

## FOLLOW THE MONEY:

*How to Evaluate OCIO Ownership Models When Choosing an OCIO*

**THIS EDITION OF OUR FIDUCIARY INSIGHTS SERIES EXAMINES HOW OWNERSHIP STRUCTURES SHAPE THE INCENTIVES, DECISION-MAKING, AND OUTCOMES OF OUTSOURCED CHIEF INVESTMENT OFFICERS (OCIOS).** AS OWNERSHIP MODELS ACROSS THE INDUSTRY EVOLVE, UNDERSTANDING WHO CONTROLS AN OCIO, AND HOW THAT CONTROL INFLUENCES BEHAVIOR, IS ESSENTIAL TO EVALUATING ALIGNMENT WITH CLIENT OBJECTIVES. WE OUTLINE KEY OWNERSHIP MODELS, ASSESS THEIR IMPLICATIONS FOR GOVERNANCE AND INDEPENDENCE, AND PROVIDE A PRACTICAL FRAMEWORK FOR EVALUATING OCIOS THROUGH THE LENS OF INCENTIVES AND LONG-TERM ALIGNMENT.

## Forward

# Why Ownership Matters Now

### Incentives Drive Behavior.



**A**fter 31 years in the **Outsourced Chief Investment Officer (OCIO)** industry, I don't recall when we spent more time talking about ownership. Given all of the transactions in the boutique OCIO space, it's no wonder. There are now only a handful of OCIO boutiques who have chosen an ownership model to prioritize the pursuit of excellent results for clients over asset gathering and scaling.

The incentives an OCIO faces are largely determined by its ownership structure. With ownership in flux across the industry, we have written a paper on the key ownership and incentive questions to ask when choosing an OCIO. The paper addresses the following key issues.

- **What is the OCIO's ownership model? What are their incentives? How do the clients define success and how does the firm define it? Are these aligned? Who makes money when the firm is successful?**
- **What are the OCIO's growth plans? What have they done in the last 5 years? What are their future plans?** The favorite word of many asset management CEOs is "scale." Let us be clear: scale is about the investment firm's profitability. It's not about clients. Access doesn't scale. Alpha does not scale over a certain level of AUM. AUM matters, but the number of clients matters just as much. Taking a great alternatives engine and distributing it to hundreds of clients waters down the access and results for clients. Service also suffers as client numbers grow.
- **Is the team still hungry?** When these big transactions are done, key people get a large payout - and likely only stick around through their golden handcuff period. We look at hunger when we look at managers. We suggest you do the same when you look at OCIOs.

Strategic addressed our ownership issue in 2019 with B-Flexion, a private entrepreneurial investment firm, whose long-term objectives are consistent with those of our clients. Strategic's senior leaders met to decide what ownership structure would suit us best. We concluded that to be successful over the long run, our ownership structure had to embody incentives that were aligned with our clients. Our current ownership reflects this philosophy, with ownership shared among B-Flexion and, at the time of publication, 26 key employee owners. Our incentives are clearly tied to the success of our clients.

What has your OCIO chosen to do? Does its ownership structure create incentives that put your interests first?

**Nikki Kraus, CFA**

Chief Executive Officer  
Strategic Investment Group

*"Ownership structures should align a firm's success with the success of its clients."*

# Executive Summary

Understanding who controls your OCIO is essential to choosing a provider that aligns with your fiduciary priorities. This guide examines five common models where OCIO firms are owned by:

1. Employees (*i.e.*, independent firms)
2. Private equity funds
3. Other sources of private capital
4. Wealth management firms
5. Large financial institutions

We explain how each ownership model carries distinct advantages and trade-offs in the key areas of governance, succession planning, conflicts of interest, and resource investment.

## Ownership Affects Outcomes

OCIO ownership isn't just structural—it shapes other factors important to OCIO performance:

- **Governance:** Decision-making authority, transparency, and oversight standards
- **Continuity:** Succession planning and stability during leadership transitions
- **Conflicts of Interest:** Independence in investment and client service decisions versus loyalty to ownership priorities such as cross-selling, proprietary products, revenue-sharing deals, or exit timelines

- **Access to Top-Tier Managers:** Ability to access limited capacity managers, who often avoid platforms with retail exposure or competitive conflicts
- **Resource Investment:** Capacity and commitment to fund new technology, risk systems, and talent

## Comparing OCIO Ownership Models

### 1. Independent

**Governance:** At employee-owned OCIOs, decision-making often rests with founders or major equity holders. This structure can foster agility and client-focused values, but formal oversight and standardized processes are less common, with practices shaped more by culture than protocol.

