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Alpha Capital Mgmt, Nasdaq Broaden OCIO Index Offerings

The industry's explosive growth means asset owners are going to require more transparency going forward, Alpha Capital Management's founder said.

By Justin Mitchell

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Alpha Capital Management has unveiled a new set of indices to help asset owners measure the performance of outsourced chief investment officers, or OCIOs.

The newest Alpha Nasdaq OCIO Indices, developed in partnership with **Nasdaq**, cover four types of asset owners: corporate defined benefit plans, public defined benefit plans, educational institutions and religious institutions. Alpha and Nasdaq already offer a series of indices measuring a few broader market categories and various asset allocation risk levels.

As the OCIO industry grows, investors are increasingly interested in comparing themselves to their peers' performance, said **Brad Alford**, the founder of Alpha Capital Management, which runs OCIO searches for institutional clients. This makes transparency more important going forward.

"It's like hiring a coach – you're looking at their win-loss record, and you want to see if they're good at what they do," he said. "Track record is something our clients are very focused on."

Asset owners also want to know if they are on track to meet their specific goals, said **Rob Cittadini**, chief operating officer for sales and service at **Russell Investments**, where he helps oversee the OCIO business, which in turn participates in the Alpha Nasdaq indices.

"That question is best answered with reporting that is clear, simple and transparent, aiming to make it easy for clients to enjoy a frictionless experience," he said in an email.

OCIO firms are a fast-growing part of the investment landscape, with estimates of total assets managed ranging from more than $2 trillion to well over $3 trillion. Assets could grow to $4 trillion within the next few years, **Chestnut Advisory Group** projects, as reported.

Comparing performance in the industry is difficult, Alford said, because it has historically been opaque. Alpha Capital Management unveiled its original indices in 2020, as reported. Later that year, eVestment, also owned by Nasdaq, began offering access to the indices.

Last year, eVestment and **Solovis**, another Nasdaq-owned platform, began using the indices to power a peer-universe tool.

As the industry grows, efforts to measure performance will continue, Alford said.

“Transparency is what asset owners are demanding,” he added.

Currently, the Alpha Nasdaq includes 45 OCIO firms sharing their data, including **NEPC**, **Wilshire** and **SEI**. Earlier this month, the firms announced that **WTW** and **State Street Global Advisors** are now contributing data as well. They are two of the largest providers of OCIO services, as reported.

Alpha’s broad market index includes just under 1,200 institutions. The new corporate defined benefit index features 296 institutions, and the public defined benefit plan has 72. They are both derived from the current defined benefit plan index. The new education institutions index includes 175 institutions and the religious institutions index has 43. These are both derived from an already-existing endowments and foundations index, Alford said.

Any benchmark that is tailored to a certain market is helpful, said **Karyn Vincent**, senior head of global industry standards at the **CFA Institute**.

“I can’t say whether they’re perfect or not, but I think they’re helpful,” she said.

OCIO portfolios tend to be complicated because they include multiple asset classes that can be managed both internally and externally, Vincent said.

“It has more moving parts than a traditional manager who’s managing a portfolio in one asset class,” she said.

In the absence of clear regulatory standards for reporting, Vincent says OCIOs will need to agree to report their results based on certain agreed-upon standards. Recently, the institute helped spearhead an initiative in the United Kingdom to get the equivalent of OCIOs, which are there known as “fiduciary management providers,” to report returns based on the Institute’s Global Investment Performance Standards, known as GIPS.

“We realize that same concept would be potentially beneficial on a global basis, but we would have to take that guidance and tailor to make it not so case-specific and to make it more broad,” she said.