

Considerations for Hiring an OCIO: The “T” Test

Many investment consultants, banks and small wealth management firms offer outsourced chief investment officer (OCIO) services to foundations and nonprofit organizations. The partial or full outsourcing of an organization’s investment function to an asset manager or other third party can help achieve:

- Portfolio performance and asset growth for the long term
- Robust risk control and fee transparency
- Flexibility to implement timely tactical investment decisions
- Compensation for a lack of internal resources

If you’re considering the OCIO model instead of the self-management or investment consultant model, the following “T” test may help your organization evaluate potential OCIO providers.

Time Tested

Does the OCIO have an investment philosophy and process that is time-tested, disciplined and consistent?

Your OCIO should have an investment philosophy that is well-articulated, research-driven and time-tested as well as an investment process that is explainable, repeatable and disciplined. The strongest OCIO firms can clarify where ideas are generated, who evaluates ideas and how portfolios are constructed. Their philosophy and process should be steady over the long term, not wavering or chasing the latest fad.

Team

Does the OCIO have a team of experts solely dedicated to serving organizations similar to yours — in size, scope, mission, goals, objectives and time horizon?

It is important to find an OCIO partner that has a team with robust experience in the OCIO space, one that is familiar with the distinct administrative needs of OCIO clients and has a deep understanding of the particular challenges faced by nonprofit organizations. Look for an OCIO with “depth of team” — a provider with access to experts and one that leverages the resources necessary to bring the best thought leadership and education to nonprofits. An OCIO should be an extension of the organization’s team and resources, complementing and enhancing existing efforts in the areas of governance and donor stewardship.



Transparency

Is the OCIO transparent about the services offered to your organization and the associated fees?

During your evaluation, the OCIO should be clear and transparent about fees. You should be able to easily understand account-level fees, underlying manager fees and any additional fees that may be assessed based on the services provided. This all-in fee analysis should be provided at least on an annual basis throughout the relationship.

True Value

Does the OCIO offer value-added services to enhance your experience and help your organization fulfill its mission?

As competition within the investment management industry increases, your OCIO should offer services that complement its investment process. A firm that understands how to enhance your organization's existing efforts in areas like board education and governance, transition and leadership succession planning, grantmaking, donor stewardship and planned giving will bring significant value to the relationship and make the lives of your board and staff easier.

Track Record

Does the OCIO have a history of helping nonprofit organizations meet their goals and objectives?

The OCIOs you evaluate should show a history of meeting organizations' goals and objectives. Beyond performance, the OCIO should demonstrate the ability to preserve principal, achieve capital appreciation and generate a total return to meet distribution/spending requirements, in excess of inflation, over the long term.

If your organization is interested in learning more about the benefit of partnering with an OCIO, please call Samantha Audia, CTFA, Client Development Officer, at 267-252-8860, or email Glenmede's Endowment & Foundation Management Team at efsolutions@glenmede.com.

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