

U.S. Outsourced Chief Investment Officer Function 2022

Industry Efforts for Standardization Kick Into High Gear

OVERVIEW & METHODOLOGY

This annual report covers the overall size and growth of the U.S. outsourced chief investment officer (OCIO) market, how recent market events have impacted asset owners choosing to adopt OCIOs for the first time, and how Cerulli expects market conditions to further impact future growth. We look at the ongoing challenges faced by OCIOs, particularly regarding the lack of industry standards or regulations that make it difficult to evaluate and compare opportunities. Further, we look at where the largest opportunities for new and replacement searches are coming and how OCIO providers are supporting clients both from an investment and operational perspective.

USE THIS REPORT TO

- Gain insight into the continued efforts for adoption best practices and OCIO industry standards
- Size the U.S. OCIO market with several assets under management (AUM) breakouts, growth rates, and a provider leaderboard
- Analyze key trends and data collected from proprietary surveys and interviews with OCIO asset owners, providers, and search consultants
- Review the OCIO services and fees landscape, including opportunities and challenges that exist for providers and key recommendations for successful relationships
- Understand key investment trends within the OCIO marketplace such as anticipated changes to asset allocation, asset growth predictions, expected growth of retirement and non-retirement segments, use of active vs. passive investments, search trends, and methods used to display performance track records to clients

QUESTIONS ANSWERED

- Where are the areas of growth in the OCIO space?
- Which services are most in demand for OCIO clients?
- How much are OCIO providers charging for OCIO advisory fees and how do fees differ among client types and the size of the client's asset pool?
- Are fees coming down and why might some OCIO providers charge more than others?
- What is top-of-mind for asset owners that are looking at OCIOs for the first time or are currently in an OCIO mandate?
- Are there any industry changes that OCIOs need to be aware of to remain competitive in their marketplace?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **Custom OCIO Projections:** Review historical and projected U.S. OCIO AUM with customizable growth rates and filters by client type, including corporate defined benefit (DB), corporate defined contribution (DC), endowments, foundations, health and hospitals, and private wealth.
- **OCIO Providers: Importance of Institutional Client Types to Growth:** Review aggregate OCIO provider sentiment on the areas of growth over the next two years. Compare responses from 2021 and 2022. View data by retirement and non-retirement client types and portfolio AUM sizes.
- **OCIO Providers: Expected Asset Allocation Changes Comparison:** Review aggregate OCIO provider sentiment of changes in asset allocation across multiple client types and compare 2021 and 2022 data.
- **OCIO Fee Distribution:** Analyze the average fee distribution for OCIO services by client asset levels for corporate DB and nonprofit clients.
- **Firm Profiles:** Explore firm profiles for 15 major OCIO providers, including firm AUM, share of worldwide and U.S. AUM in partial and total portfolio mandates, share of client types, headquarters location, headcount, year established, and percentage of firm revenue in OCIO business.

Exhibit 6.07
OCIO Support Services Provided to Clients, 2022

Source: Cerulli Associates | Analyst Note: “Other” responses included “We currently offer fiduciary education, governance, audit support, and back-office support services.”

