



Search Specialists Turn the Tables on Consultants, OCIOs

By Alyson Velati April 30, 2018

The proliferation of consultants that specialize in leading searches for outsourced CIOs (OCIOs) has led to a role reversal of sorts for consultants and OCIOs, who are finding themselves in a position more akin to that of an asset manager in a traditional manager search. In turn OCIOs and investment consultants have needed to dig into the typical manager's bag of tricks on how they work with these new gatekeepers.

The "new industry is dis-intermediating us and that's been a real challenge," said Deirdre Nectow, managing director and director of global business development at Cambridge Associates, during eVestment's EI3 conference last month.

"It'll be a challenge for everyone to get to know these new players," she said.

Cambridge engages with search firms "in many different ways" including the request for proposal (RFP) process. It also helps institutions work with OCIO search consultants to assess "what the best investment model might be for an organization in that point in time," says Margaret Chen, managing director and co-head of CA Capital Management, a unit of Cambridge Associates.

Some firms have found that engaging with search consultants has helped their overall business – not entirely unlike the benefits managers get from having a consultant relations department.

"It's another group of people that you have to deal with, but I do believe it allows for some level of differentiation to engage with these firms," says Rich Joseph, partner and U.S. head of OCIO for Mercer.

On-site due diligence meetings allow the search consultants to meet the research team, "to see our depth of resources, systems, technology" which is a "value-add", he says.

But some of these search consultants have small staffs, as well as time and budgetary constraints, which can make it difficult for them to perform on-site due diligence, says **Paul Klauder**, an executive v.p. of **SEI** and head of SEI's institutional group.

So, to make it easier on these search firms, SEI has two dedicated professionals – **Bruce Higginson** and **James Bradley** – that serve as the intermediaries for SEI, he says. If the search consultant does not have the bandwidth or time to meet at SEI's office, they can travel to the search consultant.

Indeed, having a direct point of contact for the search consultant will definitely help maintain an ongoing relationship, says Mercer's Joseph.

Also, staying in communication with these firms during and following a search is crucial, since the demand to monitor these OCIO relationships will likely grow, says Bryan Decker, managing director at Mesa Investment Consulting, a firm that does traditional investment consultant and OCIO searches for institutional investors.

However, some search consultants may already have a shortlist of firms they want to work with – not too dissimilar from a consultant's approved manager list.

"If you're not on the list, you'll automatically get eliminated," says Klauder.

Still, there are some conflicts of interest within the search consulting business.

Some investment consulting firms also conduct OCIO searches for institutional investors, says SEI's Klauder. At times, those firms will convince clients to just maintain a non-discretionary relationship with themselves, he says.

Institutional investors also should be wary of OCIO search consultants becoming too involved in their asset allocation and manager selection decisions, he says.

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