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EPISODE 170:

**Inside Foundation Investing
and the OCIO Model | On
the Road at Georgia State
University**



Robert Morier: Welcome to the Dakota Live podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, and other industry leaders to 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 its supervised 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, once again, we are on the road. We are thrilled to be here in Atlanta, Georgia at Georgia State University. We have an incredible panel that we're going to introduce to you in a few minutes. More importantly, we have incredible students who are in the audience. Who are listening to this live. Uh, they are part of a student-managed fund here at Georgia State University, and that's been one of the themes that we've carried forward in this podcast. When we come to universities, we meet with students who are responsible for real money and real assets and real decisions. And more often than not, we are thrilled to hear how they think about investments, how they think about deploying capital, and how they think about conveying those messages. Just a personal anecdote. Drexel University has a student-managed fund. It's about 15 years old. It is the best performing fund in the endowment over those 15 years. It's outperformed the professionals. We still don't know why. So it might be luck. It might be the fact that they're only with us for a semester, but it's very important to us to highlight you all as students and to bring you onto shows like this so the industry knows what's coming next. So we are thrilled to be here. We are thrilled to be at Georgia State University, and we are thrilled to be recording the Dakota Live podcast here. One of the goals of this podcast is to help you

better know the decision makers, the people behind the process, but as importantly, the relationships. You heard from an earlier speaker this morning that it's all about people, it's all about network, it's all about relationship building. And you never know when that's going to start. And that's what's so important. We're going to ask them when these relationships started, how Degas ended up as a professor here at Georgia State, how Markus and Holly became partners as part of the foundation's assets. But before we do that, I'm just going to introduce them very briefly, and then we are going to open it up to questions to our panel. Well, joining me today are three very special guests. To my left, Holly Sailors, Interim CFO and Comptroller of the Georgia State University Foundation. She is responsible for the financial stewardship and reporting of the foundation supporting the university's mission. Markus Krygier, Co-Chief Investment Officer at Strategic Investment Group. They partner with institutions on governance, portfolio construction, and implementation as an outsourced chief investment officer and OCIO, which we'll hear more about over the conversation. And last but not least, uh, Professor Degas Wright, chief investment officer of Decatur Capital Management and the executive in residence at Georgia State University working with the student investment fund that we had mentioned before. Thank you all for being here. We are grateful for your time.

Holly Sailors: Thanks for having me.

Markus Krygier: Great to be here.

Robert Morier: Well, let's start very simply, Holly, for the students in the room who may not fully understand it yet. What does the Foundation actually do within the university?

Holly Sailors: Well, we're not within the university. What we do is we take the philanthropic dollars that the fundraisers work so hard to raise, and we steward them, and we direct them to where the donor intent has been set forth in the agreement, and we just make sure we're spending it, you know, we're following laws, we're following IRS guidelines, we're following donor intent, and more importantly, we're getting dollars out to you guys in scholarships, but we also support programs and operations in the departments.

Robert Morier: What does the stewardship of the Foundation actually look like on a day-to-day basis?

Holly Sailors: Well, I'd say that's in our processes, you know, booking a gift correctly when it comes in, making sure it's got the right fund, the right coding, whether it's an endowment, which is permanently restricted or unrestricted, and

then on the accounts payable side, because that is how we get most of the support out, right? We're getting money to the university, we're getting money to vendors, having a well-trained staff that understands our policies, our spending policies, understands IRS guidelines, and knows to look at the project information in our GL system to make sure it's permissible use of the funds.

Robert Morier: So when you were an undergraduate, is this what you thought you'd be doing?

Holly Sailers: No. It was not.

Robert Morier: What did you think you'd be doing?

Holly Sailers: Well, I was going to own my own business, and I did have an own business.

Robert Morier: You did?

Holly Sailers: Yeah.

Robert Morier: Did that— does that entrepreneurial thinking pop up or come up in your day-to-day?

Holly Sailers: Yes. I'm sure some of my colleagues that are here with me today, people may say I'm a little assertive, but when you have to go out and vie for business, you just have to be willing to say what you need to say.

Robert Morier: That makes sense. We heard earlier from a guest that's part of a fireside chat that careers are a marathon. Is the management of a foundation a marathon or are there little sprints within it that you need to manage day to day? So how do you manage the long-term goals of the foundation while still getting through the operational realities of what the university needs?

Holly Sailers: I would say it's a marathon, especially when you're talking about the philanthropic dollars that are supposed to be here, you know, for another 100 years. And so it's a marathon. We have fires just like everybody does day to day. But for the most part, we partner with great people like Strategic and they're the ones really helping the day-to-day market activity. And we just go back to our basic foundational documents to guide us.

Robert Morier: And what are some of the risks that you find that come up in reality of the day to day that don't necessarily show up in a textbook?

Holly Sailers: Well, I'd say reputational is something you don't really think about when you're in school, but just responding to situations, responding to emails, communicating something to a donor, you know, you have to be careful in how you craft your response because what we say is really, it could be construed as what Georgia State says, right? And you got to always be mindful of your communications. So I'd say that. Was something I didn't really think about when I was younger.

Robert Morier: The foundation is, we're about to meet with Markus, has external partners.

Holly Sailers: Mm-hmm.

Robert Morier: So when you think about building those partnerships, what are some of the attributes that you look for in an organization that makes for a good partnership?

Holly Sailers: Well, I would say leadership, integrity, you know, vetting the leadership team and the firm, their track record. Which was talked about at the fireside. What is their historical performance? You know, certainly don't wanna read about 'em in the newspaper other than the phenomenal job they're doing, right? So yeah, I would say performance and integrity.

Robert Morier: Thank you so much, Holly. We appreciate that. Markus, when you're working with a foundation like Georgia State University, you're in that first meeting, it's, let's say, we'll role play for the students in the room. You've come here for the first time you're meeting the foundation, you're meeting staff, maybe you're meeting the university's president. What are you trying to convey about your firm that makes you a good partner for someone like Georgia State?

