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EPISODE 139:

Client Service as Strategy: Verger Capital's OCIO Approach



Robert Morier: Welcome to the Dakota Live Podcast.

I'm your host, Robert Morier. The goal of this podcast is to help you better the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, investment consultants, and other important players in the industry, who will help you sell in between the lines, and better understand the investment sales ecosystem. If you're not familiar with Dakota and our Dakota Live content, please check out our website at dakota.com. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker, who is not affiliated with Dakota, not a solicitation, testimonial, or endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or unsupervised persons by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time, and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. Well, I am thrilled to welcome to the show Jim Dunn, Chief Executive Officer of Verger Capital Management. Jim, thank you for having us. It's wonderful to be here.

Jim Dunn: Rob, thank you for coming. Welcome to Winston-Salem.

Robert Morier: Yeah, it's wonderful. The overcast skies set a perfect background for the lighting. So, thank you for the weather.

Jim Dunn: Yeah, we'll get you Krispy Kreme on the way out.

Robert Morier: Perfect. My daughters will love it. So, in full disclosure, we made this into a road trip. We don't, typically. We call this on the road. We really took it on the road. I've got the car downstairs. It's loaded with two kids. We left the dog at home, so that made it a little bit easier.

Jim Dunn: Not an easy drive from Philadelphia to North Carolina.

Robert Morier: It's not, but it was a lot of fun. We stopped in Richmond along the way, and we talked about the Jefferson Hotel. Thank God they have alligators in the lobby and alligator chocolates, and most importantly, an indoor pool.

Jim Dunn: Perfect place.

Robert Morier: Perfect, so thank you so much for being here. Before we get started, I'm going to read your biography for the audience, and then we're going to get into our questions.

Jim Dunn: Great.

Robert Morier: Jim Dunn is the founding CEO of Verger Capital Management, an outsourced chief investment officer firm based in Winston-Salem, North Carolina. Since the firm's inception in 2014, Jim has been responsible for setting Verger's strategic direction, leading its corporate strategy, and ensuring the firm is well positioned to meet the complex needs of its clients. He served as Verger's Chief Investment Officer until 2023, overseeing all investment decisions during that time, and helping shape Verger into a values-driven, OCIO platform, focused on purpose-aligned investing. Before launching Verger, Jim was Vice President and Chief Investment Officer at Wake Forest University, where he oversaw more than \$1.4 billion in university assets, and served on several University committees, including The President's Cabinet and The Faculty Athletics Committee. Earlier in his career, he served as Managing Director and Chief Investment Officer at Wilshire Associates, and as Vice President at InvestorForce. Jim earned his Bachelor of Business Administration in Finance from Villanova University, where he was a Division I varsity soccer player. As a first-generation college graduate, he has remained closely connected to educational and philanthropic causes, including nearly a decade on Villanova's President's Advisory Council and more than a decade of service to Wake Forest's Faculty Committee on Athletics. He currently serves as a member of the Institutional Investor Endowments and Foundations Advisory Board, and as the Treasurer of the James Denmark Loan Fund. He also sits on the SEI Canada Independent Review Committee as an independent director. We are thrilled to welcome Jim Dunn, Chief Executive Officer of Virgil Capital Management, to the Dakota Live Podcast. Well, Jim, thank you again for being here. We really appreciate it. As I mentioned before in the opening, I'm here with my family. When you think about family and you think about Verger Capital Management, what does family mean to you in the context of your business?

Jim Dunn: For us, it's about bringing everyone to the table, whether it's the ownership broadly around Verger, whether it's how we do even our seating, we're all sitting in one room, together. So, I do think you see a lot of family dynamics in a business like Verger. I think one thing that my team will tell you, on the back of my notebook, I have the list of all the children because one of the things we do at

Verger is, we have a college benefit. So, we pay for in-state college tuition. And I think we have 25 children now on that. So, whenever I have a bad day or I'm stressed, I can go open that. And that's really the driver of why we're doing what we're doing. It's more than just basis points and benchmarks.

Robert Morier: Yeah, in terms of your own background, you've mentioned that you're a first-generation college graduate. How has that personal experience influenced the way that you view capital stewardship, and specifically that institutional responsibility that comes with managing an office like Verger?

Jim Dunn: Rob, I think it's really something that I've grown into. And I think it wasn't something that was distinctive to me, but I was going through it. So, in 1991, I wasn't thinking I was a first gen, and I was special. But I do think that going to school on a Pell Grant and Stafford loans and work study and having jobs and athletic and academic scholarships, it was a different experience than many of my peers. I'm proud of it now. I didn't really think about it then. I do think, though, that as I think about what we do now, and helping run endowments for colleges-- we have two college clients-- I get to help kids like me, lower middle-class kids, go to schools like Wake Forest. That is really special. That's something that really drives what we do here. So, I think you have the ability to send the elevator back down. I think the other part that I think is unique about the endowments, also is that it's about gifts. We get gifts to the endowment. And they're to honor someone's family. They're here to honor someone who changed their life at a university or at a hospital. So, the way you think about that gift and the impact it has helps drive the mindset around, how is endowment investing different? It's different. It's longer horizon. It's really more about intergenerational wealth. It's not quarter to quarter or year to year.

