

Portfolio Complexity increasing in Fiduciary Management and Outsourced CIO Industry

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Milestone Group survey reveals outsourced investment professionals face challenges and opportunities, driving a period of change in the industry.

A new global survey from Milestone Group, providers of OCIO, Delegated and Fiduciary management technology solutions, has revealed that portfolio strategies are growing increasingly complex.

Portfolio complexity also looks set to increase, with an even larger majority outlining that they expect the complexity of their portfolios to continue to grow. The implications of a more complex portfolio are extensive, causing OCIO managers to look to address operational control and efficiency challenges across their businesses, while carefully balancing investment risk and return.

A snapshot of findings gathered from respondents across OCIO, Fiduciary and Delegated investment practices indicated:

- 89% expect that the OCIO market will continue to increase in size
- 89% of respondents expect increasing pressure on margins over the next 5 years
- 83% of respondents indicated their firms' use of alternative assets, such as private equity and real estate, is increasing
- 64% of respondents report that between 81-100% of their solutions are customized
- All respondents indicate that technology is critical or significantly important to controlling operating risk

With a more diverse investment strategy comes operational complexity. For OCIO providers to serve their clients effectively, they are unanimously signalling that technology is a key enabler to achieve flexible, controlled and efficient operations given these market dynamics.

The importance of technology in managing this complexity and operational risk is born out in responses relating to the role that technology plays in business growth. 96% of respondents indicated that technology is important to support revenue, and 89% that technology is important to support product innovation.

“ Paul Roberts, CEO of Milestone Group, commented *“The findings of the survey reveal a number of insights into the challenges and opportunities facing OCIOs. Some of these seem to correlate with a normal market development and maturation cycle, such as margin pressure and increased use of technology to support scale; while others seem more tightly coupled to the nature of the OCIO business itself, such as levels of alternative asset usage and customization.”*

Respondents were clear that having the correct investment technology in the business to support their strategy is increasingly seen as crucial. They are very aware that they often still rely, at least to some degree, on spreadsheets to support portfolio analysis and modelling, as well as numerous middle office functions, and that this is not an ideal future state.

Increasing complexity, the need to scale and margin pressure appear to be combining to drive focus on automation of end-to-end operational processes across stakeholders to reduce human dependency and support a less constrained model. Interesting also is that these trends are expected to continue and perhaps become more pronounced in years to come as the OCIO market continues to grow and evolve.

About Milestone Group

Milestone Group is a global leader in advanced investment technology solutions. The firm is focused on creating new ways of addressing real business challenges relevant to fund managers, discretionary managers such as OCIOs, institutional investors, retirement savings providers, life companies and administrators of collective investments. It is currently driving industry change in the areas of fund oversight, back-up NAVs, real-time data availability, NAV production, multi-asset, retirement products and discretionary management.

Milestone Group's pControl investment automation platform creates new standards for the global funds industry in operating capability, efficiency, data transparency and improved business control. pControl is an advanced enterprise technology platform designed to service today's increasingly complex collective investment structures and associated business processes, delivering superior efficiency, transparency, product flexibility and control across front, middle and back offices. pControl unifies multiple related business functions in a single environment and incorporates fully integrated data management, end-to-end process control and powerful exception management capabilities.