Markus Krygier: Right, and Holly already gave me a little bit of a roadmap with her answer. I think it is very important to demonstrate two things. First of all, that you are a subject matter expert in managing a portfolio. That's of course our responsibility and that is something that we have to demonstrate, but it goes beyond that. We have to demonstrate that we can be a trusted partner, a trusted long-term partner to the university, because the investment program, um, has to be in line with that long-term focus of the foundation, of the endowment. And, uh, you cannot run a, a long-term, um, investment program if you change your partner every 12 to 18 months. So it is very much a process of It's a little bit like dating, right? You try to get to know each other and you try to understand where are the preferences of the other side and are those preferences compatible. So that's a very, very important part of that process.

Robert Morier: That makes sense. And what problem are you trying to solve for a foundation like Georgia State that you're working for? Holly mentioned performance, and that's usually one of the first things we hear about. Probably one of the first things that the students are taught. How did that stock perform? But what are you trying to solve for with this relationship?

Markus Krygier: Well, in the most general ways of describing it, we're trying to help Georgia State to get the best possible outcome for the institution and the mission. And of course, everybody really loves the institution, the mission. We want to be a part in getting the institution in that direction. Now, our focus is on the endowment, and we are trying to deliver the optimum outcome, the optimum returns from those funds that the university has at its discretion and is managing the long term. Now, when it comes to that OCIO relationship in particular, it is a matter of making sure that the funds are safeguarded. So we try to preserve corpus on the one hand, but we also try to grow the corpus over time for future generations. And then on the other hand, we are working with Holly to make sure that the endowment can provide support to the operation of the institution here and now. So it's that, it's that intertemporal idea. Now, What we are trying to solve for in particular is a resource constraint on part of our partners and of, in this case, of Georgia State. In order to run an endowment in such a way that it optimizes the returns, you have to invest across all asset classes, you have to invest globally, and it takes a lot of resources to do that. It takes a large investment team to cover all of those asset classes in a proper manner. And very often the size of investment team that's required to do that would take the resources of the institution to the limit. So what are we doing? We are pooling together resources of different institutions and as such are then able to provide our partners with access to an investment team, 40-person strong just on the investment side, 100-person strong across operations across technology, which then hopefully will allow us to generate those returns. So it's a, it's a resource constraint ultimately that we are trying to address with the OCIO model.

Robert Morier: As effectively an extension of Holly's office, what or how does a strong client relationship look like? Because the students will hear a lot about the client experience and being a good client service or a good client to your partner. But what does that relationship look like in, in practice as an extension of Holly's office? His office?

Markus Krygier: Yeah, this is a great question because it actually goes back to something that Holly already mentioned. Ultimately, the objective is to have a trust relationship. Now, as Holly reminded me over our breakfast that we all had together this morning, is trust needs to be earned. Now, how do you earn trust in

an environment of managing a portfolio? You have to communicate incredibly well. You have to explain what you're doing because you're given discretion over parts of the investment program. Now, communication, good communication requires transparency. You have to explain what is going on in the portfolios to give the investment committee, in this case, a chance to actually oversee and monitor our activities. So that's really important. And if you want to sort of take it one step further, how do we get there? How do we generate this oversight, effective oversight? And you'll probably hear me say that, you know, over and over again, it's questions, questions, questions, and answers, answers, answers. You have to build a relationship that allows both sides to ask questions without feeling that these questions are out of limit or not feeling confident enough to ask questions. And every question needs an answer. And once we get to that point, we already covered a lot of ground in terms of defining that trusting relationship.

Robert Morier: Thank you for that. It was such an insightful fireside chat earlier that it inspired a couple other questions, and one of them was that the guest speaker had mentioned consultant— consultants and consultancies being good places to start your career. When I started my career, there were about 140 investment consultants that did advisory consulting. So they weren't— they weren't necessarily part of the governance process, but they were there advising, doing the research, giving recommendations to Holly. Today there are about 60. So that, that part of the market has shrunk demonstrably. However, your part of the market, outsourced CIOs, so a discretionary consultant has gone from about 60 to about 160 today. So you've seen this really interesting movement that's happened pretty rapidly. So when you are talking to students or young analysts about the difference between advisory consulting and discretionary, so discretionary, non-discretionary, What do you see as the advantages of the OCIO market or relationship relative to the traditional model that benefit the job and benefit the client?

Markus Krygier: Yeah, that's an interesting question. May I speak to that?

Robert Morier: Of course.

Holly Sailors: Well, because I've thought about that too, and this is my first instance of a consultant attached to it. So our assets are actually custodied at Northern Trust. And in my past experience, the advisor has been attached to the custodian of the asset. So it's been really great. But one thing, and we've talked about it in terms of resources, you have to be a pretty big endowment to have your own in-house OCIO, your own in-house CIO, because those people are super smart, they're super talented. As you guys are going to find out, they're

going to make a lot of money. And it's hard to have that kind of budget for an institutionally related foundation. So to outsource, you know, just like you said, we're leveraging that resource. But the other thing is, think about it if you were a board member and you were on that investment committee and you're not paid a thing, it's all volunteer just 'cause you love Georgia State. There's a risk that you're taking by being on an investment committee. Well, there's a risk being on a board, period. But so by having this OCI model, you're spreading out some of that risk from the individual board member to the OCIO. Because think, you know, these trustees, they're usually very high up in their companies, very super successful. They don't have time to really watch the market from the minute it opens to the time the bell closes, or look around the global settings and say, well, oh, we need to sell this stock tomorrow morning, right? And then that means they'd have to be able to get in touch with me, 'cause that means we'd have to be the traders, right? So it's just a good model for risk, spreading risk and letting the professionals do what they do.