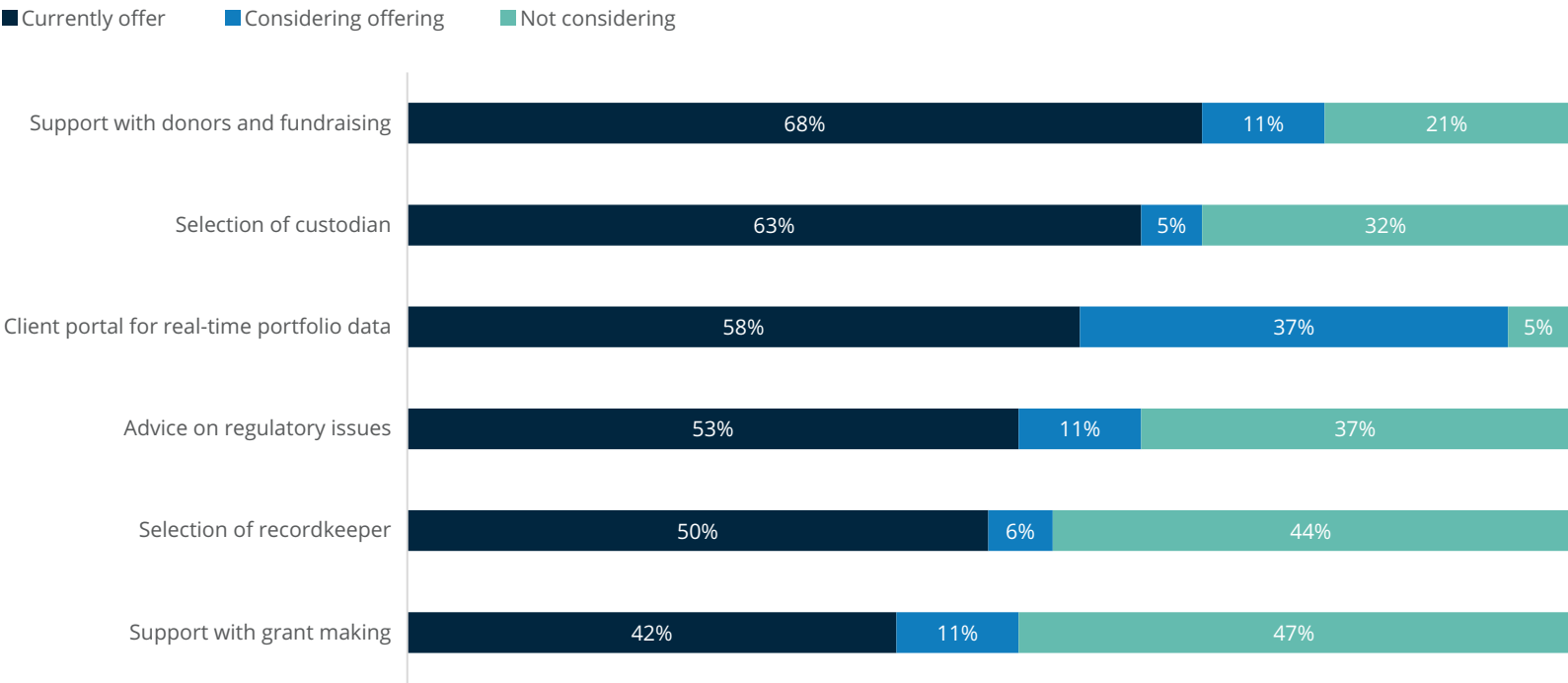


Table of Contents: Expanded

Methodology	15
Asset Owners: Challenges Facing Institutional Investors, 2022	16
Report Authors	17
Chapter 1: Continued Efforts for Adoption of Best Practices and Industry Standards	18
<i>Introduction</i>	18
<i>How OCIO Providers Show Performance to Prospective Clients</i>	19
Exhibit 1.01. OCIO Providers' Methods of Displaying Performance Track Records, 2022	19
<i>What Are GIPS Reports? Who Is Using Them?</i>	20
Exhibit 1.02. OCIO Providers' Vehicle Use, 2022	20
Exhibit 1.03. Expected Future Adoption of GIPS Reports and Partial List of GIPS-Compliant OCIO Firms, 2022	22
<i>Update on Alpha NASDAQ</i>	23
Exhibit 1.04. Expected Search-Consultant-Intermediated Mandate Trends, 2021 vs. 2022E	23
Exhibit 1.05. Highlights of Alpha Nasdaq OCIO Index, 2022	24
Exhibit 1.06. OCIO Providers Contributing Performance to Alpha NASDAQ, 2022	25
Exhibit 1.07. Alpha NASDAQ Indices: Number of Reported Accounts by Peer Group, 2022	26
Exhibit 1.08. Performance of Alpha NASDAQ OCIO Index and Select Benchmarks by Peer Groups, 2Q 2022	26
<i>CFA Institute's GIPS Working Group for OCIO</i>	27
Chapter 2: OCIO Size and Growth	29
Exhibit 2.01. Global OCIO Assets, 2016–2021	32
Exhibit 2.02. Outsourced CIO Providers' Percentage of U.S. AUM by Market Segment, 2022	33
Exhibit 2.03. Outsourced CIO Providers' Client Composition by Account Size, 2022	34
Exhibit 2.04. Outsourced CIO Providers' Client Composition by Full or Partial Discretion, 2022	35
Exhibit 2.05. Global OCIO Providers' AUM by Total Portfolio and Sleeve of Portfolio, 1Q 2018–1Q 2022	36
Exhibit 2.06. Global OCIO Providers' AUM by Level of Discretion, 1Q 2018–1Q 2022	37
Exhibit 2.07. Historical and Projected U.S. OCIO AUM by Client Type, 2018–2026E	38
Exhibit 2.08. Fiduciary Management AUM in the U.K. Market, 2016–2026E	39
Exhibit 2.09. Dutch Pension and Fiduciary Assets Under Management, 2016–2026E	40
Exhibit 2.10. Largest OCIO Providers by Outsourced AUM, 2022	41

