



Podcast Transcript

Episode #41: Inside the OCIO World: Trends, Challenges, and Opportunities

Brad Mook: Welcome to Rosemont Roundtable, where we explore the business of investment management with experts and thought leaders across the industry. Hello, all. Welcome to a special edition of Rosemont Roundtable. I'm Brad Mook, managing director at Rosemont Investment Group. In this edition of the Roundtable, Rosemont is joined by Amanda Tepper and Ravi Venkatraman, heads of the Chestnut Solutions Institute and leading researchers and consultants on the OCIO and investment solutions industry.

My partner, Chas Burkhart, and I enjoyed a four way discussion with Amanda and Ravi as we traded thoughts on the evolution of the OCIO solution space, distinctions amongst solution providers, health and sustainability characteristics, the OCIO solutions movement into wealth management, and some of the research Chestnut has been doing on the subject. Thanks to Amanda for moderating the conversation. We enjoyed the discussion and hope you will too.

Amanda Tepper: Hello, and welcome to today's podcast discussion. I'm Amanda Tepper, cofounder of the Chestnut Solutions Institute. I'm really excited to moderate today's discussion about best practices in building a successful, sustainable investment solutions business. Today's discussion is being jointly presented by the Chestnut Solutions Institute and Rosemont Investment Group, two firms that are deeply involved and invested in the successful growth of the solutions industry. So today, we're going to dive into how investment solutions are penetrating the wealth management business.

We're going to talk about operating and ownership best practices for a successful solutions business, and we're going to talk about a new framework to help providers and clients ensure that any investment solution, product or service is actually creating end value for the end client at the end of the day. But before we get into all that, we'd like to start with a brief overview of the investment solutions in OCIO marketplace today. And this could be a quick list of a couple of facts that are not in not disputable, but the problem is that solutions is so new and growing so quickly that, there aren't clear definitions. Ravi, could you give us a little bit of a sense of where the industry stands in terms of standards, norms?

Ravi Venkataraman: Sure. Amanda, I remember when you and I started talking about this, you know, probably two and a half years ago at this point, and you had been doing a lot of research on the OCIO marketplace, and I have a background in that, from a prior life. And we were reflecting on how the space is growing in double digits. It's growing in different dimensions as well by market segment, by regions, and service offerings and proposition. But we just reflected even though this has been around for twenty plus years, it's amazing that there were simple standards that were lacking.

I mean, for example, even the definition of what OCIO is, there was no uniform standard. Everybody had a different interpretation of what discretionary, nondiscretionary is, how to count assets, the most fundamental, you know, disclosure item, much less performance standards, business norms, evaluation criteria, etcetera. And you think about that in contrast to the world, you know, where we probably all started, which is sort of the single strategy world, the traditional world, where it's very homogenous. It's a strategy, and it's alpha. Usually, alpha relate relative to a benchmark or in private's, you know, a little different.

And it was pretty straightforward, but then we reflected on the fact that when you move to the OCI owned solutions world, you're really talking about a mosaic of services. So but none of which is uniformly accepted or even understood. So we thought, you know, would it be great if we worked with the industry to really start developing some of those norms in a collective fashion and get together and issue Straumann, did some research, bring some more transparency into the space. Because as we all know, if you did that and you educated the marketplace, you know, we hope that they'd be better buying, The space would expand in a more informed manner, and it would be a sort of a win-win for all the stakeholders in the space. So that's sort of what led to the formation of our institute and the underpinnings of, you know, where we are today.

Amanda Tepper: Yep. So let me just fill that in because the institute's been chipping away at some of those definitions just to make sure as we dive into the meat of the discussion that we're more or less all talking about the same thing here. So last year, we proposed a definition for what is an investment solution before we even get to OCIO. So those the world we all grew up in, which is, we would say is not an investment solution. We refer to them as investment portfolio building blocks.

So these are standardized single asset class products. And then anything beyond that is a spectrum of an investment solution. So a first step would be take one of those standardized products and do any kind of custom overlay, whether it's ESG, whether it's risk. You do that for one particular end client, or you do it for a group of clients. The next step would be we call it second step solutions.

