

# Access All Areas:

Institutional Investors on the Benefits of  
Fiduciary Management and OCIO Services

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# INTRODUCTION

As modern life gets more hectic and complex, there is a growing choice of solutions offering to simplify it. If your house is full of clutter, you can take advice from the likes of Marie Kondo on how to edit your possessions and keep them tidy. Or, if you lack the time to shop and cook, there are delivery services of pre-portioned food, which need minimal preparation for an appetising meal. For almost every aspect of peoples' busy lives, there are experts, apps and hacks to help. All are examples of how we can tap into advice to help manage everyday challenges.

Institutional investors can do something similar, on a much larger scale, by outsourcing much of their investment work to fiduciary managers, or outsourced chief investment officers (OCIOs). These services have, according to a recent press report, doubled in size since 2016 and now have approximately \$2.5 trillion in assets under management<sup>1</sup>. Looking back at the development of institutional investment, it is possible to argue that these services are a logical development, as pension funds and other large institutional investors have gradually moved into new asset classes, employed more sophisticated strategies and increasingly used external advice and investment management. At one time, when they invested in only a few mainstream asset classes, large institutional investors could handle this internally. But over time, as they diversified into a wider range of equity, bond and other asset classes, investors made more use of consultants and external asset managers. Now, even the largest investors use external asset managers to some extent, as they diversify with different asset classes and investment styles. Consultants and other advisors also play a vital role in offering strategic advice and help on topics such as manager selection to virtually all institutional investors.

For institutional investors, outsourcing investment to a fiduciary manager or an OCIO is the final step in a journey of making use of external expertise. The exact terms of what is outsourced and what stays with an institutional investor can vary, from only outsourcing the responsibility for certain asset classes, through to outsourcing the full range of investment activities, from asset allocation to manager or fund selection and various back-office functions. Some investors may want to still make strategic asset allocation decisions, or have final approval over important investment decisions, while others might give the fiduciary manager an objective, such as a funding or solvency level, with the fiduciary manager responsible for how it achieves that objective.

## Fiduciary manager or OCIO?

*If an institutional investor outsources the implementation of their investment strategy to an external provider, are they using a fiduciary manager or an OCIO? Views on this vary and could come down to geography, as much as the exact nature of the relationship between the investor and the service provider. On a geographical basis, the term OCIO is often used in the US market, while fiduciary management is seen as originating in the Netherlands and is widely used in Europe.*

*While the two terms are often used interchangeably, there is a view that fiduciary management means that all investment responsibility is passed to an external manager, while with an OCIO, more control is retained by the institutional investor making the appointment. Under this distinction, with an OCIO, a pension fund may retain control over investment strategy and strategic asset allocation, while a fiduciary manager might be given certain targets, such as a return objective or funding level, with discretion over the means it uses to achieve its objectives. In any event, the exact relationship and the relative responsibility for investment strategy could come down to scheme-specific circumstances and the governance structure in use.*

<sup>1</sup> Big asset owners turn to external money managers as outsourcing swells to \$2.5tn, Financial Times, May 9, 2022.

# KEY TAKEAWAYS



## Three benefits stand out

- Almost **two-thirds (64%)** of investors say **access to the best ideas and managers** is one of the most important benefits of hiring a fiduciary manager or OCIO.
- The majority of investors also cite **access to a wide range of asset classes** including alternatives (55%) and **dedicated expertise and specialism** (52%).



## By Region

- **European and Asia Pacific investors** (both 67%) are more likely to pick out **access to the best ideas and managers** as a key benefit.
- **European investors** are more likely (60%) to see **dedicated expertise and specialism** as one of the most important benefits.
- Over a quarter (26% vs. 18% globally) of **Asia Pacific investors** say **help making portfolios more sustainable** is an important benefit of fiduciary management.
- **North American investors** are more likely to say **access to a wide range of asset classes** including **alternatives** (58% vs. 55% globally) and **freeing up time** are the key benefits.



## By Organization

- **Endowments & Foundations** (81%) and **SWFs** (75%) are more interested in **access to the best ideas and managers** than other investors.
- **Pension funds** (36% of public pensions and 33% of corporate pensions) are more likely to see **lower investment costs** as an important benefit compared to other organizations.
- **Insurance companies** (60%) and **endowments & foundations** (62%) are more likely to see **access to a wide range of asset classes including alternatives** as one of the most important benefits.



## By AUM

- **Access to the best ideas and managers** and **lower investment costs** are favoured by **smaller investors** (less than \$5bn AUM) as key benefits.
- **Large investors** (\$50bn plus AUM) are more likely to see **a bespoke solution with a scheme-specific benchmark and portfolio** as an important benefit.





## CONCLUSION

It is not possible to guarantee investment returns, and fiduciary managers and OCIOs are as vulnerable as anyone to the vagaries of the market. But, compared to all but the biggest institutional investors, fiduciary managers and OCIOs can offer access to a wide range of ideas, managers and asset classes. Along with the fact that they are specialists in investment and the associated tasks around it, these are the biggest attractions to investors of fiduciary management and OCIO services. It is access to a wide range of investment opportunities and offerings, through a dedicated service, that stand out as the key attractions of fiduciary management. This indicates that most investors probably feel that they lack the resources to cover the full range of investments themselves and see this as something that they need help with.

After these key benefits, investors also like lower investment costs, freeing up time and, to a lesser extent, some of the customised benefits, such as a bespoke solution or liability-matching and risk management solutions. Using a fiduciary manager or OCIO to help make a portfolio more sustainable is less important, with less

than a fifth of investors seeing this as important. Another point here is that the spread of important benefits, as seen by investors, shows that fiduciary managers succeed by offering a package of investment and governance benefits to help institutional investors.

We can also see that fiduciary managers and OCIOs are attractive to different types of institutional investor, including endowments and foundations and insurance companies. There may even be scope for sovereign wealth funds to use this approach, although the results for this segment are based on a relatively small sample, making them indicative in nature. Fiduciary managers and OCIOs also appeal to both smaller and very large institutional investors. For smaller investors, access to a wider range of managers and the best ideas, as well as lower investment costs and freeing up time are important. For larger investors, the fact that fiduciary managers can offer a bespoke service is more likely to be seen as an attraction. This wide appeal of fiduciary management and OCIO services suggests that they will continue to grow in the future.

# CoreData

## About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Spain, Malta, and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.