



CERULLI  
ASSOCIATES

# The Cerulli Report

## U.S. OUTSOURCED CIO FUNCTION 2018

*Increasing Competition and Service Customization*

### Overview & Methodology

This report, in its third iteration, explores the evolving outsourced chief investment officer (OCIO) market, including market sizing, demand and anticipated growth across client segments, types of outsourcing arrangements, functions outsourced, obstacles to uniformity across provider (*i.e.*, performance track record and fees), and reasons why organizations are outsourcing. The report also examines OCIO providers, industry consolidation, and distribution strategies used by asset managers building relationships with OCIO providers.

In addition to third-party sources, data for this report comes from two proprietary surveys with responses from OCIO providers—asset managers, investment consultants, dedicated OCIO managers, and institutional asset management distribution professionals prospecting with OCIOs. Approximately 20 interviews were conducted with OCIO industry professionals from investment consulting, asset management, and dedicated OCIO firms, as well as with institutional asset management distribution professionals prospecting with OCIOs.

### Benefits

- Explore the evolution of the OCIO industry and understand why investors are outsourcing
- Analyze updated OCIO market sizing, with a new breakdown by client types
- Learn how providers are staffing and using resources to address environmental, social, and governance (ESG) initiatives
- Gain insight into the rise of the third-party OCIO search consultant

### Questions Answered:

- How has the use of search consultants evolved over the last year?
- How are ESG efforts ramping up at OCIO providers?
- How is industry consolidation affecting the industry?
- How are performance track records being treated by OCIO providers?
- How are providers staffing for their OCIO efforts?

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The following interactive dashboards are included with your subscription:

- 1. AUM Projections:** Benchmark Cerulli total asset projections for the U.S. OCIO market against customizable user projections, with options to filter by client type and year.
- 2. Asset Allocation Comparison:** Explore a side-by-side comparison of OCIOs' anticipated asset allocation changes over the next year by client type.
- 3. OCIO Growth:** Understand the importance of client segments to growth of OCIO assets over the next two years, and review OCIOs' anticipated growth of client assets by portfolio size.
- 4. OCIO Profiles:** Gain detailed insight into several OCIO providers, with various firm-specific characteristics such as portfolio mandate breakdowns, outsourced AUM, firm type, number of employees, and the percentage of total revenue attributed to OCIO business.

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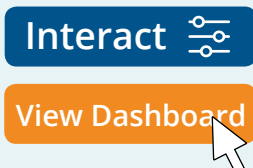
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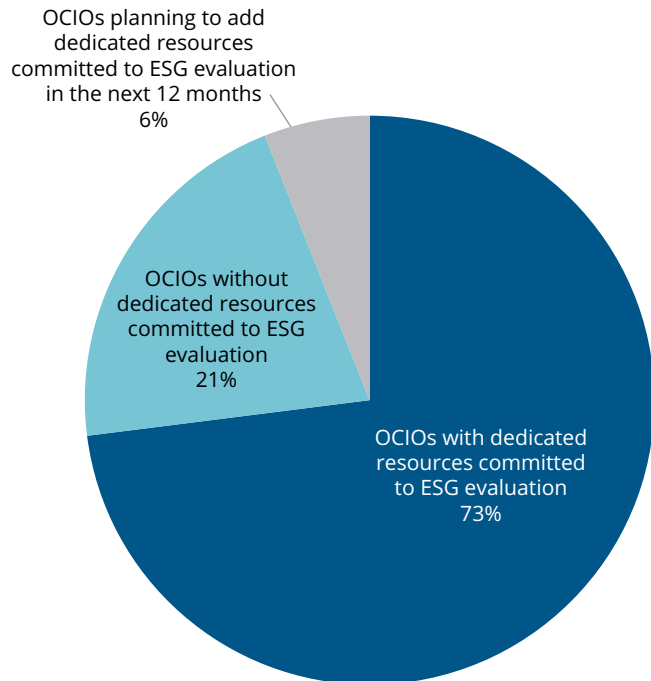
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**Exhibit 3.05**

**OCIOs with Resources Dedicated to ESG Incorporation, 2018**

Source: Cerulli Associates



- Overall, 79% OCIO providers have resources dedicated specifically to ESG efforts or are strongly considering adding them within 12 months.

**Key Implication:** OCIO providers recognize that many of their clients, particularly foundations, endowments, and hospitals, have missions designed to improve communities and make a social impact. They want their investments to reflect their organizational values while still being profitable. ESG screening alone is not enough to support all clients' goals, particularly when working with foundations and endowments. OCIO providers have responded to this need by hiring resources that are dedicated to ESG efforts. Services provided by these professionals include positive and negative investment screens, impact investing, thematic investing, and community investing. OCIO providers will look to managers that can incorporate these themes beyond negative ESG screens when supporting these clients.

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