Getting Closer to the Action: Why Pension and Sovereign Funds are Expanding Geographically

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There are three major trends manifesting in the business of institutional investment today. First, a growing number of pension and sovereign funds are moving towards a more active role in the investment process by taking a dynamic role in external manager selection and monitoring, or by insourcing asset management functions that would traditionally be managed by external parties. Second, there is a growing number of large institutional investors located far from the major international financial centers. Third, institutional investors are increasingly looking to new markets, industries, and asset classes to generate returns in a low-growth and low-yield environment. The combination of these trends gives rise to some geographic and organizational complexities for these investors, such as accessing talent, local knowledge, and aligned investment opportunities. In an attempt to resolve some of these issues, some investors have decided to launch satellite offices in major international financial centers and/or regional commercial centers at home and abroad. In effect, these funds are expanding geographically, moving their organizations into the markets they find appealing, rather than waiting for intermediaries to come to them, reflecting a broader trend towards the professionalization of pension and sovereign fund investment organizations. In this paper, we document and assess this trend, while also offering a set of principles and policies that could guide investors on their path to greater geographic distribution of organizational capabilities. In forming our arguments, we rely on the findings from twelve case studies of pension and sovereign funds.

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Introduction

Since the global financial crisis in 2008-09, there have been three new trends manifesting in the institutional investment landscape. First, a growing number of beneficiary institutions (e.g., pension funds; endowments; sovereign wealth funds) are taking more responsibility for the end-to-end deployment of their assets ("Trend I"). This has either taken the form of a more active role in manager selection and monitoring, or it has manifested in more direct, in-house investing. In both cases, investors are seeking to minimize agency costs and maximize net of fee investment returns by getting closer to the assets they are ultimately investing in (see Clark and Monk 2013). Second, many of these same investors have been increasing their commitment to new asset classes in developed and emerging markets. Indeed, in an effort to diversify risk exposures and enhance returns, some investors are shifting their portfolios to regions (e.g., emerging and frontier markets) and asset classes (e.g., private equity and real estate) that have greater return opportunities in what is viewed as a low-return environment ("Trend II"). Third, there are an increasing number of investors that are located far from the major international financial centers. In large part, this phenomenon is due to the dramatic growth and emergence of sovereign wealth funds (SWF), but there are also many large pensions, endowments and family offices that are likewise located far from or outside of international financial centers (IFCs) ("Trend III").

Interestingly, some of the 'frontier' investors identified as part of Trend III are also displaying behavior identified in the Trends I and II. Put another way, there is a group of institutional investors located in distant geographies (e.g., Abu Dhabi, Auckland, Edmonton, Juneau, Lagos, etc.) that are taking a more active role in the investment process (e.g., by developing in-house capabilities or through more active oversight of external managers) in new industries, assets and geographies. In large part, this is an attempt to better align interests across the investment production chain and re-root finance and investment back in the real economy (Dixon and Monk forthcoming). However, in the process of re-intermediating and re-organizing the investment management supply chain, these investors are facing a new set of challenges related to the execution of these new models. Indeed, the combination of the three trends above gives rise to some geographic and organizational complexities that require changes to the fund's management, such as accessing the talent necessary to run these strategies, acquiring local knowledge, and securing aligned deal flow and investment opportunities. In particular, these investors have sought to develop better tools to manage a growing number of informational asymmetries and a new set of principal-agent problems in new markets. As a result, one of the most popular tools used by these investors has been to consider opening additional offices in satellite locations; we refer to this as the geographic expansion of institutional investment. Table 1 provides some examples of satellite office formation.

In this paper, we detail the main goals, challenges, and lessons from the experiences

Institution Name												
Australian Super	Melbourne	Beijing										
Ontario Teachers Pension Plan	Toronto	Hong Kong	London									
Korea Investment Corporation	Seoul	New York	London									
Canada Pension Plan Investment Board	Toronto	Hong Kong	London									
Kuwait Investment Authority	Kuwait	Beijing	London									
Alberta Investment Management Corporation	Edmonton	Toronto	London									
China Investment Corporation	Beijing	Hong Kong	Toronto									
Norges Bank Investment Management	Oslo	New York	London	Shanghai	Singapore							
Government of Singapore Investment Corporation	Singapore	Mumbai	London	Shanghai	Beijing	Seoul	Tokyo	San Francisco	New York			
Temasek	Singapore	Sao Paulo	Chennai	Mumbai	Mexico	Beijing	Hanoi	Hong Kong	Ho Chi Minh	New York	London	

