

Wilshire Ramps Up CIO Outsourcing Push

By Mark Bruno

[Wilshire Associates](#) is getting its name out as an option for institutional investors seeking to outsource their CIO function. Executives for the company say that providing investment outsourcing products to small and mid-size institutional investors will be a primary focus of Wilshire's Funds Management Division.

"We are looking at our individual product offerings and deciding where we should provide resources to those products that we believe are most important to our business," says **Michael Napoli, Jr.**, senior managing director at Wilshire and head of the Funds Management Division. "And our investment outsourcing is one of those products."

Earlier this week, Wilshire added **Kent Grether** to its Funds Management group, a former managing director and head of institutional marketing at **Hotchkiss and Wiley Capital Management** in Los Angeles. Grether will be the v.p. responsible for business development within Wilshire's Fiduciary Management Services (FMS) group. That's the unit that provides investment outsourcing products, or outsourced "CIO" services, directly to institutional investors. Napoli says that there is a distinct divide between Wilshire's Funds Management and Investment Consulting groups, and the outsourcing efforts largely will focus on different target clients. He adds that the investment consulting unit targets funds with more than \$2 billion in assets, while the "sweet spot" for outsourcing tends to be institutional investors with less than \$2 billion.

Napoli says that business development responsibilities had been shared by the FMS group in recent years, but Grether's position is the first of its kind within the unit. "He'll be looking at ways to further develop our product offerings, as well as developing new business opportunities," says Napoli. "There are a number of different ways to deliver investment outsourcing products to endowments, foundations and pension plans. But we tell outsourcing prospects and clients that the telephone number for their investment function might as well go directly to us."

Like Wilshire, a number of other players are focused on offering investment outsourcing options to institutional investors, including [Russell Investment Group](#), [SEI Investments](#), [Northern Trust](#), [Strategic Investment Group](#), [Investment Solutions Inc.](#) (ISI), [Hirtle Callaghan](#), [The Mason Companies](#), [Investure](#) and [Morgan Creek Capital](#).

"At this point there are enough funds of significant size out there going after outsourcing services that it is starting to resonate as a very viable model with a number of institutional investors," says **Steve Wagenbach**, head of business development and marketing at ISI Partners in Westport, Conn. "As it becomes a more attractive

option, there are also now a number of providers offering a pretty wide range of investment outsourcing products."

Wagenbach and others say that the demands of individual clients tend to dictate the type of outsourcing assignments directed to providers. For example, some plans might opt for a manager-of-managers model offered by firms like Russell, SEI and Northern Trust. [Alaska Airlines](#), for example, recently decided to outsource its \$530 million pension plan and is currently seeking a multi-manager for the job, as previously reported in *FundFire*. Alaska Airlines will, however, retain control of its asset allocation, whereas other corporate plans have farmed out both asset allocation and manager selection services to the manager-of-managers firms.

Other institutional investors have firms that offer "CIOs in a Box", -- a common way people in the industry refer to customized outsourcing jobs. For instance, [Smith College](#) hired the Charlottesville, Va.-based firm Investure earlier this year to serve as the outsourced CIO for its \$900 million endowment. Investure founder **Alice Handy**, the former head of the [University of Virginia Investment Management Co.](#) (UVIMCO), now serves as Smith's outsourced CIO.

Wilshire's Napoli says that his group offers both customized and commingled outsourcing products to institutional investors and the scope of services provided to a specific client is driven by individual demands. And while institutional demand has been steady in recent years, the addition of alternative investment strategies may be leading more institutional investors, specifically those with less than \$1 billion in assets, to seek outside assistance with non-traditional investment strategies.

"You might see an acceleration in outsourcing because some of these smaller funds are overwhelmed from a resource standpoint when it comes to alternative investments," says Napoli. "We can guide them and do the necessary hand-holding through the due diligence process and ultimately help them select the right strategies and the right managers to fit the needs of their alternatives program, as well as their overall investment needs."

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