



OCIO pioneer **Hirtle Callaghan** transforms rebalancing and trading operations with intelliflo's redblack solution

With approximately \$19 billion in assets under management (AUM), Hirtle Callaghan & Co. prides itself on creating bespoke investment programs managed and delivered by an entrepreneurial team of advisors and investment officers.

Established more than 35 years ago and a pioneer of the Outsourced Chief Investment Officer (OCIO) business model, the firm primarily serves institutions (foundations, endowments, healthcare organizations) and high-net-worth families (family offices and individuals), managing portfolios ranging from millions to billions of dollars in assets.

Hirtle Callaghan uses the intelliflo redblack investment management solution to customize model portfolios at scale, optimize workflows for its highly skilled portfolio and investment managers, and enhance confidence and the overall client experience across its entire book of business.

Challenge

Before Hirtle Callaghan & Co. began using the intelligflo redblack investment management platform in 2016, the firm primarily relied on spreadsheets and bespoke solutions to manage household-level portfolios, rebalancing, and trading. As the business grew, rebalancing 5,000 or more household accounts across hundreds of clients became a significant challenge.

"People expect things to happen, and happen fast," said Darrick Ganster, CIPM, Hirtle Callaghan's vice president overseeing the firm's portfolio implementation and client data teams. **"We needed to rebalance at scale, with speed and precision, to keep up with growth across a diverse book of business."**

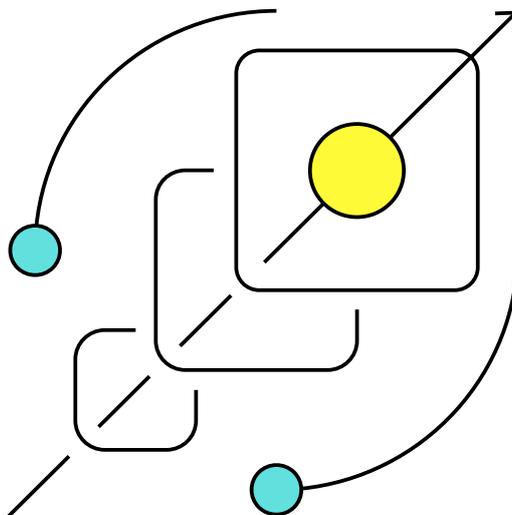
Laser-focused on consistently meeting the highest expectations of both clients and wealth managers, Hirtle Callaghan wanted to shift quickly from rebalancing that took days or weeks to rebalancing in hours, if not minutes.

Solution

When Hirtle Callaghan began its search for a solution, true rules-based capabilities rose to the top of its priority list. The firm implemented intelligflo redblack for rebalancing, trading, and order management, addressing most of its needs.

However, the firm needed to expand intelligflo redblack's sophisticated capabilities to customize model portfolios further and stay true to its entrepreneurial spirit. With its strategy team creating the models, each of the dozens of its investment officers may interpret them differently or require specific idiosyncratic client adjustments. Hirtle Callaghan knew it needed to operationalize the customization of models to meet each client's specific needs.

Hirtle Callaghan partnered with intelligflo redblack to develop a new capability that enables the firm to apply a base model and augment it with target overrides to modify allocations to client-specific needs. The approach offers simplicity and scalability without sacrificing the ability to tailor models to client needs and preferences.

