

SAGA

— STRATEGIES —

SAGA Views and News

Welcome to SAGA Strategies' inaugural newsletter! We look forward to communicating with you regularly as we share our thoughts and learn about what is most important to our broader network of family offices, foundations, collaborators, and advisors.

While we ramp up feel free to visit our website to learn more and drop us an email [here](#).

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Why OCIO for KSA?

10 years ago, markets everywhere were in the midst of what later came to be known as the Global Financial Crisis (GFC). Bourses and indices that hit records consistently were heading towards unmistakable troughs.

Perhaps tellingly, the investment advisory market was almost canvassed with various types of advisors - investment banks, wealth managers, private bankers, and brokers.

While already established globally at the time, **the concept of the institutional family office – structured and standardized systems and processes addressing a family's wealth administration and management requirements – was nascent and emerging across the Kingdom of Saudi Arabia** and the broader GCC.

At the typical end of an 8-12-year business cycle, there is a logical concern today that the next GFC might roil markets broader and deeper than before. The center of that concern is the fact that **risk and return are mismatched: For the same amount of risk that one took a few years ago, one now receives less return.** Put another way, the higher the rise, the sharper the fall.

The need today is for HNW families and investment offices to **establish a long-term view - generational - of wealth preservation, growth, and administration.** This includes succession planning, corporate governance, separation of wealth management from the core business of the family, and obtaining expert advice in navigating not only the next financial storm but creating multi-decade longevity in wealth.

Enter a new paradigm for addressing the needs of HNW families: the Outsourced Chief Investment Officer or OCIO. A forty-year old established segment of the advisory market in the USA, **the concept is poised to tackle the real and potential shortcomings in the Kingdom's family office market** including:

- Difficulty in finding, recruiting and retaining experienced caliber and talent
- High cost to maintain in-house resources
- Subjective or biased (non-fiduciary) advice
- Distributed expenses for Shariah advisory
- Limited knowledge of local markets (particularly real estate and private equity & debt)
- Spurious development of a structured process for Investment Policy Statement, Strategic Asset Allocation model and back office workings
- Deficient process for manager selection and negotiation of terms and conditions

The OCIO works very similarly to an in-house team without the shortcomings highlighted above. The family office can disengage from the OCIO any time (per the contractual agreement). Most importantly, the family office can take advantage of not one CIO but a multitude of investment veterans under the umbrella of the OCIO office, each specializing in a specific asset class globally. It is like having a dozen CIOs to turn to for advice.

The OCIO model is likely to disrupt the staid environment in the GCC and open family offices to manage their wealth more dynamically.

[Learn more here](#)

Interesting News

- [How a Family Office Functions](#) - A VERY concise summary of the essential qualities of a typical family office. In our case we would advocate the outsourced aspect but nonetheless, simplification allows us to declutter and reorient our views.
- [Family Offices are in a Talent Grab for Young Impact Investors](#)- It's not only about the bottom line anymore. Investment is about impact - social, economic, and more. This FT article highlights how values are pushing the search for impact investment talent. This is certainly something that resonates with the broader concept of Shariah-based investments.
- [Biggest Challenges and Opportunities Facing Private Offices \(VIDEO\)](#)- From a recent investment management conference in the UK, this brief video highlights some of what we wrote about above in our "Why OCIO for KSA?" section. Volatility, Uncertainty, Complexity, and Ambiguity (VUCA)... that's a four letter word.