**Continuity:** Succession planning is typically informal. Equity recycling programs rarely provide enough capital for emerging leaders to buy out founders, creating potential gaps in long-term stability.

**Independence:** Manager selection is generally merit-based, but boards should remain alert to subtle conflicts that may arise from ownership incentives.

**Access to Top-Tier Managers:** Independent, employee owned OCIOs with a boutique profile and institutional client base often have good access to limited capacity managers because they lack retail channels and competitive conflicts; however, the smallest firms may find it harder to meet minimum allocations or secure priority.

**Resource Investment:** Limited access to external capital means employee-owned firms often rely on internal equity and cash flow, which can constrain investment in technology, risk systems, and talent development.

## EXHIBIT 1: POSSIBLE ADVANTAGES AND DISADVANTAGES OF THE INDEPENDENT OWNERSHIP MODEL

Source: Strategic.

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"><li>■ strong alignment with client interests</li></ul>	<ul style="list-style-type: none"><li>■ governance opacity</li></ul>
<ul style="list-style-type: none"><li>■ independence in manager selection and top-tier access</li></ul>	<ul style="list-style-type: none"><li>■ succession vulnerability</li></ul>
<ul style="list-style-type: none"><li>■ agility in decision-making</li></ul>	<ul style="list-style-type: none"><li>■ key-person risk</li></ul>
	<ul style="list-style-type: none"><li>■ limited capital for infrastructure</li></ul>

## 2. Private Equity Fund

**Governance:** PE-owned firms operate under formal governance with strong reporting and robust infrastructure, though disclosures may emphasize financial metrics over compliance or conflicts.

**Continuity:** Succession planning typically aligns with investor timelines rather than long-term stability. While continuity is protected during the investment cycle, leadership changes at liquidity events can create uncertainty.

**Independence:** Manager selection is generally merit-based, but exit-driven pressures—such as margin improvement or rapid growth—can influence strategic decisions. Boards should consider transparency around selection criteria and affiliated relationships to maintain trust.

**Access to Top-Tier Managers:** Access varies. Some top tier managers hesitate to commit capacity to firms facing future ownership transitions or aggressive asset gathering expectations tied to PE exit timelines.

**Resource Investment:** Access to growth capital is a potential advantage, but spending is often limited to infrastructure that is expected to boost the private equity investor returns. Particularly as the exit deadline nears, resource allocation may favor short-term valuation drivers over key infrastructure upgrades and talent retention.

## EXHIBIT 2: POSSIBLE ADVANTAGES AND DISADVANTAGES OF THE PRIVATE EQUITY FUND OWNERSHIP MODEL

Source: Strategic.

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"><li>■ structured governance</li></ul>	<ul style="list-style-type: none"><li>■ drift toward the private equity investor priorities due to monetization pressure and exit deadlines</li></ul>
<ul style="list-style-type: none"><li>■ potential employee ownership for cultural alignment</li></ul>	<ul style="list-style-type: none"><li>■ succession instability during ownership transitions</li></ul>
<ul style="list-style-type: none"><li>■ access to growth capital for infrastructure</li></ul>	<ul style="list-style-type: none"><li>■ varied access to top-tier managers</li></ul>

### 3. Other Private Capital

**Governance:** Firms owned by private investors—like family offices or smaller organizations—typically maintain formal governance, but their approach is less rigid than that of private equity-backed firms and can tend to emphasize relationships over strict procedures. The absence of short-term exit pressure supports steadier, client-focused decisions.

**Continuity:** Patient capital helps preserve culture and reduce disruption. Gradual equity recycling allows retiring leaders to cash out while giving rising talent time to build ownership. However, planning rigor varies—some firms document succession clearly, while others rely on informal agreements.

**Conflicts of Interest:** Risks are lower than in PE-backed firms but can arise if investors have affiliated businesses or seek cross-service opportunities. Open architecture and merit-based manager selection are common, yet boards should insist on transparency around selection criteria and any revenue-sharing arrangements.

**Access to Top-Tier Managers:** These firms often maintain strong access because patient capital owners typically avoid retail distribution conflicts, and their stable ownership profile can reassure elite managers who prefer long term relationships. However, smaller firms may not meet allocation thresholds.

**Resource Investment:** Access to growth capital is a major advantage, enabling investment in technology, risk systems, and talent without exit-driven pressures. Still, resource allocation varies—only some investors fund significant upgrades.

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#### EXHIBIT 3: POSSIBLE ADVANTAGES AND DISADVANTAGES OF OTHER PRIVATE CAPITAL OWNERSHIP MODEL

Source: Strategic.

