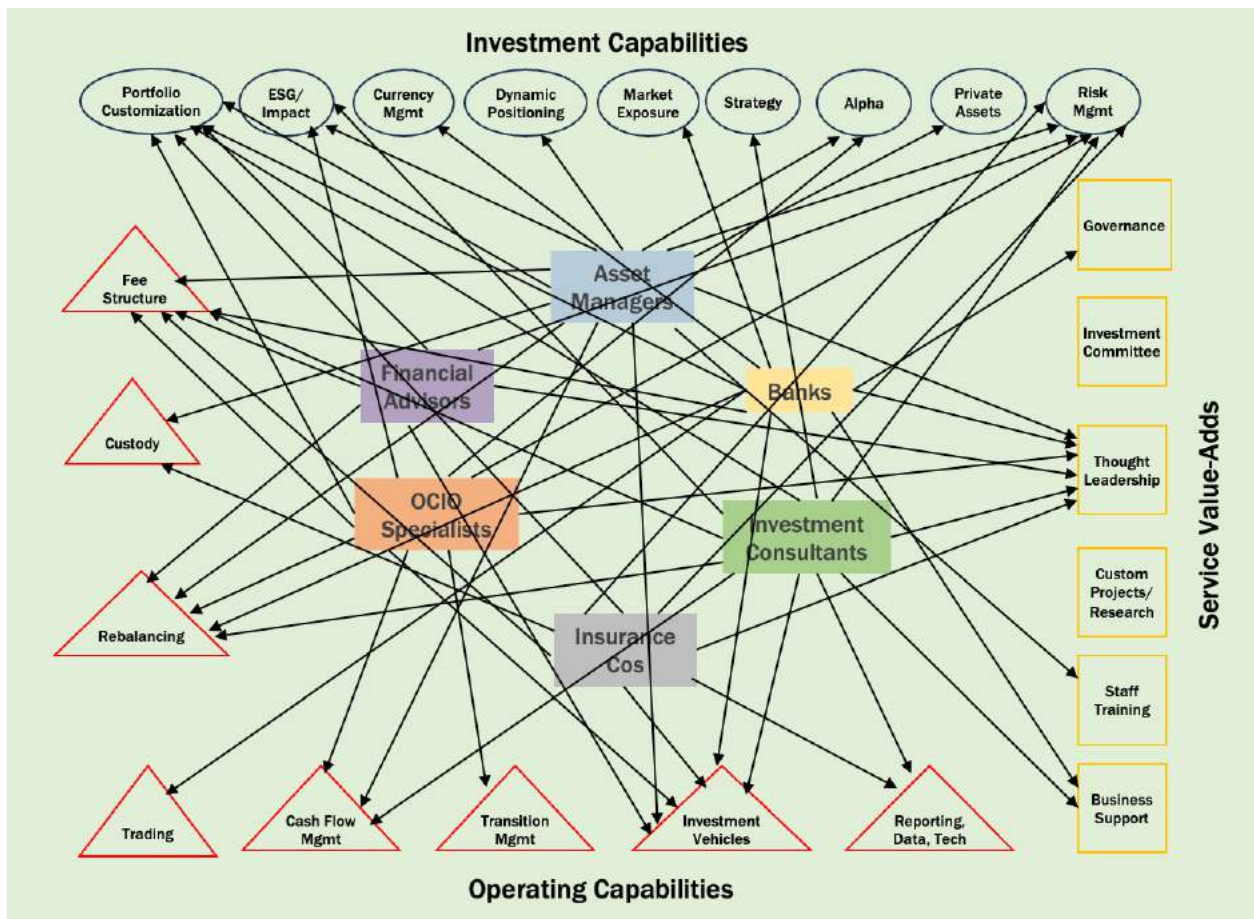
Why do Investors Seek OCIO Search Consultants?

There are three key factors driving investors to retain OCIO search consultants:

- **The higher complexity of the capital markets is the primary reason investors are increasingly moving to the OCIO model.** The "O" in OCIO is a misnomer - the big driver of outsourcing is not cost savings, but rather better long-term outcomes (as we discuss in our [Widespread Impact of OCIO Growth](#) report). The chart on the next page details the exploding complexity of asset classes, investment products, new investor concerns and vehicles facing investors today. As a result, many investors launch an OCIO search based on a feeling that their traditional quarterly investment committee meeting approach to fiduciary oversight is leading to suboptimal decision-making and portfolio outcomes. Increasingly, investors seek external help pinpointing exactly what they're trying to accomplish by retaining an OCIO.
- **The investment solutions industry's current lack of standards, norms, and transparency creates major hurdles to the ability of an investor to easily and confidently find the right solutions provider.** Although OCIO services are generally understood as whole portfolio construction and ongoing management with discretion, different investors have vastly different needs. To give one small example, while some investors may seek governance advice on ESG integration, others may only want to hire an OCIO for the alternatives sleeve of their portfolio. Another example: a mature defined benefit plan may want a customized LDI approach with a 5 year horizon, whereas another might want to maximize alpha from active management indefinitely. Different sets of investor needs will lead completely different OCIO search efforts.

