Achieve Success by Splitting Your Portfolio between You and an OCIO

This approach is inspired by the successful path taken by a large US cancer research foundation.

The Foundation Board wanted to retain direct control over a $75 mm **liquidity portfolio** and focus OCIO talent on their $200 mm **perpetual portfolio**. They needed $40 mm for 3 years' worth of grant making and $35 mm to retain the ability to immediately finance any cancer therapy that suddenly proved promising. They wanted professional managers to focus on the perpetual portfolio. By splitting the total AUM, the Board achieved the best average fee levels between the two pools.

You could achieve the same type of benefits, as outlined below.

Liquidity Pool (typically 20% of AUM to cover 3 years' worth of grants/expenses)

The composition would likely be mostly cash/fixed income/ETF's. In the event of an extended equity market downturn, you are not forced to sell a large percentage of depreciated equities. The Investment Committee would directly manage/rebalance this pool and fees would be the lowest possible.

Perpetual Pool (80% of AUM)

This long-term portfolio would have minimal liquidity restraints. The OCIO could manage this pool to specific long-term goals. The ability to harvest an "illiquidity premium" often present in Alternative Assets is increased. The OCIO can focus on obtaining the best risk-adjusted long-term returns for you. This enables a more "resilient portfolio" that will protect through a full equity market cycle.

Other Advantages for You

LIQUIDITY POOL CONTROL for the Investment Committee. They become fully attuned to the Liquidity/Spending/Expense nexus.

SHIFTS FOCUS TO STRATEGIC ISSUES - Anecdotally post-OCIO decision, the Committee focuses on the bigger picture and longer-term trends. There is often less friction over tactical decisions that are taken.

OCIO TYPICALLY WOULD PROVIDE ANALYTICS FOR BOTH POOLS - OCIO could capture Liquidity Pool positions in a holistic analysis that informs the Committee of the entire investment picture of the combined holdings of the two pools.

FEES on the Liquidity Pool will be the lowest obtainable and will bring down your overall fee spend.

BORROWING – For additional flexibility, you can set up a securities lending program, using either or both of the pools. This offers greater flexibility to "ride out" a sustained equity market sell-off. There are operational preparation steps but no fees incurred unless you use the secured credit, unlike the facility fees incurred for a line of credit.

Want to learn more? Please contact Chris Cutler or Tom Donahoe.