

Journey case study

Removing complexity, supporting growth.

Westwood Holdings Group &
Bloomberg Buy-Side Solutions

Industry

Investment management
and wealth management

Customer profile

- Investment management services
- Serves institutional investors, private wealth clients, and financial intermediaries
- ~\$22B AUM
- Offices in Dallas, Boston, Toronto, and Houston

Target operating model ambitions

- Remove risk from trading workflow
- Replace manual processes with automation/integration
- Create a robust, reliable infrastructure
- Support strategic growth into new asset classes and currencies
- Strengthen pre- and post-trade compliance
- Improve collaboration between front and middle office teams

Bloomberg buy-side solutions utilized

- Bloomberg Asset & Investment Manager (AIM)
- Bloomberg Data License
- Bloomberg Research Management Solutions (RMS)
- Bloomberg Valuation Service (BVAL)
- Bloomberg Portfolio & Risk Analytics (PORT)
- Bloomberg Multi-Asset Risk System (MARS)
- Bloomberg Professional Terminal®

How buy-side firms achieve total transformation

To sustain a competitive advantage and help ensure long-term success, buy-side leaders often develop a well-defined Target Operating Model (TOM). The TOM clarifies the firm's key operational goals and the changes that are necessary to achieve them.

Bloomberg has helped asset management firms around the world meet a wide variety of operational objectives. Based on our experience, we have identified four paths that firms can take on their road to transformation:

1. Specialization

The asset manager specializes in a particular strategy, seeking to be nimble as a primary TOM focus but needing to upgrade technology systems to support rapid growth.

2. Expansion

This asset manager has a TOM centered on local clients, but is expanding into overseas markets and needs a global order management platform for visibility of operations at a group level.

3. Firm-wide alignment

The manager seeking to centralize and overhaul all operating systems as part of business transformation, with the TOM of securing the golden source of data powering a global OMS, a single Accounting book of record and data utility across all locations, centralized middle office and/or execution desks.

4. Front-to-middle consolidation

This firm aspires to align its investment professionals across the investment life cycle through a single front and middle office, with a TOM of achieving a centralized model for data consistency.

Westwood Holdings Group, an investment and wealth management firm with ~\$22 billion in AUM, is following a path of front-to-middle consolidation. After three strategic acquisitions, the firm grew from approximately \$13 billion to \$22 billion AUM in just four years. This rapid growth necessitated a complete revamp of the firm's technology, starting with Bloomberg buy-side solutions.

“It was a relatively seamless transition. Our fixed-income team is as comfortable as they've ever been with an OMS. Our emerging market team really likes the fact that the software can handle trades with all kinds of foreign securities from a wide variety of market.”

Fabian Gomez, COO, Westwood Holdings Group

1. Dealing with rapid growth

Westwood Holdings Group, Inc. provides investment management services to institutional investors, private wealth clients and financial intermediaries. Based in Dallas, Westwood also maintains offices in Toronto, Boston and Houston. Each office represents a relatively recent acquisition made when the firm pursued a strategy to expand its product offering starting at the end of 2011.

Prior to this strategy, Westwood dealt primarily in U.S. equities. Then the firm acquired a Toronto emerging markets team in 2012, a Boston global convertible bond team in 2014, and a Houston private wealth platform in 2015. Between 2012 and 2015, these acquisitions drove the firm’s total assets under management (AUM) from approximately \$13 to \$22 billion.

“For a firm that size, it’s a big jump,” said Fabian Gomez, Chief Operating Officer for Westwood. “If we had stayed with U.S. equities, it wouldn’t have been as complicated. We were adding emerging markets, dealing in a dozen currencies, operating with currency futures trading, moving into derivatives with convertible bonds and more complex fixed-income products. The amount of complexity was skyrocketing.”