Table 1: Satellite Office Locations

of institutional investors' geographic expansion. The arguments presented here are based on the qualitative findings from twelve case studies of pension and sovereign funds that have launched or are considering launching satellite offices. The case studies are based on publicly available material and 'elite interviews' with senior executives at the funds. Readers should note that we sought a representative sample of investors, including those with several satellite offices as well as those that decided against setting up such offices. Among those that did have satellites, we also focused on those that set up offices in IFCs as well those that have offices in cities not usually associated with global finance (non-financial centers or NFCs).[1] In respect of confidentiality and anonymity, no organizations or individuals are named in this paper. Indeed, the case studies were done to develop stylized facts and insight rather than to provide the reader with specific details of a sovereign fund or pension fund's operations. This approach facilitated access to a number of funds that would prefer to keep their specific approaches private.

Changing the Geography of Institutional Investment

Most pension funds and sovereign wealth funds have broadly diversified portfolios that are managed by external for-profit asset managers located in major international or regional financial centers. The persistence of this model of institutional investment would suggest that, in general, beneficiary institutions are conservative in their willingness to innovate as organizations. Yet, there are an increasing number of organizations that are questioning the standard model and the value proposition it offers. As a result, these organizations are becoming more active in the day-to-day management of their portfolios through the creation of internal teams. They are also taking a more active and dynamic role in the selection and monitoring of external managers.

The increased involvement of these investors can be described as an attempt to reduce the agency problems that are pervasive in the functional and spatial structure of the investment management industry. For example, beneficiary institutions, utterly reliant on external service providers for deploying their capital, can be subject to high management

[1]To be clear, by IFC we refer locations such as New York, London, Hong Kong, and Singapore. Meanwhile examples of NFCs are places like Beijing, Chennai, São Paulo, and San Francisco. This does not mean that the latter are not important regional financial centers, but they are not generally global hubs for deal flow and human resources.

fees that massively dilute long-term returns. Likewise, the temporal interests of external managers, i.e. the time allowed to realize returns, is much shorter than for the average beneficiary institution, whose time horizon can extend for decades. The hope, then, among these beneficiary institutions is that the adoption of new models of institutional investment will result in better long-term performance. Indeed, a study by MacIntosh and Scheibelhut (2012), for instance, shows that insourcing can have a positive effect on financial performance by lowering management costs and generating higher net-of-fees returns.

If, however, a reorganization of the functional and spatial structure of institutional investment offers some new ways to align interests, it also poses profound organizational and governance challenges. Indeed, the shifts in investment philosophy and execution that are highlighted above pose significant challenges and complications for investment organizations, many of which result from the loss of agglomeration economies that exist within the IFCs. The IFCs of the world, such as New York, London and Honk Kong, produce a range of agglomeration economies in addition to offering a wide range of complementary services to investors (Porteous 1999, Faulconbridge et al. 2007). For example, attracting and retaining talented and specialized labor, and accessing sufficient and attractive deal flows, are easier to achieve in IFCs than in other locations. As such, insourcing asset management comes with a variety of challenges associated with the loss of the networks of agents in the IFCs. Similarly, working creatively with asset managers, either through separate accounts or co-investment platforms, demands a level of face-to-face interaction that can be very challenging to achieve from staff located back at the head office.

Face-to-face contact has also been shown to be extremely important in environments where information is imperfect, rapidly changing, and not easily codified (Clark 2013). The most powerful mechanism to verify the intentions of someone is direct face-to-face contact (Storper and Venables 2004). It is shown that face-to-face contact can help solve incentive problems, facilitate socialization and learning, and provide motivation and the development of trust (Clark 2013). Given this, it is perhaps not surprising that studies have shown that fund managers earn substantial abnormal returns when making investments close to home (up to 3 percent higher). These returns are particularly strong among funds that are small, focus on few holdings, and operate out of remote areas (Coval and Moskowitz 2001). This indicates that local investors with informational advantages are able to more successfully price assets and identify valuable opportunities (Malloy 2003). This advantage may stem from the improved monitoring capabilities of local managers and investments, or access to private information of geographically proximate firms. In sum having local presence and face-to-face contacts can greatly enhance returns in regions and asset classes where informational asymmetries exist. This builds trust between the local players/authorities and the foreign investor, as well as sending a signal of the investor's intentions.