Markus Krygier: Maybe to add one observation to the point that Holly made, and this goes back to your question about advice discretion, maybe just to sort of define those terms. I mean, advice being basically telling you what to do, what is a great option in the portfolio. And very often, advice is administered with a couple of different choices that are then made by an investment committee. Now, the implementation of the portfolio is actually pulling the trigger on making the investment. And hopefully everything is safeguarded by, by good governance that holds everything together. Now, if you, if you distinguish between the consulting model and the OCIO model, the big difference is the actual discretion. It's the discretion to decide what, particularly on the manager side, what is the most suitable managers for a particular, for a particular purpose. What we like about the OCIO model is the fact that advice and discretion are in one hand, and what that creates is accountability. So very often you— well, we find situations where advice was given and then the choice was made by a committee that probably had different preferences. And then at the end of the day, the question was, when something didn't work out, who actually made that decision? Who chose?

Robert Morier: Now—.

Holly Sailors: Or who didn't act in time.

Robert Morier: Exactly.

Markus Krygier: And as Holly described and explained, in an OCIO context, you know exactly who made the decision and you have that alignment. You have accountability and alignment of interests. That's very important.

Robert Morier: Thank you so much. I appreciate that. Degas, how do we teach all of this? So now you're with the students, right? And you have to teach fiduciary responsibility. So as a professor here at Georgia State University, as the executive in residence and as an asset manager, what does that process look like? And you get to reteach your students who are in the audience with us.

Degas Wright: Right.

Degas Wright: Well, you know, Rob, what I think about is I think about the mnemonic PILOT. If you think about PILOT, the P stands for prudence. You have to act with care. I is for integrity. You have to build trust for your client. Then L is the ability to have a— it's around the concept of being really focused locally on what the problems are. And then O is be objective. You have to only use facts. As you pointed out, other things could come into a trustee or boardroom that's not focused on the facts. And then being transparent. And so, and because you want to be able to share information with your client, you don't want to hold back any information. That client should know everything about that portfolio, that fund, as possible. And then if we take this back a step, being a fiduciary, you're really the pilot flying that client's airplane and you're responsible for that client. And it's not so much your responsibility for yourself, it's for that client that's on that plane.

Robert Morier: Using that framework, how do you teach a student how to be an investor?

Degas Wright: Well, okay, so now I have another framework.

Robert Morier: Is there a PowerPoint somewhere nearby that I should be firing up?

Degas Wright: And so then we look at— I really focus on the, uh, the word lead. You know, the L stands for leadership, and we just talked about this last week. Leadership. You want to be the leader that you want to follow. E is education. You want to learn as much as you can, as long as you can, while you can. A is for analysis. Uh, Markus, you mentioned this. You want to be able to ask the difficult questions and continue to ask the difficult questions. And then D is discipline. You have to trust the process. And so if you can think about LEAD and really internalize that, you really become a investor, and you become a very good investor by doing that.

Robert Morier: How about governance? How do you teach students responsibility? We call it governance in the industry because once we get in the industry, we have to have clever names for simple concepts, but it's responsibility.

You're responsible for other people's money. You're responsible for your teammates. You're responsible for your partners. But when it comes to governance, how are you applying that in the classroom?

Degas Wright: Yeah. So, and I go back to the word discipline. You have to have discipline around your process. And what happens is that typically people would be very— it's very easy for everyone to follow a process when the market's behaving well. But what happens when there's stress in the market? That's when you really find out about your discipline, your governance. And if it's been on a weak foundation, that's when it starts to fail. That's where you start seeing the cracks. But if you have a strong discipline, that's— and it comes through in times of stress, that's when it really adds value. So we really talk about discipline, trusting the process.

Robert Morier: That makes sense. Thank you for sharing that.

Markus Krygier: Maybe just to share an additional point to that, that illustrates some of the point that Degas made. When we form relationships with our clients, and now that happens usually over the course of the entire sort of financial cycle, but there there is one, one episode or one set of occurrences that actually increases activity, search activity, and that is after a crisis. Because a crisis, as you just described it, is a stress test for the governance of an institution. And very often institutions find themselves lacking in governance, in discipline. And then often they say, well, what's a way to cure that? Well, let's go into the market and find a partner. That can help us to actually shore up governance.

Robert Morier: So where does governance show up in the foundation?

Holly Sailors: Well, I'm glad you asked because otherwise I was going to have to hop on there. But because we were talking about this at breakfast too. So from my perspective, governance are your founding documents, our bylaws, which sets forth what the board is supposed to do. It sets forth what the officers are supposed to do, the committees are supposed to do. And then in the context of investments, we have an investment policy and it's pretty involved. It talks about not only the investments and allocations and all that stuff, but planned giving gifts, CGAs. It talks about the Alumni Association who we hold funds for too. And that is reviewed just about every year. I know we went through one when Strategic came on and we made some modifications to be able to align with their platform. Or their performance reporting. And that is revised and reviewed usually in a calm setting, you know, outside of a crisis. And when a, so when a crisis happens, that board, that trustee committee, they can go, the investment committee can go back, okay, well this is what we said we were gonna do. And it allows for some

ranges in these asset allocations. So our partner Strategic can move around within these asset allocations. They can go to a low end of the spectrum or high, but overall we want to stay within these targets. But so it's those governing documents, and even when we were talking about day-to-day, we have expenditure policies. So good government governance comes back to your policies and everybody knowing what they are and understanding their duty to those policies to be in place. And hopefully you have them in place before a crisis hits.

Degas Wright: Exactly.

Robert Morier: Markus, I got a sneak peek of your marketing materials and your firm often emphasizes governance as central to outcomes, but how does that really show up in meetings?

