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EPISODE 171:

**Inside LPL's Alternatives
Platform: Manager
Research, Due Diligence
& What's Next**



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 between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and our Dakota Live! content, please visit 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.

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Robert Morier: Welcome back to the Dakota Live! Podcast. Today we are joined by a very special guest, Andrew Deck. He is the Vice President and Head of Alternative Investments at LPL Financial. Andrew sits at a very interesting intersection in the industry. He spent over two decades inside alternatives — hedge funds, fund of funds, and family offices — including serving as a co-CIO. Today, he's helping lead one of the largest advisor platforms in the country, which thinks about sourcing, diligencing, and delivering private markets to thousands of financial advisors. And that's where it gets very interesting for our audience, because this isn't just about picking managers. It's about translating institutional-quality investing into a format that actually works for advisors and their clients. Andrew, it is great to have you here with us. Welcome to Philadelphia.

Andrew Deck: Thank you. It's good to be here.

Robert Morier: How was the flight in?

Andrew Deck: Not without incident. Faced a bit of a 7-hour delay. So instead of getting in at 6 PM, I got in at 1 AM. But I'm here. We're both bright-eyed and ready to go.

Robert Morier: Good. It's been the story of travel the last few weeks. So I'm glad you made it here, most importantly, safely. Late, but safely. And you were on time to the studio. Thanks so much. Really looking forward to this conversation. I know there's been so much going on at LPL — there's been a lot going on with you as it relates to your role at the firm. Maybe before we get there, talking a little bit about your background. You went to the University of Arizona.

Andrew Deck: I did.

Robert Morier: When you think about sitting in a classroom way back when, what you wanted to do — I think you were studying engineering if I remember correctly.

Andrew Deck: I was — optical engineering.

Robert Morier: Optical engineering is very different from what you're doing today. Maybe not as different as we think.

Andrew Deck: Not as different as we think. And that connection is a big part of why I'm sitting here, frankly. I was sitting in class one morning — I think it was a lasers and photonics class, which is just to say a lot of math which uses no numbers whatsoever — and got a call from a friend of mine who was a mortgage-backed bond trader. They had a broker-dealer based in Tucson, Arizona, where the University of Arizona was, and they traded mortgage-backed securities for the Federal Home Loan Banks at the time. So they advised and traded for the Federal Home Loan Banks. I had known this guy for probably a year at that point. We played golf together and he kept trying to pitch the industry to me. Every time we'd go have a beer together, he was just like, you should come in, you should see what we do. Your background would be great. It's the math, and it's that unemotional, logical approach to problem solving that is pretty appealing to a lot of people in the financial markets. One day I was sitting in class and I got a call from him. He said, Hal Lindquist, who is a mentor of mine — he was a partner at Blackstone at the time, and he was also a partner in this broker-dealer — he's in town, you should come in and meet him. And I'm like, Pete, it's 8:00 in the morning. I just got out of class. I haven't showered, I haven't shaved. I can't interview. He said, just come in and meet him. So I went in and met him, and frankly, I never left. Started as an internship and turned into a career.

Robert Morier: Beards weren't as cool then. Now we can get away with them. Back then we couldn't. How did you land on Arizona? Where are you from originally and how did you end up at the University of Arizona?

Andrew Deck: I actually grew up about an hour and a half away from here, outside of Hershey, in the Harrisburg area. I went to a little high school called Middletown Area High School. It's about an hour and a half from here. And I was a golfer growing up and was interested in playing college golf. I did the college tours and ended up in Arizona. By the time I went, I was faced with the decision — because back then I wanted to study architecture. Little known fact, unknown to me at the time: you cannot be, at least back then, an architecture major and a college athlete. So I had to choose. It really wasn't a challenging decision at the time. I was kind of over golf and chose architecture. But the University of Arizona — the weather was a lot better, and the rest is history.

Robert Morier: Are you back on golf?

Andrew Deck: No, my kids are. I am too competitive to play golf anymore when I don't have the time to put into it. I'm better off just teaching and helping foster their golf games as opposed to doing it myself.

Robert Morier: It's always good to coach. Get those years of experience back in a different way.

Andrew Deck: It's much healthier for me to coach as opposed to playing.

Robert Morier: And you'll feel a little healthier in the morning, not quite as sore.

Andrew Deck: Yeah, exactly.

