



Investment Outsourcing Study Contact:

Peter Starr, Chief Executive Officer

pstarr@chathampartners.net

Tel: (781) 314-0604

Press Contact:

Michelle Harris, Director of Marketing

mharris@chathampartners.net

Tel: (781) 314-0628

**CHATHAM PARTNERS STUDY SUGGESTS RECEPTIVITY TO CIO/INVESTMENT OUTSOURCING
MAY BE MORE EVOLUTIONARY THAN REVOLUTIONARY**

Waltham, MA – March 14, 2012 – A study released today by Chatham Partners titled “*Trends in CIO/Investment Outsourcing: Evaluating the Opportunity in a Recovering Economy*” suggests that providers may want to take a more pragmatic view of institutional buyers’ appetite for investment outsourcing.

While there appears to be some merit to the market indicators portending an increase in institutional buyers’ appetite for investment outsourcing, insight from this survey suggests that growth in addressable markets may be more evolutionary than revolutionary. Survey findings that most distinctly highlight this are:

- **Moderate to low satisfaction levels with CIO/investment outsourcing providers** – Institutional buyers’ decision to outsource and their evaluation of partners is primarily based on their ability to generate investment returns, and satisfaction in that regard is muted. Only 23% of organizations that outsource are very satisfied with investment performance. Additionally, sponsor satisfaction levels in most key relationship categories are sub-optimal.
- **Moderate up-sell potential within organizations that outsource** – Of the respondents that currently outsource, only 23% indicate that they are likely to increase the percentage of assets under management that are outsourced. Additionally, only 17% of these respondents are looking to add additional services.
- **Slowing rate of implementation** – 57% of respondents implemented their outsourcing arrangement more than 5 years ago, while only 12% implemented their arrangements within the past two years.
- **Entrenched bias among organizations that do not outsource** – Only 6% of organizations that do not currently outsource are likely to consider utilizing an outsourced provider in the next 24 months. Their rationale is clear; they do not believe that outsourcing will produce better results than they can achieve on their own. Additionally, they believe that outsourcing is expensive and fails to mitigate the risks that trustees face as fiduciaries.

According to Chatham Partners' CEO Peter Starr, "If the addressable markets for investment outsourcing are to increase, providers must do a better job of reconciling the needs of buyers with their product offerings. Continued reliance on status quo marketing techniques will do little to increase demand, particularly among the non-believers."

Insight obtained from providers focusing on investment outsourcing suggests that many are embracing techniques that better align buyer demands with their differentiated approaches. Several providers mention evolving their platforms to better meet the demands of the market including offering greater customization, open architecture, or enhanced risk management capabilities.

The comprehensive study focused on the following areas: attitudes of respondents that outsource, perceptions of institutional buyers who have not adopted outsourcing, and provider approaches to the CIO/investment outsourcing market. Topics of inquiry included: investment management approaches, level of discretion granted, drivers of the decision to outsource, provider selection and satisfaction, barriers to adopting investment outsourcing, and likelihood of adopting / expanding the current outsourcing relationship.

To complete the study, Chatham surveyed 215 institutional investors representing a cross-section of corporate DB plan sponsors and endowments and foundations, with funds ranging from under \$25 million in assets under management to funds with more than \$1 billion in assets under management. Chatham also surveyed 15 investment outsourcing providers representing a cross-section of leading asset management and consulting providers in this market.

Please [click here](#) to view sample slides from the report. For additional detail about this study, contact Peter Starr at (781) 314-0604 or pstarr@chathampartners.net or visit www.chathampartners.com.

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