The OCIO Transparency Framework

Strengthening Transparency Between OCIOs and Their Clients

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Executive Summary

Every year, hundreds of institutional investors evaluate Outsourced Chief Investment Officer (OCIO) firms to manage portfolios that support scholarships, medical research, retirement benefits, charitable missions, and other long-term institutional objectives. Yet despite the significance of these decisions, there is no common framework that helps investment committees understand what information they should reasonably expect from an OCIO during the selection process or throughout the client relationship.

An investment committee evaluating three OCIO firms today may receive three very different levels of disclosure regarding investment performance, fees, implementation, governance, client reporting, and portfolio data. These differences do not necessarily reflect the quality of the investment manager. They do, however, make objective comparisons significantly more difficult.

Over the past several decades, nearly every segment of the investment industry has moved toward greater transparency. Investment managers adopted the Global Investment Performance Standards (GIPS®). Public companies enhanced financial reporting. Mutual funds standardized disclosures. Independent custodians strengthened governance by separating asset custody from asset management. Each advancement improved the quality of fiduciary decision-making by providing better information—not by prescribing how investments should be managed.

The continued growth of the OCIO industry represents the next logical step in the evolution of transparency. This paper proposes the OCIO Transparency Framework—a voluntary set of six principles designed to help investment committees understand how OCIO firms disclose information regarding performance, fees, implementation, governance, client communication, and investment data.

Transparency does not guarantee better investment performance. It improves the quality of fiduciary decision-making.

Why Transparency Matters

Selecting an Outsourced Chief Investment Officer is among the most important decisions an investment committee will make. The selected firm assumes responsibility for strategic asset allocation, manager selection, private market implementation, portfolio construction, risk management, and ongoing investment oversight—responsibilities that often extend over decades and directly influence an institution's ability to fulfill its long-term mission.

Despite the significance of these relationships, investment committees often receive very different levels of information from OCIO firms. Some firms provide extensive historical performance, independent verification, comprehensive fee disclosures, detailed implementation information, and robust client reporting. Others provide only limited information, making objective comparisons difficult. These differences are not necessarily indicative of investment quality, but they do affect an investment committee's ability to evaluate competing firms using a consistent framework.

The Evolution of Transparency

The institutional investment industry has consistently evolved toward greater transparency. GIPS established a common language for performance reporting. Standardized disclosures improved comparability. Independent custody strengthened governance by separating asset management from asset custody. Each development improved fiduciary decision-making by providing better information—not by prescribing investment philosophy.

The continued growth of the OCIO industry presents the next opportunity to strengthen transparency for institutional investors. As OCIOs increasingly assume responsibility for managing entire institutional portfolios, investment committees should have access to a consistent framework to understand how firms communicate investment performance, fees, implementation practices, governance, client reporting, and investment data.

The Six Principles of the OCIO Transparency Framework

Rather than prescribing how an OCIO should invest, the Framework identifies six areas where investment committees should reasonably expect clear, consistent, and meaningful information. Together, these six principles provide a practical framework for evaluating transparency throughout the OCIO relationship.

Transparency Principle	Key Questions
1. Performance Transparency	**How are investment results measured, verified, and reported?**
2. Fee Transparency	**What is the total cost of implementation?**
3. Implementation Transparency	**How are assets actually invested?**
4. Governance Transparency	**How are investment decisions made and overseen?**
5. Client Communication Transparency	**How are clients informed and educated over time?**
6. Data Transparency	**Who owns the data, and can it be accessed and transferred?**

1. Performance Transparency

Investment committees should clearly understand how investment performance is measured, calculated, verified, and reported. Transparent performance reporting enables fiduciaries to evaluate results consistently and understand the methodology underlying reported returns.

Examples include:

- Performance calculation methodology
- Historical performance availability
- Independent verification
- Composite construction
- Benchmark methodology
- Reporting frequency and consistency

2. Fee Transparency

Investment committees should understand every layer of compensation associated with the OCIO relationship. Transparency extends beyond the advisory fee to include all material costs associated with implementing and managing the portfolio.

Examples include:

- OCIO advisory fees
- Underlying manager fees

- Performance-based fees
- Administrative expenses
- Custody expenses
- Proprietary investment vehicle fees
- Other forms of compensation received by the OCIO

The objective is not to judge fee levels, but to ensure clients understand the total cost of implementation.

3. Implementation Transparency

Understanding how a portfolio is implemented is just as important as understanding its investment strategy. Two OCIOs with similar investment philosophies may implement portfolios using fundamentally different structures, each with distinct governance, liquidity, fee, and operational considerations.