That could be multi asset class standardized products, or, a classic example would be target date funds where you're trying to solve a group of similar issues being faced by a group of people who are all trying to ideally retire securely in a particular year. And then the ultimate, which is where we will spend probably most of our time talking about in detail today is the outsourced CIO or OCIO marketplace, and we would define that as a full portfolio engagement with or without discretion.

Defining discretion is something the institute's doing a working group on this year. I'll just say what we've learned from speaking with many OCIO providers, and I would really interested to hear what Brad and Chas have to say about this, is that discretion is in the eye of the beholder, and, ultimately, any client at any time can ask for anything, and any good provider's going to work with that client, to make sure they get what they want. So, we have a very inclusive approach on defining that, and so, therefore, we define OCIO mandates pretty broadly.

And a couple months ago, we published our most updated estimate of the size of the OCIO marketplace today and using our definition and including, importantly, the wealth space, which Brad and Chas, I know you're invested in literally directly. We estimate today global OCIO is at \$4.8 trillion. So that alone is about 25% higher than all the estimates we've seen elsewhere, and really that's because our definition is broader. And it's also because people who don't even use OCIO in their name necessarily, but definitely have that product are coming out of the woodwork to the institute and starting to report. So it's a it's an enormous industry.

If you look at solutions more broadly, we've done research that show that at many asset managers, up to two thirds of all of their products with all of their clients across institutional and retail are actually an investment solution. So the whole marketplace is actually moving away from this standardized product approach, and so that's the broad the broad point of, you know, the size of the of the industry. The last thing I'll add there is our forecast. So to Ravi's point, it has been and continues to grow, roughly double digits. I'll ask you in a minute what you're seeing.

We use what we think is a pretty conservative, just under 9% CAGR, and that brings us to \$7.3 trillion in 2029 for the global OCIO industry. So that's our official forecast. And, there aren't that many segments of the asset management industry with that kind of organic growth today. And wealth is one of them. But when you take wealth and OCIO combined, it's pretty exciting.

So, Brad, can you tell us what you're seeing in that space? What attracts you to it? How it's working? Let's just start with that.

Brad Mook: Absolutely. And let me just say, I appreciate the institute's attempt to define standards around what qualifies as an OCIO and how you measure them and evaluate them. When I started at SEI in 2009, I was new to the OCIO business. And in trying to understand how it worked at SEI, every single client seemed to work with a different set of rules of engagement and solutions. And is it discretionary?

Well, kind of. Yes. But and there was a lot of that. So I think being more inclusive is better rather than trying to parse it too finally, but that also does create a little bit of confusion with respect to how do you compare apples and pears and oranges.

Amanda Tepper: That's right. That's right. And making it up as you go isn't the best way to build a business either.

Brad Mook: Exactly. So as we think about the wealth space, I think about OCIO as generally providing a centralized institutional caliber investment offering across a portfolio. That's kind of my mental framework for how I think about it. And if you think about the wealth space, it's very fragmented, and there have been a lot of individual advisers providing portfolio guidance to different investors using different tools and different sets of biases and preferences and rolling that up to the portfolio level and doing it in a way that's somewhat standardized across the business, creates a more efficient delivery model. It can create better access through, economies of scale.

And so it's a huge opportunity. When you look at all of the wealth out there and the move towards the independent wealth channel, there's a really big untapped market for institutional caliber total portfolio solutions. And that's the opportunity that that we see. And you can get there two ways. One is top down, and we look at a lot of institutional consultants and OCIOs that are dealing with a very difficult institutional market.

It's fee sensitive. It's performance sensitive. The time cycles on RFPs are getting closer and closer together. It's not as sticky. And so there are a lot of challenges, and it's very, very competitive.

And you look out at this blue ocean of wealth and the opportunity to gain market share and even just build market, and it's very, very compelling. On the other hand, you have a lot of small boutiques that have been providing very highly sophisticated and comprehensive solutions for their clients on almost a one off basis, but have that institutional mindset who have been building scale. And you look at those two, and they're looking across at each other, and we've seen some consolidation in that respect. And there are challenges in going across the different segments, but the opportunity is big. And that's one of the things that that I think we've really focused on.