How Westwood follows the front-to-middle consolidation path

- Target operating model focused on building consistent workflows throughout the investment lifecycle across risk, front office, compliance, trading and operations
- Consolidating operations and data management infrastructure, increasing collaboration between front office and middle office teams

Expansion-focused path

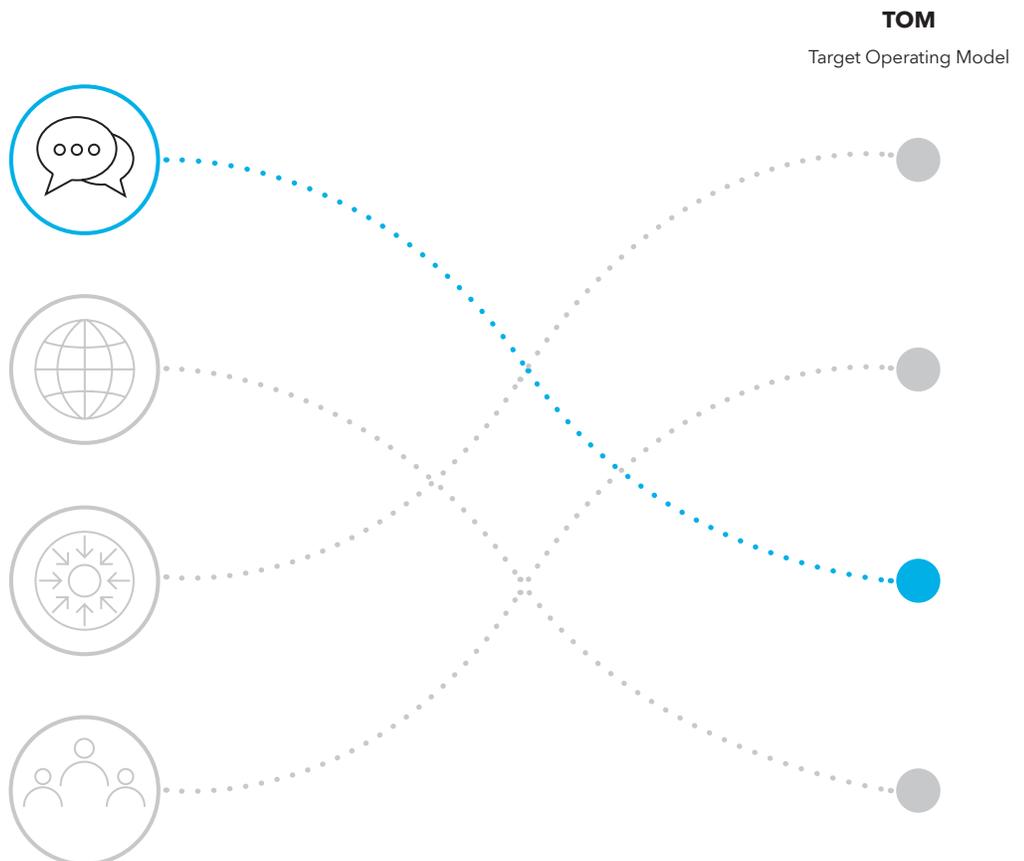
This asset manager has a TOM centered on local clients, but is expanding into overseas markets and needs a global order management platform for visibility of operations at a group level.

Specialty-focused path

The boutique asset manager specialized in a particular strategy, seeking to be nimble as a primary TOM focus but needing to upgrade its technology systems to support rapid growth.

Firm-wide alignment path

The manager seeking to centralize and overhaul all operating systems as part of business transformation, with the TOM of securing the golden source of data powering a global OMS, a single accounting book of record and data utility across all locations, centralized middle office and/or execution desks.



Westwood is following the front-to-middle consolidation path, having established a consistent approach to trading workflow and data management in the front office. Now the firm continues to evaluate its middle office technology with an eye for streamlined data management.

*For more information about the four paths, please read our white paper: “The journey to tomorrow’s buy-side operating model.”

2. Creating alignment

When the firm began pursuing its aggressive growth plan, decision-makers quickly diagnosed that the firm used different software and accounting systems across all locations. This made it inconvenient to establish a consolidated picture of the firm’s portfolios. In response, Westwood tried moving all offices onto the firm’s original platform, which was designed primarily for U.S. equity trading.

“The transition had its challenges, given there were manual inputs throughout the lifecycle and it was not possible to get real-time information,” Fabian Gomez said. “The equity team had thin coverage with asset class coverage for foreign securities, for example. And the fixed-income team needed extra support to book simple swaps. These issues put additional stress on our systems, processes, and operational staff.”

It was at this point in 2015 that Westwood hired Fabian Gomez to oversee a complete reengineering of the entire firm’s operations, workflows, and technology.

"My primary goal was to figure out the proper target operating model for the firm," Fabian Gomez said. "We needed a TOM that would address our current challenges as well as allow us to continue to grow and add new asset classes as needed. Basically we didn't want to complete this project and then find ourselves in the exact same position a few years later."

