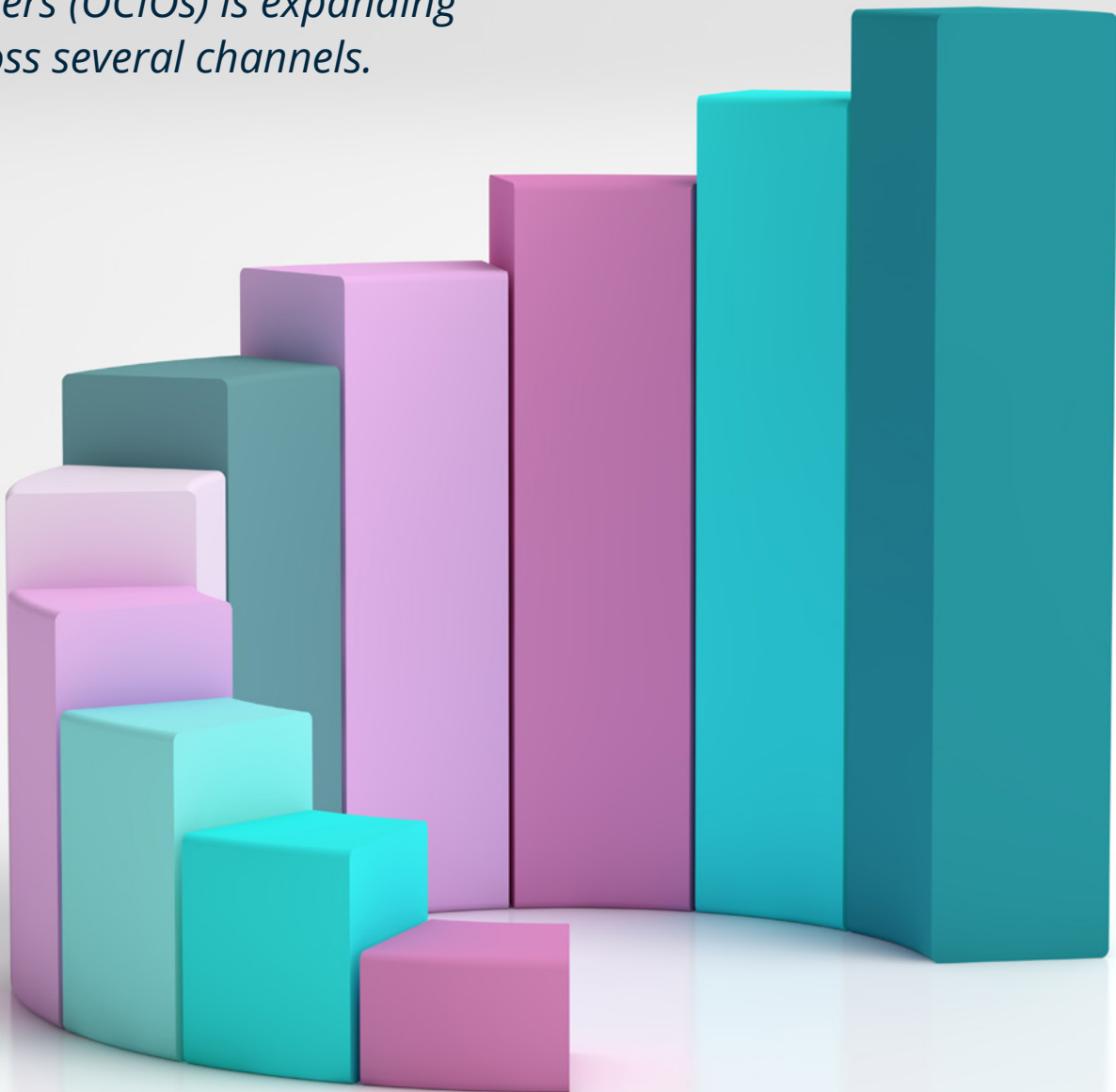


IIRC QUANTITATIVE UPDATE

OCIO Usage and Trends

Institutional investors' use of outsourced chief investment officers (OCIOs) is expanding across several channels.



Welcome!

Because you are a member of Cerulli Associates' Institutional Investor Research Collaborative (IIRC), we would like to share benchmarking data about utilization rates of the outsourced chief investment officer (OCIO) model.

We hope you enjoy these insights and continue to take advantage of all the benefits offered to our members.



