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Boutique OCIOs Carve Out Niche in Crowded Market

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While consolidation is sweeping the nascent outsourced chief investment officer industry, smaller, independent firms believe they can endure by providing a different kind of service.

By Justin Mitchell | **May 19, 2022**

Eight big consulting and asset management firms dominate the fast-growing market for outsourced chief investment officers, or OCIO, services. But boutique firms say they are finding their niche with investors looking for a differentiated offering.

About two-thirds of OCIO assets are held by the eight largest firms: **Mercer**, **BlackRock**, **Russell Investments**, **Goldman Sachs**, **SEI**, **Aon**, **State Street Global Advisors** and **WTW**, according to an estimate from executive search consultant **Charles Skorina**.

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Eight OCIO firms hold much of the capital in the space, but smaller firms believe they can still compete on their terms.

OCIO	Assets as of 12/31/21
Mercer	$415 billion
BlackRock	$301 billion
Russell Investments	$280.2 billion
Goldman Sachs	$239 billion
SEI Instituional Group	$238.5 billion
Aon	$220.7 billion
State Street Global Advisors	$190 billion +
WTW	$186.8 billion

Source: Skorina data, confirmed by firms.

Together, these eight firms had just over $2 trillion in OCIO assets as of the end of 2021, by Skorina's count. FundFire was able to confirm assets for all of these firms except for SSGA, which didn't respond to requests for the information. The firm says it has "$190 billion+" in OCIO AUM on its website.

The market for OCIO services continues to expand. Total OCIO assets stood at about $2.4 trillion in 2021, according to a Pensions & Investments study, and that number could grow to $4 trillion by 2026, **Chestnut Advisory Group** projected. Smaller firms contend that there is also room for them to share in the industry's growth. Skorina's list features about 40 smaller OCIO firms with less than $5 billion in assets. But there are challenges for independent firms to gain ground. Skorina said he doubted that many of the small firms on the list will manage to reach $20 billion.

“It’s very tough,” he said. “As they grow, it gets tougher and tougher to grow.”

Since he began compiling the OCIO list 10 or 15 years ago, Skorina said he has never seen any “rocket ships,” that is, independent OCIO firms that have grown steadily without merging with another firm.

“None have really broken through as independents,” he told FundFire. “The ones that grow are the ones that are merging or selling out.”

Two of the independent OCIO firms that have managed to grow, **Partners Capital**, with about $48 billion in assets under management, and **Alan Biller and Associates**, with about $140 billion in AUM, told FundFire they had no plans to join a larger firm.

“Banks try and do a lot of things. We wanted to do one thing – simply have a single business where we serve our clients and we only make money by the explicit fees they pay,” said Partners Capital Co-Founder and Senior Partner **Paul Dimitruk**. “We’re sort of like a law firm. Our client is everything.”

Dimitruk placed his firm in a different sector of the OCIO market than any of the largest firms on Skorina’s list, serving a different clientele.

Partners Capital would likely lose clients if it ever merged with a larger institution, he added.

Alan Biller, chairman of the eponymous firm he founded in 1982, told FundFire that his clients, which are mostly multi-employer retirement plans, seem to like the “stability” of the personal relationships they develop.

“I think they very much like the fact that they are dealing always with senior people in the firm as their representatives,” he said. “It's a level of familiarity and comfort that some clearly think that they're more likely to get from a midsized firm.”

Smaller firms do not need to grow unabated in order to be successful, said **Amanda Tepper**, CEO of Chestnut, which studies the OCIO market. There is robust interest in these “boutique” firms, she adds.

“They’re going to get to a certain size and stay there,” she said. “Not everybody has to grow forever.”

One advantage smaller OCIO firms posses is their ability to stand out from the crowd, said **Michael Rosen**, chief investment officer of **Angeles Investments**, which has about $7.7 billion in discretionary assets.

The OCIO market “bifurcates” between those investors content to have a “low-cost, middle-of-the-road” portfolio that looks very similar to most others and performs about the same, and those that want something more differentiated, Rosen said.

“That's where we compete,” he said. “We have to offer a service that is differentiated and superior in order to justify our existence.”

Matthew Wright, president and chief investment officer of **Disciplina Group**, an OCIO with just under $2 billion in client assets, said his firm sought to provide a “fine-dining experience.” He defined this as providing good returns and a high level of interaction – and being smaller makes that mission easier.

“There are capacity constraints in what we're doing,” he said. “We're not trying to be all things to all people and have hundreds and hundreds of clients. That's just not our goal, and that's not our objective.”

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