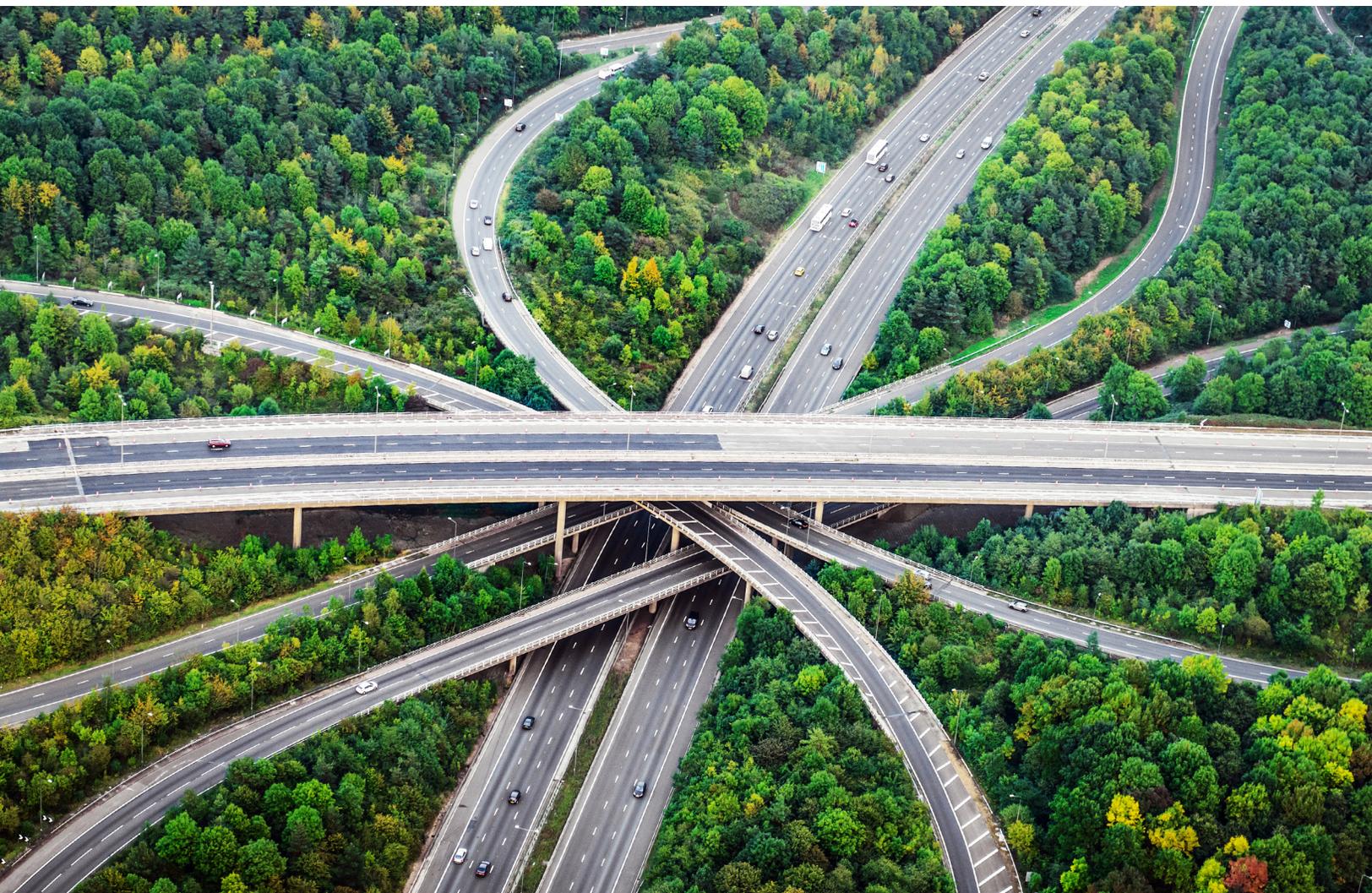




Getting comfortable with outsourced trading

Anna Bernasek

Global Head of Thought Leadership, State Street



**When it comes to
outsourced trading,
one factor keeps coming
up in conversations.
Call it the comfort factor.**

As outsourcing evolves from back office to front, more institutional investors are considering outsourcing some or all of their trading activities. In that decision-making process, three key considerations often arise: cost, control and comfort.

While cost and control are tangible and can be addressed, comfort is something different entirely. It's a gut feeling and ultimately a leap of faith. And it is likely to vary from one person to the next.

