

Intech Strikes Deal to Develop Strategies for Texas Fund

The quant manager – which is rebuilding its business after a 75% drop in assets under management – labelled the deal an “inflection point” in its turnaround plans. The Texas Fund has already awarded the manager a \$1.5 billion mandate.

By **Bridget Hickey** | May 31, 2024

Quant manager Intech has inked a deal with the Texas Permanent School Fund Corporation to develop investment strategies for the \$52.3 billion fund.

The endowment last month also selected the \$10.1 billion Florida-based manager for a \$1.5 billion World ex-U.S. enhanced index equities mandate – a win that would increase the firm's assets under management by roughly 15%.

Intech is trying to turn its business around, after a split from Janus Henderson in 2022 saw the manager's assets plummet by more than 75% to almost \$9 billion.

The deal with the Permanent School Fund marks an “inflection point,” said Andre Prawoto, Intech's head of strategy. “It really creates a foundation from which we can build for the future.”

Prawoto described the deal as a “strategic partnership, where we're going to start co-developing products – for them and for us.” He declined to share details on the strategies but said the collaboration would involve “different types of products, beyond what we've been doing.”

The first product is planned for the end of the year, he added.

Intech has taken other steps to turn around its business. CEO Jose Marques told FundFire in a March interview that the firm is developing more active strategies and flagged a possible move into liquid alternative products.

Broader changes are also afoot at the Texas fund, which has been revamping its portfolio and in February hired Stuart Bohart as deputy CIO. Bohart, who joined from quant hedge fund Fort Investment Management, is tasked with overseeing strategic partnerships and the fund's abso-

lute return portfolio, which includes hedge funds, direct lending, special situations and co-investment opportunities.

"Aligning more closely with Intech is perfectly in step with our objective to forge deeper relationships with fewer managers," said Bohart.

Intech is one of several managers selected by the Texas endowment to replace BlackRock, after fund leadership yanked \$8.5 billion from the world's largest manager due to its fossil fuel policies. Texas law compels state funds to divest from financial services firms the state alleges are boycotting energy companies.

BlackRock had managed international and emerging markets equities mandates for the fund.

Texas Permanent also awarded Dimensional Fund Advisors a \$2.5 billion mandate for international equities. Dimensional declined to comment.

The Texas fund has also shaken up its strategic asset allocation by adding an 8% allocation to private credit, axing a 2% target to emerging market equities, and reducing its target for non-U.S. equities by seven percentage points to 7%, among other changes.

Intech's status as a Florida-based firm and its stance on environmental, social, and governance, or ESG, were not discussed during the Texas Permanent School Fund selection process, Prawoto told FundFire.

Intech is seeing a resurgence in the level of client interest in its "enhanced" index strategies – mostly from international investors but increasingly from U.S. institutions, he added.

The Texas fund may have chosen enhanced index products due to the difficulty of selecting multiple active managers for replacement mandates of this size, said Mike Sebastian, head of research at Syntrinsic.

"A shift to an enhanced index or rules-based strategy could be consistent with placing a large amount of assets in a new relationship, while seeking above benchmark returns and not adding on a large number of new external traditional active management relationships," he said.

Strategic partnerships allow investors with sizable mandates to allocate to gain greater transparency, more customization, and improved customer service, said Clémence Droin, a partner at strategic consultancy Indefi.

The injection of capital provided by these partnerships also allows managers to upgrade their capabilities, through moves such as hiring more staff or updating tech platforms, she added.

Ultimately, partnerships create a greater "bond" with clients, as managers sit "at the table and co-construct with them," she added.