Markus Krygier: It already goes back, it goes back to some of the points that we made, that we made earlier. The meetings are absolutely crucial for the long-term success of an investment program. So The communication is absolutely important. Communication against the backdrop of an understanding by everyone what the rules and responsibilities are of everyone in that program. Holly just mentioned the policy, the policy document. So strategic asset allocation is ultimately in our case, in the hands of the institution of Georgia State. We are advising, we are providing input, we are trying to run different scenarios. As we said earlier, manager selection is— that is our responsibility. So absolute clarity means that we're not wasting time in a meeting, in a precious quarterly investment committee meeting on talking about the wrong thing. Because the institution has, as laid down in the governance documents, an oversight function. So what is ultimately— it's a question of what is important to be an active or to actively oversee what we're doing. Well, it's an understanding of roles of responsibilities. It's the ability to have all the information at your fingertips. Very important. And it takes us back to having also very effective meetings, very effective investment committee meetings where everybody walks out of that meeting smarter than they were before they walked, when they walked into the meeting in terms of what is going on in the portfolio, what is going on in the program, where the risks and where have the changes been that we need to understand. In the portfolio. So communication, transparency, trust again and again, you'll hear that over and over again.

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traveling and hosting events in the investment industry for over 25 years. Log in to Dakota Marketplace today to see how Dakota Recommends can help you make your next trip better. For the students who may not be as familiar with your business, generally speaking, how many clients do you have? And then on average, how many asset managers are represented in each one of those clients? And there's a question behind that, but I'll, I'll, I'll set the stage first.

Markus Krygier: Right. So at the moment we have, we have 37 client relationships at Strategic. So you might be surprised, you probably would've expected it to be a much larger number. When you think about the, the private wealth industry, they're like, you measure your number of clients in the hundreds or sometimes even in the thousands. What that reflects is our desire and our objective to really get involved and get into a partnership with our clients. Sometimes it's called, our model is called the white glove service in the sense that we really spend as much time as necessary to establish the relationship. If you go to the portfolio, what is a typical number of managers in a global multi-asset portfolio, you can easily get up to 80, 80 managers, 100 managers, depending on how many private market relationships have built up over time. But in every asset class, you will find anywhere between 6 managers on the fixed income side, maybe 15 to 20 managers on the public equity side, another 20 managers in hedge funds, and then the rest, the remainder is distributed over private markets and some opportunistic strategies.

Robert Morier: That's very helpful. I appreciate that. And I'm setting the stage for Degas because Degas has two hats. He is a professor, but he's also an asset manager. So now Degas, you're going to call our friend Markus and you want to introduce your business to his business. What are the attributes without directly selling the caterer?

Degas Wright: Yes.

Robert Morier: But what are the attributes that you are trying to demonstrate to him as quickly as possible about your people? Because we keep talking about people. We keep hearing about people. Right. Exactly. So what are you two— if you think about these students in the audience, they're trying to convey who they are, what they do, how successful they've been. Whether it's a GPA or their, you know, their internships, whatever it is, what are you trying to convey in that 10-minute conversation about the people that work with you?

Degas Wright: Exactly. I mean, great question because what I will be sharing with Markus is that one is that we talk about the people and the strength and the integrity of the team because they're responsible for the process and the

performance. And so you have to first trust your team to deliver. And that's what we would have to get over to Markus in those first 10 minutes, is to understand that this team is responsible for the process and the performance. And then usually what happens is that that's a short conversation on the first part. We spend a lot more time talking about the process because as a consultant, performance comes and goes because it's a cycle. But if you can trust the people and also understand the process, you become an advocate for us in those boardrooms with a meeting with the clients because you could say, well, this particular quarter, uh, Degas may have not performed as well, but I really believe in the process and the team, the people.

Robert Morier: It makes perfect sense. Thank you for sharing.

Holly Sailers: And that's happened before, if I could just—

Robert Morier: Please—

Holly Sailers: Where, um, again, when we have this discretionary model, not necessarily strategic, but in previous institution, you're looking at some, you know, 1, 3, 5, 10 years performance of managers and something happened. It was like, well, what happened there? And the advisor sometimes can give some real insight like, oh, something happened at that manager. And I don't know, like maybe unfortunately a founder died or something like that. But you look at the long-term too, not just this year, but how did they perform over time. Because yeah, like you said, things are going to go up and down.

Markus Krygier: Yeah.

Robert Morier: It's amazing how often we go back to the long term. You know, I don't know what flight I'm going to be on today, but we have to think about, you know, 10 years from now. And it's such an interesting discipline in the industry. You're constantly asked about the long term. But I'm just thinking about the near term. So now, Degas has pitched you, and I do want to say for our students, this is such a unique conversation. Asset managers pay a lot of money to hear these types of conversations up front. No details around the strategy, but when it comes to underwriting on behalf of one of those 37 clients and one of them happened to be here. So you hear about the process, you hear about the people. What does it look like for you and your team when you go back to the lab and it's time to underwrite? What are, what are you looking for? Not so much what he said, but what are you looking for to inform the next conversation? Right.

Markus Krygier: You mean the underwriting of a manager? Correct.

Robert Morier: That, that we, that we pick. Correct.

Markus Krygier: Yeah. I mean, when we, I think maybe very briefly to, to, to give you a sketch of, of the process of, of manager due diligence, I always like to break it down into, into 3 pillars. There is science, there's art, and then there's operations. So the science portion is, to take the data, the track record that Degas will share with us, and of course run it through our models, run it through our analysis to understand, for example, whether the performance of Degas's portfolio was the result of one lucky hit two years ago, or whether it is the product of many small decisions that went right. Why are we interested in that? Because that gives us an idea about whether Degas will be able to replicate that performance going forward. Art is very important, and art goes to the point of understanding the incentive structure that governs that asset manager. To Holly's point, Is the founder still involved, still motivated to, to run the company going forward? What is the relationship between the seniors and the juniors? Is it a productive relationship that gives us confidence that this will be an ongoing successful business? And how strong is, is the research component that will drive the search for new strategies or the evolution of the strategies. And then the operational side is very important, often the unsung hero. We have our operational due diligence person internally has sometimes the nickname, he's the bulldog. He goes out to stress test the systems, in this case at Degas' firm, to understand whether the trading setup is stable. Whether it's disciplined and whether we have to be worried about bad news that might be showing up in the newspaper as a headline that fund so-and-so had a major mishap. So these three elements are very important and that's where we spent a lot of time. And maybe one more sort of nugget we usually throw, and I told you we have 40 investments, members of the investment team, we throw the most experienced individuals in the team at leading the due diligence effort. That's very important. So we want to make sure that we're evenly matched when we walk into Degas's office and he tells us about his strategy, and we want to be able to go toe to toe with, with, with Degas and his team.

