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Cambridge Grows OCIO Assets 50% in Year Since Pivot from Consulting

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Cambridge Associates has grown its outsourced CIO (OCIO) assets 50% in the year since the firm slashed staff to broaden its focus beyond the challenging investment consulting sector and build out its investment management operations.

Last March, Cambridge cut about 50 employees as part of the firm's pivot to investment management. Over the past year, discretionary assets have soared 50% to $29.9 billion as of January from the $20 billion when news of the change was initially reported by *The Wall Street Journal* in March last year.

The asset growth reflects the structural shift toward OCIO arrangements as foundations and endowments look to outsource investment operations, and also an early sign that Cambridge is succeeding in its move to broaden out from investment consulting – an increasingly scale business with thin margins where firms are consolidating to compete.

"The evolution of our business over the past 15 years has evolved into portfolio management services where clients outsource the day-to-day oversight and management of their portfolios," **David Druley**, CEO of Cambridge, tells *FundFire*.

Cambridge buckets its OCIO unit within a broader grouping that includes its investment consulting practice and other units that provide bespoke services to institutional investors, including "staff extensions" – where Cambridge fills gaps within institutions' investment teams – and services that help investors source mandates in niche asset classes. This overall umbrella grouping now accounts for 70% of the firm's business, according to Druley. The firm's other chief business offering is research.

The firm, which was established in 1973, initially provided investment research to endowments and foundations. Over time, the company eventually expanded its services to investment consulting for a slew of institutional investors such as endowments, foundations and pensions.

More consultants are feeling the pressure from clients to offer some level of discretionary services, says **Anna Dunn Tabke**, a principal and director of research for Alpha Capital Management, a firm that offers consulting and OCIO search services for investors.

Consultants that offer discretionary services need to have a different set of skillsets, she says.

“It’s your ability to invest and select investment managers and manage tactical investment decisions,” she says. “You’re also moving away from a client-facing role to more of a portfolio management role.”

Also, a consultant doesn’t necessarily need all their managers from its recommended manager list for its OCIO business, so the shift to OCIO will “encourage managers to compete for these slots,” she says.

Further, the firm has also boosted the number of client-based shareholders, a move that is uncommon for investment consultants.

Yesterday, Cambridge announced that **Sofina SA**, a Belgium-based holding company that has been a Cambridge client for over 10 years, has entered an agreement to buy a minority position in the firm.

Cambridge’s current owners include **James Bailey** and **Hunter Lewis**, the founders of Cambridge, and the Hall family of **Hallmark** greeting cards and Lord **Jacob Rothschild** and his family, also clients of Cambridge, who have been minority shareholders for nearly 20 years.

“We think our clients are ideal partners,” says Druley. “They have a very long-term view like us. They understand what other clients need and it allows us to be independent and very well-aligned with our clients’ needs.”

The transaction will not change Cambridge’s business, as the firm wishes to “continue preserving our culture of independence”, says Druley.

It’s not common for a consultant to have their clients as minority shareholders, says Alpha Capital Management’s Dunn Tabke. In Cambridge’s case, having lots of private wealth clients, such as family offices, allows for this type of ownership relationship, since these clients can have a longer-term investment horizon than other investors like pensions.