

# The Skorina Letter

## • Retained Executive Search •

**Our clients:** visionary families, transformative nonprofits, Wall Street trailblazers

**Our vision:** build investment preeminence, create opportunity, enrich lives

**Our work:** provide talent, access, relationships, and insights



## OCIOs: Your New Best Friends

*However beautiful the strategy, you should occasionally look at the results – No attribution*

As luck would have it, we’re currently managing an OCIO (outsourced chief investment officer) search for a notable east coast organization and thought we’d share some of what we’ve learned over the years. A few tips for our board and family readers. Why this “noblesse oblige?” If you believe the pundits, investment advisors are about to enter a new golden age of wealth management.

According to [UBS](#) and a flurry of broadsheets, “over the next 20 years, the world will experience the greatest transfer of wealth in history with \$84 trillion expected to pass down to younger generations in the US alone.”

At the celestial end of the wealth spectrum, we find a little over half the world's wealthiest living in the United States. UBS [counts](#) 123,870 ultra-high-net-worth individuals with investable assets of \$50 million or more on our shores, and the bank expects that number to top 180,00 in five years.

Add in another 3,253 foundations with assets over \$50 million and no wonder both [Cerulli Associates](#) and [Capgemini](#) forecast voracious demand for OCIO services for years to come.

### US Foundations

- 157 over \$1bn
- 183 between \$500 million - \$1bn
- 334 between \$250 million - \$500 million
- 1,053 between \$100 million - \$250 million
- 1,526 between \$50 million - \$100 million
- 116,000 under \$50 million

Source: John Seitz, CEO, FoundationMark

But with over one hundred firms on our latest [OCIO provider list](#), how's a family or institution to choose among discretionary investment managers?

### **Managing money ain't cheap**

As we wrote a few weeks ago in our OCIO summer [update](#), it's expensive to support an institutional grade full-service asset management platform. Costs are climbing for infrastructure, cybersecurity, audits, and compliance.

Boston Consulting Group, in their Global Asset Management 2023 [review](#), estimates that – due to rising costs – the industry's compound

annual growth rate in profits “will be approximately half the average of recent years (5% versus 10%).”

In a related wealth [report](#), BCG highlights the impact rising costs are having on smaller investment managers, those with less than \$150 billion AUM (i.e., family offices and OCIO’s, among others.)

Most nonprofits and families (basically anyone under \$500 million in investable assets) just don’t have the time or resources to build competitive and secure internal investment capabilities. Hence the spiraling demand for professional full-service OCIO providers.

So, where to begin?

### **Your new best friends**

Our advice? Start your search by answering the following question. How will you measure success? Absolute return? Capital appreciation? A new admin building with your name on it?

Before you pick through our handy OCIO directory and cogitate on the entries, please write down what you would like your new investment partner to accomplish. Best to set expectations before they are set for you.

Here's something else to keep in mind. “Lack of adequate communication – particularly regarding performance – is the single biggest challenge and the most common source of dissatisfaction within OCIO relationships.” FundFire.

When we speak with family heads and board members who are considering a change in OCIO providers they usually cite performance. But as Chestnut Advisory explained in a recent [study](#) on industry

growth, “there is relatively little difference among the long-term investment performance track records of most OCIOs.”

So what’s this discord really about? Dig deeper and we find it’s usually not about returns at all, but about a change in their client service rep, and they just don’t like the new person.

Mr. Stuart Lucas, program director for the wealth management program at the University of Chicago Booth School of Business, former investment committee chairman at National Public Radio, and senior investment officer for his own family’s office [spoke](#) with us a few years ago about consultant relationships.

*The first investment committee I joined hired a well-respected consulting firm. Unfortunately, our initial advisor was not a good listener and felt compelled to win debates with the committee.*

*We fixed the problem by changing the advisor, not the firm. Now, each time I am involved in a consultant search I insist on interviewing several teams within the firm. This improves the chances for a good long-term fit.*

## **Size matters**

Our latest OCIO directory includes one hundred and four firms. It’s a crowded field, so we've broken it down into seven groups by AUM:

- 10 over \$100bn
- 10 between \$50bn - \$100bn
- 12 between \$20bn - \$50bn
- 17 between \$10bn - \$20bn
- 16 between \$5bn - \$10bn
- 31 between \$1bn - \$5bn

- 08 under \$1bn

There's a size and service model for every preference. See our appendix below.