Robert Morier: And that makes sense. Some of those early life experiences we talked about as we were preparing for this episode, one of them was athletics. So, you were a soccer player at Villanova, I think a goalie, if I remember.

Jim Dunn: I was a goalkeeper, yeah.

Robert Morier: You were also a lifeguard. So, you were on the stand at some point in your early life, as we know. I've done some research on lifeguarding. I'm sitting up as a lifeguard now, which helps my tan, but also probably makes my dermatologist very concerned. But how did that early life experiences shape how you approach team dynamics as well as leadership?

Jim Dunn: I could ask you the same question. You're the one that does the research on it. But I think when you think about goalkeeping, for example, it's the perfect analog to being a CIO because when you're a goalkeeper and the team wins, you had nothing to do with it. But when you lose, it's entirely your fault. So,

when you think about it from a risk-management standpoint, I think I've learned a lot about the humbleness of when you win because you really didn't have much to do with it. But when you lose, you have to own it. And I think that's really an important part of what our protect, perform, provide mantra is, protect the endowment, first and foremost. Performer of inflation spending, that's what kills endowments, and then provide liquidity. You can't have it all in private equity and hedge funds. And I think some folks are learning that the hard way, in this dynamic environment for endowments across the country. I think as you know well, from lifeguarding, I mean, I think there's a certain level of grit and perseverance you get from lifeguarding because you have to be on the stand all day. And then when you have to-- [SNAPS FINGERS] go to action, it's right away. You have to build it up and build into it. It's not something you can just go in one day and just do it. You have to do many reps. And you have to have it at a rate that is uncomfortable. And it's life or death. So, I think you may downplay it when you're on the stand, but when you save that person, they're not downplaying it. What have you learned from the entrepreneurs, that you've learned, that have lifeguarding backgrounds?

Robert Morier: I think more than anything, I learned the importance of communication. Communication is something, I think, becomes cliché in our industry, the importance of communication and how to communicate. But when you're having to talk to somebody who's significantly older than you or significantly more senior than you, and you're having to give them direction or tell them what to do, it takes an enormous amount of confidence. And I think there are very few jobs, early on in young people's lives, that can give you the type of confidence to be able to sit across from someone like yourself or a professor or a boss, and give your opinion and feel confident about it and not be scared, going into the conversation, and then most importantly, not worrying about it after the fact, which is, I think, what a lot of people do. We'll tend to perseverate on things for a very long time. So, I think lifeguarding and athletics have that ability to be able to bridge that confidence into something a little bit more. The other thing I think it does, which is similar to what you described about goalkeeping and being a goalie, is that it's preventative. What we do on the Wildwood Crest Beach Patrol is preventative lifeguarding. So, the idea is that nobody can go past their waist, which means that you're technically the fun police. You've got to stop people from--

Jim Dunn: Two whistles and move over.

Robert Morier: That's it, two whistles, move over, and that's it. But it's really just making sure that people remain safe. You don't get awards for that. And to your point, if you do have to go in, that's when it's a problem because you didn't do your job. You let them go past their waste or their chest. So, for me, what I found with the research, that really paralleled what you do and what a lot of the allocators do that we speak with, is communicate in a way that allows you to be able to identify not so much life and death, but the importance of a successful future. And that

successful future comes down to listening, having the difficult conversation. Now's not the right time for this allocation. Thanks for calling us. Give us a call when you come back with fund 3.

Jim Dunn: A quick no, yeah?

Robert Morier: And quick no's go a long way. Less is more. And that's what we try to stress with the young guard. So, thank you for asking.

Jim Dunn: A question I have for you though, and the follow up on that one is, when I was doing it many, many years ago, I was in much better shape. And I was working out a lot. How do you stay in shape? Do you have to do a lot of preemptive work here, to get ready for a summer on the stand?

Robert Morier: I do. Full disclosure, I'm 47 years old. I'm in prehab. I'm not even in rehab. I'm in prehab just to be able to get on the stand. You've got to qualify for the stand. I go through the same rigor that a 17-year-old does.

Jim Dunn: The run, the swim, the pool--

Robert Morier: All of it.

Jim Dunn: --the ocean, all of it.

Robert Morier: Yeah, all of it. It's not easy. But truth be told, the hardest thing is sitting, sitting for eight hours all day. So, I'm the old guy on the stand. I get up 19 times a day. I'm probably the worst stand partner that the young people have because I have no interest in sitting on the stand. I have to get up. But truthfully, it's been the best thing I've ever done. I've learned so much from it in terms of what these young people are learning because I think what they're learning, more than anything, is that non-traditional paths can actually create a lot of linearity in your career, more so than you realize, if you're open to take a non-traditional route. And I know you think the same way with your team. I'd love to hear from you, how you think about non-traditional paths.