In 2024 at State Street, we conducted in-depth research about the industry's attitudes, experiences and plans around outsourced trading. Taken together with client conversations and engagement, we've uncovered what it takes to get over the line when it comes to outsourced trading.

[Our latest survey](#) of 300 institutional investors from around the world, for example, has been particularly helpful in this regard. We designed the survey with two groups in mind: current users of outsourced trading (241) and potential users (59), but excluded those who said they can't or won't employ outsourced trading. That approach has allowed us to understand the multitude of benefits of outsourced trading as well as the reasons holding back potential adopters. The survey, built on [our previous research](#), examined in detail how some asset managers were leveraging outsourced trading to meet their strategic goals.

Based on their comments, three enablers stand out:

1. Start small

Outsourced trading is not an all-or-nothing proposition. In fact, our survey shows that most users apply outsourced trading to one or two asset classes at the outset. Fixed income is the most widely outsourced asset class (47 percent of all respondents), followed by foreign equities (32 percent) and derivatives (24 percent).

But based on our results, adoption is poised to grow. Eighty-one percent of current users plan to increase their use of outsourced trading in the future, and not one expects to reduce it. This proportion is highest among current users based in Europe, the Middle East and Africa (EMEA) at 86 percent. And 73 percent of current users plan to adopt outsourced trading for foreign exchange.

This approach is consistent with what we've seen work well. "I think in general, our partnered trading relationships start out as somewhat of a test," says Dan Morgan, State Street's Head of Portfolio Solutions. "Maybe it's a specific security type, for instance. And then we build on that, whether it be more activity within the asset class or potential expansion across regions or asset classes. It is a process to build trust. And to build trust you have to generate results."

2. Consider the benefits beyond the cost

When we asked potential adopters what was holding them back, a common response was a lack of understanding about the benefits of outsourced trading. That makes our findings around the benefits of outsourced trading reported by current users even more important. We found that current users report three major benefits: a multitude of efficiency gains, reduced costs and improved investment performance.

Look closer at investment performance ([Exhibit 1](#)). More than eighty percent, a clear majority of current users, said outsourced trading had improved their investment performance.

That number increased to 94 percent of mid-sized firms (AUM between \$30 billion to \$50 billion) that are current users and 91 percent of asset owners that are current users.

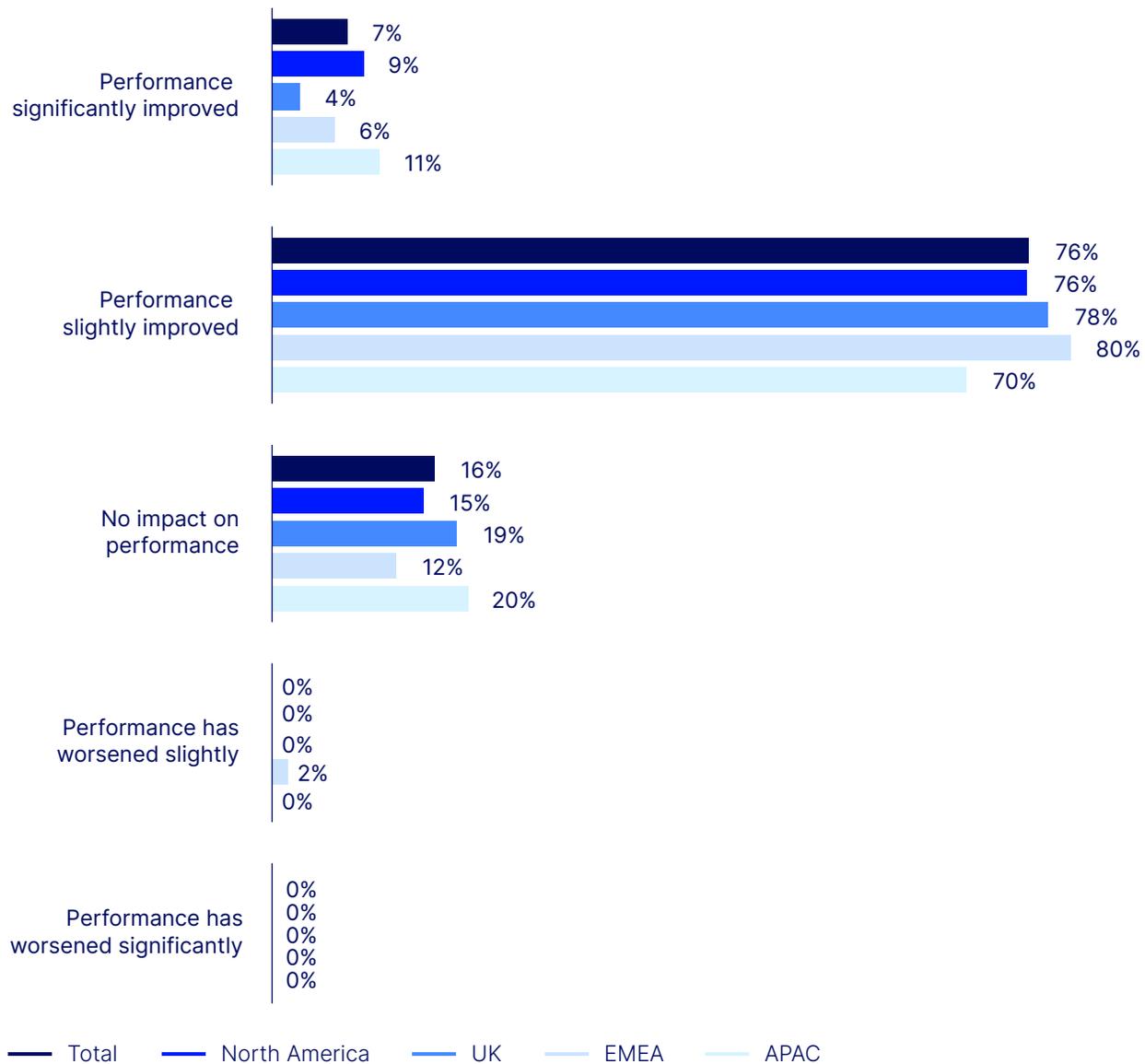
But there are many other reported benefits as well, including enhanced regulatory compliance, market intelligence, access to trading talent, and expansion into new markets. ([Exhibit 2](#)).