### **Lockups, redemptions, gates, and fees**

Each firm has its own culture, investment style, and biases. Some firms focus on indexing and liquid markets, others on alternatives, still others on ESG. Some customize portfolios, others don't.

Alternatives such as venture capital and private equity have outperformed in the past, but all signs point to rough seas ahead.

According to a 2022 University of Chicago [paper](#), “Venture capital performance remains remarkably persistent across funds raised by the same general partner. In contrast, buyout funds’ performance persistence becomes noticeably weaker over time.”

If it’s liquidity you want, check the fine print for lockups, redemptions, gates, and fees. There are sharks in those private market waters.

One last point. As BCG notes, alternative assets total maybe one fifth global AUM yet generate over half the revenue, about \$190 billion in fees and carry. Wall Street loves alternatives.

### **Our handy checklist**

Here's the checklist we use when reviewing OCIO firms.

- Business structure and service models
- Reporting, communication, education
- Manager research and due diligence

- Revenue and fees transparency
- Technology and cybersecurity
- Investment and risk process
- Inhouse systems and tools
- Investment philosophy
- Client service delivery
- Staff qualifications
- Company culture
- Conflicts

OCIO firms offer the proven performance of in-house investment staffs at a reasonable price. And they can replicate the entire investment office with the process and structure to cope with the complexity of modern portfolios and mounting operational and regulatory burden.

Just take some time before you choose. A dazzling presentation is only the first step toward OCIO enlightenment. As Jon Hirtle, executive chairman of Hirtle Callaghan, emphasizes in every interview, “serious investors care deeply about keeping their promises.”

We wholeheartedly agree. To paraphrase a shopworn quote, it’s OK to trust, but it’s better to verify. We look for firms that keep their promises.

[\(download this post as PDF\)](#)

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**Appendix:**

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**OCIO Companies grouped by AUM**

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–	<b>OCIO Service Providers - over \$100bn</b> Charles Skorina & Company	<b>Discretionary AUM as of Dec 31, 2022</b>
1	Mercer	\$344,900,000,000
2	BlackRock	\$307,000,000,000
3	Russell Investments	\$236,800,000,000
4	Goldman Sachs	\$207,600,000,000
5	SEI Institutional Group	\$203,800,000,000
6	Willis Towers Watson	\$163,000,000,000
7	AON Hewitt	\$148,700,000,000
8	State Street Global Advisors	\$146,200,000,000
9	J.P. Morgan Asset & Wealth Management	\$130,200,000,000
10	Captrust	\$126,000,000,000

–	<b>OCIO Service Providers - \$50bn - \$100bn</b> Charles Skorina & Company	<b>Discretionary AUM as of Dec 31, 2022</b>
1	Northern Trust	\$87,300,000,000
2	Alan Biller and Associates	\$72,400,000,000
3	Bank of America	\$71,000,000,000
4	PNC Bank	\$67,700,000,000
5	Morgan Stanley OCIO/Graystone Consulting	\$66,700,000,000
6	Cambridge Associates	\$63,700,000,000
7	Cerity Partners	\$63,000,000,000
8	NEPC	\$59,800,000,000
9	Vanguard	\$59,000,000,000
10	Brown Brothers Harriman	\$56,200,000,000

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–	<b>OCIO Service Providers - \$20bn - \$50bn</b> Charles Skorina & Company	<b>Discretionary AUM as of Dec 31, 2022</b>
1	Regions Asset Management	\$49,800,000,000
2	Partners Capital	\$48,000,000,000
3	Callan	\$35,000,000,000
4	Jasper Ridge Partners	\$32,200,000,000
5	Strategic Investment Group	\$25,500,000,000
6	Meketa Fiduciary Management	\$24,000,000,000
7	Principal Asset Management	\$23,100,000,000
8	BBR Partners	\$22,000,000,000
9	Wilshire Advisors	\$21,400,000,000
10	Silvercrest Asset Management	\$20,900,000,000
11	Makena	\$20,000,000,000
12	Hirtle Callaghan	\$20,000,000,000