In sum, the shift of portfolio composition has given rise to complications in data acquisition and management. And yet, a key factor underpinning the success of these funds' new strategies will be the collection of data, the processing of information, and the formulation of knowledge upon which investment decisions can be based. As Clark and Monk (2013) emphasize, the conversion of information into knowledge is a crucial determinant of investment returns, as it affords investors the capacity to adapt investment strategies to the changing circumstances in local regions. One way to mitigate some of the challenges in gaining access to local knowledge and deal flows is through the opening of satellite offices in areas where local knowledge is vital and information transfer is constrained. Expanding geographically can help beneficiary investors overcome the constraints of more actively investing assets, either directly or through closer engagement with managers. At its core, expanding geographically can be seen as an investment operation and a risk mitigation function.

The Goals of Geographic Expansion

There are various reasons why an institutional investor might want to set up a satellite office, such as monitoring managers more closely, obtaining proximity to deal flow, or collecting data in informationally inefficient markets. Based on our research, however, we identified two sets of broad logics that seem to guide the decision to set up a satellite: those that provide a basis to set up an office in an IFC and those that provide a basis to set up an office in a NFC. It is important to separate these two functions, as the motivations and challenges for creating satellites in IFCs are very different than for NFCs. In the subsections below, we focus on the lessons learned from our case studies in these two domains.

International Financial Centers

There are a variety of goals and objectives that our case studies highlighted when describing their motivation for setting up an office in an IFC:

- *Talent Attraction:* Institutions based out on the frontiers of finance face the challenge of having a limited labor pool. While this risk is partially mitigated by their ability to attract certain types of employees (e.g., the green, grey and grounded; see Monk and Bachher 2012), specialized expertise may still be hard to come by. Therefore, opening an office in a major financial center affords institutions access to a deeper and wider labor pool. The talent in these markets can be quite expensive, but a competitive compensation program when combined with some of the additional benefits of working for a large asset owner (e.g., no fund raising, job security) can present a compelling option.

- *Deal Flow:* Many funds are moving assets in-house with a view to making direct investments (Clark and Monk 2013); these "insourcers" believe they can operate at a lower cost and generate better net returns than external managers. At the same time, more and more funds are moving from public to private markets and real estate and infrastructure investment, exploiting their long-term investment horizons to increase returns. For these types of investors, it can be quite useful to have an office in a major financial center, as it offers a considerable amount of face-to-face interaction with peers, bankers, and brokers that operate in the relevant spaces.

- *Investment Monitoring:* Beneficiary institutions often use external managers to manage at least some of their assets, whether in public or private markets. Many of these managers and funds are based in major financial centers. Having an office in a major financial center facilitates monitoring existing fund managers and conducting due diligence to hire new managers. Co-location also facilitates co-investment opportunities when they arise.[2]

- *Cooperation:* Research shows that proximity affects network formation (Glückler 2007), and being in the same physical location can help facilitate collaboration between different institutions. Launching a satellite office in an IFC can help expand an institution's global network and reinforce communication with like-minded, long-term oriented investment institutions that have done the same. This might even give rise to various investment vehicles, such as alliances and syndicates that could be domiciled in those cities (see Bachher and Monk 2013).

- *Talent Retention:* Institutions on the frontiers of finance complained about the difficulty of retaining investment professionals beyond three to five years. Having an office in or close to a financial center can help to retain investment professionals back at the head office for longer periods of time, as there is perceived to be an option to move to the satellite office at some point, either permanently or for periods of time. Having a satellite office can decrease the cost as well as the wear and tear that continuous traveling has on employees, which in turn has the potential to increase the quality of life for employees. Indeed, certain jurisdictions (e.g. EU) require physical presence at investment fund board meetings, which may occur on a frequent basis. Sending a representative from a nearby satellite office (e.g. from London to Luxembourg) economizes on personal and work time much more than having to send a representative from the head office, which may be in another continent.