94%

Outsourced trading performance increased to mid-sized firms (AUM between \$30 billion to \$50 billion) that are current users and 91 percent of asset owners that are current users.

Exhibit 1: More than 80 percent of current adopters report an improvement in investment performance

Q: How would you rate the impact of outsourced trading on your organization's investment performance?

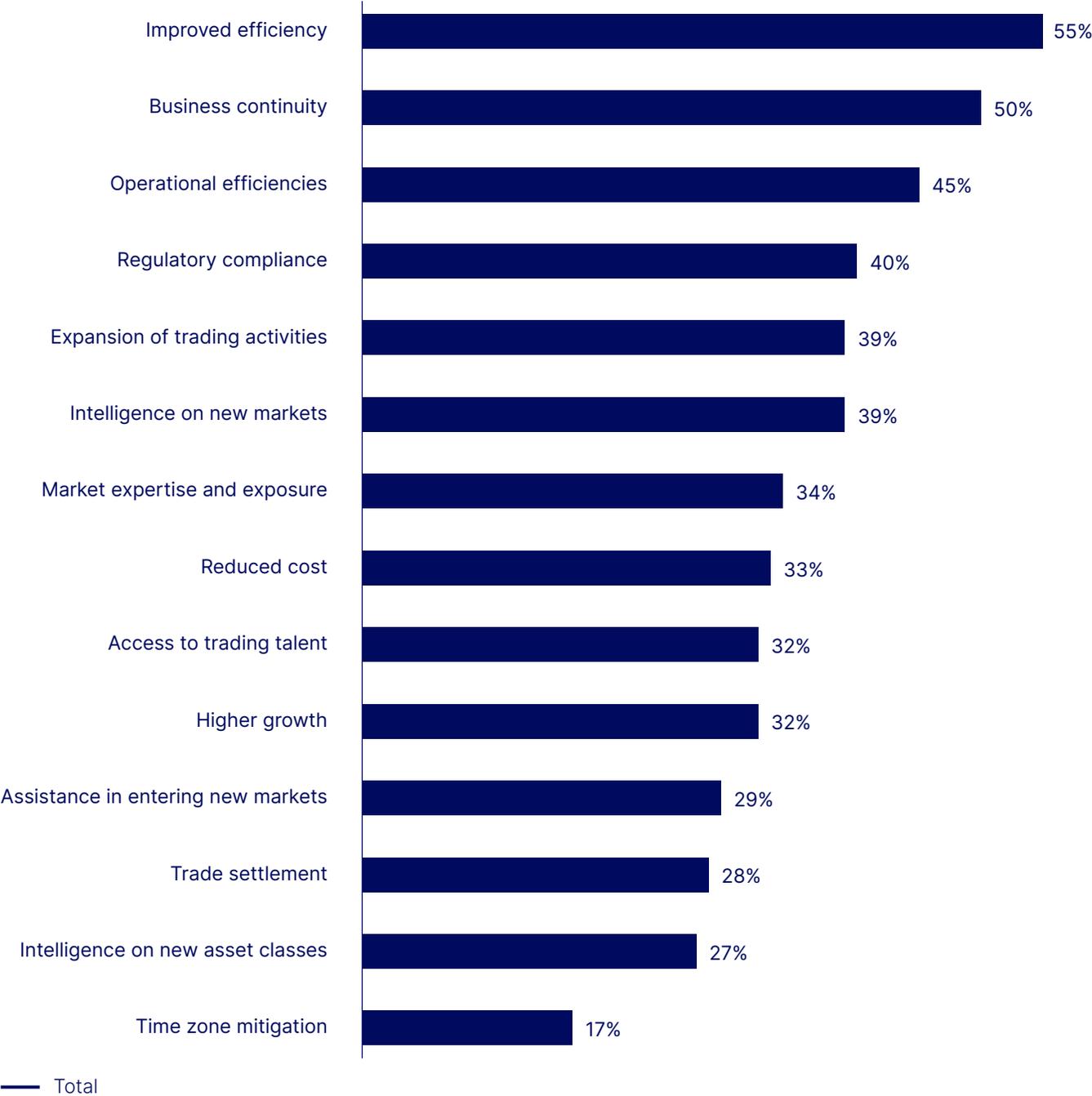


Source: **241** respondents who use outsourced trading

Note: The total number of respondents that said "performance has worsened slightly" was 1 out of 241 which is 0.41% of total respondents and was rounded down to 0%. That respondent was EMEA based so 1 out of 65 or 1.53% of EMEA respondents and this was rounded up to 2%.

Exhibit 2: Improved efficiency is the top benefit from outsourcing

Q: What benefits have you actually seen from using outsourced trading services? (rank up to 5)



