

# Multibillion E&Fs Struggle with Resource Limitations when Evaluating Managers

By Aziza Kasumov July 23, 2019

“If [the endowments] get bigger ... is their staff going to continue to grow and grow and grow? That didn’t turn out to be the case,” **Tom Donahoe**, managing director of outsourced CIO (OCIO) search and governance at **Manager Analysis Services**, tells *FundFire*.

The size of an in-house investment office appears to have a “definite ceiling,” **Donahoe** and **Chris Cutler**, founder of **Manager Analysis Services**, write in the research paper.

**Manager Analysis Services** looked at 35 organizations, with assets ranging from \$90 million to \$11.3 billion, purposefully leaving out outliers such as the wealthiest Ivy League schools and other mega endowments. The firm also broke out the staff structure for the 10 largest endowments in its sample size, which revealed that even among in-house teams north of the \$1.5 billion asset mark, resources might be tight.

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**Manager Analysis Services’** research also laid out sample organizational charts for endowments of varying asset sizes. An organization with around \$11 billion in assets under management typically had a CIO, four or five people in senior management, two people in operations, and an executive assistant, says Donahoe.

“That leaves you with ... five people who are doing stock analysis, and they only have a certain bandwidth, as talented as they may be,” **Donahoe** says. “Even if you have this person on your staff, they’re not sitting there 40 hours a week analyzing managers,” he adds.

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For both traditional and alternative managers, “this space is more limited than you might be thinking,” says **Cutler**. “If you’re a well-known name, you have a tremendous advantage,” he adds.

The limited resources may provide opportunities for OCIO providers to secure mandates from large endowments, according to the report, which notes that there’s a “tug of war” over whether in-house or OCIO works best in the \$750 million to \$1 billion AUM range. That asset range was much lower a couple of years ago and has steadily climbed up, both **Cutler** and **Donahoe** say.