Key Findings

The OCIO model is growing in popularity across several institutional investor types as investors look to enhance portfolio performance (53%) or alleviate resource constraints (47%). Those institutions that have used an OCIO have stated that while performance has improved, there have been some drawbacks (62%). Meanwhile, the rate of current users searching for a new OCIO provider has increased over the last several years. Several OCIO users tell Cerulli that the choice of the right OCIO provider can be as important as the choice to employ the model in the first place.

If you would like to participate in additional research or would like to speak with someone about Cerulli's research, please follow one of the links below.

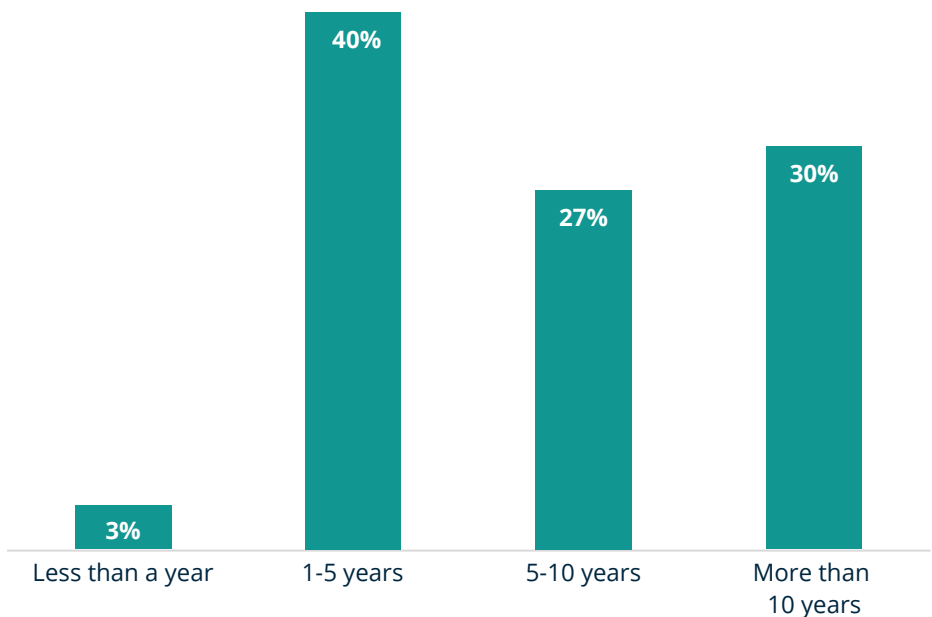
Share Your Insights

To speak with a team member,
schedule a time here

Learn More

Find out more about our Institutional
Investor Research Collaborative

Exhibit 1: Asset Owners: Length of OCIO Relationship, 2024



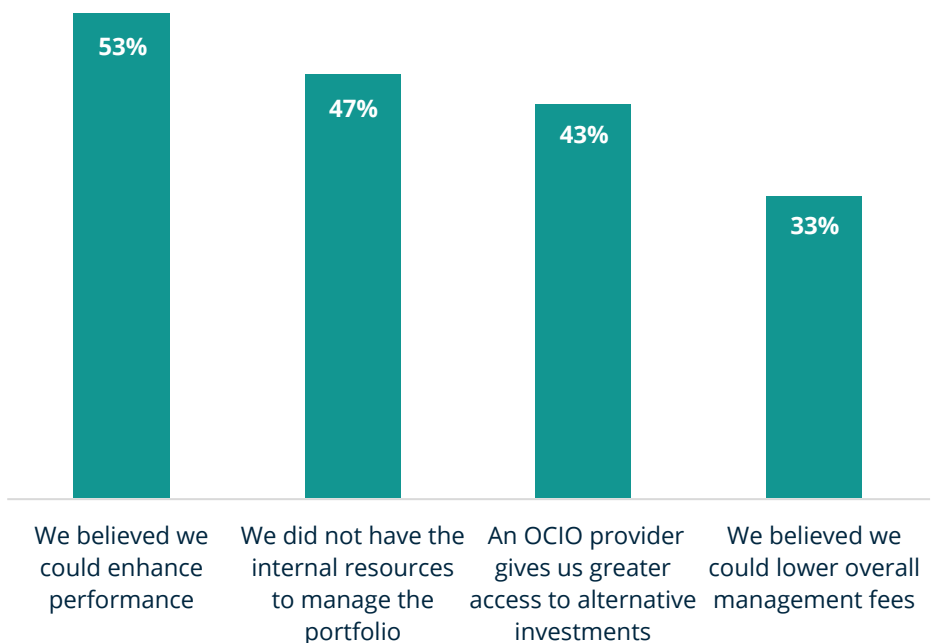
Source: Cerulli Associates 2024 Institutional Asset Owners Survey



Key Implication

Cerulli expects that over the next five years, 40% of asset owner and OCIO provider relationships will be reviewed as asset owners regularly review their OCIO provider relationships every five years. Turnover at the OCIO provider, misalignment of investment philosophies, and underperformance are often cited as key drivers of a replacement search.