Robert Morier: Well, you've seen — as I alluded to in your introduction — alternatives from a number of seats: hedge funds, family offices, and now this platform at LPL. How has that shaped the way that you think about, first and foremost, the industry, and then the underlying managers that represent the platform?

Andrew Deck: Let me start with the industry first, because the industry has seen a really powerful evolution. When I first came into the industry, there was a very bifurcated world between institutional alts and retail alts. I lived entirely on the institutional side. LPL is my first foray on the retail side. I've always been an institutional guy, which really helps shape the way that we're building out the platform at LPL. We want that institutional quality. We want that mindset from our managers. We don't want the B team. We don't want the scraps. That's one of the fears that a lot of advisors have when they look at retail alts — they think they're getting second-class products from these managers. We really focus on making sure that's not the case. So for us, it's institutional-quality products, institutional-quality strategies, and institutional-quality execution that just happens to come in a retail wrapper. That evolution has really come a long way. When I was starting out in the industry, you had the institutional-quality shops — the Blackstones, the KKR's, the Carlyles — and they managed institutional money and they did it really well. Then you had the retail side, and we're still dealing with scar tissue from that. We're still dealing with advisors that were in non-traded BDCs, non-traded REITs, oil and gas — a lot of products that had big promises and really underdelivered. Now we're in a world where those institutional names have private wealth divisions, they have private wealth products, they have access points to those institutional strategies available to the wealth channel. That's really one of the biggest differences from that evolution: the quality of the products that the wealth channel has access to is really different now.

Robert Morier: Interesting. It's funny — I was thinking of a quote when you were talking about retail versus institutional. Warren Buffett used to say that the difference between growth and value is fuzzy thinking. It seems like now the difference between retail and institutional is fuzzy thinking. There's not as much of a difference because you have these institutional-quality allocators like yourself who are now part of these very large retail platforms. You talked about institutional quality. Where does education and understanding fit into that model? Because that has always been one of the key differentiators in my experience between institutional and retail — the institutional audience presumably understands what they're getting, at least the risk that they're getting.

Andrew Deck: Not just the risk, but they look at things like liquidity completely differently. If I'm an institution looking at a hedge fund, for example, I'm looking at that as a liquid part of my portfolio. I'm looking at, say, private credit as an illiquid part because I'm holding those loans to maturity. I'm not looking at it from an interval fund structure where I might be in and out of these things

mid-cycle. So education plays a major role in this. It's not just educating them that the world's different now and you have access to better-quality products. They have to understand how to implement those products into a cohesive portfolio, into something that drives toward an investment objective. But beyond that, they have to manage the client as well. They have to manage the expectations of the clients. A great example: you're seeing it in private credit right now where you're seeing all of these retail outflows in private credit. When in reality, the institutions are allocating additional money right now. That's a great example of the difference in mindset, and where education really needs to fill some gaps. Because while the quality of the product has improved, we still need to get the advisors and the retail audience to understand how they're actually used and what they're used for, so that they can use them properly.

Robert Morier: For our audience who are not as familiar with LPL, would you mind just giving us a really quick overview? They're tuning in for the first time. They may be familiar with the brand name, but not the underlying underpinnings of what the business does day to day.

Andrew Deck: A lot of people would be happy if they're familiar with the brand name, because for the longest time, LPL stayed away from its own branding to focus on the advisor branding. And we're just now — within the past 12 months — launching our own marketing campaign.

Robert Morier: Hence podcast.

Andrew Deck: Hence podcast. Well, that's a little bit different, but we can come back to that. The overall branding of LPL is largest independent broker-dealer in the U.S. We've got about 30,000 advisors that attach themselves in one way, shape, or form to LPL. That can range from our corporate RIA, where they're basically W-2 advisors to LPL, to an RIA that wants some help with services that we might offer — and everything in between. We also have around 8,000 home office employees that service those advisors. And I think we're at about 8 million underlying clients.

Robert Morier: That's quite a broad reach. So when you think about what that top-down approach looks like — when you're implementing alternatives, which I know has been done for years now, but maybe starting at a high level: when you're looking at this broad reach, numerous millions of clients, thousands of advisors, what does the approach look like from a top-down perspective when you are implementing alternatives? Maybe you could pick on one asset class within alts just to give us a sense of how does that work mechanically? Because I could see a lot of people just thinking, how does that happen?

