

Generation Private – Guide to Outsourced Chief Investment Officers (OCIO)

This month we look at the pros and cons of an outsourced CIO for the Family Office.

Q: What is OCIO?

OCIO stands for Outsourced Chief Investment Officer. It operates exactly as the name implies – where an family office decides to “outsource” the investment management decisions for their pool of assets to a third party. The third party is usually an investment firm or a consulting firm who is appropriately skilled and who is willing to take on investment functions on behalf of the Family Office. In some cases, for ultra-high wealth families, the OCIO will take on fiduciary responsibility and ownership of certain operational services from the asset owner. This paper will not extend to this later offering. Importantly, family offices continue to retain full authority over their asset allocation policy, and risk and return objectives.

Q: How is OCIO different than a model that uses an Investment Consultant to help make investment decisions?

The primary benefit of partnering with an OCIO is *timeliness*. Most family offices can’t make any investment decisions until they meet with their investment committees, trustees, and consultants. These meetings usually only happen quarterly and reference stale data. Even when they are timely during certain market events, it can still take multiple meetings to finalize investment decisions. In the face of market volatility, many plans simply can’t afford to wait to get consensus before adjusting portfolios. With OCIOs, the investment decisions are delegated to an investment or consulting firm, who monitors the portfolio daily, and has the authority to implement necessary adjustments in real-time. This can have a big impact, particularly in times of volatility where adjustments need to be made quickly to mitigate against heavy losses.

Q: What is driving the demand for OCIOs?

Historically, most of the growth in OCIO has come from smaller family offices which makes sense given those entities often don’t have the resources to hire staff or invest in the technology required to run modern investment programs. However, even more larger family offices are trending towards OCIO. This trend is driven by the following reasons:

- Returns – family offices are fatigued with poor historical investment performance
- Governance – family offices want better and real-time portfolio governance

- Talent – it's difficult to recruit and retain investment staff
- Technology – the spend to maintain investment programs continues to rise
- Cost – in an OCIO construct, there can be the opportunity to bring down the overall expenses in running the asset pool

In this increasingly complex investment market and regulatory environment, we only see the trend towards OCIO continuing.

Generation Private offers an OCIO platform built around these benefits. Our clients can rely heavily on us as specialized investment and operational partners.

CONTACT US

Generation Private has an experienced team dedicated to supporting the specialised needs of the wealthy families including families with multi-generational wealth and family offices. We provide the expertise and guidance to assist family offices through critical conversations while helping to preserve and enhance the family's legacy. Should this article be of further interest to you, please contact Craig Holland at craig@generationprivate.com.au

Further articles on this topic and other topics can also be found under our thought leadership tab [Thought Leadership | Generation Private](#)

Jackabbey Road Pty Ltd (ABN 38 116 959 972) trading as Generation Private is a Corporate Authorised Representative (No. 001298223) of Omada Wealth Pty Ltd (ABN 32 126 987 308) AFSL No. 538532.

Disclaimer: This publication has been prepared by Generation Private and reflects their views and beliefs at the time of preparation, which are subject to change without notice. This publication may contain forward-looking statements based on the author's beliefs or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. The publication is distributed by Jackabbey Road Pty Ltd ABN 38 116 959 972, trading as Generation Private ("Generation Private") authorised representative no. 1298223 of Omada Wealth Pty Ltd ABN 32 126 987 308 AFSL 538 532. Generation Private, its directors, officers or employees make no representations or warranties, explicit or implied as to the fairness, accuracy or completeness of the information contained in this publication. This publication contains general information only and is not intended to provide any person with financial product advice. It does not take into account any person's investment objectives, financial situation or needs. Generation Private recommends that you obtain professional advice before making any decision in relation to your particular requirements or circumstances. To the extent permitted by law, no liability is accepted by Generation Private, its directors, officers or employees, for any loss or damage as a result of reliance on this information contained in the publication. Past performance is not a reliable indicator of future performance. This document is for the exclusive use of the persons to whom it is provided being its wholesale clients and must not be used or relied upon by any other person. If you are not the intended recipient, you must not use or disclose the information in this research in any way without written authorisation.



Generation Private
is a CPA Practice

Liability limited by a scheme approved under Professional Standards Legislation