

Fund Evaluation Group, LLC (FEG)
Investment Advisors

Consulting vs. OCIO


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Fund Evaluation Group®
investment advisors

CONSULTING VS. OCIO: FACTORS TO CONSIDER

Determining the best service option for your organization depends on a number of considerations.

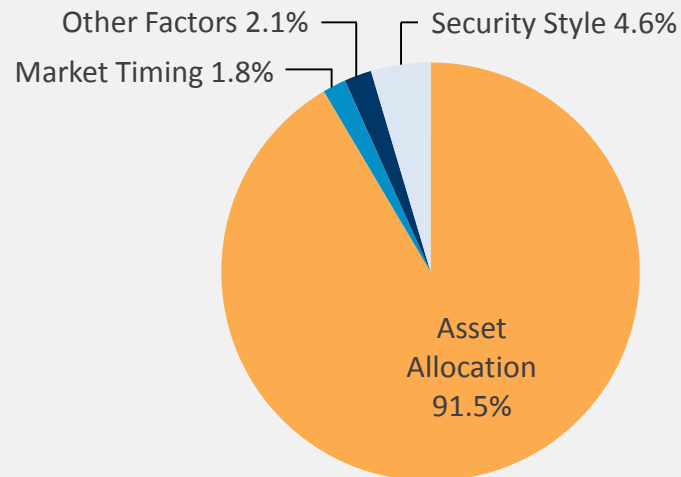
CONSIDERATION	QUESTIONS TO ASK	MAINTAIN DISCRETION	RELINQUISH DISCRETION
			
Governance	Is your decision-making process for investing effective?	Y	N
Investment Knowledge	Does your Board and staff have demonstrated investment expertise across all investment categories?	Y	N
Mission	Would your institution benefit from the Board focusing more time and resources towards fulfilling your mission?	Y	N
Competitive Advantages	Do you have any competitive advantages when it comes to investing, such as access to unique strategies?	Y	N
Board Preference	Does your Board want to retain discretion on certain roles and responsibilities?	Y	N
Resources	Do you have a budget for dedicated investment professionals and infrastructure?	Y	N
Time	Do you have the ability to monitor the portfolio daily?	Y	N

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TOP 5 REASONS WHY ORGANIZATIONS DECIDE TO OUTSOURCE:¹

1. Lack of internal resources
2. Better risk management
3. Additional fiduciary oversight
4. Need to increase returns
5. Faster implementation/decision-making

DETERMINANTS OF PORTFOLIO VARIABILITY²



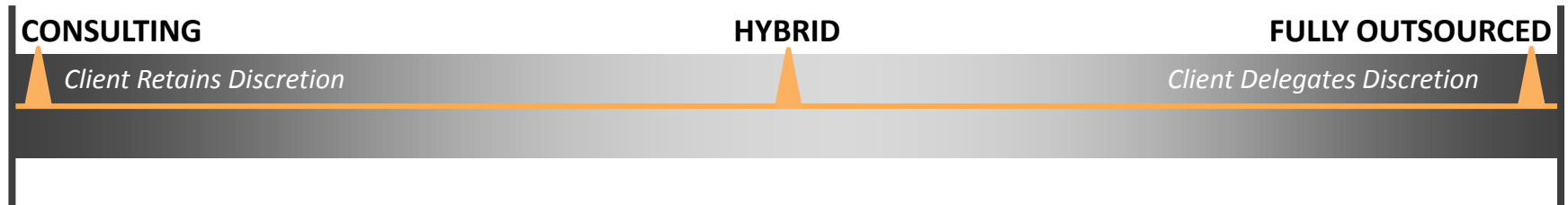
OCIO allows Investment Committees to focus their time on the most impactful driver of return – asset allocation.

¹ Data Source: 2016 Outsourced-Chief Investment Officer Survey. <http://www.ai-cio.com/2016-Outsourced-Chief-Investment-Officer-Survey/?page=3>

² Data Source: Used with permission. 1997 Ibbotson Associates, Inc. All rights reserved. Data was provided by a study entitled "Determinants of Portfolio Performance" by Gary Brinson, Financial Analysts Journal, May/June 1991

CONSULTING VS. OCIO: UNDERSTANDING THE DIFFERENCES

An advantage to FEG's approach to OCIO is that the choice on whether or not to employ discretion is not an either/or scenario. FEG's spectrum of services affords clients the flexibility to choose the level of discretion based on their unique needs.



- **Consulting** – A consulting relationship is best suited for organizations that have trustees and staff members who want to be actively involved throughout the implementation process. This allows for greater control by the organization that has the resources and expertise but demands a higher level of time commitment from both staff and the committee. Some firms, like FEG, also offer “consulting implementation services” – which is similar to consulting, but offers a greater level of back office support.
- **Hybrid** – An approach that combines the services of both Traditional Consulting and OCIO. This relationship is best suited for organizations that wish to retain decision making authority on a majority of the portfolio but delegate discretion on the remaining portion (up to 50%).
- **Fully Outsourced** – A fully outsourced relationship, or OCIO, is best suited for organizations that want to be involved in policy decisions, while outsourcing the portfolio construction, selection of money managers, day-to-day implementation, and portfolio rebalancing to our team of dedicated investment professionals. OCIO can allow for faster implementation of recommendations and greater accountability by the OCIO Advisor regarding portfolio performance.

CONSULTING VS. OCIO: UNDERSTANDING THE DIFFERENCES

Choosing the appropriate service model for your organization will impact daily responsibilities. The differences from Consulting to OCIO are highlighted in the chart below.

RESPONSIBILITIES MATRIX

RESPONSIBILITY	CONSULTING	OCIO
Spending Policy Analysis	◆	◆
IPS Development	◆	◆
Asset Allocation	◆	◆
Portfolio Strategy	◆	●
Manager Selection	◆	●
Security Selection	◆	●
Daily Supervision	◆	●
Trading	◆	●
Rebalancing	◆	●
Risk Management	●	●
Performance Analysis	●	●
Reporting	●	●

◆ FEG recommends and monitors; client approves and implements

● FEG executes and monitors; client notified



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