Exhibit 2: Asset Owners: Reasons for Using OCIO, 2024



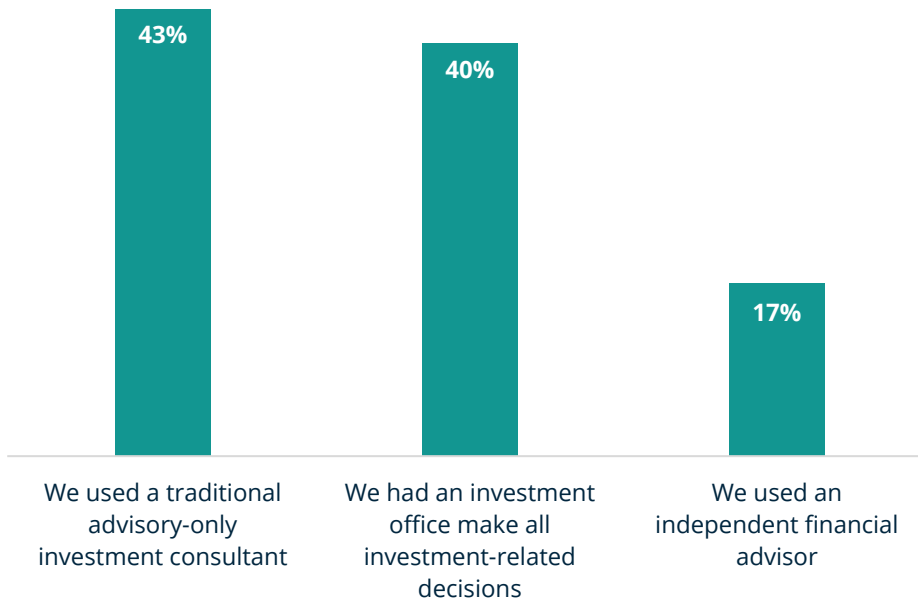
Source: Cerulli Associates 2024 Institutional Asset Owners Survey



Key Implication

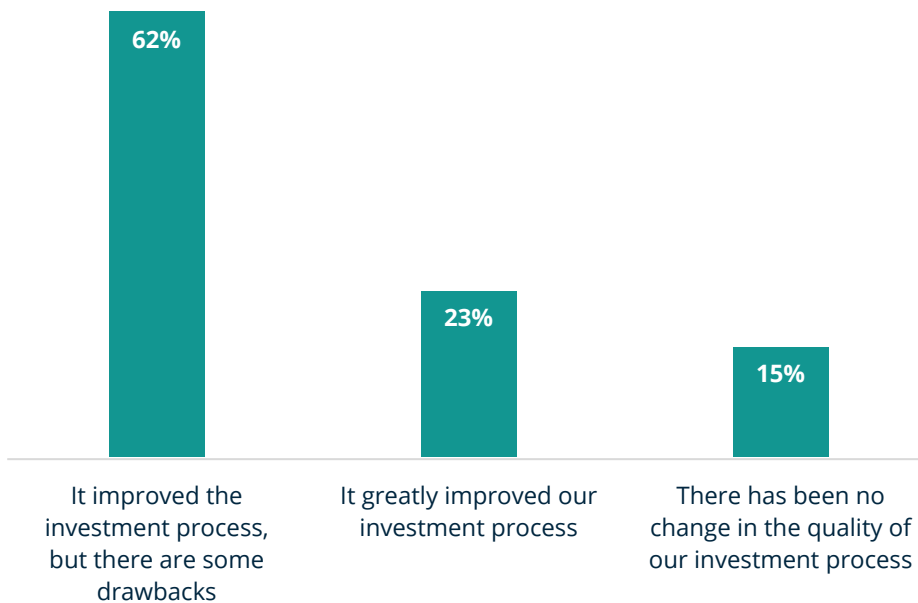
Any institution's decision to use an OCIO is nuanced. Many endowments with volunteer investment committees want to improve their governance process, and many corporate DB plans wish to run their portfolios on an LDI glidepath. These underlying drivers will ultimately guide the asset owner's decision on which OCIO provider to use.