- *Knowledge Transfer:* Being in the region where there is a cluster of financial professionals should result in knowledge development and transfer. Many institutional investors are already leveraging their relationship with existing external managers to help train their employees. Having an office in London or New York should substantially increase that potential knowledge transfer. The circulation of workers

[2] The added value of this monitoring becomes even more critical when one considers the principle-agent problems that exist from hiring external managers. Face-to-face contact has the potential to increase the efficiency of communication; solve incentive problems; facilitate socialization and learning; and it provides psychological motivation. Deal-making, evaluation, and relationship adjustment are heavily dependent on face-to-face contact (Storper and Venables 2004).

between institutions enhances the ability of these institutions to recombine knowledge and imitate best practices. Employees can absorb knowledge from contact with more skilled individuals in their own industry. The number of probable contacts an individual makes is an increasing function of the size of the financial center. Taking this one step further, those employees could then transfer that knowledge back to the head office, which in turn will be transferred to the co-workers there.

Non-Financial Centers

There are a variety of goals and objectives that our case studies highlighted when describing their motivation for setting up an office in a NFC:

- *Local Knowledge:* Having offices in NFCs enable institutions to gauge more accurately what is happening in a region, rather than relying exclusively on official statistics and data.[3] This is particularly useful in emerging and frontier economies, as well as dynamic market environments, where it is difficult to predict where future investment opportunities will come from. Moreover, it potentially reduces the investor's reliance on third parties for data and information.

- *Deal Flow:* Some NFCs may be in places with underdeveloped public markets. Having an office in an NFC facilitates access to unlisted investments, such as real estate but also private equity, without utilizing intermediaries.

- *Networks of Influence:* Investing in foreign countries—especially when it is through direct private investments—exposes institutions to headline risks. This risk can be mitigated by signaling to the region a certain level of organizational commitment. Opening a satellite office and hiring locals sends such a signal and makes institutions visible in the local market. Being physically present in a region also increases an institution's ability to build relationships with local players that can assist in the investment process. This is specifically important in NFCs where local networks play a key role in sourcing and executing investment opportunities.

- *Politics:* In many emerging markets government investment and expenditure remains the largest source of investment in the country. Notwithstanding, many

[3] There is evidence that geographically proximate analysts are more accurate than other analysts. These effects are strongest for firms located in small cities and remote areas where transfer of information is far from reliable and/or efficient. Collectively these results suggest that geographically proximate analysts possess an information advantage over other analysts, and that this advantage translates into better performance (Malloy 2003, Coval and Moskowitz 2001). Individuals prefer local, exploitive search in two ways: they tend to look for solutions close to already existing routines and tend to concentrate their search in their spatial vicinity (Maskell and Malmberg 2007). In addition, from a risk management perspective local stocks avoided by these managers underperform local stocks actually held by a risk-adjusted 3 percent per year. The results were robust across a wide array of fund types and various local definitions (Coval and Moskowitz 2001).

governments increasingly are seeking external investors as co-investors. The signaling effect of opening a local office in the country might pave the way to better relationship with the local government.

- *Next-Best Alternative:* Some of our respondents indicated that they decided to open a satellite office in an NFC because they needed to recruit additional talent or have a more central location with proximity to managers and opportunities, but that they could not move to an IFC due to higher costs. The idea of going to an NFC was to have a more central location that could offer some of the benefits of having an office in an IFC, but without the drawbacks of being in an IFC (such as higher costs and the higher competition for talent). This secondary location could also help retain some current employees by decreasing the time they spend traveling and basing them in a "bigger" city.

The Challenges of Geographic Expansion

Clearly, there are a variety of sound reasons for a beneficiary institution to consider setting up a satellite office in IFCs and NFCs. At the same time, however, our case studies flagged a variety of constraints and challenges that all funds should take into consideration. Once again, we consider the cases of IFCs and NFCs in turn:

International Finance Centers

Our cases indicated that they experienced a variety of challenges in trying to launch satellite offices in IFCs.

- *Loss of Talent:* Talent would appear to be both a benefit and a risk of setting up an office in an IFC. As it turns out, the private sector often has the capacity to pay higher wages than the public pension funds or sovereign wealth funds that are setting up satellite offices. As such, the non-local offices can become a revolving door for staff; a sort of holding tank for individuals before they move back to the private sector opportunities. Indeed, portfolio managers with a few years of experience at a large pension or sovereign fund will be a prime target for investment banks and other private institutions.

- *Costs:* Opening an office in a financial center will also be quite costly. Not only will a fund need to pay higher salaries to attract talent, but it will have to bear the extra costs of sending someone from the head office to live there (and living costs may be higher than in the home country). In addition, the organization must consider the legal as well as the political costs of opening a satellite office.