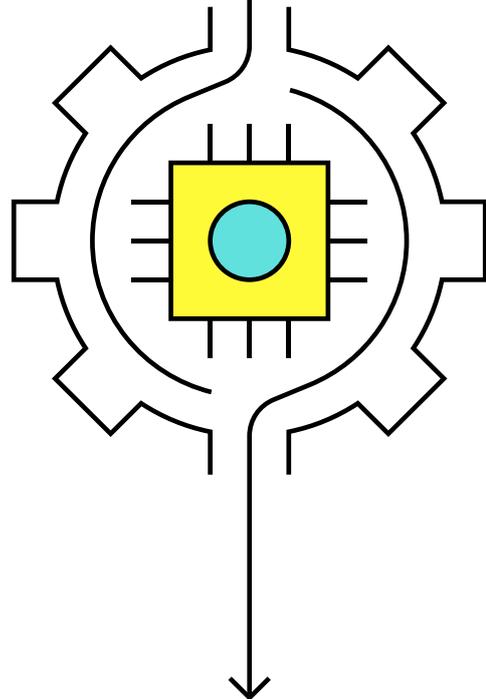


Target overrides

A target override is a rules-based method of overriding a target allocation without creating a whole new model to meet the specific needs of one client or affect the rest of the portfolio. Hirtle Callaghan utilizes target overrides at the asset class or super sector level to compensate for multiple allocations. Target overrides are applied along with equivalents, restrictions, and other levers to create an infinite number of customized target allocations.

"Target overrides allow us to make bespoke, scalable client allocations a reality," said Ganster. **"This capability lets us 'go the last mile' by combining standardization with autonomy to tailor portfolios as needed, which is a huge win for us."**

With more than 800 target overrides as part of its rebalancing and trading ecosystem, each is a specialized rule on top of all intelligflo redblack's other equivalents and rules. The firm uses dozens of models to implement custom client allocations at scale by applying target overrides. This provides dexterity, specificity, and scalability without investment officers feeling that they are compromising in some way or beholden to the models.



Cash overrides

A meaningful percentage of the firm's clients utilize a cash target outside of what is specified in a model. Hirtle Callaghan needed to expand the override capability for clients looking to maintain a model cash target, as opposed to a cash reserve, that is part of the model allocation. This ensures that everything else in the portfolio works appropriately and places a boundary around the allowable cash drift.

"We wanted to make cash targets different than what's in the model, but without using a cash action to do so," said Ganster. Understanding that unexpected events within models often drive cash targets, it became apparent to Hirtle Callaghan that cash had to be handled separately in a scalable and best-practice manner and eliminate the need to trim the size of trades or create an exemption to exclude the cash.

Results

Speed and precision

With intelligflo redblack, rebalancing is completed in one day or less, allowing Hirtle Callaghan to respond faster to the needs of clients and wealth managers – and with greater confidence.

"When rebalancing takes weeks, you tend to be more hesitant to make a change as the market may move," said Ganster. **"intelligflo redblack's rules-based framework eliminates gray areas and compromises with infinite outcomes. We can craft desired outcomes for today and into the future, which is advantageous for our clients and our firm."**

Hirtle Callaghan's use of intelligflo redblack greatly boosted confidence and responsiveness to its clients.

"We can trade hundreds of millions of dollars each day, so there is no margin for error," said Ganster.

Productivity Gains

intelligflo redblack's rules-based framework for target and cash overrides not only provides Hirtle Callaghan with increased rebalancing and trading efficiencies; it is also helping to optimize the amount of time its highly compensated portfolio managers and investment officers spend on specific activities.

"intelligflo redblack has allowed our day-to-day activities to be pushed into operations to handle the last mile of trading and reconciliation, potentially saving thousands of person-hours per year," explains Ganster. **"With portfolio managers focused on curating the rebalance and managing rules, they spend more time on the client than middle- and back-office tasks."**

Protecting knowledge

According to Ganster, the ability to operationalize proprietary knowledge in terms of client needs and investment strategies cannot be underestimated.

In the past, client investment requests and preferences were recorded on paper or in a spreadsheet and saved on a hard drive, which eventually may "disappear" from the process. But once the process was standardized and automated in intelligflo redblack, this information is now memorialized indefinitely within the system, rather than getting lost or walking out the door.

"With intelligflo redblack, our rebalancing and trading is more science than art and has become faster, more accurate, standardized, and cost-effective," said Ganster. **"That's how you build something better, meaningful, and scalable – and it's how we run our shop."**

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