And we found with our recent investment in Northside, which we very loosely call an OCIO for high net worth or ultra-high net worth families.

Amanda Tepper: So because you had talked about different deliverables, for wealth clients, and you're using the word institutionalized, offering, but, actually, there's a, you know, institute there's a huge range of institutions. What pensions are looking for from an OCIO versus what an endowment and foundation might be looking for are very different. But one of the one of the things, that's really different, I know, on the wealth side, of course, is the tax status. So can you talk about what makes maybe a wealth offering different even though it's institutionalized using your, framework?

Brad Mook: Yes. Well, tax management is a big one, and we've had recent conversations with institutional OCIOs that look at that blue ocean and say, one of the challenges in getting there is we don't have those types of capabilities, and we need to establish those types of capabilities. So that

scale and access are also important distinctions, and we have seen certain wealth platforms able to provide that. I'll give you an example. Clearstead is a firm that we used to be invested in that provided institutional advisory and private wealth services, and they were at the forefront of gaining access to privates through a platform called Glas.

And that that ability to bring that that institutional capability and the due diligence and the compliance and all of the really important things from a feel good standpoint and a regulatory standpoint into that private wealth channel was big. And there are a lot of smaller firms that can't do that, but that is increasingly becoming more and more important within the wealth channel. So firms are racing to provide that that level of access, and it's becoming more commonly available, but that's a differentiating feature. Chas, what would you add to that?

Chas Burkhardt: I think that the word institutional is bandied about, and I think you just put some good definition, Brad. But I also think it's just it speaks to quality, the number of people, the rigor with which the investment process or the strategies are, diligence and put together and then offered. It's I think it's really meant to signify a more responsible, thorough, offering as opposed to a less responsible and thorough offering.

Brad Mook: I think that's fair. I'd also add, Amanda, to your question. Things like, the service model in how clients are handled and approached, is very, very important on the wealth side. The reporting can look very different, and the portfolios are often very custom. We've heard a lot about goals-based investing.

I heard about that when I got to SEI fifteen years ago, and I think SEI was pretty early on that front. But, certainly, a lot of firms are talking about it now and actually doing it because the ability to run portfolio analytics is very strong, and the ability to get that look through and customize the portfolio is very hard to do at scale, and people are working on that feverishly. But that that is another aspect.

Amanda Tepper: That makes a lot of sense. Chas?

Chas Burkhardt: What I would add to that is I was with a very senior person at one of the leading regional investment banks yesterday, and he asked me he said, do you think that wealthy families and our just the whole of our client base really needs a cryptocurrency or blockchain offering to have a thorough and responsible investment solutions toolkit. And I thought about it. I thought about a conference, actually. I think, Amanda, it might have been one that you and I had spoken at when, I believe, a gentleman got up, and I forget his firm, but basically made the argument, and this was a couple of years ago, that you should think of, blockchain and cryptocurrency as another essential asset in any multi asset class solution.

Equity, fixed, international, emerging, real asset, etcetera, cryptocurrency and or blockchain, needed to be thought of that way. And I didn't fully buy into that at the time, but I think this maybe is a both a

differentiator and a very specific point of view that a provider would bring to its clients. I don't think all will do it, at least not in the near term, but it will be a clear differentiator for those who do.

Amanda Tepper: Yeah. When you talk about differentiators, and I'd be interested in hearing, Chas and Brad, both of your perspectives on this. We've got, speaking of definitions, something I'd meant to mention before is we have, at the institute, a taxonomy of different types of investment solutions providers. So, again, we're thinking more broadly of OCIO. And without I don't want to read down the whole list, but this would be independent of all the different types of investors.

Because even when you talk about private wealth, there's ultra high net worth. There's mass affluent, everything in between. When you talk about scale, you know, there's scale and scale, and then you want to overlay with scale that any end client wants something customized. That's what makes it a solution in the first place. So, just thinking about, you know, have you looked at are you looking at different are you looking at primarily specialists or those more in the private wealth space or asset managers?

Because they can all differentiate themselves in different ways. They all have different competencies.