Source: **241** respondents who use outsourced trading

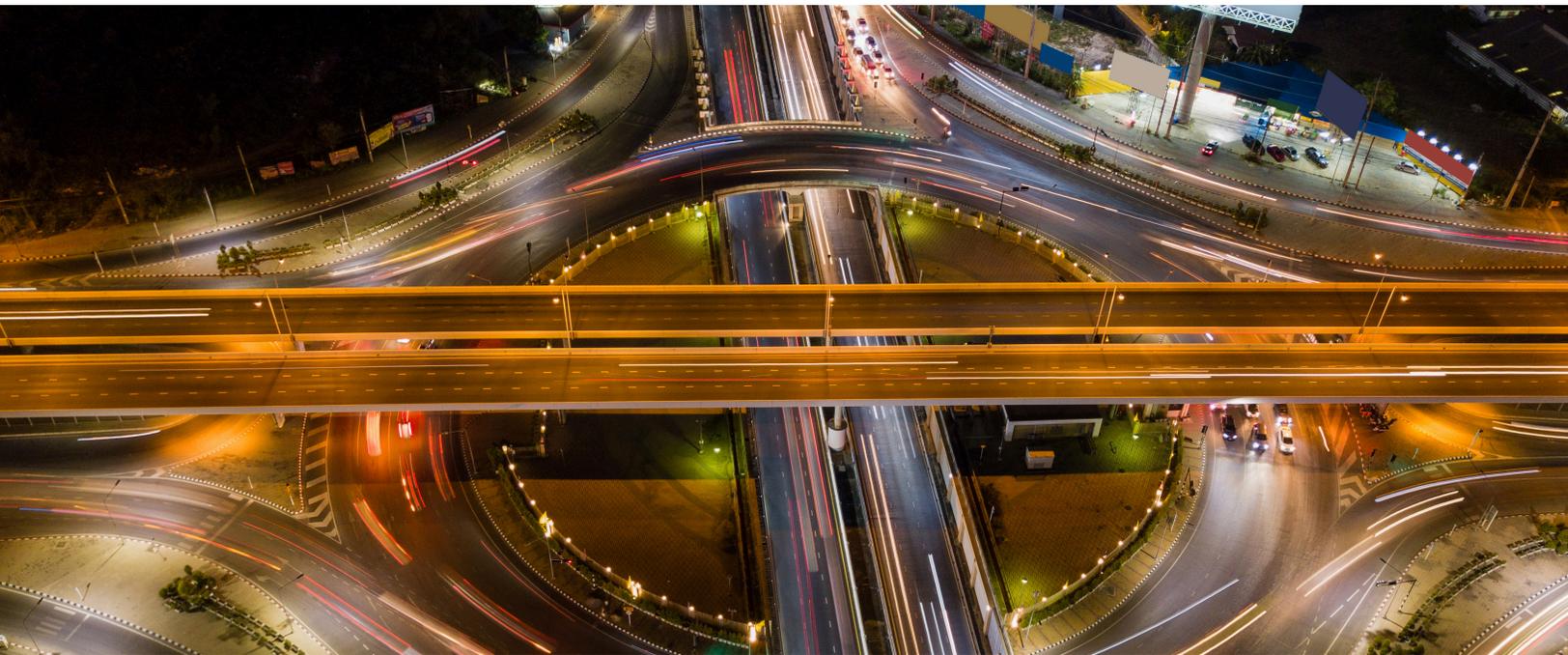
3. Understand relationship dynamics

We asked both groups in our survey what they were looking for in an outsourced trading provider. And the most important attributes reported were: flexibility, ability to customize outsourcing needs and seamless technology integration.

From our ongoing research and client discussions it has become clear that a good relationship between organizations and outsourced trading providers relies on effective communication and understanding of the fund's investment strategy.

What's more, the model of trading as purely transactional is outdated and being replaced with a new collaborative, partnership-based model.

"For business management, the most important things are incentives and in partnered trading our incentives are aligned with those of our clients," explains Morgan. "We're a client service team. We're just trying to get the best price for our clients every day. And I think that's sort of the essence of our success, ensuring our incentives are aligned."



Learn more at
statestreet.com/partnered-trading

The material presented herein is for informational purposes only. The views expressed herein are subject to change based on market and other conditions and factors. The opinions expressed herein reflect general perspectives and information and are not tailored to specific requirements, circumstances and/or investment philosophies. The information presented herein does not take into account any particular investment objectives, strategies, tax status or investment horizon. It does not constitute investment research or investment, legal, or tax advice and it should not be relied on as such. It should not be considered an offer or solicitation to buy or sell any product, service, investment, security or financial instrument or to pursue any trading or investment strategy. It does not constitute any binding contractual arrangement or commitment of any kind. State Street is not, by virtue of providing the material presented herein or otherwise, undertaking to manage money or act as your fiduciary.

You acknowledge and agree that the material presented herein is not intended to and does not, and shall not, serve as the primary basis for any investment decisions. You should evaluate and assess this material independently in light of those circumstances. We encourage you to consult your tax or financial advisor.