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"> <li>independence in manager selection and top-tier access</li> </ul>	<ul style="list-style-type: none"> <li>governance rigor varies by investor sophistication</li> </ul>
<ul style="list-style-type: none"> <li>patient capital with a long-term focus</li> </ul>	<ul style="list-style-type: none"> <li>informal succession planning in some firms</li> </ul>
<ul style="list-style-type: none"> <li>structured governance without aggressive monetization pressure</li> </ul>	<ul style="list-style-type: none"> <li>possible conflicts of interest if investors have affiliated business interests</li> </ul>
<ul style="list-style-type: none"> <li>potential for steady investment in technology and risk systems</li> </ul>	
<ul style="list-style-type: none"> <li>employee ownership for cultural alignment</li> </ul>	

#### EXHIBIT 4: POSSIBLE ADVANTAGES AND DISADVANTAGES OF THE WEALTH MANAGER OWNERSHIP MODEL

Source: Strategic.

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"><li>■ embedded compliance and governance systems</li></ul>	<ul style="list-style-type: none"><li>■ risk of “retailization” and reduced customization</li></ul>
<ul style="list-style-type: none"><li>■ access to broad investment resources and talent networks</li></ul>	<ul style="list-style-type: none"><li>■ potential conflicts over access to alternatives</li></ul>
<ul style="list-style-type: none"><li>■ strong financial backing and infrastructure</li></ul>	<ul style="list-style-type: none"><li>■ struggle to gain access to top-tier managers</li></ul>
	<ul style="list-style-type: none"><li>■ vulnerability to parent-level strategic priorities</li></ul>

### 4. Wealth Manager

**Governance:** Governance follows enterprise compliance standards, but OCIO decisions can be influenced by broader retail priorities like cross-selling or product expansion. Transparency around conflicts—especially capacity allocation and affiliated product—may be limited, so strong safeguards are essential.

**Continuity:** Enterprise HR systems and formal succession planning can reduce key-person risk. However, stability depends on the OCIO’s autonomy during corporate restructuring or strategic shifts, which can change priorities or leadership.

**Conflicts of Interest:** Risks are highest when retail pressures affect institutional mandates and OCIO morale. Limited capacity in private equity and alternatives can create competition between retail and institutional clients, reducing access and customization. Boards should confirm allocation policies and governance frameworks keep fiduciary principles ahead of enterprise growth goals.

**Access to Top-Tier Managers:** Limited capacity managers typically avoid platforms affiliated with retail wealth channels or potential conflicts with competing products. OCIOs housed within wealth managers often struggle to secure allocations to top tier private equity, venture capital, and hedge fund strategies, which prefer purely institutional partners.

**Resource Investment:** Financial strength is a major advantage, enabling investment in technology, risk systems, and talent. Yet resources may lean toward retail-focused initiatives, limiting OCIO agility and customization.

## 5. Large Financial Institutions

**Governance:** Institutional ownership brings scale and stability with strict compliance and robust reporting, ensuring accountability. However, strategic decisions can reflect broader corporate priorities, and transparency around product-related conflicts may vary. Independence often depends on how insulated the OCIO unit is from parent-level influence.

**Continuity:** Enterprise-wide succession planning and deep talent pools reduce key-person risk. Still, mergers, divestitures, or corporate restructuring can disrupt leadership and strategy, making autonomy and clear transition plans critical for resilience.

**Conflicts of Interest:** While many institutions claim open architecture, incentives tied to proprietary products or revenue-sharing can influence recommendations.

**Access to Top-Tier Managers:** True access is often highly constrained despite claims of open architecture. Large consulting firms typically reserve limited capacity strategies for their largest advisory clients, which can leave little for their OCIO clients. Asset manager owned OCIOs can face even greater barriers, as elite managers rarely agree to sit on a competitor's platform.

**Resource Investment:** Financial strength enables major investments in technology, risk systems, and global infrastructure, delivering advanced capabilities. Yet resource allocation may favor enterprise-wide initiatives over OCIO-specific needs, and bureaucratic complexity can slow decision-making, reducing agility compared to independent providers.

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### EXHIBIT 5: POSSIBLE ADVANTAGES AND DISADVANTAGES OF LARGE FINANCIAL INSTITUTIONS

Source: Strategic.

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"> <li>■ scale and global infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>■ reduced autonomy in strategic decisions</li> </ul>
<ul style="list-style-type: none"> <li>■ robust risk systems and technology</li> </ul>	<ul style="list-style-type: none"> <li>■ potential product bias toward proprietary solutions</li> </ul>
<ul style="list-style-type: none"> <li>■ strong governance and compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ little access to top-tier managers</li> </ul>
	<ul style="list-style-type: none"> <li>■ vulnerability to corporate restructuring or divestiture</li> </ul>

## OCIO OWNERSHIP MODELS: STRENGTHS, RISKS, AND BOARD FOCUS

Source: Strategic.

