

*Please note: This is a transcription so there may be slight grammatical errors.*

An increasing number of endowments and foundations are now delegating their investment management to an outsourced chief investment officer OCIO. An OCIO can be especially helpful to nonprofits with limited staff, limited investment expertise, or highly specialized investment needs. But it's important to know the benefits and considerations before deciding whether OCIO is the right choice for your organization. An outsourced chief investment officer is a professional advisor or advisory firm hired by a nonprofit to manage its investment portfolio and make strategic investment decisions on the organization's behalf. Typically, an OCIO provides day-to-day management of the organization's investment program, allowing nonprofit leaders to focus on their mission. The OCIO has investment discretion and is directly accountable for performance. That's why you might hear the OCIO relationship described as discretionary portfolio management. Most nonprofits have a limited number of, or sometimes no full-time staff who can focus on investments. So it can be hugely helpful to have a professional investment manager working on your behalf.

As a co-fiduciary, the OCIO is bound to act in the best interest of organizations and their beneficiaries. The OCIO services often include portfolio analysis, management, and trading, investment policy statement development, research and selection of investment managers, regular performance reporting, and tactical or strategic asset allocation. For many nonprofits, handing these tasks over to a trusted partner is a welcome sigh of relief.

However, engaging in OCIO might not be the right move for every nonprofit organization. For instance, institutions with a strong, capable and well-resourced internal investment team might not need one. And institutions that prefer to have direct control over their investment decisions will probably find an OCIO less appealing. If you decide to engage in OCIO, due diligence is key. Research multiple firms, explore their fees, reporting schedules, track records, and stability. Institutions with highly specialized investment requirements will need an OCIO with robust industry expertise to meet their specific needs. You may also want to gauge how well the OCIO will integrate with your organization's existing governance structure and communication channels. Ultimately, the decision to hire an OCIO should be based on careful evaluation of your organization's needs, objectives, and resources. Making a well-informed decision can lead to more efficient and effective portfolio management that is better aligned with your institution's short and long-term objectives.

To better understand whether an OCIO is right for your organization, call CAPTRUST. Our nationwide team of institutional advisors can help you decide the next steps forward.

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