Jim Dunn: Rob, one thing we're really proud of here is the intern program. We've had 150 interns over 10 years. And I always kid the students because the business school students come in and they want to talk about this kind of cash flows and show me their modeling skills. And we don't really do discounted cash flows here. Our job is to separate talent from luck. We're doing manager research. We're doing asset allocation, risk management, portfolio construction. They're not teaching that in accounting 2 or micro and macro. So, what we find is that the students that we attract or we have to recruit are often classics majors or psychology or medicine or pre-law because they look at the world differently than we do. And they bring a

great perspective. So not only are the educational backgrounds, but we also find that here, when we started the program, it was for athletes. And the idea was that most of the athletes at a Division I school like Wake Forest, they are trying to go pro. They have NFL aspirations. We have, actually, two interns in the NFL. We had Matt James, who was The Bachelor. So, we've had a pretty unique set of athletes come through here. But most of them don't go to the NFL and don't go to the NBA. And what we find is that athletes are great interns because they have teamwork. They're really good at time management. They understand that they have a goal when they graduate. But they don't have the ability in the summers to go and work at Goldman Sachs or Morgan Stanley or Dakota because they have summer school, and they have practice. And they're here all summer. And the idea was that they get a look at everything. They sit on the desk with us. They get risk management, asset allocation, portfolio construction. They sit in every manager meeting. They get to see sales and trading, risk management, compliance. So, we now have this universe of 150 alumni that are now all over the street, and some really impressive jobs across Wall Street and abroad. And then we have one that has come back. So, Keshav Daga was our intern, I think, 12 years ago. And he just started this year. So, we've had our first boomerang intern. But I do think, to your point, I think in our business a lot, you get a deck. And there's the bios, and has where they went to school, Harvard, Penn, lots of those. What they don't teach at those schools is grit. And kids who go through a non-target school and want to be in this business, they typically are really good at it because they've worked really hard to get there, and it's their focus. But they don't have to have four summers of internships. We look for kids that are athletes. We look for kids that are caddies, lifeguards. We want kids who have the ability to have a conversation and really do the work.

Robert Morier: Yeah, that makes a lot of sense. I appreciate you sharing that. I'm thinking about the qualitative skills that you have to assess. When you teach those interns, and then you work with your existing team, in terms of assessing those characteristics, the character of someone, what are the questions that you find that yield the most results? I completely understand and I agree with you, music, athletics, the atypical job that requires a little bit more, but when you have to go beyond that and somebody is managing a fiduciary responsibility on behalf of your clients' assets, what types of questions are you asking, or teaching your team to ask, to yield the most results?

Jim Dunn: We want our folks to be able to ask great questions. So that's a lot of what we do. And the skill of learning, asking great questions, is not easy. You're good at it. But I think it takes a lot of skill to have a young, right out of college person talk to Paul Singer and ask him questions. It's really hard to do that because he's Paul Singer. So, you have to get good at asking questions. And I think that's one thing we do a lot here. So, we've had FBI agents come in and teach our staff interrogation techniques. It's funny. We're not looking for lies. But it

does have you ask better questions. And you learn ticks. And you learn different skills. And it gives you confidence. You can ask another question. We do a thing called the FIRO-B here. And the FIRO-B is a test. It's like a personality test, like the Myers-Briggs. But it's more about inclusion and control. And the idea is, we're a small team, but we're all generalists. And we have a lot of talent here. But some of the talent is introverted, some is extroverted. Some want to be in control, some don't. But we don't have offices you can hide in. So, when you put those teams together, it's really additive. So, we've really been intentional about not only the pieces you have when you come and what we can help build for you, but also, how does it come together as a team? What's additive to the team? So, I think a lot of it, some people get lost in, I want to hire the best talent. You can't have five LeBron James. You got to have some people that are Dennis Robbins. You have to have a rebounder. So, we have really done a great job of attracting talent but also motivating them by compensation and all the benefits we offer, and then also giving them other things to do, to grow their career, beyond just a CFA. So, all of those skills, the FIRO-B, the interrogation techniques, no matter what you do in your life, that'll be a great skill.

Robert Morier: It's a really interesting approach and a great framework, particularly for running an office. When you think about your experiences, going back to Wilshire, and when you were the CIO of Wake Forest, how did those experiences inform what you're doing today?

Jim Dunn: I loved my experience at Wake. And I loved it at Wilshire. I think it was a different experience. So, at Wilshire, I was managing \$56 billions of institutional capital discretionary basis, and we advised on a trillion. So, we had a huge staff of portfolio managers and management research folks. And my role was pretty ceremonial. I wasn't really meeting with managers. I was managing the team and trying to get better results for our manager research practice. But then what also happened then, I would also meet with our clients, which are worldwide. So, I was traveling 230 days a year. I had two teenage boys, not much older than your daughters. And I missed all their sports. My son played football in the Snoop Dogg League. I didn't get one game because I was always traveling. Every time I got on a plane to go to Japan, my son would break an arm or bite through his tongue. I missed all that. So, while the job was great, as a father with two young boys, I wanted to be there. So, Wake Forest offered me that opportunity, to be there. And I will never forget when I got that first cabinet meeting, and the provost was talking about something, and I was just understanding what was going on. And he used three words I had to look up. I didn't know what they meant. There were these big academic words, all you academics with their all the word choice. But I had to figure out, what was I doing here? What could I add, as a CIO of a university, to the daily value of Wake Forest University? And what I found is that the two things that they had in common were politics. Machiavellian politics are alive and well in higher ed, in asset management, in the military. But higher ed teaches it. So,