Brad Mook: I would say we tend not to look at it top down and look for specific businesses and specific channels. Tends to be more in terms of the where the company is in its life cycle of ownership and in functional growth and the quality of the management team and their needs. And then it's a question of is it a sustainable business, and is it, one that's likely to provide the return profile that we're looking for and form a good partnership. Once we get to that point, then we start looking at the vagaries of what market they're addressing and who they're competing with and how they're going about doing it. So that's a nuance that we don't necessarily start with, but becomes important as we're doing an analysis of the business.

Amanda Tepper: Ravi, did you want to add something?

Ravi Venkataraman: I just I wanted to pick up with what Brad is saying. You know, he was speaking to the provider side. I also wanted to look at it from the there are of us from the client side and kind of go back to Chas's point about the crypto the anecdote. I think if you're a client and you're a specific type of client, certain types of offerings, certain asset classes, certain philosophies would provide a natural sort of, you know, affinity to you. So for example, if you're a pension plan, you'd probably, or your defined benefit pension plan that's outsourced and that's fairly mature, you're probably looking down the road towards sort of an endgame and ultimate defeasance of liabilities possibly, which might lead you to think about, okay.

Who are the different providers that I might align with now or down the road? You know, perhaps an insurance company or someone who can handle, you know, a frozen plan or annuities or things like

that. So I was just you know, in your example of private, I could see in a family office, generational wealth, bitcoin, digital, these types of things might come to the fore. Whereas if you're an insurance, client, for example, you might look at specific regulatory expertise and research capabilities that are certain types of providers. I think that's what led us to develop this taxonomy.

Not that there isn't overlap and, you know, journalists can do other things well, but specialists can, we think have a place for sure, based on the specialized expertise, they bring to the table with within a particular market segment or region or, other asset type.

Amanda Tepper: So let me ask the three of you, really, but this is more for Chas and Brad in terms of but also, Ravi, because of your background as an OCIO provider having founded Mercer's OCIO business, yay, a few years ago, the operating metrics that you look at for a successful solutions provider. This is something I get asked every day. You know, what's the right number of what's the right ratio of coverage to, you know, a primary OCIO client facing person and number of clients? And, you know, the answer is always it depends. But what kind of metrics are you guys looking at?

Chas Burkhardt: Well, perhaps I'll start off, Amanda. I mean, as you, talked about a bit in your entree of us, Rosemont was really born as a research company doing research on the business of asset and wealth investment companies. So focusing on their financials, all aspects of their P&L, where they spent money, how productively those dollars were spent, their fees, their compensation architecture, and then their governance and their operating agreements. And all of this started leading to this building mosaic of a firm's overall competitiveness and health and points of distinction. And so I don't know that my answers, to this will be so specific to solutions providers, but to all investment companies of which solutions providers are a growing subset.

You know, if there's some other kind of top down comments on this, I'll pause for a second, but I've got a whole range of thoughts on the cockpit or dashboard of such issues.

Brad Mook: Well, I would just say your comment about it depends resonates because that's where we live. And looking every investment that we make in partnership and I've looked at thousands of managers through my time as an allocator, and we look you know, we've talked to tons at Rosemont from an investment perspective, and each one is different. You know, everything from their governance to the way they structure to their client base to their offerings, everybody is different. And so, really, what the right metrics are for that business depends. And so we make a habit of just assessing them on an ad hoc basis and giving them advice relative to where they are and where they need to go from there, which doesn't lend itself to overarching generalist measures that people would be happy with, unfortunately.

Chas Burkhardt: Ravi, did you have another thought on that overarching topic, or I'll kind of get into some of those nuances.

Ravi Venkataraman: No. Please. You go ahead. I had a question, but I'll hold off and since Amanda's asking the questions.

Amanda Tepper: Well, I'll let Chas talk, and then we'll go to your question, Ravi.

Chas Burkhardt: Might spur other questions. I think one way to think about your point, Amanda, is just all the different types of solutions and OCIO providers. And we've probably looked at it a little bit differently than you all, but in one respect, you have the largest, those that are either, publicly owned or are part of large financial institutions, but they are the largest scaled, huge, 800 pound gorillas of the space. So Mercer, BlackRock, State Street, etcetera. Then you've got pure play or pure play OCIO businesses kind of like Partners Capital or TIFF or Strategic Investment Group or McKenna.