Ownership Model	Typical Strengths	Typical Risks	Board Should Focus On
<b>Employee-Owned</b>	Founder-centric governance fosters agility and client-first values; independence supports unbiased manager selection and effective access.	Informal oversight and documentation; succession planning often weak, risking external sales; limited capital constrains tech and talent investment.	Governance discipline, realistic succession plans, and resource adequacy.
<b>Private Equity</b>	Formal governance, strong reporting, and access to growth capital enable infrastructure upgrades.	Monetization and exit pressures may compromise infrastructure investment or alignment; leadership changes at liquidity events; potential conflicts and limited access from margin pressures and transition uncertainty.	Transition planning beyond exit horizon, safeguards for independence, access to limited capacity managers, and resource allocation consistency.
<b>Other Private Capital</b>	Long-term orientation reduces short-term pressures; gradual equity recycling supports cultural continuity; patient capital enables steady investment.	Governance rigor varies; informal succession mechanisms can leave continuity vulnerable; conflicts possible if investors have affiliated interests.	Documented transition pathways, transparency in manager selection, and alignment of resource priorities with resilience goals.
<b>Wealth Manager</b>	Enterprise resources and integrated services enhance scale and offer access to broader capabilities.	Retail priorities and cross-selling can compromise independence and manager access; allocation conflicts in alternatives; agility may suffer under enterprise mandates.	Clear governance safeguards, transition planning, transparency on allocation and affiliated products, and autonomy in decision-making.
<b>Large Financial Institution</b>	Deep resources, global infrastructure, and strong compliance frameworks deliver stability and advanced capabilities.	Bureaucracy and corporate priorities can slow decisions; proprietary product incentives may create conflicts; restructuring risk affects continuity.	Conflict management protocols, autonomy of OCIO unit, access to top-tier/limited-capacity managers, and resource allocation aligned with fiduciary goals.

# Looking Ahead: How Ownership Shapes Tomorrow's OCIO

*Ask not only who owns your OCIO, but how that ownership model positions the firm to evolve.*

Evaluating ownership isn't just about today's stability—it's also about tomorrow's resilience. Regulatory shifts, technological disruption, and market volatility are accelerating. Founder-owned firms will eventually need to find ways for those founders to transition out. Firms with patient capital or institutional backing may have the resources to invest in AI-driven risk systems and cybersecurity, while others may prioritize agility over scale. Private equity-backed firms might innovate aggressively to boost short-term value, whereas independent boutiques could struggle to fund modernization despite strong client alignment. The takeaway? Ask not only who owns your OCIO, but how that ownership model positions the firm to evolve.

## Learn More

To explore our **Fiduciary Insight** series—focused on best practices and responsibilities for fiduciaries—please visit our website at <https://strategicgroup.com/market-insights-and-strategic-perspectives> or simply scan the QR code.

### Featured topics include:

- How Does Your OCIO Measure Up?
- Building Blocks and Costs of an Internal Investment Office
- Developing a Culture of Good Governance
- The Art and Science of Manager Termination
- Understanding Fees

For insights into the Outsourced CIO model, visit **OCIO.org**, Strategic's educational platform advancing best practices, education, and advocacy for OCIO clients and decision-makers.

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# Strategic Investment Group

Strategic, a pioneer in dedicated Outsourced CIO (OCIO) solutions since 1987, offers a comprehensive service platform for managing customized portfolios for institutional investors. Our proprietary process combines active portfolio management, rigorous risk management, and open architecture manager selection.

Strategic functions as our clients' investment partner and co-fiduciary, effectively becoming an extension of their resources. Clients are then free to focus on their core businesses, while we focus on providing the highly specialized portfolio management expertise that clients need to meet their investment goals. Depending on a client's needs and preferences, Strategic can orchestrate the management of an entire portfolio comprising multiple asset classes, focus on specific asset classes, such as alternatives (e.g., venture capital/private equity, real estate, and/or hedge funds) or international investments, or manage strategies with high potential for adding value. Customized liability-driven investing (LDI) solutions, whether through an integrated total portfolio approach or a targeted long-duration strategy, are also available, as are solutions that address mission-related investment objectives.

We strive to build enduring partnerships with our clients by strengthening their investment programs through a dynamic, value-enhancing investment process, sound governance framework, and world class client service. **Our mission is to empower clients to achieve transformational impact through inspired investing.**

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