Robert Morier: That makes sense. Thank you for sharing that. I'm thinking about our students because what's— I've thought about this is the story, is distilling the message. We talked about how important it is for you to take something that's very complex, right? Asset management, security selection, private markets, you know, analyzing a K-1, whatever it is, and having to tell that story. So I don't know, as students, did you ever have to line up with each other? Someone starts, a teacher gives you a short story, and then you have to pass it down the line. And by the time it gets to the last student, it's a completely different story. That doesn't go away. That stays even when you're a professional in your career. So the story

that Degas tells, which you have to distill into something that Markus can carry to his senior analysts, then that you can carry to your client, and then that your client can carry to your board. That is a difficult art. Distilling is challenging. So maybe starting with you, Degas, and we'll go down the line and hopefully the story doesn't change too much. But how do you distill your message, your strategy in a way that it checks those boxes, but the complexity doesn't get lost?

Degas Wright: Yeah. So one thing that the students may be able to relate to when you talk about complexity, if you think about that discounted cash flow valuation model, if you use it, it's really good because you can then talk about assumptions. One of the things, as we talk about our performance, we talk about our assumptions, and then we also talk about the drivers for that assumptions. So just like in a discounted cash flow where you're putting in all those assumptions, you're putting in the drivers. And so that's what we will talk to Markus and also maybe present to Holly one day, the, you know, that aspect of it. But the key thing though is that I have to now understand those assumptions and be able to explain those assumptions and drivers. Many times we use complexity to really cover weak thinking. And so we have to step away from that discounted cash flow method and really think about what's the underlying core reason for that assumption and how will that be a driver? And do I understand the outcomes and be able to explain that outcome to somebody like a Markus or to a Holly.

Robert Morier: How about yourself, Markus? You've now got to tell the story, not Degas' story, but you've got to tell a story, a recommendation.

Markus Krygier: Right. And in this case, the recommendation would be mainly on asset allocation, but because we have the discretion to pick the managers, but we still communicate, for example, why we have manager XYZ in the portfolio or not. And it's actually just a carbon copy of what, what what, what Degas just explained. And I like your comment about complexity and sort of the opposite, trying to simplify something. The way we think about complexity is that complexity can have its merits when you think about strategies that go into the portfolio. There are many hedge fund strategies or, or quantitative strategies that are very complex by nature. However, when you build a portfolio, you have to be able to communicate the nature, the core of that strategy in terms that are accessible for all stakeholders in the process. And I always tend to say, if you cannot explain it in simple words, then you didn't understand it. So that transition, that sort of translation is very important. And I think complexity needs to be addressed very, very thoughtfully, not too much and not to obfuscate one's inability to explain something in simple terms, but it is ultimately to communicate to communicate why something is a good fit for the investment program. And that needs also to, it

needs to include the understanding of the institution. There might be red lines that an institution has with respect to some strategies or some managers must be clearly understood.

Robert Morier: You have all these stakeholders that you have to communicate to as well. How do you distill that complexity?

Holly Sailors: Well, I feel pretty lucky I don't have to because our OCIO does that. We don't have the resources to replicate all that, and— but we don't have to because we have Strategic. And— but in terms of presenting to the board, even though we have a lot of investment professionals on that committee, the investment committee rather, you still want to keep it pretty high level. We've had some meetings, you know, where we got a little deep and people were just kind of not quite following everything. But so you want to keep it high level. And again, in the end, all we want is a good return and we want to stay out of the newspapers.

Robert Morier: Markus, but inevitably your clients read the newspapers and they see what's happening, whether it's geopolitically, whether it's locally or nationally. So when you think about what to focus on today for the next 12 to 18 months. So I'm going to ask you to dial it in a little bit.

Markus Krygier: Right.

Robert Morier: I know we all look long term, but what are the areas of the market? And maybe this is a little bit of guidance for the students too, who are thinking about picking an asset manager or picking an, you know, some type of subject matter expert to go work for. What are the asset classes that you think are going to be the areas where you'll be spending the most time over the next 12 to 36 months? Michelle, earlier in her comments, talked about timing being a very big part of this industry. It's also a big part of your careers. So where's a little bit of guidance? And it's okay. I know there's no crystal ball.

Markus Krygier: Let me just make sure that Holly doesn't get worried if I focus on one asset class. We focus on all asset classes because, and this is very important, we believe that every asset class should deliver excess returns over and above the market returns that you could get with a passive strategy. So a basis point of excess returns from hedge funds is as valuable as a basis point of excess returns from a public equity portfolio. So in the end, we're focused on the total return of the portfolio. Now, there are a couple of issues that we are focusing on at the moment. They're very different ones. Since you mentioned private markets and, and, and as opposed to public markets, at the moment we are particularly focused on the liquidity of the overall portfolio. The liquidity position of