Investment committees should clearly understand whether assets are invested through separate accounts, third-party commingled funds, proprietary pooled investment vehicles, or a combination of these approaches. When proprietary vehicles are utilized, firms should explain which asset classes use proprietary structures, why they were selected, whether alternatives exist, and how potential conflicts of interest are managed.

Transparency should also extend to asset ownership and portability. Clients should understand whether they own underlying securities directly, how assets can be transitioned if the relationship terminates, and any liquidity or redemption considerations associated with the implementation structure.

The purpose of Implementation Transparency is not to favor one implementation model over another, but to ensure investment committees fully understand the structure through which their portfolios are managed.

4. Governance Transparency

Investment committees place significant trust in their OCIO to make prudent decisions on behalf of the institution. Transparency should therefore extend beyond investment results to include how those decisions are made and the governance processes that support them.

Clients should understand the firm's investment philosophy, organizational structure, decision-making authority, and oversight processes. They should also understand how conflicts of interest are identified and managed, how investment committees operate internally, and how manager selection and monitoring decisions are made. Governance transparency provides confidence that investment decisions are made within a disciplined fiduciary framework rather than through ad hoc processes.

Examples include:

- OCIO's investment committee structure and membership
- Investment decision-making process
- Manager selection and monitoring procedures
- Conflict of interest policies
- Fiduciary responsibilities
- Risk oversight framework
- Proxy voting and stewardship policies, where applicable

The objective is not to prescribe a single governance model, but to ensure clients understand how investment decisions are made and how fiduciary responsibilities are fulfilled.

5. Client Communication Transparency

Transparency extends well beyond reports and performance calculations. An effective OCIO relationship depends upon ongoing communication that helps investment committees understand not only what has happened, but why it happened and how current decisions support the institution's long-term objectives.

Investment committees vary significantly in their investment experience. Some include seasoned investment professionals, while others consist primarily of volunteers serving their institutions. Regardless of experience, every committee benefits from timely, consistent, and educational communication.

Examples include:

- Quarterly investment reports
- Board presentations and educational information
- Market commentary
- Investment policy discussions
- Accessibility of senior investment professionals
- Responsiveness to client inquiries
- Consistency of reporting over time

The objective is to promote communication that strengthens governance, improves understanding, and enables investment committees to fulfill their fiduciary responsibilities with confidence.

6. Data Transparency

Historically, quarterly reports were the primary way investment committees received information from their OCIO. Today, institutions increasingly expect ongoing access to portfolio data, historical information, implementation details, and reporting that can support governance throughout the relationship. As institutional investing becomes more data-driven, transparency must extend beyond reports to include ownership, accessibility, and portability of investment data.

Examples include:

Data Availability

- Holdings transparency
- Underlying manager information
- Historical asset allocation
- Historical performance
- Benchmark history
- Transaction reporting

Data Ownership

- Who owns the portfolio data
- Whether historical information remains available if the relationship ends
- Whether data can be exported in a usable format
- Whether clients have unrestricted access to their own historical records

Data Portability

- How easily portfolios can transition to another provider
- Whether historical performance records remain intact
- Whether reporting history follows the client
- Whether investment data can be transferred without unnecessary barriers

As investment reporting continues to evolve, data transparency will become an increasingly important component of fiduciary oversight. Investment committees should have confidence that the information generated during an OCIO relationship remains accessible to the institution that ultimately owns the assets.

Conclusion

The institutional investment industry has consistently moved toward greater transparency over the past several decades. Each step—from standardized financial reporting to GIPS and enhanced fiduciary practices—has strengthened the ability of asset owners to make informed decisions.

The continued evolution of the OCIO industry presents an opportunity to take the next step.

The OCIO Transparency Framework is intended to establish a common language for transparency between OCIOs and their clients. Rather than prescribing how firms should invest, it identifies the information investment committees should reasonably expect when selecting and overseeing an OCIO relationship.

Ultimately, transparency should not be viewed as a burden or a competitive disadvantage. It should be viewed as a defining characteristic of fiduciary excellence.

As the OCIO industry continues to grow and mature, firms that embrace transparency will strengthen trust with their clients, improve the quality of institutional decision-making, and contribute to a healthier and more accountable investment ecosystem.

Transparency does not guarantee better investment performance. It improves the quality of fiduciary decision-making.

About OCIO Analytics

OCIO Analytics provides independent intelligence on the outsourced chief investment officer industry. Powered by the Alpha Nasdaq OCIO Indices, the platform includes data from more than 1,650 institutional portfolios contributed by 56 participating OCIO firms and helps institutional investors strengthen oversight through objective industry data.