Then you've got consulting firms, which we all know and which Ravi worked for, like LCG or Makita or Canterbury on the smaller side and NEPC and Verus and Cowen and Mercer. Then you've got the kind of the smaller up and coming, which actually, I think, constitute the greatest number of solutions providers even though they often get little of the headline. People like Virgil and Disciplina, maybe it's Crewcial, on the consulting side. Maybe it's Spider Management on the endowment/university side. But there are all these different kinds of providers, and I make this point initially to talk about them that way because they all have somewhat different or very different agendas and business principles on which they're being run and who runs them and to what end.

And so, you know, I'd start with scale. I was smiling the other day when somebody asked me about scale and how big they needed to be, and they were referencing the recent comment by George Walker or perhaps another colleague at Neuberger Berman referring to themselves as a \$585 billion midsized company. So apply that to the OCIO and solution space, and you say, well, if your standard is that, you know, I'd like to be worth someday, you know, \$25, \$50, \$100 million, well, how does that compare to the Jeff Bezos, Warren Buffett, Elon Musk criteria? If the goal or the metrics are always set to kind of the highest numbers, whether that's with regard to profitability. You know, we've seen some businesses operate at legitimate sixty, seventy plus percent cash flow margins.

Maybe that's not at all feasible for a well run reinvesting OCIO business. We've seen businesses that are actually growing positive debt flows and have other really strong characteristics and are, in fact, the favorite of some of the OCIO search consultants that are five, ten, twenty, forty billion. They're not the biggest firms in the industry. So I think we have kind of a dashboard of key issues that we think speak to sustainability and don't have this kind of pejorative feel of if you are not the biggest, most profitable, the you're not the partners making the most money, where we can go to some of the few comp consultants at our industry and check that out. But I would start with ownership since ownership is the Rosemont specialty subject matter, and we deal in ownership dilemmas and opportunities.

And I think, Amanda, this will come up when we talk a little bit more about the, m and a phenomenon in our industry. And in the last few years, it's really come into the solutions business. First, I would say that if you have a solutions firm which is PE backed or has an owner that has a financial owner behind it. You know there's another transaction coming. That's possible dislocation.

It could be that it works out quite well, but you've got to think around that when you make that decision as to where that PE backing is in its life cycle and possible transaction time line. If you have a financial institution with a corporate agenda, and I think both of you know about this type of owner, that agenda and orientation may not at all be fully aligned with the just the client centric notion of what the solutions firm really wants to do.

Amanda Tepper: Or it may not be aligned with those particular subset of the water firm's clients.

Chas Burkhardt: That is my point. Now it's not that the grass is always greener on the employee owned side. If you've got an employee owned firm that's trying to thoughtfully transition ownership from G1 to G2 or G3, do you even have a really good G2 or G3 in place? Have you actually begun the process? Is it actually working today?

That is actually a case of the shoemaker's children are often the last to get the shoes, firms that give great advice on this type of thing and fall down themselves. And so that's an area that we found just because you're an employee owned firm and you say with great pride that we're majority employee owned doesn't mean that you've really thought through the sustainability of ownership. So I think this is kind of a fluid concern, and there's just great potential for positive or negative implications to sustainability solely based on ownership orientation.

Amanda Tepper: Yep. No. That makes a lot of sense.

Amanda Tepper: Ravi, did you have a question?

Ravi Venkataraman: I was just going to actually peel that onion a little bit and ask Chas or Brad, you know, you, you outline different that initiate the transaction. Right? The strategic buyer, financial buyer, etcetera. You know, we and that's important. We do a lot of work in exploring the capabilities and synergies, but we also think about the client.

Right? This issue of alignment. Okay. So what did they buy? They may have bought a specialist firm, and now that's being bought by a generalist firm.

So where does that leave them? And I was just curious in your work in M&A and M&A deals and investing in firms. How do you, you know, how do you think about that, and what assumptions do you think should or could be made about the, stickiness of those relationships?

