



Outsourced CIO Adoption by Institutional Investors

March 26, 2024

In 2023, Coalition Greenwich conducted a study with institutional investors to assess the latest trends in OCIO usage. Globally, we interviewed over 1,400 institutional investors regarding their use of OCIO and spoke with a subset of 257 for more in-depth feedback. Current users shared their experiences working with OCIOs, and non-users described what has kept them from outsourcing to date and where they stand on future considerations.

Below are some key highlights from the full research results that are covered in [2023 Trends in OCIO Usage](#).

Current OCIO Use

OCIOs play an important role in helping institutional investors manage their investment portfolios in a complex and challenging environment. This model gained traction in the asset management industry due to its ability to provide specialized expertise, access to a broader range of investment opportunities, and tailored risk management strategies. While adoption of this model varies significantly by region, 11% of global investors are currently using an OCIO to manage a substantial portion of their portfolio.

Globally, where funds use an OCIO, they tend to allocate the entirety of their plan assets to their OCIO provider. However, the approach to granting discretion over these assets—whether full or partial—also varies significantly by region. In Europe, there's a prevailing practice of granting only partial discretion to OCIOs. North American and U.K. investors tend to lean toward granting full discretion to OCIOs, entrusting them with complete authority over investment choices.

Motivations for OCIO Adoption

When asked about the top objectives in their decision to use an OCIO, the primary factor was the desire to augment their investment expertise and gain access to a broader array of investment strategies and managers. This reflects a strategic shift toward leveraging specialized knowledge and resources to enhance portfolio diversification and capitalize on unique market opportunities.

Second, investors cited the objective of improving investment returns as a key motivator for adopting an OCIO model. By tapping into the OCIO's expertise in asset allocation and manager selection, investors aim to achieve superior risk-adjusted returns over the long term.

Lastly, investors highlighted the importance of enhancing their risk management capabilities through the use of an OCIO. This includes developing and implementing customized risk management strategies to mitigate market volatility and safeguard the portfolio against downside risk.

Satisfaction with OCIO's Ability to Meet Expectation

The majority of investors report being satisfied with their OCIOs, although asset owners in North America generally express a higher degree of satisfaction with their OCIOs than their counterparts in Europe.

For investors, the primary objective of using the OCIO model is to augment their investment expertise, an area where they also report the highest satisfaction with their OCIO. However, while improving investment returns was reported as the second most important objective for OCIO users, only a third expressed high satisfaction with their provider's ability to achieve this goal.



Relative to client priorities, OCIOs have been more effective in reducing costs and managing portfolio changes than in boosting returns. OCIO providers may benefit from adjusting their communication and rationale for OCIO adoption to focus on areas where their clients report the highest satisfaction.

Sophie Emmer is the author of this publication.

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.