Andrew Deck: It's a lot more complex, particularly with a firm like LPL, because LPL traditionally had been a mass affluent shop. More recently, we're moving more and more upmarket — high-net-worth, ultra-high-net-worth. As you're well aware, the ultra-high-net-worth view portfolio construction and investments very differently than the mass affluent does. When we look at this, when we look at the platform, it's really about servicing all of those groups. So we have to build out and build up at the same time. Take an asset class like private credit, for example. On the mass affluent side of the scale, you're going to have products like interval funds. It's very true that the ultra-high-net-worth will use interval funds when it comes to private credit as well. It's not saying that they stay away from them. But it's not the only component of a portfolio for an

ultra-high-net-worth person. For the mass affluent, they're going to look at interval funds. They might move into the tender offer style funds, but it's always going to be in that evergreen structure — always in what the industry has kind of created this misnomer around of semi-liquid. And it is semi-liquid. They give liquidity on a quarterly basis for the most part. But what you're seeing now is it's not always liquid to the underlying investor. That goes back to the education piece. When we think about moving upmarket, that's where you're getting into more of the traditional alts — some drawdown products around private credit, maybe some distressed, some more opportunistic stuff. We've had on platform a drawdown litigation finance product, for example. It's those esoteric investments, those niche or higher-octane things that the ultra-high-net-worth really tend to gravitate toward almost as a satellite positioning. And they'll still use some of those interval funds or tender offer funds as core positions in the portfolio.

Robert Morier: As it relates to the massive flows in — when you think about this structural shift toward private markets — is there an element of cyclical enthusiasm embedded in this, or do you think this is something that is going to be a part of these portfolios for the very long term and the clients understand that?

Andrew Deck: I think it's both. If I'm being direct, I think there is a cyclical nature to the client understanding. So to your last point, I think what you're seeing potentially in private credit right now could create a little bit of that ebb to the flow of money flows when it comes to private markets. But when you look at private markets — these are very much here to stay. Depending on how you want to define it, anywhere from 85 to 97% of the investable universe is private. The public markets are changing. In the late '90s, you had 8,000 publicly traded equities. Now you've got 4,000. A lot of the major asset managers — they're not allocating even to small caps anymore because private equity has completely changed the small cap universe. The Russell 2000 — what, 45% of those companies lose money on a trailing 12-month basis. You're not getting the same quality of company in the public markets anymore. You're not getting the same quality even from index and mutual funds because the investable universe is really very different. So there's no stopping the flow to private markets. But when you talk about the enthusiasm — kind of the velocity of that money flow — that's going to ebb and flow through time.

Robert Morier: When you think about the conversation between private markets and public markets, the enthusiasm is absolutely there for private markets. But as we talked about before in terms of risk, the liquidity still isn't necessarily there at the same rate as it is versus public markets. Take small cap, for example. What does that conversation look like when you're describing that liquidity risk to an ultra-high-net-worth or mass affluent client?

Andrew Deck: Very different conversations. The ultra-high-net-worth have a better understanding of their liquidity needs. Oftentimes their liquidity needs are not really associated with liquidity of investments. They don't want to sell their investments. They're going to have lines of credit set up. They're going to have SBLOCs set up. They're going to borrow that money and leave their assets invested. That's one of the biggest differences — that mindset around how we look at liquidity. I would hope to see more and more mass affluent taking that approach. LPL has this stance now: if you have \$250,000 or more in investable assets, you should have an SBLOC set up. Because

there's absolutely no reason for life's little events to really pull you out of the market. When you come out of the market, you're paying tax on those gains, you're losing your opportunity for gains. Having those additional mechanisms to generate that liquidity is really important to reaching those long-term goals. The issue when you're talking about the mass affluent is that understanding of liquidity. If you have a conversation with a mass affluent investor, most of them don't even fully understand their liquidity needs. Most people don't require as much liquidity as they think. And oftentimes what we'll say is that liquidity can actually be a detriment.

Robert Morier: Really interesting. In terms of education — white papers — I'm sure you've got a lot out there in this regard. There's a lot that could be done.

Andrew Deck: And we're seeing that within the industry. Hopefully you get more. One of the main problems is a lot of white papers don't get read broadly. So we've got to condense that information down into like 2 pages.