they're really good at it. But that ability for me to navigate the politics was really important. And I think that's a skill that I've learned, I've improved, and I think I would give Wake a lot of credit because I became a better person by being on the academy side. I'm a better father; I'm a better husband because you see so much more of what the world is than just what's going on in long short equity or private equity. And I think when you're thinking about Black Lives Matter or bedbugs or basketball coaches, you have a different perspective. So that ability to navigate the politics was something I didn't have on my bingo card, but it's been well served as I've gone through my career.

Robert Morier: Yeah, I would agree. Drexel University did the same thing to me. It allowed me to come home for the first time in a long time. And I agree with you. I'm not a theorist. I'm a practitioner, thank God. But the theory does help you think critically about other things going on in the world or other things going on in your industry that might affect more than just that one security or that one investment or that one manager. So, I couldn't agree more. Before we talk about the playbook that Verger employees, as it relates to the OCIO business, would you mind taking a step back for us? When you look at the OCIO industry today, how have you seen the landscape change since really getting on the ground and running with Verger?

Jim Dunn: Yeah, I think it's been around for 50 years now, so it's changed pretty dramatically. I think even in the last 11 years we've been around, I think when we started, there were 35 OCIOs. There's 150 now. And almost every large asset manager firm is now getting into OCIO business. I think there's been two big changes. One has been, the environment has changed from an investing perspective. What worked for the last 12 years is not going to work for the next 10. Returns are going to be lower. It's going to be more volatile. And we're seeing that now. I think private equity, going into the public portfolios, 401(K)s, that's going to change private equity. It's probably going to lower the returns of private equity. But what portfolios have done-- and they've evolved. And you've seen the Yale model and the Canadian model and the total portfolio model-- what has really changed has been client service, has been what these institutions need. And I think that's been this huge difference. I don't think many OCIO firms get replaced because they have bad performance. They get replaced because they have bad operations or they have bad client service. They're not treating the clients right. And what we find with our clients, they're all non-profits, they have needs that aren't exactly portfolio related. Yes, they need the returns. They need the cash flows. But they also need help with governance and NIL and help us do a search for CFO. Or what should we look at in a real estate project that we're doing around our headquarters? That stuff is the ancillary stuff. We can help because we people in our network because we see everything. So, I think that client service model has dramatically changed. And it's not just nonprofits but across the board. And you have to invest in it. And we're very fortunate. I have a unicorn on our client service team. She is amazing. In the 30 years I've been doing this, she's the best client

advocate I've ever had. And sometimes we have to tell her, OK, we can't do time travel. That's not a thing we can do. But the ability for us to service our clients and meet them where they are and not just be a transactional part of their endowment, has been really the big change I've seen over the last 10 years.

Robert Morier: Is that what it means to be an extension of your client's office, in your definition?

Jim Dunn: It does. We're not trying to be everything to everyone. Our goal is to have 25 to 30 clients, and that's it because we want to have that same high touch, that model. And it's easier when you like what they do. Our clients are all doing incredible things, whether they're raising tomorrow's leaders, they're solving for cancer research, they're doing great work in biotechnology here in North Carolina, art museums, we love what our clients do. It's really easy to support it.

Robert Morier: How have you supported that growth? Because that's high touch. That's almost bespoke. You're looking at every client differently, particularly if you're taking a discretionary view of their allocation and be an extension of their office. So how have you seen Verger grow? What are the areas that you've focused on as you've built out the business over the last few years, particularly in this last decade of hyper growth in outsourced CIO relationships?

Jim Dunn: I think the two things would be you have to invest in your operations, and you have to invest in client service. And the client service is people. You really can't AI it. You can't do it with technology. If you do, you're going to find that you lose that relationship. Our clients all hire us because we have similar values to what they're doing, and they want to see that in everybody who works here. You can't make a mistake in operations or in K1s or taxes. And the relationships are really important. So, for us, client service is our number one focus. And that has become a high-touch model. That's created really deep value relationships with our clients. And we have, in my opinion, one of the best clients advocates I've had in 30 years. She's the first call for everything.

Robert Morier: Interesting. It's interesting you started with client service. It makes a lot of sense. Obviously, you want that experience to be as positive as possible. More often than not, when I speak to outsource CIOs, or at least I do a little bit of research in their websites, it's usually sourcing, manager sourcing. We find that manager before anybody else. So, when you think about that balance, the investment versus the client experience, how important is sourcing to how you think about the competitive edge or the value add that Verger gives to their clients?