3. Rebuilding the infrastructure

After completing a 90-day review process of the firm's data architecture, systems architecture, and infrastructure, Fabian Gomez and his team developed a complete operational overhaul plan, including business requirements and the vision for a TOM. The first order of business, according to Fabian Gomez, was a new OMS.

"We had to start with the front office," he said. "We focused on areas where our current technology was putting the firm most at risk. For Westwood, that was the front office, portfolio management, trading, and trade compliance. Our investment professionals needed higher-quality data in a more timely fashion, as well as a more robust trade compliance platform that could handle foreign securities."

Next, Fabian Gomez and his team began to review technology providers. This would be a big decision for the firm, so the criteria were strict. Specifically, Fabian Gomez wanted a cloud-based, hosted model that would require minimal support from his in-house IT team. The solution had to support multiple assets and currencies. Most important of all, the provider needed to demonstrate continuous investment in the platform.

"In addition to all that, we were looking for a sense of partnership," Fabian Gomez said. "We wanted responsive support, not lip service. Ultimately, we felt Bloomberg would be the safest and most effective choice for our TOM."

4. The advantages of consolidation

Phase 1 of the project finished with Bloomberg AIM implemented as a multi-asset, multi-currency OMS across the entire firm. According to Fabian Gomez, traders in all four offices can now execute on orders from portfolio managers on an even more timely basis, with the right information at their fingertips. Upstream, the PMs now have a much more consistent investment management process and a more efficient approach to verifying the data they rely on to inform decisions, including cash, trade history, and positions. Pre-trade compliance is more robust, and execution via EMSX performs as expected.

"Most of the portfolio managers were already comfortable with the Bloomberg Terminal," Fabian Gomez said. "It was a relatively seamless transition. They like knowing the data they are looking at is the same data that will appear in downstream systems. Our fixed-income team is as comfortable as they've ever been with an OMS. Our emerging market team really likes the fact that the software can handle trades with all kinds of foreign securities from a wide variety of markets."

The initial phase also involved a new research management workflow. Internal analyst reports, price targets, and recommendations needed to be documented and stored in a way that would benefit the entire firm. Essentially, Westwood wanted one system that could handle everything from idea generation through to settlements. This kind of holistic system integration is what made the Bloomberg suite of buy-side solutions attractive to Westwood in the first place.

"The model itself is a huge plus," Fabian Gomez said.

"Because we do not have to go through major upgrades on a regular basis. I can't overstate how complicated upgrades get if you don't do them regularly. You compound the work, and it becomes hugely disruptive to the business. Now we don't have to worry about that anymore."

"We've really established consistency across the firm. We've taken the stress and risk out of the front office, and that has had positive effects on operations and data management. Our most complex products went from tedious, frustrating, manual work to PMs having time to consider their priorities and manage their portfolios. From our perspective, it has been a very big success."

Fabian Gomez, COO, Westwood Holdings Group

5. Planning to grow

Today, Westwood can manage the entire application infrastructure of the firm with just two people. That is a huge shift from the previous situation, when fragmentation reigned.

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Westwood is now in the midst of Phase 2 of the project, which involves revamping the middle office. When this work is completed, Fabian Gomez and his team will move to Phase 3, which he describes as "aspirational but doable." This longer-term effort will create one complete ecosystem for the firm's institutional, retail, and private wealth clients, moving Westwood from its current path to one that is more focused on firm-wide alignment.

"Ultimately, the biggest litmus test for success is that as we continue to grow, we don't fall back into the habit of building inefficient workflows to accommodate deficiencies in our systems," Fabian Gomez said. "If we made the right decisions, technology is never an impediment to success. I can tell you right now, we feel very comfortable with Bloomberg."

Learn more

Bloomberg provides multi-asset execution and order management solutions and investment cycle analytics that enable buy-side and sell-side firms to turn their trade and order data into a competitive advantage. As a result, firms can create more efficient workflows, connect to the global capital markets, drive regulatory compliance and lower their total cost of ownership.

To learn more, email our AIM team at bbaim@bloomberg.net

Key moments from the journey

Here are some key insights from the firm's transformation journey:

- Systems designed to support one asset class limit efficiency
- Manual processes add unnecessary risk to trading workflows
- Strategic growth often requires multi-asset class, multi-currency support
- Cloud-based solutions require less support and cause less disruption
- Front and middle office consolidation improves collaboration

About Bloomberg.

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