–	<b>OCIO Service Providers - \$10bn - \$20bn</b> Charles Skorina & Company	<b>Discretionary AUM as of Dec 31, 2022</b>
1	Summit Rock Advisors	\$18,600,000,000
2	Fidelity Institutional	\$17,000,000,000
3	Fiducient Advisors	\$16,900,000,000
4	PFM Asset Management	\$16,900,000,000
5	UBS AG	\$16,100,000,000
6	Hall Capital Partners	\$15,400,000,000
7	Marquette Associates	\$14,100,000,000
8	Investure	\$14,000,000,000
9	Truist Bank	\$14,000,000,000
10	Agility	\$13,800,000,000
11	Highland Associates	\$13,600,000,000
12	Commonfund	\$11,700,000,000
13	Global Endowment Management	\$11,000,000,000
14	CornerStone Partners	\$10,240,000,000
15	Glenmede	\$10,200,000,000
16	FEG Investment Advisors	\$10,100,000,000
17	Evoke Advisors	\$10,000,000,000



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–	<b>OCIO Service Providers - \$5bn - \$10bn</b> Charles Skorina & Company	<b>Discretionary AUM                      as of Dec 31, 2022</b>
1	Ballentine Partners	\$9,800,000,000
2	BNY Mellon Investor Solutions	\$9,500,000,000
3	Mill Creek Capital Advisors	\$9,000,000,000
4	Fiduciary Trust International	\$8,100,000,000
5	Lazard Family Office Partners	\$8,000,000,000
6	TIFF Investment Management	\$8,000,000,000
7	The Family Office at Synovus	\$7,500,000,000
8	ICG Advisors	\$6,650,000,000
9	Gerber Taylor	\$6,600,000,000
10	Angeles Investment Advisors	\$6,200,000,000
11	Spider Management Company	\$5,800,000,000
12	Brown Advisory	\$5,500,000,000
13	Capricorn Investment Group	\$5,500,000,000
14	Seven Bridges Advisors	\$5,500,000,000
15	Gallagher Fiduciary Advisors	\$5,410,000,000
16	Natixis Investment Managers Solutions	\$5,170,000,000

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–	<b>OCIO Service Providers - \$1bn - \$5bn</b> Charles Skorina & Company	<b>Discretionary AUM as of Dec 31, 2022</b>
1	F.L. Putnam Investment Management Company	\$4,500,000,000
2	Pacific Portfolio Consulting	\$4,500,000,000
3	Wespath Institutional Investments	\$4,400,000,000
4	Alesco Advisors	\$4,300,000,000
5	Permanens Capital	\$4,200,000,000
6	Verus Investments	\$4,000,000,000
7	RockCreek	\$3,600,000,000
8	Prime Buchholz	\$3,500,000,000
9	Prodigy	\$3,400,000,000
10	Cornerstone Advisors Asset Management	\$3,300,000,000
11	Canterbury Consulting	\$2,400,000,000
12	Verger Capital Management	\$2,400,000,000
13	Morgan Creek Capital Management	\$2,300,000,000
14	The Colony Group	\$2,200,000,000
15	Asset Strategy Consultants	\$2,000,000,000
16	Edgehill Endowment Partners	\$2,000,000,000
17	Disciplina	\$1,900,000,000
18	Clearbrook Global Advisors	\$1,700,000,000
19	Miller Investment Management	\$1,700,000,000
20	Syntrinsic Investment Counsel	\$1,600,000,000
21	LCG Associates	\$1,500,000,000
22	Brockenbrough	\$1,500,000,000
23	Appomattox Advisory	\$1,400,000,000
24	Artemis Wealth Advisors	\$1,320,000,000
25	Fiduciary Wealth Partners	\$1,300,000,000
26	Global Strategic Investment Solutions	\$1,200,000,000
27	Multilateral Endowment Management Company	\$1,200,000,000
28	Arnerich Massena	\$1,100,000,000
29	CornerCap Institutional	\$1,100,000,000
30	Crewcial Partners	\$1,100,000,000
31	Sellwood Consulting	\$1,100,000,000

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–	<b>OCIO Service Providers - under \$1bn</b> Charles Skorina & Company	<b>Discretionary AUM as of Dec 31, 2022</b>
1	Acansa Investment Management	\$750,000,000
2	Asset Consulting Group	\$508,000,000
3	Blue Edge Capital	\$500,000,000
4	RiskBridge Advisors	\$450,000,000
5	Harpwell Capital Advisors	\$430,000,000
6	Pivotal Advisors	\$400,000,000
7	Holt CIO	\$375,000,000
8	VELA Investment Management	\$346,000,000