Exhibit 3: Asset Owners: Investment Model Before OCIO Relationship, 2024



Source: Cerulli Associates 2024 Institutional Asset Owners Survey

Exhibit 4: Asset Owners: Result of OCIO Adoption, 2024



Source: Cerulli Associates 2024 Institutional Asset Owners Survey



Key Implication

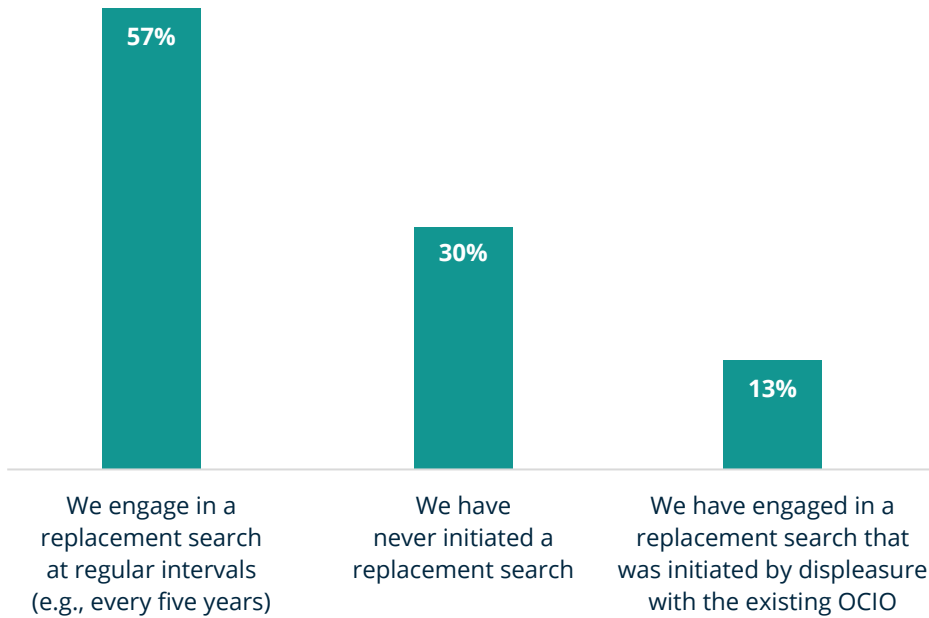
Nearly as many asset owners come to the OCIO model from an internal investment office (40%) as those coming from a traditional advisory consultant (43%). The high and growing costs of maintaining an internal investment office will likely continue to drive asset owners to outsource.



Key Implication

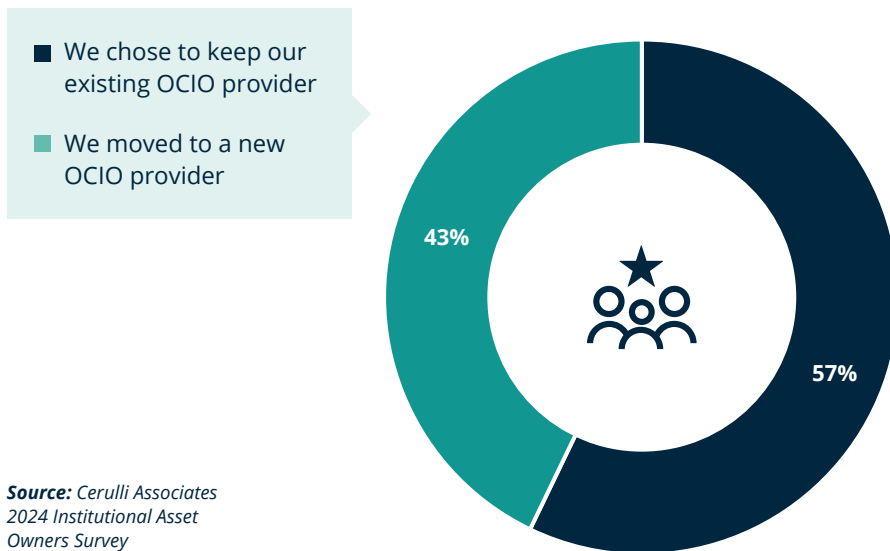
More than half (62%) note an improvement in investment decision making, though they also reported seeing some drawbacks. Many asset owners use an OCIO to provide long-term sustainability to their investment process. There are likely to be short-term challenges, especially in newer relationships.

