

Should your organization outsource its portfolio management?

A growing number of endowments, foundations and families are recognizing the value of using outside resources to help them meet their goals. They can select the resources suitable to their needs and still maintain control.

As of 2018, organizations had outsourced \$2 trillion in portfolio assets.¹

2013 \$1.1T

2018

\$2.0T

¹Source: Cerulli Report: U.S. Outsourced Chief Investment Officer Function 2019.

INVESTMENT MANAGEMENT

1 DOES YOUR INVESTMENT COMMITTEE HAVE THE CAPACITY TO OVERSEE AND MANAGE THE PORTFOLIO?

DO YOU HAVE THE TIME AND RESOURCES TO:

- Develop a diversified portfolio across multiple asset classes?
- Select and evaluate investment managers, especially alternative strategies?
- Gauge, track and respond to changing market conditions?
- Manage legacy assets, such as real estate?
- Explore new investment opportunities?

INDUSTRY TRENDS

75% state that “lack of internal resources” is one of the most important reasons for outsourcing. For endowments, foundations and families, this may include benefiting from a dedicated investment team, one with experience across all asset classes, including alternatives.

Working with an OCIO has enabled investment committees to better focus on policy, strategy and other key issues—and it doesn’t mean loss of control. Organizations retain the ability to choose investment managers, determine their level of discretion and set investment guidelines.

RISK MANAGEMENT

2 DO YOU HAVE ACCESS TO THE RIGHT TOOLS TO MONITOR RISK?

DO YOU HAVE THE TIME AND RESOURCES TO:

- Assess overall risk-adjusted investment performance?
- Provide a comprehensive liquidity analysis?
- Conduct and analyze the results of rigorous stress tests?
- Address regulatory and compliance issues?

INDUSTRY TRENDS

86 institutions found that 66% sought better risk management as one of the top reasons for outsourcing.

ADMINISTRATION AND REPORTING

3 IS YOUR TEAM ABLE TO MANAGE YOUR **ADMINISTRATIVE RESPONSIBILITIES?**

DO YOU HAVE THE TIME AND RESOURCES TO:

- Prepare comprehensive portfolio and performance information?
- Create and actively monitor policy decisions?
- Monitor regulatory issues?
- Coordinate between investment managers, custodians and other providers?

INDUSTRY TRENDS

Intentions to outsource tend to correspond to the size of staff—the smaller the team and/or investment committee, the greater the perceived need.

EDUCATION

4 ARE YOU ABLE TO ACCESS EXPERTISE FOR ONGOING **BOARD EDUCATION?**

ARE YOU:

- Informed on board governance guidelines?
- Tracking sustainable investing trends?
- Knowledgeable about alternative investments?
- Proficient in effective committee standards?
- Attuned to investment policy statement best practices?

INDUSTRY TRENDS

Most endowments, foundations and families that outsource point to a need for better fiduciary oversight, governance and operational efficiencies, which often means access to the right education.

CASE STUDY: EXPLORING THE DECISION TO OUTSOURCE

The investment committee for a private school endowment included sophisticated investment professionals. Each focused on a different asset class based on their individual expertise. The committee met quarterly, directing the school's investment portfolio on its own. In meetings, members juggled presentations from investment managers and making strategic investment decisions. However, it was difficult to reach consensus in limited discussion time.

A new member of the investment committee recommended turning to an outsourced CIO, as her experience with an OCIO on another foundation was extremely positive. The hiring of an OCIO opened that organization to a platform of resources—including risk management tools and a true manager due diligence team.

The private school investment committee determined that, with members' busy schedules, an OCIO would be an effective solution. The decision freed up committee members' time and put the school's portfolio under day-to-day oversight by a shared fiduciary partner, but the committee never lost control over the portfolio or strategy. With the OCIO making small shifts in the portfolio between board meetings, the portfolio became more nimble. Now at investment committee meetings, the committee hears updates from its OCIO, asks questions and explores ideas, making more strategic, long-term decisions.

WE ARE READY TO HELP

Institutional Portfolio Solutions (IPS) works with endowments, foundations and families around the globe, advising on and implementing tailored endowment-style investment solutions.

To find out more, please contact IPS.contact@jpmorgan.com or go to
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