- *Governance & Culture:* Governance of these satellite offices is another challenge, as integrating satellite offices into the broader organizational hierarchy often requires creative and multiple reporting lines and delegated authorities. There is also a real risk that the culture of the main office will not transfer to the new office. These issues might give rise to tensions and clashes between the head office and the satellite offices. This can also give rise to investment risk, be that in the inability of the head office to effectively monitor the dealings of the satellite office, the inefficient exchange of information between the head office and the satellite office, or the pressure that the satellite office might feel to execute deals (i.e., if you give them a bucket, they will go ahead and fill it up).

Non-Financial Centers

Again, there are a variety of challenges and risks with setting up a satellite in an NFC:

- *Culture & Governance:* Similar to IFCs, this is a big challenge. But this risk is amplified when opening offices in NFCs, especially in areas where the local culture and norms are considerably different from what the home institution is used to. A simple rule such as 'not accepting a potential business partner's invitation to dinner' can be a problem if applied, for example, in Asia. The key here is to try to strike a balance between trying to export as much of the head office culture and governance protocols to the satellite office without hindering its effectiveness to operate in the local market. Indeed some of the funds we spoke to cited this as one of the main reasons for not opening an office in a NFC.

- *Scalability:* Many of the institutions we spoke to mentioned scalability as one of the main factors in deciding where to open an office. Many NFCs in emerging markets, while growing, have a long way to go before offering the depth of market that is found in more advanced economies. This raises important issues. For one, the initial setup and ongoing operating costs of the satellite office need to be weighed against the scale of investment opportunities. If the potential scale of asset deployment is small, the cost of satellite office may outweigh, or at least diminish, the returns it generates. Likewise, if investment opportunities are limited, will satellite offices feel pressure to invest in sub-par investments, as a means of justifying their existence? Yet, even if scalability is limited initially, the long-term growth trajectory could be such that scale emerges over time. Setting up a satellite office may provide first-mover advantages to those funds that establish an early presence in the market. Some organizations may not, however, have sufficient resolve to see the satellite office through its initial establishment and potentially several years of lackluster performance, particularly if early proponents of establishing the satellite office leave the organization.

Geographic Expansion: Key Lessons

Based on the case studies and a detailed review of the literature, we think there is a simple set of lessons and questions that can inform and guide the process of considering a non-local office:

Governance & Culture

Many of our respondents sited that the main challenge in opening a satellite office was how to govern the office, be it in controlling the investment process or in insuring that the mentality, goals, and policies are in line with main office. This issue was especially prevalent when opening an office in countries where the business and cultural norms are very different from the home country. Here are some of the ways in which organizations have tackled this problem:

- Having employees first work at the headquarters for a specific number of years (usually around 3 years) before being posted in a different office.
- Sending a senior member from headquarters to be positioned in the new office for extended periods of time. This will ensure that the office is set up in a way that is aligned with the intuitions, goals and policies of the sponsoring fund.
- Keeping investment decisions centralized, so that the final say on any investment remains with the head office. (However, this may hamstring the ability of the local team to build meaningful, trustworthy relationships with local teams, as the head office may veto deals that the local investors have worked hard pulling together.)
- Maintaining some flexibility that allows the satellite office to be somewhat culturally different. After all, the purpose of the satellite office is at times to embed your team in a foreign culture, which may mean deviating from some of the head office processes.

Alignment with Fund Strategy

Opening a satellite office requires strong buy in and commitment from the management and the board. As a result, it is critical to demonstrate that opening such an office is fundamental to achieve the long-term objectives of the fund. Management and the Board should, therefore, have a clear answer to each of the following questions:

- Is the organization planning to move some of the investment management function in-house? If so, there may be a benefit in setting up a satellite to get proximity to deal flow, information and talent (this is especially true in private, illiquid markets).
- Is the organization planning to work with external managers in creative ways that demand more oversight and monitoring? If so, it may be valuable to facilitate routine face-to-face contact.

- Is the organization planning to invest in regions where information flows are inefficient and thus local knowledge is key? If so, it may be valuable to establish a local presence.

Goal Setting

Organizations should be very clear about the motivation and goals of opening a satellite office. Some questions to consider are:

- Is the organization trying to get access to a deeper talent pool? If so, does the organization have a compensation structure that can attract top talent in an IFC? If not, perhaps an NFC is appropriate as a second best alternative.

