

GUEST ARTICLES (cont.)

Insourcing vs Outsourcing: Why an Outsourced CIO can make sense for Single Family Offices

Andrew White, CFA, Senior Investment Principal, Capricorn Private Investments

As the family office space has grown in both size and sophistication in recent years, so has demand for independent investment support for families' own investment activities. One of the major areas of growth has been the emergence of the 'Outsourced Chief Investment Officer' or 'OCIO', as an alternative to the typical approaches of either a fully in-house investment team, or appointment of discretionary managers. For our own clients, including single family offices and institutions with smaller in-house teams, such as charities and foundations, this route serves to deliver primarily highly-customised investment support while retaining final decision-making authority in-house.

What is an Outsourced Chief Investment Officer (OCIO)

Fundamentally, an outsourced CIO provides a dedicated full-service investment offering, equivalent to that of an in-house investment team. An outsourced CIO can be an attractive option allowing for more efficient deployment of existing resources, adding

independent professional expertise at a meaningfully lower cost than either scaling an in-house team or fully delegating responsibility to discretionary managers.

An effective OCIO should simplify life for internal investment teams and principals by providing support on investment research and decision-making, without adding the additional complexity of hiring and managing additional in-house staff. Equally, the OCIO should be regarded as an extension of an in-house team, capable of understanding the specific requirements of the client, while also offering a resource for objective investment advice and access; in other words, an investment partner, not a service provider.

We see the primary benefits of this as follows:

- *Complementing and supplementing existing team capabilities:* Adding asset class experience and knowledge without increasing headcount
- *Cost efficiency:* Economies of scale can lead to reduced ongoing operational and investment costs



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- *Improved access to investment opportunities:* Direct access to institutional-quality managers and deals, without the additional layer of access fees typically charged by private banks
- *Centralised reporting and improved governance:* Formalised investment decision-making process helps avoid emotion-based decisions, and provides a centralised source for investment reporting
- *Maintains principal control:* Ultimate control remains in-house

Including direct costs (e.g. wages), and indirect costs (fees)

- *Who has ultimate accountability for investment performance?* Principal, trustees, CEO / CFO, or a combination? i.e. who carries the can for failure to meet investment objectives

The answers to these will heavily influence the most suitable route. Broadly speaking, we see three potential investment implementation models: Full-In House Team, Full Delegation and Outsourced CIO (see below table).

The SFO Challenge: Large AUM, lean teams

The hackneyed saying ‘when you have seen one family office, you have seen one family office’ is intended to highlight the myriad differences between individual SFOs. While this trite phrase does have an element of truth, there are also challenges faced by family offices that are common to many. Chief among these is that, no matter the size of the assets they oversee, most SFOs are ultimately small enterprises with lean in-house teams, often composed of generalists wearing multiple hats.

While this is generally prudent for controlling costs, it can inadvertently create inefficiencies and risks producing suboptimal investment outcomes. Counter-intuitively, a smaller team can lead to unintentionally higher expenses being incurred on investment portfolios through inefficient allocations, excessive diversification or duplications, and insufficient consideration of ongoing fees and other costs.

Why should families consider appointing an OCIO?

For SFOs navigating the complexity of managing large pools of capital with lean teams, the OCIO model represents a compelling solution by delivering efficiency without sacrificing control, full customisation and total transparency on investment performance. Ultimately, an OCIO empowers families to pursue their investment goals with greater confidence, clarity, and cost-awareness—while preserving the values and control that define the family office model.

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Capricorn Private Investments is a London-based private investment office, serving as an outsourced investment partner to family offices, entrepreneurs, endowments and charitable foundations. Capricorn provide highly customised investment solutions across asset classes and aim to deliver to clients a service equivalent to having capital managed by their own dedicated family office with the investment approach of a leading institution.



Options for investment implementation

Before deciding on the right model, principals and trustees must weigh:

- *What is an acceptable all-in fee budget for investment activities?*

Model	Control	Costs as proportion of assets	Typical investible asset range	Description
Full In-house Team	High	High	\$2bn+	Build a dedicated investment team internally. Ideal for very large SFOs or those with an institutional mindset
Full Delegation	Low	Medium-High	\$100m+	Engage private bank(s) or discretionary managers to handle all investment decisions. Can suit clients with little desire to influence individual investment decisions
Outsourced CIO (OCIO)	High	Lower	\$300m+	Partner with a dedicated external advisor to act as a full-service extension of existing in-house capability, while retaining decision-making control internally