Chas Burkhart: One thing I would start with, and I know Brad will chime in, is that it is amazing to us that clients, whether they are wealthy families, institutions, whatever the clients are of the solutions or, OCO businesses, they seem to not fully know what goes on in the sausage factory, and they should. Clients have been a currency in the hundreds no. Greater than a thousand deals that have been done in the investment industry in the last five years. And it kind of been a kind of a tacit approval that at the point of announcement and early days so wedding and honeymoon, the greatest of plans. Here is why it's going to be great for you, mister and misses client.

Here are all the things we're going to do to make it more efficient, more, better service, maybe add the Glas platform like, Clearstead did that Brad mentioned, and other things that would benefit the client experience. But the fact is and look. We're in this business, and, you know, we were a private equity operator for eighteen years, actively. So we do know how it's made, and it is certainly about the returns to owners. And because financial, values are so high for most folks in the business, that's certainly, any folks who have what I would call attractive dashboard measures.

So that would be things like low unwanted turnover, really strong governance through periods of both market dislocation, management change, unwanted personal crises that that, come with human beings running companies, persistent positive or negative net flows. These are all things that help determine health and value, but it's a I think the client, the asset owner, has gone along with the advice of their provider that it is all going to be very much in their best interest. And I think for many of the deals in the industry, like the Mercer Vanguard deal or Cerity and Agility or Hightower and NEPC or Focus and Cornerstone, it's too early. I think you really need probably years to really give a thorough evaluation. Did the key people stay?

Were the clients well, what was client turnover during that time? Did they add net assets, or how did they add to their offering? What made that business a better business for both the employees and the clients and not just the owners? That's where I'd start. Brad?

Brad Mook: Well, that's a topic that's near and dear to my heart because I take it seriously. I think about the fiduciary standards in our business and the responsibility to clients and, ultimately, their interests being represented. And having seen a lot of M&A, it's usually a math problem that somebody you know, another interested party who's not thinking of the client interest is solving, and there's always a narrative that goes along with it. And I'm not denigrating the idea that or suggesting that there can't be successful and worthwhile M&A, But I've never heard a narrative that says, well, this may not be as good for the client, but we're going ahead and doing it anyway. And I think there are high switching costs.

And so the whole point, if you can just get through the merger and get a little bit of space from it, then probably people aren't going to go anywhere or the asset owners aren't going to go anywhere unless there's a problem. Unless they were already pre predisposed to do so and we're just looking for an

excuse. But at the end of the day, Ravi, you're totally right. You can look down the lane and the client can say, how did we get here? And shouldn't we have seen this coming?

And, you know, there are some steps along the way that are pretty pivotal in that.

Amanda Tepper: So that's kind of a good segue to the next topic that we wanted to talk about, which is how do you create value for the end client? Because, to use this Wall Street, phrase, at the end of the day at the end of the day, it is creating value for the end client that is ultimately the driver of solutions business stability. Right? Once G2 has handed off to G3 and, you know, the synergies have been achieved, This really is all about the client, which can get sometimes lost to your point, Chas.

Even the client isn't sure what that is. And, of course, it's dynamic. It's changing over time at the client. When you're dealing with and this could be a whole other podcast to talk about the politics of managing private wealth and the families, the family dynamic, but on the institutional side, either way, you've got multiple decision makers. And when Chas was talking about the personal dramas that can happen in a business being run by people, there's always personal dramas on the investment committees that are hiring solutions providers, making decisions, trying to figure out what the standards are.

So for all of that, Ravi, can you share with us a little bit, of what the work that you've done and we've done on, that might be able to help clients value and measure what value are they getting from their solutions providers and what they should be looking for.

Ravi Venkataraman: Sure. I think Brad actually teed it up really well where the client, you know, wakes up and says, how did we get here? That's exactly what we're trying to get at. Because when we looked at, again, standards and norms, we looked at traditional evaluation techniques, and we had to look pretty far back at what's currently in place, which are really evaluation techniques that were built in the single strategy world, performance and fees. And that's understandable in a particular product construct.