the portfolio will determine whether we are able to rebalance the portfolio in periods where you have sudden extreme market moves. If you have everything invested in private markets, well, you'll be just sitting there and watching the movie because you don't really have the ability to make changes. It also comes against the backdrop of, um, a relatively long period where many endowments in particular felt that private markets are the only place to be. Well, we always felt that you need a balanced portfolio. You need, you need balance in your portfolio to get the liquidity. A couple of other points to sprinkle in. We are thinking at the moment a lot about the uncertainty that is governing financial markets, in part because geopolitics and economic policies are presenting a very challenging environment. Now, uncertainty for us means that— and it's true uncertainty. For those economists amongst you, Knightian uncertainty means that I can't even tell you the probability of a particular outcome. But if I don't know the probability of an outcome, think about the Iran War, think about tariffs, think about whatever you want to think about, if I don't know the probability, I cannot compute an expected return. And if I cannot compute an expected return, I will find it very difficult to make a proper asset allocation, which is ultimately based on expected returns, volatility, and understanding the liquidity profile. So what we do at the moment, and that's sort of opening the kimono a little bit, is we're staying away. From macro bets, macro strategies, because we feel we don't have good information and the certainty that we need. And then the final point that the team spends a lot of time on is understanding, um, what will happen to inflation going forward. Inflation, we feel, could potentially be part of a structural change, meaning moving to a resting place of higher inflation, which will impact the expected returns from asset classes, whether it's equities, fixed income, you name it. So these are, these are a couple of the, of the themes that we are, that we're working on.

Robert Morier: Okay, good. I was worried you were going to say AI data centers and that's all we should be focused on. It seems like that's all I read about. I don't know about all of you, but it seems like everybody I know. Okay. I'm thankful to hear that. I appreciate that. It gives some balance for the students. It gives some balance for our audience. Students as well. Well, why don't we have a little bit of fun? We're getting close to the end of the podcast, so that's how quickly these recordings go. We'll do a little round robin. So we're still going to ask you all questions, but just kind of a little bit shorter, a little bit quicker answers so we can get them all in. And then I really want to spend a couple minutes with the students. So if you have a question, start to write it down now. We'll take 2 or 3, and, uh, yeah, we encourage you to ask one. Okay, so, so for each of you, what do you genuinely think that over the next 12 months students need to do to become more useful in your world?

Holly Sailer: For me, I would just say continue doing what you're doing in managing this student fund. You're getting some incredible experience.

Robert Morier: Thank you.

Markus Krygier: Learn how to leverage your own skills with AI. AI right now is very important. So we had to go to AI. It's very important when you come in. So what does this mean? You don't have to be a Python coder. When you enter a job, but you should have a rough idea of what it takes and also study financial history. That's the balance.

Robert Morier: A good one.

Degas Wright: Leadership, because you have to learn how to work in teams because investment is a team sport.

Robert Morier: Here's a question for you, Degas. What do your students spend too much time on other than their phones?

Degas Wright: Okay.

Degas Wright: They probably spend too much time on trying to get the discounted cash flow valuation method spot on. They spend too much time worrying about how everything fits together there.

Robert Morier: Markus, Holly, where shouldn't they spend too much time?

Markus Krygier: Well, they shouldn't spend too much time on interest in short-term trading because ultimately it's about the long-term asset management approach. That is relevant in our industry. Short-term trading is something that you do when you're in crypto markets. We think that that is not of that much value for what we're doing.

Holly Sailer: Well, you know, I was going to go with the phone answer.

Robert Morier: I knew you were.

Holly Sailer: But I would just say being— we talked about this— being present, having more people interaction and being comfortable with that because it's important for you to be able to go into a room and shake hands and have a conversation with a perfect stranger.

Robert Morier: Degas, for you in the classroom, and for really everybody in the room, how important is writing? The ability to write?

Degas Wright: Yeah, writing is critical because, and I think Markus, you made this point, you have to be able to communicate your thesis. If you cannot communicate it, it's not going to get accepted. And so that's very important.

Markus Krygier: We're not talking about AI writing.

Robert Morier: No.

Markus Krygier: We're talking about writing it by yourself. I would completely agree. It used to be to say, if you want to know, learn something, teach it. But I think it can be also used to say, well, if you want to get to know something, write it down in a one-pager.

Holly Sailors: The elevator speech. Well, obviously it's important, even if you write it yourself and then run it through the AI box. But yeah, and I will say not just in writing, but in word choice. That can really change the tone of whatever it is you're talking about. So just word choice, you know, you want a positive word versus a negative. So just think about that when you're writing.

Robert Morier: I'll add something to that. When we first started this podcast 4 years ago, the— what made a successful podcast, so if you looked at any of the statistics, the number one thing that kept people tuning into a podcast initially was the operational and the production quality. How did it sound? How did it look? How did it feel? So lighting, the microphones. Today, that's a distant fifth. Number one is just authenticity. So who you are. So I always say to my students, I'd rather have you write poorly, but write in your own voice than write perfectly in someone else's voice. Because even that little bit of you in there gives me a better sense of how you're gonna think, how you're gonna behave, how you're gonna react. And that's why we see this world looking more like this, people just walking down the street on their phones, because that's as much as you can gather that feels real. You know, even this feels very produced, right? We don't know what was prepped, we don't know what wasn't. So when you do write, I know it sounds cliché and a little corny, But right from here, instead of here, and it goes a long way. So thank you for that. Okay, one more habit that you think people think matters but doesn't really matter as much as people put emphasis on.

Markus Krygier: They think that it matters and it doesn't matter that much. I was thinking about something that's the opposite of that, but I do think So let me give you one that goes in the other direction because I think this is really important and it played a big role in my history. The ability to be comfortable with being uncomfortable. That is the absolute crucial task to take off. Putting yourself in situations where you're systematically uncomfortable, that'll help. That'll be great.

Robert Morier: Any other advice you want to impart on our students and our audience who's listening in? Degas, you want to start?

Degas Wright: Okay, so once again, I'll go back to spend time with being a leader because I think that's what's missing many times because we have to work in teams. And many times as a college student, you're focused on your grade. But when you step back and start working for the team, the benefit of the team, that's when you really start seeing the gold.

Robert Morier: Absolutely.

