

Hiring an OCIO Investment Consultant: Evaluating the Right Fit

Key Considerations for Nonprofits Navigating Investment Oversight Decisions

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Should your organization hire an Outsourced Chief Investment Officer (OCIO) as a fiduciary advisor? This topic has become a frequent discussion for nonprofit committees as they address the increasing complexity of investment markets, portfolio construction and oversight responsibilities, and as adoption of OCIO services has expanded across the sector. While some institutions choose to build out their own investment offices, 46% of institutional asset owners already use an outsourced model, and another 2% expect to adopt one within the next year according to the 2025 CIO Outsourced Investment Manager Survey¹. Below, we outline a decision-making framework to help organizations choose between developing and staffing an internal investment office versus partnering with an OCIO firm to manage their assets.

Internal vs. External (OCIO) Model

Below are the core functions that an investment office at an endowment and foundation typically oversees:

- Portfolio governance and policy
- Strategic asset allocation: implementation and rebalancing
- Liquidity planning and cash management
- Manager research: selection and monitoring
- Operations and administration
- Performance measurement and reporting
- Custody and enterprise relationships (legal, tax, IT)

If a nonprofit board decides to hire an internal Chief Investment Officer (CIO), the first challenge is identifying a seasoned professional who fully understands the scope of these responsibilities. The second challenge is ensuring the CIO can assemble a capable team which minimally should include a trader, risk officer, performance analyst and operations manager. Third, the CIO (and potentially a deputy CIO as well) should have extensive relationships with both public and private investment managers. Such relationships are essential for accessing high-quality investment opportunities and securing competitive fee terms.

¹ [“2025 CIO Outsourced Investment Manager Survey”](#), Chief Investment Officer

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By contrast, an external OCIO typically manages all the functions above², apart from custody and certain enterprise-level relationships. Within established OCIO firms, these functions and the associated counterparty relationships are institutional in nature, offering a level of continuity and stability that is difficult for most organizations to replicate internally.

While costs are an important function, there is significant complexity in estimating these. The primary expenses of an internal investment office include staff salaries and incentive compensation, technology and platform licenses, market-data services, vendor retainers and travel. Because most of these expenses are fixed, larger asset pools benefit from lower costs as a percentage of assets. At the same time, bigger portfolios often require a more complex investment strategy, which typically necessitates a larger investment team.

Depending upon the cost structure of the relationship, OCIO fees also decline as the firm's AUM increases, though competition among providers within the \$500M-\$1B range is particularly intense³. Over a quarter of OCIO firms have reduced their fee schedules over the last few years. While the difference in cost estimates between the two options may be close, the internal model carries implicit costs and risks:

1. **Search and staffing burden.** Building an internal office requires time and resources to recruit a CIO and support staff, often including the use of search consultants. This delays the development and implementation of any investment action.
2. **Key-person and continuity risk.** Smaller internal teams lack redundancy, making them vulnerable to disruptions when analysts or senior staff depart.
3. **Variable and expanding overhead.** As investment complexity grows, especially with private markets exposure, internal teams may face escalating costs for diligence, data, systems, legal review and specialized analytics.
4. Potentially **weaker manager access and pricing power.** Without the scale and relationships of established OCIOs, internal teams may struggle to secure capacity with sought-after managers. Most OCIO firms successfully negotiate favorable fees on behalf of their clients, which often leads to cost savings.
5. **Loss of external governance check.** OCIOs, specifically those that operate as fiduciary advisors, provide an additional layer of process discipline and oversight that can augment the expertise of internal teams.

The primary implicit cost of hiring an OCIO is the investment committee's reduced discretion and control over the investment process. To ease this transition, many providers offer a hybrid model in which the advisor manages most operational, reporting and research functions while the institution retains final decision-making

² ["An Overview of OCIO Services for Nonprofit and Tax-Exempt Clients"](#), Fiducient Advisors

³ ["2025 CIO Outsourced Investment Manager Survey"](#), Chief Investment Officer

authority on asset allocation and manager selection. This level of service typically costs less than a fully discretionary mandate and offers a middle ground for committees seeking support without surrendering control.

Comparing OCIOs

While fees for OCIO services have compressed, evaluating providers remains a qualitative exercise that hinges on service scope, investment approach and relationship fit. Key considerations include:

- **Service breadth and alignment.** Lower-cost options may reflect a narrower set of capabilities, so committees should first identify which services are mission-critical before comparing explicit fees.
- **Private markets and manager-selection expertise.** As asset pools grow, the value of strong due-diligence and selection capabilities increases, particularly if the organization is considering private investments where implementation can significantly influence long-term outcomes⁴.
- **Scale versus access.** Large OCIO firms can spread fixed costs across a broader client base and may negotiate more favorable fees or capacity with sought-after managers. However, capacity-constrained managers may hesitate to accept oversized allocations from large firms. Providers that combine broad institutional resources with thoughtful access to niche or capacity-limited managers offer a distinct advantage.

Performance comparisons require careful scrutiny of the underlying performance composites. Publicly available indexes, such as the Alpha Nasdaq OCIO Index⁵, can serve as reference points but do not eliminate the need for deeper analysis. A true apples-to-apples comparison should be based on composites that reflect similar asset allocations, consistent treatment of legacy (pre-OCIO) assets, fully discretionary accounts and logical policies for how portfolios are handled when they migrate across composites over time. While there are efforts at standardization (the CFA Institute released GIPS guidance for OCIOs in 2024⁶), a universal framework does not yet exist. Until such standards are broadly implemented, committees need to read the fine print on composite footnotes for all providers under consideration.

Making the Final Decision

Aside from exceptionally large investment pools that may have existing investment teams, an OCIO can effectively solve many logistical hurdles for most foundations and endowments at a comparable, if not lower cost. Implicit risks and fee transparency should be an important consideration when choosing between an internal and external model. When the institution makes the decision to use an external OCIO, the next step in the process is comparing and ultimately choosing a provider. Factors such as range of capabilities, breadth of resources and approach to the relationship should be the primary considerations. While we agree that performance is an important piece of this equation, the lack of a uniform framework leads to inconsistent comparisons. Instead, we

⁴ [“Portfolio Construction Drives Wedge Between the Best and Worst Performing Endowments”](#), Institutional Investor

⁵ [“Alpha Nasdaq OCIO Indices”](#), Alpha Capital Management

⁶ [“GIPS Statement for OCIO Portfolios”](#), CFA Institute

believe committees should focus on how OCIOs report performance and whether these practices reflect sound judgment in composite construction.

[Contact](#) the professionals at Fiducient Advisors to determine how an OCIO can augment your committee's fiduciary expertise and investment capabilities.

About the Author



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Will services institutional clients by providing advice and guidance on the manager search process, fund selection for portfolios and overall investment management. Prior to joining the firm in 2026, he served as an Investment Director at Cambridge Associates and spent seven years at Bank of America as an Institutional Portfolio Manager.

Will earned his MBA from Georgetown University and graduated with a BS degree from the University of Rhode Island. He is a CFA® charterholder. In his free time, he enjoys playing music, hiking and chess.