Jim Dunn: I don't want to say it's table stakes because I don't think, for example, Verger's manager research or Mercer's or Wilshire's is much different. And candidly, ours is very similar to Wilshire's. I brought it from Wilshire. But one thing I

say, it's kind of like water, water everywhere, there's not a drop to drink. So first, as you know, we're not making 50 decisions a year. We're hiring 5 managers a year, replacing 6 or 4. So it's not like we need to have a huge database to go and look at everything, but you have to be available to see everything. And I think what we find is that 1, an OCIO gets a lot of traction. So, we get a lot of people who come to us with ideas. We also have a great network, so other endowments, other foundations. We were two calls away from basically everybody. But I do think that if I look at a large consulting firm, for example, that has a state pension client, most states have rules around every manager has to be available. So, you have to look at everything. Two guys and a dog can get a meeting. We don't have that problem. So, I don't have to see everybody. So, we turn that disadvantage into an advantage. We just focus on the managers we want to see. And we follow those 250 managers. There's a lot of managers that are just uninvestable. And sometimes they're not the small, fund 1, fund 2, Fund 3. We like those. But often it's the huge mega funds, making all of their money off the mansion fee, and not on the alpha. They're asset gatherers, they're not alpha producers. We can avoid those really easily. So, I think we've taken that ability for us to go and use our networks, identify the managers we want to go after, and then keep them on the radar screen, and build relationships with them. But we don't have to see everybody. And when I was at Wilshire, our manager research team was doing 10 evals a day, every day. How much time do you really get by doing that? We have databases, but we don't really get managers from that. I think the best source for us, for manager sourcing, is other institutions. And I think what we find is that that means we have to go and meet with them as well. So, when we're going to Boston, we're also meeting with MIT and Harvard and other investors in that area because we want to share notes. And candidly, most of the OCO firms are pretty collegial. We all like each other. We know each other. The other thing we do is we also ask our managers. So, we ask the current managers, who's your competitors? And we ask the prospective managers, well, where do you fit in the universe of people who do what you do? And we take notes. They give us five new leads. So, I do think that ability for us to not cover the beach with a bunch of bodies has been an advantage for us.

Robert Morier: Yeah, that makes sense. But even when you get 5 managers or 3 managers in a short list, what then separates a good manager from a great manager, or at least a great manager for Verger?

Jim Dunn: So, I think there's two things that we always ask, and we look for. One is, do they know about us? So, the question I always ask managers, when I first walk in the office is, where did I go to college? And if they haven't taken the time to just go on LinkedIn to see where I went to college, it's probably a waste of my time and of their time because they haven't done any work on us.

Robert Morier: So, what's the ratio?

Jim Dunn: It's pretty low. It's pretty low. I know all the Dakota folks that you've talked to, they're really good. But there's a lot of folks who aren't. And they expect me to spend an hour of my time looking at their deck and doing the pre-work and doing the research, and they haven't done enough to even go on LinkedIn to see where I went to college. And that seems like kind of a low bar. But also, do you know how you fit in our portfolio? We have a thing called portfolio maps. And we'll give a manager our entire portfolio. Where do you fit? And then if you don't fit, one of the greatest meetings we have is when they come in and they say, we're not a good fit for you, not right now. We'll come back. And they'll say, hey, but I know you're looking for a new long-short manager. I've got 3 that you should talk to, here's this and this and this. That's a great meeting for that person because we'll call them back. The second thing I would say for a manager is, we want to understand their business model. Obviously, we understand the performance and the process and the people and the prospectus, all the things that everyone looks at. But show me your business model. Where are you going to make money? If we're looking at fund 1, we're probably looking at fund 1, 2, and 3. So show me how you're going to build fund 1, fund 2. Show me your pacing model. Show me when you come back to market. Show when you expect DPI. The great thing about this job is they're all entrepreneurs. And we get to surround ourselves with entrepreneurs every day. It's exciting. But some people just go on the deck and show us the process. We're going to be partners. Show me your business. Help me understand that. And sometimes it's hard for a marketing person, and it's hard for a CEO because they feel like it's the magic sauce that they can't share. We can share ours.

Robert Morier: As you were talking, I had a thought about lifeguarding and soccer and being a goalie. A lot of time of the game and a lot of time on the stand is doing nothing but also trying to make sure that you stay in the game. You don't force yourself to do something that maybe is a risk. But how do you instill the discipline not to make changes for the sake of changes?

Jim Dunn: Yeah, I think--

Robert Morier: Because that's how you separate yourself. I'm sorry to interrupt you, but sometimes when you hear someone or an asset manager, for example, trying to compare themselves versus someone else, we made a change here, we made a change there, we did this, we did that, it's all action. So, I'm thinking about, how do you support that with the inaction, the time just to sit still?

Jim Dunn: Yeah, it's a skill. And we talked about lifeguarding. My experience, I didn't work at the ocean. I worked at a theme park, a water park in North Jersey

that was known for drunks and drowning. And so, on a summer, you made 30 to 70 saves.

Robert Morier: Is that the marketing headline?