Holly Sailors: And could I just add to that before we wrap up? Please. Think about the art of influencing because you're going to be in situations where you have no control necessarily of where the project's going, how it's ending, and you need to have some skills in working with people, building consensus across different groups to get an outcome that's good for really the whole organization. And then also take ownership of your work. It's very important to take ownership of your work and even sometimes other people's work that's going to influence how you look. So just be cognizant of that. If somebody in another part of the organization is making you look bad, you have to do something about it. So take ownership of your work.

Robert Morier: That's great advice. For years, legacy data providers have made private fund performance benchmarking complex and expensive. That's why we launched Dakota Performance and Benchmarks, the first-ever benchmarking platform built by people who are using the data themselves every single day. We've made our benchmarking affordable, customizable, and very, very easy to use. You can log in to Dakota Marketplace today to start creating your own benchmarks and viewing our created benchmarks, or you can learn more and book a demo at our website at dakota.com.

Chief (Drexel student): Hi, my name is Chief. I'm a second-year student in finance at Drexel University. My question is to Mr. Markus. We had a guest on the podcast who had the virtual family office as his model for being an OCIO. And I wanted to ask, uh, should OCIOs adopt, uh, this virtual family office model where they outsource their in-house activities to other parties? And what are the risks and the advantages of doing such? I also wanted to ask, could you briefly describe your OCIO business model and how you differentiate from competitors? And do you use the same external managers, and do you sell the same products to your different clients, so the institutional endowments, pension funds, family, wealthy family offices, do you sell the same external managers, the same products to them? And what are the risks with doing that as well?

Robert Morier: Why don't you try to—.

Markus Krygier: I try to compress it a little bit. I start with your last one, which is a very important philosophical statement. All of our clients get our best thinking. That means their portfolios very often, in most cases, will look alike when it comes to the managers. Second point, outsourcing. That was your first question. We're fine with outsourcing some activities of our firm. However, you require a lot of due diligence before you give something out of hand. We are not outsourcing anything related to the investment process, the actual investment ecosystem. And I forgot the third one, the one in the middle.

Chief (Drexel student): How's the business model?

Markus Krygier: The business model, very, very simple. Already mentioned it a little bit. We think we need to partner with our, with our, with institutions. That takes a lot of time, a lot of resources. So we limit growth of the firm to not be swamped by the number of clients.

Vuk (GSU student): Hi everyone, my name's Vuk. I'm a third-year finance major here at Georgia State. Markus, I also have a question for you. Given how efficient and data-driven markets are and how efficient they've become, what does a real investment strategy edge look like today?

Markus Krygier: A real investment strategy edge can be many, many different things. Just to give you one example, if you look at our public equity portfolio, you have concentrated managers that only have 20 to 25 stocks in their portfolio. You have systematic managers that have thousands of positions in their portfolio and everything in between. Skill and alpha can be found everywhere. And you have to fish in a big pool in order to have good results for the portfolio.

Nathan (GSU student): Hi guys, I'm Nathan. I'm a second year and I'm a finance major here at GSU. My question is more for Holly and Markus. Um, so I'm sure that, you know, you, you guys have a lot of data for a lot of the university endowments. And I, I know that a lot of the foundations, they're still, they still have about like a 4% spending limit. Um, I was wondering, you know, with inflation being at an all-time high while rates are also high as well, are you guys looking to move into maybe more, I guess, risk-on assets to capture the, the hurdle rate that is rising as inflation and rates stay higher?

Holly Sailors: Well, I'm glad you mentioned the hurdle rate. We didn't really get to that. So that's going to be our spin rate, which is 4% of a trailing 12-month average, a 1% endowment fee. And then you usually try to clear the CPI, which

last time I checked was around 2%. So we're trying to shoot for maybe more than 7% earnings. But yes, Markus has brought to us some, some recommendations to move a particular pool into riskier investments.

Markus Krygier: Yeah, maybe, maybe just to add, that is one of the structural changes that I refer to in one of my, in one of my answers. We don't think that the last word is spoken, but we're, I think we should, we should develop alternative scenarios in case inflation rises. If inflation rises by a lot, policies that were built for 2% inflation will probably have to be reevaluated because capital market assumptions will change as a result.

Dev Gajar (GSU student): Good afternoon, my name is Dev Gajar. I'm a third-year math major at Georgia State University. Um, I have a question for Degas and Mr. Markus. Uh, at Georgia State, we have a new cohort and a new team, uh, specifically the risk team, a part of the student-managed fund, and I'm glad to be leading that next semester. And I wanted to ask you, how would you think about incorporating probabilistic thinking into position sizing and allocation whenever you don't have perfect information.

Degas Wright: Wow. So, uh, I'm looking forward to this question, Dev, because that means I need to, uh, uh, present this as part of the lesson plan for next year. And so I think that's really key because probability, uh, to focus on returns in a way of using that, I think that's the, the path that we want to go because that gives us ability to make decisions. If we have, uh, less confidence in the probability, we may not want to put as much allocation towards that idea. And so then we start looking at the question the way we should. If we have a sure, if we are more confident in that probability, we can increase the allocation.

Markus Krygier: No, I completely agree. The only addition that I would make is that when you think about probabilities, make sure that you really have an understanding of the underlying distribution. If you conclude, as I mentioned earlier, there's some things where I have no clue about the distribution, then you should probably stay away from an investment. But other than that, completely agree. The world is probabilistic, right? There's a lot of things can happen. Great question.

Hassan (Drexel student): So my name is Hassan. I'm a third year at Drexel University. I'm majoring in finance, accounting, and business analytics. So my question is for Degas. We were recently talking about student-managed funds performing sometimes even better than the endowment itself. So what do you think the student-managed funds are doing differently from the professionals, which is allowing them to achieve such high returns?