But in the context of a solution where there are multiple dimensions of value add investments, not just performance, but investments holistically, which would include investment policy, asset allocation, risk management, trading, tactical if that's part of the value proposition. But then you talk about operations, cash flow management, coordinating service providers, service, customization, regulation, staff education, governance workshops. All this is now part of the service offering. So to us, it's very odd that you forget about all that value, and then you revert back to looking at, you know, a benchmark relative alpha and, you know, fees. So what we've come up with is a holistic we call it a holistic value measurement framework, which is the sort of three-dimensional approach of looking at those three categories.

And within each of those three investments, service, operations, again, there are about seven or eight different metrics. And to the point about waking up, I think part of what we'd like to see is that be a living, breathing tool. So we've actually created a tool that investment committees can use to measure their satisfaction against all those different dimensions. And some of them are quantitative, like performance, and others are qualitative, like service responsiveness, access to investment expertise and management, etcetera. So we think actually, it we developed it with a client very much in mind, but we think other stakeholders can use it.

So it can be used by search consultants. It can be used by investment committees. It can be used even by providers to just be a little bit more self reflective of what they're delivering and actually make them better, we hope, at articulating that value, so they don't feed into the narrative of just talking about, performance fees, in a vacuum. So, you know, we've just released that report, and we're really looking forward to, you know, anybody that is willing to adopt that, test it out with their clients if they're a provider or investment committees, certainly. And what we're hoping to do is the investment committees can adopt that as a starting point.

They can develop their own or, you know, modify it so that you have an ongoing rack record, and a time series, you know, of, value add. So you don't wake up, one day and find you're in a very different spot, and no one remembers how you got there. So that's a preview of that work we're doing there.

Brad Mook: Ravi, I think that's terrific. You can imagine how that would work for somebody like us in evaluating investments. And not only on a due diligence side, but then in how we help our partners after the fact. And those are exactly the right vectors.

Ravi Venkataraman: Good point.

Amanda Tepper: Yeah. And what's interesting, Brad and Ravi, tying both of your comments together, and we glossed over this at the beginning of our conversation and dove right in because the four of us are living and breathing every day in this incredibly rapidly growing solutions marketplace. Why is it growing so rapidly? What is driving the end investors to buy all of this and to buy in?

Before they wake up and say, how do we get there, they're certainly looking and saying, I want some of that. And we've done a lot of work on this, and maybe we can kick that around for a minute and tie it into this holistic value measurement framework. Our research is showing it's not fees. This isn't a traditional outsourcing. It's not our core capability, and we can find somebody cheaper to do it, we're going to be constantly RFP-ing and looking for the cheapest provider all the time.

It's not fees nor is it really necessarily just performance or the traditional performance that our industry focuses on, which is alpha. It's neither of those things. It's much more this holistic solution true solution to issues they are dealing with in terms of our governance was built for a two asset class

world. We now have 30 asset classes and 125 managers in our portfolio and meeting four times a year doesn't address it. The market is too volatile.

We don't have the right expertise, and we need all these other operations pieces that we're not comfortable buying from 25 different vendors. We'd like somebody to package it all for us. So I'll open that up if anybody wants to comment, Brad or Chas or Ravi, on what you're seeing about this.

Chas Burkhart: I'd like to talk to one aspect of what you are asking, Amanda, and that is I think that the competitive aspects of the industry, the growth of the number of the of quality providers has made it a sharper, better industry and offering where the providers have improved. It's kind of like it started you know, from my, vantage point, I remember chatting with Alice Handy at Investor or John Hirtle at Hirtle Callaghan and thinking of some very early pure play providers, and then that spawned a whole litany of folks who both came into it from a whether it were large corporate owned entities or smaller, midsize pure play entities. There have been increasing competition has sharpened the tip of the spear and made it a better industry, which is what I think will continue to probably drive some of the growth rates you're talking about. But what I am wondering, what you and Ravi are seeing on this point is, what's the force going the other way? Is there a flow of client and business activity that you all see that is going from outsourced to insourced?