Jim Dunn: I don't think that's what they put on the brochure but that's what we called it. And I remember my first save. I was 15 years old. I was so excited. I got on the stand, I jumped off the stand, ran in. And I realized, after I got the person out of the water-- my heart was beating. I realized I was in somebody else's water from a different lifeguard stand. It wasn't my area. I had dragged the person up the sand. I just wanted to do a save. I wanted to do it. And that's a little bit like these managers. They feel like they have to do action because everybody else is doing it. And Howard Marks has a great story. He was obviously at Oaktree, but he was also the UPenn CIO or chair of the Investment Committee. And he has this thing about, he had this manager that, for 14 years, was never in the top half of his peer group. But after 14 years, it was number 3 in the peer group because it had just been consistent. And I think the ability to focus on consistency and patience-- and now, you can't do it perfectly. And I think one of the things-- we talked about youth, younger folks here-- they want all the information. You'll never have all the information. But at some point, you have to make a trade. And you have to have conviction around it. But some of the best trades are the ones you don't do.

Robert Morier: Yeah, I agree. A lot of your clients are mission-driven nonprofits. So, when you think about how you help your clients align their investments with their broader values, particularly when time is limited, what does that approach look like from Verger? How do you think about the values of an organization and make sure that you're aligning those investments to their goals?

Jim Dunn: Rob, it starts with governance. I think we have to really help the boards understand, it's not their 401(k). Generational investing is different. It's envied. It's great. But you have to think about it in hundreds of years. And I think one of the things we talk about is, governance is so important. And most of the folks on these boards are volunteers. They're not thinking about the portfolio every day. We are, so bringing that to them and saying, this is why we think this is important. For example, we have a client that says, we're a long-term investor, we can handle volatility. But 80% of the endowment payout is their budget for their organization. So, we show them, OK, what happens if we're down 30%? How many people do you have to fire because you don't have enough money to just to pay the salaries because your distribution is now x minus 30%. And that's a unique conversation. It's not about just quarter-to-quarter basis points. It's about, all right, well, there's impact. There's real impact. And that governance, that helping them understand that endowment investing is different than what you're used to, it takes a while. And what we find is we have to do it every four years because these organizations turn over, so that ability for us to keep that message going and talking about, what

matters is the mission. No margin, no mission. So, let's make sure we have the ability to keep you moving no matter what happens. So, we'll give up some of the upside to protect on the downside.

Robert Morier: When I think about good governance, I almost think of that as a leadership skill. What other skills, in addition to governance, as it relates to leadership, do you think is most important when working with these clients?

Jim Dunn: I think one, this business makes you very humble for two reasons. One, I think the business itself, markets themselves make you humble. But also, you're sitting in front of people that are really successful in most cases. If you're a trustee of a university, you've given a big gift, you're very successful. So, it humbles you very quickly. I think the thing that we try to focus on is, let's try to understand beyond just the returns. Let's talk about, what's your next capital campaign? Let's talk about how we help your advancement team. So the ability for us to be humble enough to say, we don't know your business well enough, help us understand it, and then we'll be able to get deeper into it, that humble and hungry type analogy is really what I've learned from our nonprofit boards and what interacting with them, going to their meetings, going to the dinners, going to see their events, whether it's a play or a game, that's been really important as we think about developing these relationships beyond just what the quarterly returns are.

Robert Morier: Tell me about your evolution from chief investment officer to chief executive officer. When I think about that in music terms, I think about that going from first-chair violin to being the conductor or being the point guard to being the coach, player coach. So, when you think about that evolution, how has that been informative for you?

Jim Dunn: It's really pretty difficult actually, when I thought about it, because I really love the manager part of it. But I do think that what I've learned from the CEO is, I spend about a third of my time on business development and client service, a third of my time on investments, I spend a third of my time on culture, so on the things around here and how they do and how we build the brand, how we build the future of Verger. And I really love that part. And I didn't really think about that when I took the CEO title.

It freed me up to spend more time on that. And one of the great things about this role in what we do, we talk to great managers. So, I've never had an original thought in my entire life, Rob. I've been able to take all these great ideas from other managers that we go visit. So, if you walk around our office, you'll see intentionality that we've taken from other firms. And some of the firms, we would never invest in. But we liked this part of what they do or how they do things. And I think that's been really an important part of my growth as a CEO, is really, I take it now, my responsibility is to clear the decks so they can all do their jobs. We have a really talented team. And the more I can do to let them do what they do well and

take some of that off that they don't have to do, that's really an important part of what I do.

Robert Morier: Someone once told me, it's a skill to what shoulders to stand on. So, I think you're giving yourself less credit than you deserve. It sounds like you've done quite a bit. You've served and continue to serve on multiple investment committees and advisory boards. When I think about advisory board, particularly advisory board decision making, it tends to be very much consensus oriented. So, when you think about group decision making and reaching a consensus, how have you carried those lessons into Verger, that experience that you've had, outside of the organization?

