When Hirtle Callaghan began its search for a solution, true rules-based capabilities rose to the top of its priority list. The firm implemented intelliflo’s RedBlack for rebalancing, trading, and order management, addressing a majority of its needs. However, the firm needed to expand RedBlack’s sophisticated capabilities to further customize model portfolios 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 in order to meet the specific needs of each client.

Before Hirtle Callaghan & Co. began using intelliflo’s RedBlack investment management platform in 2016, the firm primarily relied on spreadsheets and bespoke solutions to manage household-level portfolios, trading and rebalancing. 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 Matt Gordon, Hirtle Callaghan’s strategic director and head of IT, overseeing the firm’s business systems as well as its network, data and cybersecurity infrastructures. “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.

OCIO Pioneer Hirtle Callaghan Transforms Rebalancing and Trading Operations with intelliflo’s RedBlack

With almost $20 billion in assets under management (AUM), Hirtle Callaghan & Co. prides itself on creating decades-worth of bespoke investment solutions managed and delivered by an entrepreneurial team of advisors and investment officers.

Established over 30 years ago, and a pioneer of the Outsourced Chief Investment Officer (OCIO) business model, the firm serves institutions (foundations, endowments, healthcare organizations, and corporations) and high-net worth families (family offices and individuals), managing household portfolios ranging from millions to billions of dollars in assets.

Hirtle Callaghan uses intelliflo’s 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.
With RedBlack, our rebalancing and trading is more science than art, and has become faster and more accurate, standardized, and cost-effective. That’s how you build something better, meaningful and scalable – and it’s how we run our shop.”

- Matt Gordon, Strategic Director & Head of IT, Hirtle Callaghan & Co.

**SOLUTION - CONT'D**

Hirtle Callaghan partnered with RedBlack to develop a new capability that enables the firm to apply a base 60/40 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 having to create 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 Gordon. “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 one is a specialized rule on top of all of 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 had a need to expand the override capability for clients who are looking to maintain a model cash target, as opposed to a cash reserve, that is part of the model allocation. This ensures 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 Gordon.

Understanding that cash targets are often driven by unexpected events within models, 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 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 Gordon. “RedBlack’s rules-based framework eliminates gray areas and compromises with an infinite number of outcomes. We are able to craft desired outcomes for today and into the future, which is advantageous for both our clients and our firm.”
Hirtle Callaghan's use of RedBlack provided a huge boost in confidence and responsiveness to its clients.

“We can trade hundreds of millions of dollars each day, so there is no margin for error,” said Gordon.

**Productivity Gains**

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 certain activities.

“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 Gordon. “With portfolio managers focused on curating the rebalance and managing rules, they spend more time on the client rather than on middle- and back-office tasks.”

**Protecting Knowledge**

According to Gordon, 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 RedBlack, this information is now memorized indefinitely within the system, rather than getting lost or walking out the door.

“With RedBlack, our rebalancing and trading is more science than art, and has become faster and more accurate, standardized, and cost-effective,” said Gordon. “That’s how you build something better, meaningful and scalable – and it’s how we run our shop.”