CASE STUDY

Urban Outfitters: Consolidating with Clearwater

Company Overview

For Urban Outfitters, a leading international specialty retail company, the need for accurate, timely, and transparent investment data is not just a nice-to-have, it’s a need-to-have. However, with three external asset managers and an investment portfolio that can change rapidly depending on the buying season, having an investment accounting reporting process that wasn’t perfectly suited to their unique needs often led to a frustrating close process.

The vast majority of Urban Outfitters’ portfolio—approximately 90%—is managed by three large global asset managers. These external asset managers have partnered with Clearwater Analytics to provide innovative investment accounting and reporting to their clients, including Urban Outfitters. While Urban Outfitters received value from these reporting capabilities, the day-to-day reality for Brian Montague, Director of Treasury, and the person responsible for managing U.S. investments, was that they were still lacking complete portfolio transparency and consolidation. Furthermore, Montague had to manually track and calculate investment data because their account information came through separate Clearwater instances from each of Urban Outfitters’ three managers. This manual tracking and calculating added another layer of complexity to interpreting reports.

Safety, preservation of principal, liquidity, and generating the best possible returns are the edicts of Urban Outfitters’ investment policy. Their investments are usually very conservative, fixed-income securities, which tend to be on the shorter end of duration. They have a combination of very highly rated and highly liquid securities, such as commercial paper, CDs, municipal bonds, money market funds, and a small handful of international bonds.

Period-End Challenges

For Montague, period-end could be a headache. He had to take different sets of portfolio data and combine them to generate monthly journal entries. “We would need to go onto our different managers’ websites, use two different formats, then cut and paste everything together manually. The amount of time it took was just frustrating,” Montague said.

Prior period adjustments were also challenging. Two managers were using the legacy version of Clearwater, while the third had upgraded to the most current version. This inconsistency meant Montague sometimes had to perform calculations manually to integrate the differences in data between the two. Furthermore, it really took some effort to break out the portfolio components. For example, it was not possible to get a breakdown of a particular bond that had a premium. “I’d have to go and do a bunch of
manual calculations to determine the cost of that premium,” Montague said.

Likewise, monthly reconciliation reporting was cumbersome for Urban Outfitters, because the brokers handled reconciliation in different ways. “Some brokers had everything immediately ready by the first business day after the end of close, whereas others needed four days to complete this process,” said Montague. “We would get held up if one of our managers was not complete. We’d have to manually go in and check periodically to see if they were done. On a busy day, we might forget to go back in and we would just fall behind in the day because of the constant checking.”

From there it would take at least “two hours just to do the monthly reconciliation when we had three different managers reporting. We had to download each report individually, cut and paste them together, then try to come up with a method to calculate everything out.” Furthermore, getting people set up with the reporting for all the managers could be problematic. “We had to coordinate with each manager individually to get Clearwater log-on credentials. Since we didn’t have the relationship directly with Clearwater, it often became a headache.”

**Consolidating with Clearwater**

Montague used Clearwater’s user-friendly accounting and reporting solution while with a previous employer, so he knew there was an opportunity for Urban Outfitters to increase investment process transparency by leveraging the platform’s full capabilities under a single log-in.

In the fall of 2013, Urban Outfitters decided to enter into a direct relationship with Clearwater, which enabled them to consolidate all of their accounts under a single Clearwater log-in, effectively providing Montague with the ability to manage Urban Outfitters’ portfolio proactively and on their own terms.

Within two weeks, all of their accounts were consolidated into a single Clearwater log-in, and immediately Montague recognized the benefits. “With Clearwater we have everything down to 20 minutes. We just pull an aggregate of all the investment portfolios at the same time. It is significantly quicker and easier,” he said.

“I think the big thing has been getting reporting daily. It’s been like going from walking to running. Being able to immediately generate information—at the drop of a hat—to figure out where we stand on a specific date, what our maturities are going to be, how much our cash flow is going to be,” said Montague. “With Clearwater, we download a balance sheet report that shows the market value for all the securities we have, we break it out by broker and by investment classification, and then in another report we do the allocation based on security type. Today, everything is much more streamlined.”

Having direct access to Clearwater’s full capabilities has enabled Montague to proactively provide reports whenever he needs them. “We provide two reports using a download from Clearwater to our controller on a daily basis and to our CFO on a weekly basis.” Montague is also working on investment reporting, which he plans to access on a bi-weekly basis.

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**Brian Montague**  
Director of Treasury, Urban Outfitters

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**KEY BENEFITS**

- Increased visibility into portfolio performance
- Easily accessible, daily reporting
- Improved compliance tracking
- Direct access to Clearwater client-services support
- Time-saving
- Apples-to-apples comparison of asset manager performance
Unexpected Benefits

Urban Outfitters worked with their dedicated Clearwater account manager to set up key accounting assumptions and parameters for their accounts. This implementation process helped Montague recognize that they had been inconsistently applying common accounting assumptions, such as amortization, accretion, and pricing. The Clearwater implementation process ensured Urban Outfitters could proactively identify their key benchmarks and apply them consistently.

Use of consistent accounting assumptions across Urban Outfitters' investments has created a true apples-to-apples performance comparison across asset managers, resulting in a more collaborative approach to managing their relationships. With consolidated Clearwater reporting, it is possible to look at different managers to compare results. For example, Montague can now analyze duration results quickly, and make determinations such as, “this one is going out a little longer, but it’s getting less income for us than the other one that has a shorter duration.”

Another unexpected value of using Clearwater directly was the ability to easily track and review policy compliance proactively. “We weren’t tracking compliance prior to Clearwater; we were relying specifically on the broker to ensure that what they were doing was in compliance,” said Montague. “Urban Outfitters has a compliance policy that focuses on credit ratings. We found immediately a number of investments that were outside of the policy. Now we generate a report that will immediately tell us how many of the securities are out of compliance in terms of their credit rating or how many are outside of the duration.”

An added benefit of partnering directly with Clearwater is direct access to the Clearwater support team and a dedicated account manager. “The ability for our client-services representative to go into the back-end of our accounts and set up reports has been very good. Whenever we’ve had a problem, an issue, or a question we get a quick response,” said Montague.

With this new relationship with Clearwater, internal resources at Urban Outfitters can focus on the strategic direction of the investment policy rather than spend time on the manual aspects of administering the portfolio. “Finding that there were other things that we could have asked for or didn’t come to light until we got switched over to the consolidated Clearwater platform has been a real eye opener and a huge benefit to us. I would absolutely recommend consolidation to my peers,” Montague said.

“I think the big thing has been getting reporting daily. It is like going from walking to running.”

Brian Montague
Director of Treasury, Urban Outfitters
About Clearwater Analytics

Clearwater Analytics® is the leading provider of web-based investment portfolio accounting, reporting, and reconciliation services for investment managers, corporate treasuries, and insurance companies. Clearwater aggregates, reconciles, and reports on more than $1.4 trillion in assets across thousands of accounts daily. For more than a decade, Clearwater best-in-class technology and client services have enabled firms to capitalize on new opportunities, strengthen their existing client relationships, and streamline their internal processes. Clearwater is committed to continuous improvement and encourages asset managers to rethink how they approach their investment accounting and reporting operational challenges.