Degas Wright: That's a great question. What I think, what we saw in our student-managed fund is that the students focus on the very simple aspect of trying to understand the business of the companies that they hold. And I think as an investor, if you focus on what the underlying business is, you have opportunity to outperform the market.

Holly Sailors: Well, and they may, you may not have some of the restrictions that our spending, our investment policy has.

Robert Morier: Mm-hmm. It's funny, we were talking about that over lunch and more often than not what happens is an asset manager comes and they present their strategy and usually it doesn't have a lot of restrictions, but the client does. So there's this interesting balance between having to, manage a portfolio of stocks, we'll just say publicly traded stocks, in the way in which, you know, your policies are written versus what we would like to generally be doing, which is in some cases anything, right? And it's that absolute return type of mentality. So I think it creates this interesting dynamic and what it does more than anything is it promotes communication because all of a sudden we're all talking, we're all talking about why my fund can only hold 5% cash. And it sounds like it's trivial, but we may spend a month talking about why 10% is more important for us. And those types of things go a really long way in terms of setting the governance of the relationship. Because once that's set, then you don't have to worry as much about pushing boundaries because you know very clearly what the boundaries are based on, based on the policies that are written.

Olarewaju Olanrenfemi (GSU student): Thank you guys. My name is Olarewaju Olanrenfemi. I'm a senior here at Georgia State University. Studying both finance and real estate. My question is to everyone, you know, what is one thing that you wish more students understood about managing real capital? And also as someone or as professionals who think about capital allocation at a real high level, what are some of the biggest mindset shifts that you have, you know, when underwriting the potential upside of an investment versus managing the downside of something that may already be in your portfolio?

Markus Krygier: Something that I wish incoming students, analysts understood is probably goes back to A, the time horizon of investments. I think it's really crucial. Very often analysts get fascinated by the big hitting manager that is able to tell one great story about an event in the market where they really hit it out of the park. What we are really interested in is long-term performance. Repeatability is key and center of what we're doing. And that is a mindset, and that is a mindset that has to overlap with the institution that we are investing for that usually has a

long-term focus.

Degas Wright: Yeah, you know, I would agree with you, Markus, and I think also that you want to be able to identify the competitive advantage of the company that you are pitching, but also you want to understand how does that company's competitive advantage fit into the current theme that's going on in the market today. If it's, uh, and so by understanding the theme and also the competitive advantage, you can actually come up with a good investment thesis.

Elin (GSU student): Hi, I'm Elin, and I'm a fourth year I'm a business economics major here at Georgia State, and my question is, what are the— what considerations distinguish discretionary investment managers from the non-discretionary investment managers?

Markus Krygier: Right. I'll start out and then I'll hand over. So a discretionary mindset when you approach a program puts you basically in the same seat as your client, your institution. So every decision that you make will have an impact on the program, but it also will have an impact on the relationship. So you, you have to be aware of that. When you are non-discretionary, there is sort of at least one degree of separation between you and, and the, the ultimate client. And the best way to, to, to show that is when you are Consultants often deliver lists of potential managers that could fill a certain slot, and then it's the decision of the investment committee. That, in our view, is problematic and doesn't lead to optimal outcomes.

Holly Sailors: The non-discretionary, you have a trustee, an investment committee that thinks they know more than people that work in it day to day. And so it would be scary, I think.

Markus Krygier: We find that when you have a committee that goes from doing their own allocation decisions towards an OCIO relationship, they tend to miss the presentations by managers that come through. But we think, and we remind groups that just because they are trained to tell great stories doesn't mean that an investment committee should spend a lot of its time on just listening to managers. That is probably not time well spent. Time well spent is oversight, governance, making sure that the OCIO does what they're supposed to do. So that, that maybe as a little anecdote in addition to—.

Robert Morier: Wonderful. Excellent question. Our last question.

Markus Krygier: Thank you very much everyone for being here today.

Gulnabat (GSU student): And my name is Gulnabat. I'm a junior finance student here at Robinson College of Business. And my question is to Markus. You said that you partner with 37 client institutions and you told that they get like the best service from you, like you basically very closely work with them. But what do you get in return with partnering from from partnering with those institutions?

Markus Krygier: This is a fantastic question because it goes to the point of what really marks a great relationship. What we get from that relationship is we learn, we become a lot smarter about how institutions function. And ultimately, the quality of what we deliver is a reflection of how well are we able to translate the characteristics of an institution into an investment program, not only into a portfolio, but into an entire program, decision-making and what have you. So there is a lot of back and forth and it's a mutually beneficial relationship. And I think, you know, it's this old adage, you know, you never stop learning, you never stop building your insight. In virtually every industry, but definitely in this industry.

Robert Morier: Thank you all so much. Even though we're going to record this, let's give them a very big round of applause for their time, insights. Thank you. Thank you so much.

Holly Sailors: My pleasure.

Robert Morier: Well, this has been another incredible episode of the Dakota Live podcast. Something that I want to close with for all the students is how these things come together. They come through relationships. I think it was last than a month and a half ago that I had lunch with Michelle, who was your guest speaker earlier today. And we were talking about how wonderful it would be to come to Georgia State University, her alma mater for business school, to talk to students like you all. And all of a sudden, you know, less than 60 days later, here we are. And what that means is that it's important to embrace opportunities, show up, listen and ask good questions. You all did that. You all listened. You were also present. We were also happy for that. So to our students who were here today from both Drexel University and Georgia State University, thank you so much. We wish you nothing but continued success. To our panelists, Holly, Markus, and Degas, thank you for your insights. Thank you for your expertise. Thank you for sharing this relationship. Some of the most insightful conversation we've heard on this show in the last 4 years. I was going to say 400— 4 years. It feels like 400 years by the time I'm done talking, but in the last 4 years. So thank you so much for this excellent conversation. So to all of you, thank you. And to our audience, thank you for spending your time with Dakota. And that's a wrap.

Degas Wright: Don't say goodbye.