Jim Dunn: Yeah, I think it's been instrumental. And I highly recommend it. I think when I think about the mutual funds I've served on, sitting with 3 other CIOs of universities on that Board was hugely instrumental in thinking about how we get to a decision. And I think the number one thing has been communication. You mentioned it earlier, the ability to communicate in a way that isn't off putting isn't defensive, isn't aggressive, but be able to ask questions the right way, but also understand how other people operate. You can't often deliver the way you would deliver because they don't take it that way. So, you have to work through that. And I think the more practice you have, the better. What I found, also is consensus building is a bit of an art. But sometimes you can't get there. So, then you still have to decide. And I think what we do at Verger is, we all have a great relationship with each other, and that we trust each other, that we can have those candid conversations that I don't agree with you. And here's how we should look at it. Let's think about this differently.

Robert Morier: You were very grateful in giving me a tour of the office before we got started. I did not see a crystal ball anywhere, but I'm going to ask you about the future. When you think about emerging trends in the industry, particularly as it relates to outsourced CIO, it has grown significantly. And there are always new opportunities, but there are always risks as well. So, when you look at those two, what are some of the areas that you're most focused on right now, as it relates to today, going forward?

Jim Dunn: The business or the portfolio?

Robert Morier: A little of both.

Jim Dunn: OK. I think for the business, I think we're very proud of just focusing on nonprofits and our boutique nature. And I think there'll always be space for boutiques. But at some point, you have to be able to be available to take more clients. And I think that's what we're finding. The RFPs we're seeing now have been less about, I'm new to OCIO, is I'm replacing an OCIO that I didn't like 10

years ago. So that retraining has become pretty prevalent. So, we do a lot of work on, why are people getting fired? Why is this OCIO firm losing all these clients? And a lot of it is, they've gotten too big. So, I spoke to a large bank OCIO the other day. And I asked them what their investment, was very candid with the CIO, who I know. And I said, what's the investment process like? He's like, simmer. Just simmer, just hit the benchmark. Don't add a lot of alphas, but don't have big draw downs. Just simmer. So that's not really a great, one, for your clients, but also for people on your team. Benchmark hugging doesn't seem very exciting. So, I think that's number one, is a lot of these firms have gotten really big and they're just focusing on asset growth and not alpha. And we really have focused on alpha. The second thing I do think is that a lot of these teams, it's almost a math project. It's not about trying to find best managers and have good relationships. It's about optimizing the spreadsheet that they have or the AI model they have. And when you do that, everybody has the same portfolio, you're not going to outperform. To have extraordinary performance, you have to have an extraordinary portfolio. So, if everyone's doing the same thing, all the same Yale model, all the same managers, all the same stuff, it's really hard to differentiate yourself. So, you're going to have to do something different. And I think that's where we focus on. We can still be different at our size. And we don't want to be \$100 billion OCIO. That's not our goal. Our goal is to have great alpha for 25, 30 clients, and that's a great little business. So, I think the other thing that I would say, the other trend on portfolios is, there's a lot of equity, whether it's Mag 7, private equity, public equity. So, all these portfolios have gone from 60/40 to 70/30 to 80/20 because that's what's worked in the last couple of years. If that doesn't work, it'll be really hard to unwind. You can't just trade out of your private equity. And you're seeing, the last three years, private equity has been challenged. How about private credit? When we look at these private credit portfolios, a lot of them have high pick rates, where when there's distress, that becomes equity. So, your correlations go to 1. And then what are you going to do? Because these schools and these non-profits still need that 5% spending. It keeps the lights on. You can't say, well, we're not going to spend this year. So, it's really, I think, the trend of equity-focused, US-focused Mag Seven, private equity, private credit has been a trend that we're really watching very carefully, very closely.

Robert Morier: Thanks for sharing those views, Jim, I appreciate it. We're getting close to the top of the hour. So, I always like to finish, maybe as we said before, on the shoulders, so those mentors, those people that have influenced you over your career, who are some of the people that have been most influential? And how important is that relationship, the mentor relationship to you, when you think about the people that you've mentored, as well as the people who have mentored you?

Jim Dunn: Yeah, I think it's a critical part of this business. It's people still. It's still a relationship business. So, I've been very fortunate to have incredible number of mentors. And I think I would also say that I've learned a lot from bad leaders as