Evaluating OCIOs: The Search Consultants' Role

Investment Solutions Capabilities Available Today



Source: Chestnut Advisory Group

- There are now so many investment solutions providers that investors feel increasingly unable to effectively evaluate potential providers by themselves. Chestnut estimates there are more than 115 providers offering a wide range of OCIO services to North American investors today. These firms include asset managers, investment consultants, boutiques, insurance companies and financial advisors, each with a unique set of investment, operating and service capabilities. For example, some OCIOs offer fully open architecture, while others primarily use proprietary capabilities, and still others offer a hybrid approach to portfolio construction. Search consultants help investors understand the wide range of providers and effectively compare the different services they offer, the value they provide and the fees charged.

What do OCIO Search Consultants Do?

The next question naturally becomes, 'What do third-party solutions evaluators do?' For a more in-depth information session, three leading OCIO search consultants will be discussing this issue at the next Chestnut Solutions Institute webinar on July 27th (details at the bottom of this article).

Search consultants' primary goal is to help investors navigate the OCIO marketplace and determine specifically what they want and need most from an OCIO provider. Most search consultants provide the following services:

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- **Managing the entire OCIO provider search process.** These tasks usually include writing the RFP, evaluating RFP results, recommending finalists, running finals processes, helping their clients evaluate the finals presentations, making recommendations to the client, and often helping negotiate the final OCIO fee agreement. Search consultants aim to provide investors with an apples-to-apples comparison of different providers' investment processes, investment track records and fees.
- **Continually evaluate OCIO providers and their ever-widening range of capabilities.** Monitoring OCIO provider performance and service, performing due diligence meetings, evaluating their investment capabilities, comparing fees to other providers utilizing databases, DDQs and RFPs.
- **Conduct periodic reviews of OCIO engagements after they're hired, usually every 2-3 years.** These reviews generally aim to: 1) ensure the client is receiving the full value proposition they expected when the OCIO was first hired; 2) determine whether the client has any new needs or issues the OCIO can help address; and 3) determine whether the OCIO has remained current with the cutting edge products and services now available in the marketplace.

Search Consultant Webinar: July 27th, 11:00 AM ET

The [Chestnut Solutions Institute™](#) is hosting a public webinar discussion with three of these increasingly important OCIO and investment solutions gatekeepers, as part of the Institute's mission to help educate and inform investors and solutions partners.

The webinar panelists are:

- Brad H. Alford, Founder of Alpha Capital Management
- Larry D. Coats Jr, President and CEO of Clearview Fiduciary Alliance
- Gregory Metzger, Senior Consultant and Practice Leader at North Pier Search Consulting

In this webinar, Chestnut Managing Partner Amanda Tepper and the search consultant panelists will discuss key issues in the investment solutions marketplace today. All investors (both those using and not using OCIOs) and asset managers (seeking to partner with OCIOs) will benefit from attending our webinar discussion. *Evaluating OCIOs: The Search Consultant's Perspective* will be held on Thursday July 27, at 11am ET. [Register for the Webinar here.](#)

To learn more about the Chestnut Solutions Institute and Chestnut Advisory Group, please visit www.chestnutadvisory.com

Evaluating OCIOs: The Search Consultants' Role

About the Authors



Amanda Tepper

Managing Partner, founder and co-owner of Chestnut Advisory Group

Prior to founding Chestnut Amanda served as Global Director of AllianceBernstein's senior portfolio management team, a group that crafted and delivered the firm's investment insights to institutional and retail clients and consultants. Previously, Amanda developed deep experience in sell-side equity research as Associate Director of Equity Research at Bank of America and as an *Institutional Investor* All-America Team - ranked equity analyst at JPMorgan.

Before moving to the sell-side Amanda was an investment banker in JPMorgan's retail industries group. She began her investment career on a corporate bond trading desk.

Amanda holds an MBA from Wharton and a BA from Brown University. Her past Board memberships include the Investment Advisory Committee for the Endowment of the Art Students League of New York, The Global Advisory Council for 100 Women in Finance, Girls Inc. of New York, and the Andover Development Board of Phillips Academy.



Ravi Venkataraman, CFA

Managing Partner and co-owner of Chestnut Advisory Group

Prior to joining Chestnut, Ravi was the Global Head of Investment Solutions at MFS Investment Management, where he led a team that delivered bespoke investment advisory and consulting services to clients. His team was also responsible for investment thought leadership and education for MFS's client facing teams. He was previously responsible for global consultant relations and institutional defined contribution at MFS.

Before moving to MFS, Ravi was the President and Chief Investment Officer of Mercer Investments, having founded Mercer's OCIO business and one of the industry's earliest leaders in the fiduciary management space. Prior to creating the OCIO business, he was a Worldwide Partner and region head where he served as senior investment consultant to multinational corporate and public retirement plans, sovereign wealth funds and endowments and foundations.

Ravi holds a Masters Degree in Economics from Tufts University and is a CFA charter holder. His past Board memberships include being the Chair of MFS's Retirement Investment Committee, Chair, Steering Committee of the Active Managers Council and Chair of Generation Citizen, a non-profit organization focused on civic education in middle and high schools in Massachusetts.

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