Like, for instance, what they've done at the Cleveland Clinic. And remember the row that was at Harvard a few years ago when they, you know, had their own investment folk that were deemed to be too highly paid from the trustee's perspective. So there's some of that, both political and just cultural issues of the institutions that would hire or did employ, outsourced folk that might either be bringing it in. Do you think that all the movement is really going out, or do you think do you see patches of, business coming to insource solution?

Ravi Venkataraman: Maybe I'll take a crack at that one. I think it's still overwhelmingly in. Having said that, I think you're right. There are in patches, as you say, especially at the very large end where scale is not an issue. That's not part of the value that they're getting from, from an outsourced provider as they're big enough to do it themselves.

But I think, we see some emerging investment techniques like the total portfolio approach where rather than the traditional way of allocating, picking your asset class and then allocating to a niche asset class, the total portfolio approach really calls for the pretty nimble and free flowing allocation of capital to whatever investment opportunity makes sense, whether or not it conforms to some beta, risk budget. You know, there are some very large funds that feel like they are able to put in place a governance approach, that where they can achieve that, whereas the even the traditional outsourced model may not operate, in that in that way. So we see that, but even that's not without its challenges because it requires, a very unique governance model and a very unique asset owner and a great relationship between not only competence of the staff, but also a great relationship and

understanding with the board. So very much see that, as a one off. That's really more from an, you know, investment angle.

How this will play out in the future is, you know, anybody's guess, but I think there are some parallels that, as to if you look at the way the traditional business and the traditional investment management community shake out. Right? There are the scale cost, low cost providers, the bulk beta, and there are the specialists and the boutiques. This is probably going to be, you know, space for everybody, but I think what you say about consolidation, that \$600 billion dollar mid sized plan, or provider has to figure some things out.

Chas Burkhardt: Yes.

Amanda Tepper: So any other issues, topics, thoughts, before we wrap up today? We could take this in a lot of other directions, but just want to open it up.

Chas Burkhardt: I think you've done a great job, Amanda and Ravi. And, you know, your one of your differential points to Rosemont is that we're so focused on the provider. We're so focused on the investment management business in all of its solutions and OCIO forms and types, whereas you pay a lot of attention to and work with the client, the asset owner. And, just hearing the story from that side and hearing and seeing both what they value and who they are hiring and firing and why, that that's a critical angle. And, you know, I would just go back to that comment we made about M&A.

I do think that there's going to be some reckoning here over the next few years because a number of these marriages are going to have enough time and seasoning under their belt. And, let's see how the clients, both, they'll vote with their wallets, and let's see who the relative winners or losers are, you know, as we continue to examine this.

Amanda Tepper: I agree with that, Chas, and thank you for your comments. When you were talking about the, and you and I have talked about this, the beginnings of Rosemont are very similar to the beginnings of Chestnut. We are also, research-based, and we also focus completely on providers of investment management services. Now with the institute, we are indeed engaging with our clients' clients, the end investors, because and Ravi has really helped bring that perspective as a former consultant and, working directly with clients in his previous life.

I think there's a lot to happen here in terms of the marketplace today in our recent report we published, the first chest list of OCIO providers and just want to, second what all of you said about OCIO looking like the rest of the industry. It's the eighty twenty rule, maybe the ninety rule, where there's a small percent of players have the bulk of the assets. But just like everything with asset management and given everything we've said today about the heterogeneity of clients and providers, I personally think there's always going to be a place for great boutiques. There will always be great boutiques, in all elements of investment management, and that's why I'm sticking around at

Chestnut. It's fascinating to get back to Brad. As you said, it depends because everyone is different. I always learn with every new provider or client that I speak with, and that's the joy and complexity and what we're you know, of working in this industry. And so what we're talking about is trying to scale up what is inherently a customized deliverable. So, with that, I'm sure there will be more to talk about.

I am certain Rosemont will continue to be active in the space as will Chestnut. So I look forward to continuing to, partner with you guys and speak with you about this again. And thank you so much for your time and joining us today.

Chas Burkhart: Thank you, Amanda.

Ravi Venkataraman: Thank you, guys.

Brad Mook: Thank you both.

Amanda Tepper: Thanks, Brad. Bye.