Exhibit 5: Asset Owners: Approach to Replacement Searches, 2024



Source: Cerulli Associates 2024 Institutional Asset Owners Survey

Exhibit 6: Asset Owners: Results of OCIO Replacement Searches, 2024



Source: Cerulli Associates 2024 Institutional Asset Owners Survey



Key Implication

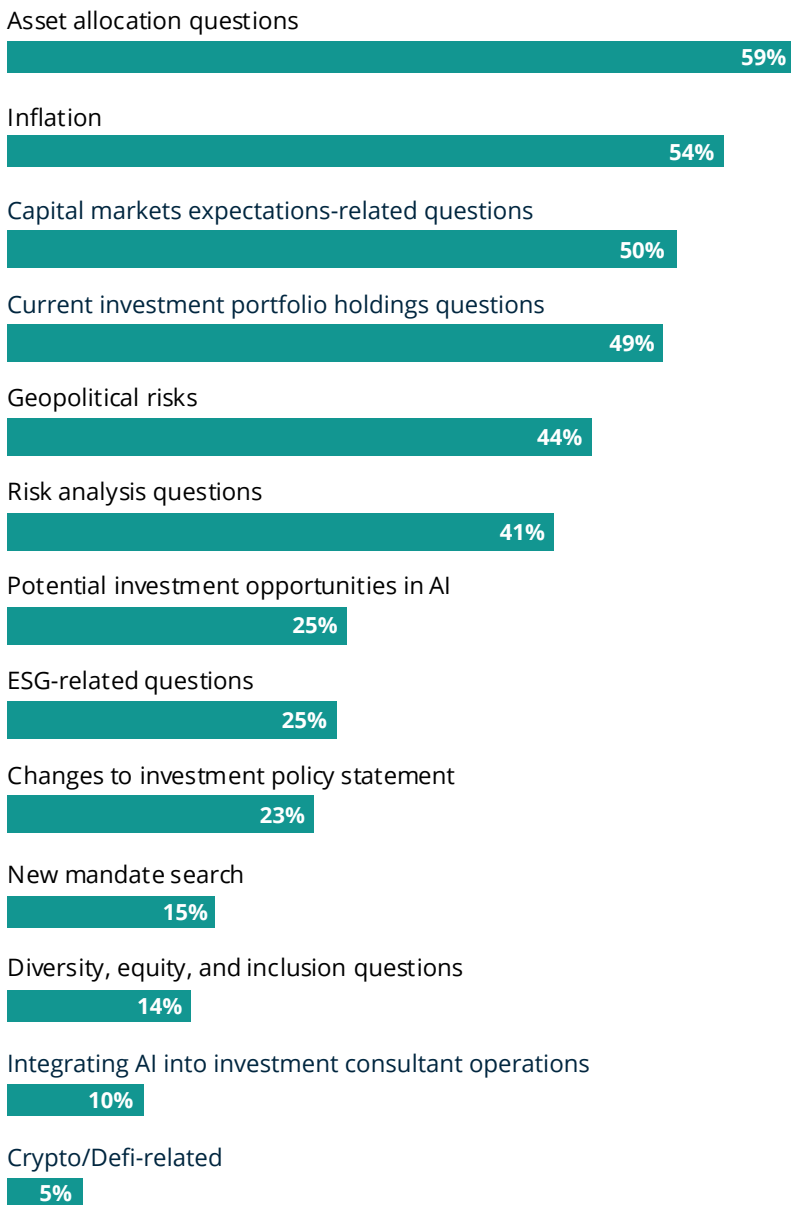
Given the increased popularity of OCIO between 2017 and 2019, many asset owners are beginning to evaluate their providers for the first time. Every OCIO search consultant Cerulli spoke with indicates an uptick in replacement search activity.



Key Implication

Cerulli has observed increased demand for ongoing OCIO monitoring and evaluation. These types of services are separate from a replacement search and aid the asset owner in ensuring they get the best performance, fees, and service from their providers. In these types of situations, the incumbent is very often viewed favorably.

Exhibit 7: Asset Owners: Topics To Address With OCIO and Investment Consultant Over Next 12 Months, 2024



Source: Cerulli Associates 2024 Institutional Asset Owners Survey



Key Implication

While asset owners using an OCIO provider outsource discretion over investment decision making, they still maintain a fiduciary responsibility over those assets. As such, they want to stay apprised of any portfolio updates (49%) and how the OCIO is navigating specific market challenges such as inflation (54%) and geopolitical risks (44%).



Institutional Investors Research Collaborative

Cerulli's Institutional Investors Research Collaborative (IIRC) provides asset owners—endowments and foundations, corporate defined benefit, public defined benefit, health and hospital systems, and insurance firms— the opportunity to share and learn from industry peers about the latest trends, ideas, and best practices shaping the institutional market. Together with Cerulli's 30 years of deep industry knowledge, participation will arm you with intelligence, research, and data to validate investment-related recommendations presented to board and committee members.



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