All material, including information from or attributed to State Street, has been obtained from sources believed to be reliable, but its accuracy is not guaranteed and State Street does not assume any responsibility for its accuracy, efficacy or use. Any information provided herein and obtained by State Street from third parties has not been reviewed for accuracy. In addition, forecasts, projections, or other forward-looking statements or information, whether by State Street or third parties, are not guarantees of future results or future performance, are inherently uncertain, are based on assumptions that, at the time, are difficult to predict, and involve a number of risks and uncertainties. Actual outcomes and results may differ materially from what is expressed herein.

The information presented herein may or may not produce results beneficial to you. State Street does not undertake and is under no obligation to update or keep current the information or opinions contained in this communication.

To the fullest extent permitted by law, this information is provided “as-is” at your sole risk and neither State Street nor any of its affiliates or third party providers makes any guarantee, representation, or warranty of any kind regarding such information, including, without limitation, any representation that any investment, security or other property is suitable for you or for others or that any materials presented herein will achieve the results intended. State Street and its affiliates and third party providers disclaim any warranty and all liability, whether arising in contract, tort or otherwise, for any losses, liabilities, damages, expenses or costs, either direct, indirect, consequential, special or punitive, arising from or in connection with your access to and/or use of the information herein. Neither State Street nor any of its affiliates or third party providers shall have any liability, monetary or otherwise, to you or any other person or entity in the event the information presented herein produces incorrect, invalid or detrimental results.

To learn how State Street looks after your personal data, visit: <https://www.statestreet.com/utility/privacy-notice.html>. Our Privacy Statement provides important information about how we manage personal information.

No permission is granted to reprint, sell, copy, distribute, or modify any material herein, in any form or by any means without the prior written consent of State Street.

©2025 State Street Corporation and/or its applicable third party licensor. All rights reserved.

6990832.1.2.GBL.
Expiration date: November 6, 2026



State Street Corporation
One Congress Street, Boston, MA 02114-2016
www.statestreet.com