



## TRANSITIONING TO OCIO: ENHANCING A FOUNDATION'S INVESTMENT EFFECTIVENESS AND MISSION ALIGNMENT

### INTRODUCTION

A community foundation embarked on a transformative journey to elevate its investment effectiveness and mission alignment. The following case study highlights a foundation's transition from a longstanding consulting relationship with Angeles to a fully discretionary, Outsourced Chief Investment Officer (OCIO) model, the reasons behind the transition, and the Board's decision-making process. This strategic leap not only streamlined investment processes but also enhanced the partnership and deepened mission impact.



## THE CATALYST FOR CHANGE

A shift occurred when The Community Foundation's longstanding Executive Director announced his intention to retire. As he was the most experienced and seasoned investment professional on the team, the remaining Board felt it was a logical time to re-evaluate the investment structure. Recognizing the limitations of its existing model, especially in the wake of this change in leadership, the foundation sought a solution that would:

- **Streamline operations:** Alleviate staff administrative burdens and free up internal resources for core grantmaking activities and operations.
- **Improve governance:** Transition portfolio discretion (e.g., hiring and firing managers) from the Board to the OCIO to allow the Board to focus on the foundation's strategic direction.
- **Deepen mission alignment:** Craft a portfolio that directly reflects the foundation's four key grantmaking priorities: Racial Equity, Healthy Ecosystems and Environments, Thriving Youth and Families, and a Just Economy and Economic Development.
- **Navigate private markets:** Gain seamless access to impactful private market opportunities to improve the foundation's ability to meet its long-term return objective.
- **Foster a closer partnership:** Develop a collaborative relationship that transcended routine investment management, incorporating ongoing education, donor communication, governance support, and acting as a true extension of the foundation's team.

## TRANSITION TO OCIO CREATES POSITIVE IMPACT

The OCIO model forged a new partnership, transcending the typical investment consultant relationship. The results of the foundation's journey:

- **Deepened partnership:** Angeles engaged with the foundation's leadership to gain a better understanding of its mission, vision, and goals. Angeles became a true extension of the foundation's team, fostering collaboration and knowledge sharing.
- **Streamlined operations:** As Angeles took over administrative burdens, including cash management, rebalancing, and private market documentation, internal resources were freed up for strategic initiatives.
- **Increased mission alignment:** Portfolio alignment increased from 53% to 100% of the investment portfolio over a three-month period (the point at which the foundation selected Angeles as OCIO for portfolio implementation).



# ESG & IMPACT SUMMARY AS OF SEPTEMBER 2023



## ESG INTEGRATED (85%)

### EXAMPLES OF ESG INTEGRATED:

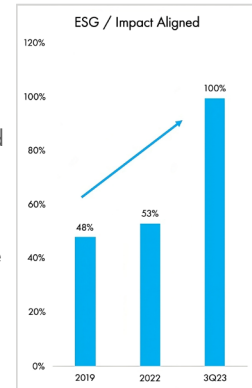
- Global ESG Strategy
- International Sustainability Fund
- ESG Bond Strategy

### SHAREHOLDER ENGAGEMENT:

- US Index Fund with Shareholder Engagement
- Racial Justice Global Strategy with Shareholder Engagement

## IMPACT FUNDS (15%)

- Private Healthcare Facilities Fund
- Private Urban Real Estate Fund
- Community Loans
- Global Equity Environmental Impact Fund
- Global Equity Positive Change Fund
- Impact Bond Strategy



The new portfolio was aligned to the foundation’s four specific grantmaking priority areas with custom mission-related reporting (sample below):

ALIGNMENT SUMMARY ACROSS PORTFOLIO			
Racial Equity	Healthy Ecosystems & Environments	Thriving Youth & Families	A Just Economy & Economic Development
<b>Themes:</b> <ul style="list-style-type: none"> <li>• Minority and/or gender lens</li> <li>• Investing in diverse managers, companies, and entrepreneurs</li> </ul>	<b>Themes:</b> <ul style="list-style-type: none"> <li>• Renewables and energy efficiency</li> <li>• Sustainable agriculture</li> <li>• Product/technology to reduce waste</li> <li>• Climate risk mitigation products</li> <li>• Sustainable foods and water treatment</li> </ul>	<b>Themes:</b> <ul style="list-style-type: none"> <li>• Access to healthcare</li> <li>• Health IT &amp; infrastructure</li> <li>• Educational products &amp; services</li> <li>• Community development</li> </ul>	<b>Themes:</b> <ul style="list-style-type: none"> <li>• Economic access/financial inclusion</li> <li>• Affordable housing</li> <li>• Workforce training</li> <li>• Entrepreneurship and innovation</li> <li>• Quality employment</li> <li>• Social equity</li> </ul>

**60%**  
of all funds align fully or partially

**90%**  
of all funds align fully or partially

**60%**  
of all funds align fully or partially

**40%**  
of all funds align fully or partially

- **Enhanced private market access:** Streamlined participation in impact-driven private investments.
- **Attractive Fees:** Throughout the process, Angeles focused on fees, and while switching to the OCIO model raised the total OCIO fee paid, it resulted in a lower overall weighted manager fee across the portfolio.



## CONCLUSION

The foundation's story serves as a powerful testament to the transformative potential of the OCIO model for non-profits. By choosing Angeles as its partner, the foundation gained investment expertise and a dedicated ally and resource to support the pursuit of its mission. Its journey demonstrates that an OCIO relationship can be more than just outsourcing; it can be a catalyst for enhanced effectiveness, deeper mission alignment, and, ultimately, a greater impact on the community.

*Angeles Investment Advisors, LLC ("Angeles") is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Angeles' investment advisory services can be found in its Form ADV Part 2 and/or Form CRS, which is available upon request.*

*The community foundation named in this case study is a current client of Angeles. They were not compensated for any testimonials made about Angeles. Their individual experiences with Angeles may not be representative of any other person's experience with the firm.*



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