well. I've had some bad ones, too. And you learn from those as well. And so, I think if I think about my career, and I in my career, put it in three buckets. And its geographic buckets. One is the Philadelphia. And its cliché to say your parents and coaches, but when I was in Philadelphia, I had three really stellar mentors and friends. One was Mimi Drake who you might know. Mimi worked in the cubicle next to me. And she was worked at Miller, Anderson, and Sherrerd, and was a couple years ahead of me, and just brilliant. She was a number one squash player at Trinity, which is the top squash program in the country, if not the world. And she just taught me. She had such grace about how she did things and how she treated people. And I would just take notes about how she was on the phone with people and how she was handling phone calls. So, Mimi was great. And there was a guy named Jerry MacDonald, who you might see at the Dakota offices. Jerry Mac is a Wildwood guy, a Cape May guy, and he was in a rock band and a pretty well-known rock band. And he would go and do shows in New York City at The Limelight or The Knitting Factory and play till 2:00 in the morning. And then he'd come back and coached soccer at 8:00 AM. And he taught me more about being a parent and being present than I've ever had in my entire life. And third was John Culbertson. John Culbertson was the guy that interviewed me in my first job opportunity, right out of school. I was still in school, actually. And it was a program trading job. And he made me read *The Den of Thieves*, *Barbarians at the Gate*, and *The Art of War* for the interview. And it's funny because now, *Barbarians at the Gate*, that was about RJ Reynolds, which the headquarters was right there. So, I read it, and he didn't ask one question. And he didn't hire me. But fast forward, he's now on the Verger board. And he's head of the Compensation Committee. So that experience with him has come full circle. If I think about California, I had Larry Davanzo at Wilshire. I had the late Scott Minerd, who became a close friend at Guggenheim. My friends in California would always sort of laugh at Scott Minerd because here's this guy who's this hulking bodybuilder, that we'd see at the local restaurant in Malibu. And then they'd see him on CNBC the next day. It was an interesting dichotomy, a really interesting guy. And then here in North Carolina, I think I've had the privilege of working with academic leadership. So, Doctor Nathan Hatch, who was at Notre Dame and then at Wake for 16 years, helped start Verger. And I learned so much about how his model, it wasn't about command and control, it was about hiring great leaders and letting them do their thing. And that's the thing we've done here at Verger. So having the ability to sit-in front of college university presidents who are basically mayors of a small town, and see how they lead, has been really, really a big part of my career, and then David Dupree, David Dupree, who's the founder of Verger, has just been an incredible resource to me. He was the eighth employee at Carlyle. He's seen everything, and has been so down to Earth and so helpful for us as we think about all the challenges around, how do you start a firm? How do you fund raise? How do you deal with board dynamics? And he's just been a great champion for Verger. So, I've been very fortunate to have a number of mentors. What I've taken from that is, it's a responsibility. It's not something you can shy away from. You have to do it because

you want to send the elevator back down. So, I try to do it as much as I can. I think that you can't pick your mentors. You have to live in it. And as much as I want to be mentored by x,y,z, that doesn't fit. So, I've been very fortunate to have the intern program, to have a bunch of folks here. But I've also had the ability to work with a number of folks that are in our industry, that maybe work at other places. And I think that's been really helpful for me to build a relationship with other employees and CIOs and CEOs at other places. So, I have this little kitchen cabinet of friends and mentors and mentees that we can bounce ideas off and have those conversations that I can't have with my CEO or my board. I can have that conversation with this group. And so, it's really valuable.

Robert Morier: That sounds like a good cabinet. So, it's a good day. You just had a successful podcast. Maybe you want a new account. What song is going on the radio? What song is going on your earbuds on the way home?

Jim Dunn: That's a good question.

Robert Morier: I have a feeling music is important to you.

Jim Dunn: Yeah, it's interesting. I have a pretty eclectic music taste. So, I'm a Police fan, so I'll go with "So Lonely." But that's not really a very good one to do when you have a big successful close or a big, successful podcast. I mean, probably today, because you're a Philly guy, I might go with Pink, "Get the Party Started."

Robert Morier: You're getting the party started.

Jim Dunn: It's Thursday, it's Philly. So, I might go with Pink.

Robert Morier: What was your first concert?

Jim Dunn: My first concert was Don Henley and the New Bohemians.

Robert Morier: That's a good one. One final question for you. What advice would you offer to young professionals? You've had so many who have come through the offices. You mentioned 150. Particularly those from underrepresented backgrounds, who aspire to those leadership roles in the investment world, what's the advice you're trying to instill in them?

Jim Dunn: What I try to say is, say yes. I think when I look at my opportunities in my career, it's been saying yes to things that I wasn't comfortable doing, whether it was trading at night or trading Japan or helping a CEO put his desk together one evening or fix the cable on the TVs on the trading floor. All those things have led me to doing something else and being able to say yes. Say yes. When I was at

Wilshire, I was the hedge fund guy. And I was asked, would you like to be the interim CIO? Yes, didn't even think about it. I had no business being the CIO, but I figured it out. So, say yes. Get yourself in harm's way. The only way to grow is to put yourself in difficult situations. And when you look back, you'll really enjoy the fact that you were able to conquer some things that maybe you weren't sure you could do.

Robert Morier: Yeah, great. Jim, thank you so much.

Jim Dunn: Thank you, Rob.

Robert Morier: Thank you for hosting us here in Winston-Salem, in your offices at Verger. Thank you for answering our questions, taking the time, the second time the Verger's been on Dakota. We appreciate that as well. And congratulations on all your success. We wish you nothing but future.

Jim Dunn: Thank you very much for coming. And congratulations on the success you've had as well. Thank you for providing this space for asset management firms and for folks that are looking to grow their career.

Robert Morier: Thank you. And best thing I've ever done, and this has just made it better. So, thank you. If you'd like to learn more about Jim and Verger Capital, please visit their website at vergercapital.com. You can find this episode and past episodes on [Spotify](#), [Apple](#), or your favorite podcast platform. We're also available on [YouTube](#) if you prefer to watch while you listen. And if you'd like to catch up on previous episodes, please be sure to visit our website at dakota.com. Jim, thank you again for joining us. And to our audience, thank you for investing your time with Dakota.