Chapter 3: OCIO Providers	42
Exhibit 3.01. OCIO Provider Global Asset Marketshare by Firm Type, 2022	46
Exhibit 3.02. OCIO Provider U.S. AUM by Firm Type, 2022	47
Exhibit 3.03. Top Challenges Faced by OCIO Providers, 2022	48
Exhibit 3.04. Spectrum of Outsourcing Providers, 2022	49
Exhibit 3.05. Global OCIO Providers' Vehicle Use, 1Q 2018–1Q 2022	50
Exhibit 3.06. Services Offered to DC Clients, 2022	51
Exhibit 3.07. Services Offered to HNW Clients, 2022	52
Exhibit 3.08. OCIO Providers' Roles/Teams That Have Influence Over Manager Selection, 2022	53
Chapter 4: OCIO Asset Owners	54
Exhibit 4.01. Asset Owners: Survey Respondents by Client and Portfolio Type, 2022	57
Exhibit 4.02. Asset Owners: Survey Respondents by Portfolio Size, 2022	58
Exhibit 4.03. Asset Owners: Future Use of OCIO During the Next 24 Months, 2022	59
Exhibit 4.04. Asset Owners: Expected Changes to Asset Allocation Over the Next 24 Months (Total Portfolio), 2022	60
Exhibit 4.04 - Continued. Asset Owners: Expected Changes to Asset Allocation Over the Next 24 Months (Total Portfolio), 2022	61
Exhibit 4.05. Asset Owners: Challenges Facing Institutional Investors, 2022	62
Exhibit 4.06. Asset Owners: Reasons for Terminating a Relationship with an OCIO, 2022	63
Exhibit 4.07. Asset Owners: Importance of Service Offerings Provided by Asset Managers, 2022	64
Exhibit 4.07 - Continued. Asset Owners: Importance of Service Offerings Provided by Asset Managers, 2022	65
Exhibit 4.08. Asset Owners: Frequency of Meetings/Interactions with OCIO Providers, 2022	66
Exhibit 4.09. Asset Owners: Corporate DB Plan Funded Status and Expected Trends, 2022	67
Exhibit 4.10. Asset Owners: Frequency of Portfolio Updates from OCIO Providers/Investment Consultants, 2022	68
Exhibit 4.11. Asset Owners: Topics of Interest During the Next 12 Months, 2022	69