- Is the organization trying to increase retention of current employees? If so, it may be valuable to offer alternative options for living away from the head office.

- Is the organization trying to capitalize on the local workforce and local knowledge in informational inefficient regions? It may be important to set up in a NFC.

- Is the organization trying to increase its efficiency by positioning itself closer to assets or to intermediaries with purview over those assets? It may be important to set up in an IFC.

In answering these questions, investors should be able to triangulate back to the NFC, IFC, or 'do not expand' options.

Staffing

An issue that many of our respondents faced when opening a satellite office is how to staff it. Should they have employees from the head office posted there, or should they hire local employees? Each of these options has pros and cons. For example, staffing the new office with people from the head office will make it easier to transfer the culture and governance to the satellite office; it will also help better align the investment goals of the head office and the new office. On the other hand, local employees will increase the effectiveness of the office in obtaining information as well as capitalizing on local knowledge. Our respondents have found that the staffing of the new office will ultimately be a function of answering some of the following questions:

- What are the goals of opening the office? See above.

- What region will the new office be located? In an IFC it may be valuable to send staff from the head office, while in an NFC it may be valuable to have a mix of local and the head office staff.

- What are the resources and talent available in the head office and can they be deployed abroad effectively? Does the fund have people with the necessary language skills?

- What are the policies for compensation? Again, this will have a large impact on the kind of talent that can be recruited in establishing an office in IFCs.

Politics

Another issue that was cited by our respondents was the political challenges they face in opening offices abroad, especially in emerging markets, be that from national or local governments as well as local business investors. Some ways in which these issues were mitigated are:

- Collaborating with the home country's local embassy.

- Hiring locals in managerial positions.

- Co-Investing with local governments, investors, and institutions.

Scalability

Opening a satellite office is costly and requires substantial time, effort and money. A key factor in determining where to open an office for many of our respondents was the potential for investment opportunities to scale over time. As such, answering the following questions may be useful:

- What are the potential asset classes and industries that could be accessed through the new office? If you can do real estate, timber, and infrastructure along with public and private markets, then this can be quite attractive.

- What are the markets that can be credibly managed out of the new office? There are locations that offer access to numerous countries.

Conclusions

Large beneficiary institutions are taking a more active role in the investment process. They are hiring more talented people and developing more sophisticated governance and internal management systems and cultures to be able to bypass the stronghold of financial intermediaries in the international financial centers. They are doing this for several reasons, including lowering costs, increasing returns, developing in-house capabilities and better management of operational and investment risks. At the same time, these institutional investors are increasingly investing in developing regions of the world in pursuit of higher returns and greater diversification. In particular, they are investing directly in more long-term investments such as real estate and private equity. Moreover, these institutional investors are also becoming more active in selecting and monitoring external managers to minimize agency problems in an effort to better align interests and maximize returns.

Setting up satellite offices affords large beneficiary institutions an opportunity to achieve some of the above goals by offering better access to local information and talent (among other factors). Indeed, in this paper we have outlined several reasons why investors consider opening a satellite office including: access to talent, knowledge development and transfers, manager/investment monitoring, access to investment opportunities and deal flow, better information gathering, and risk management. However, this road is fraught with difficulties and complexities including: governance, culture, management of employees, costs, and resources, and political risks.

We believe that in order to open new offices successfully, management should first verify that the institution possesses strong governance and an organizational culture that could be transferred. Furthermore, in deciding whether or not to open an office as well as deciding where to open one, management should reflect on the long-term strategy of the fund and think of what elements are required to achieve that strategy and relate that to the goals of opening an office. This perhaps seems overly simplistic in terms of a conclusion, but we were surprised more than once by a dearth of 'grand planning' that took place before going ahead with a satellite office, oftentimes in an IFC. Despite these complexities, opening a satellite office can be extremely beneficial in the long term, as even a small increase in returns stemming from local knowledge can far outweigh the costs and resources needed in opening an office.

Additionally, these satellite offices can provide institutions with access to talent pools not available at headquarters. A satellite office can also position institutions in close proximity to their investments and external managers, increasing oversight and the efficiency of their risk management process. In short, the drive towards taking more responsibility for investing has led many funds to consider establishing satellite offices, thus implementing a policy of geographic expansion of the organization.

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