Chapter 5: OCIO Search Consultants	70
Exhibit 5.01. OCIO Search Firm/Search Consultant Services Offered, 2022	74
Exhibit 5.02. Types of Clients for Which OCIO Search Firms/Search Consultants Support, 2022	75
Exhibit 5.03. OCIO Search Firms/Search Consultants: Average Replacement Search Activity During Last 12 Months, 2022	76
Exhibit 5.04. Average Total Searches and Average Replacement Searches, 2020 vs. 2021	77
Exhibit 5.05. OCIO Search Firms: Top Challenges to Working with New OCIO Clients, 2022	78
Exhibit 5.06. Primary Methods of Contact Between OCIO Search Firm and OCIO Providers with No Prior Relationship, 2022	79
Exhibit 5.07. OCIO Search Firms/Search Consultants: Average Percentage of Client Placement by OCIO Business Type, 2022	80
Exhibit 5.08. OCIO Search Firms/Search Consultant Use of Pre-Determined Lists of Providers for Searches, 2022	81
Exhibit 5.09. Importance of GPS Compliance/GPS Reports for Performance Track Records, 2022	82
Exhibit 5.10. Importance of GPS for Performance Track Record to Search Firm Clients, 2022	83
Exhibit 5.11. Most Common Performance Track Records Encountered During OCIO Searches, 2022	84
Exhibit 5.12. Top Challenges for OCIO Search Firms/Consultants Working with OCIO Providers, 2022	85
Exhibit 5.13. Sample List of OCIO Search Consultants, 2022	86
Chapter 6: OCIO Fees and Services	87
Exhibit 6.01. OCIO Providers' Fee Structures Offered, 2022	90
Exhibit 6.02. OCIO Providers' Fee Structures by Client, 2022	91
Exhibit 6.03. Components of OCIO Fee Paid by Asset Owners, 2022	92
Exhibit 6.04. Average Fees for OCIO Services by Client Asset Levels for Corporate DB Clients, 2022	93
Exhibit 6.05. Average Fees for OCIO Services by Client Asset Levels for Nonprofit Clients, 2022	94
Exhibit 6.06. OCIO Investment Services Provided to Clients, 2022	95
Exhibit 6.07. OCIO Support Services Provided to Clients, 2022	96
Exhibit 6.08. Features of OCIO Client Portals, 2022	97
Exhibit 6.09. OCIO Services Offered to Defined Contribution Clients, 2022	98
Exhibit 6.10. OCIO Services Offered to Ultra-High-Net-Worth/Family Office Clients, 2022	99
Exhibit 6.11. ESG Support Offerings, 2022	100
Exhibit 6.12. OCIOs with Resources Dedicated to ESG Incorporation, 2022	101

Chapter 7: Investment Trends within OCIO	102
Exhibit 7.01. OCIOs' Anticipated Changes to Asset Allocation for Corporate DB Plan Clients Over the Next Year, 2022	105
Exhibit 7.02. OCIOs' Anticipated Changes to Asset Allocation for Corporate DC Plans Over the Next Year, 2021	106
Exhibit 7.03. OCIOs' Anticipated Changes to Asset Allocation for Endowment and Foundation Clients Over the Next Year, 2022	107
Exhibit 7.04. Importance of Retirement Client Segments to Growth of OCIO Assets Over the Next Two Years (Total Portfolio), 2022	108
Exhibit 7.05. Importance of Non-Retirement Client Segments to Growth of OCIO Assets Over the Next Two Years (Total Portfolio), 2022	109
Exhibit 7.06. Importance of Retirement Client Segments to Growth of OCIO Assets Over the Next Two Years (Sleeve Portfolio), 2022	110
Exhibit 7.07. Importance of Non-Retirement Client Segments to Growth of OCIO Assets Over the Next Two Years (Sleeve Portfolio), 2022	111
Exhibit 7.08. Status of Corporate Defined Benefit Plans, 2022	112
Exhibit 7.09. Expected Growth of Retirement Client Segment OCIO Assets Over the Next Two Years (Total Portfolio), 2022	113
Exhibit 7.10. Expected Growth of Non-Retirement Client Segment OCIO Assets Over the Next Two Years (Total Portfolio), 2022	114
Exhibit 7.11. Expected Growth of Retirement Client Segment OCIO Assets Over the Next Two Years (Sleeve Portfolio), 2022	115
Exhibit 7.12. Expected Growth of Non-Retirement Client Segment OCIO Assets Over the Next Two Years (Sleeve Portfolio), 2022	116
Exhibit 7.13. OCIOs' Use of Active vs. Passive Investments, 2022	117
Exhibit 7.14. OCIO Search Trends, 2022	118
Exhibit 7.15. Methods Used to Display Performance Track Records to Clients, 2021	119

Firm Profiles..... 120

 Mercer120

 Goldman Sachs.....121

 Aon122

 BlackRock.....123

 State Street Global Advisors124

 WTW Investment Services.....125

 Russell Investments126

 SEI Investments.....127

 Northern Trust128

 J.P. Morgan.....129

 Alan Biller and Associates130

 Vanguard Group.....131

 CAPTRUST132

 Morgan Stanley.....133

 NEPC.....134

Company Index..... 135

Company Index

Aon, 41, 43
IC Select, 27
Mercer, 49
Russell Investments, 40
State Street Global Advisors (SSGA), 49
Strategic Investment Group, 27
Vanguard, 49
Willis Towers Watson (WTW), 41, 43