Robert Morier: Or a clip.

Andrew Deck: Or a clip.

Robert Morier: Or a video clip.

Andrew Deck: Or a podcast clip.

Robert Morier: Give me a 30-second clip on an SBLOC.

Andrew Deck: Let's say that you're worth \$500,000 in investable assets — and I'm going to steal this from our Chief Wealth Officer, she just used this at our Masters Conference. Let's say that you have a life event where you need access to \$100,000. You've got \$500,000 sitting in investment accounts out there. You have options. The normal person might say, well, I could dip into my cash savings — which is dangerous — or I can sell some securities out of my \$500,000. How much of that \$500,000 is gains versus principal? So I'm going to take that \$100,000 out. Let's say it's been there for a decent amount of time and maybe 40% of it's gains. Okay — I'm going to pay taxes at that point. I'm going to take out more than \$100,000 to create that \$100,000 worth of liquidity. I'm also taking \$100,000 out of the market. So this money that's supposed to be working for me, that's supposed to be generating returns for me, is no longer in the market. I paid taxes on it and I'm taking it out of the market. Then I can look at an SBLOC. I can use those investable assets as collateral to get a loan. Maybe that loan is break-even to what the investment portfolio is yielding. Maybe it's a few percentage points over that. I'm still paying a lot less than I would in interest. I'm still paying a lot less than what I'm giving up in opportunity cost. So when I think about it — if those assets keep performing, yes, I'll pay the interest. There's a lot of nuances to this. Can I afford to pay back? Do I have enough income to pay back that loan? All of that needs to be considered. But when you look at that big picture, an SBLOC just makes a lot more sense to cover life's little hiccups, those nuances of life, as opposed to taking money out of the market away from your investment objective.

Robert Morier: Thank you for sharing that. I appreciate that. Well done. 60 seconds or less.

Andrew Deck: I thought you said 30 seconds. I think I screwed up.

Robert Morier: I did that on purpose. 30 seconds, but we all take a little longer. We can't help ourselves. But it was excellent and really helpful — it sets the stage well for what we're going to talk about over the next 20 minutes or so, and reinforces what we had talked about earlier, which is the value and the importance of education. Because none of this really happens without you educating all of those layers or components of LPL. But it's all founded or layered on top of a platform. Can you take us through the platform — in terms of what's the platform composed of, what types of managers are you typically looking for, in order to fill these needs of your clients and advisors?

Andrew Deck: First of all, when we look at platform, we think beyond just product. Product is a piece of it, but we also think about that advisor experience and ultimately that client experience. So platform includes product — that's where the investment diligence team and the operational diligence team sit. They source products. I'll get into more details about that in a second. But it's also education and training. It's making sure that the advisors understand the products, that they can educate the clients on the products. Alts are non-discretionary at LPL, which means the client needs to sign off on virtually everything. So education, both to the advisor and to the client, is of utmost importance to us. It's marketing and distribution. How do you tell that story? How do you make sure that the advisors understand the importance of alternatives within a portfolio? And then it's operations. These are not traded the way that mutual funds are traded — well, interval funds are, but they're not traded the way that mutual funds or single-name stocks are traded. So there's a much heavier operational component to these things. When we look at platform, all of this rolls up to what the advisor and client experience is for being at LPL. When we break that down into the product, it's your core product. If I'm a 60/40 person, how do I implement private markets into a portfolio in an effective way? You've got your private equity that's going to let you diversify out that 60%, because as we talked about, only a small sliver is publicly traded these days. You've got your private credit, which when stressed is more correlated to equity than it is to fixed income, but from a functional perspective operates more along the lines of a fixed income replacement just due to the distribution component of it. You've got your real assets — these are your non-correlated diversifiers, which every portfolio should have. These are things like real estate, commodities, managed futures. Those types of things can fall into that category. And then you've got your more bespoke solutions — tax solutions, 1031, 721 programs, qualified opportunity zones, tax-loss strategies. You've got hedge funds, which can play a role in here as well. I think active management is a really undervalued component now, but it's going to have its moment again. So when we think about platform, it's pretty broad.

Robert Morier: When you think about the manager selection process as part of that platform — let's look at one of those sub-asset classes. When you think about real estate, for example, what does that process look like? You were an allocator in a former life and I'm sure you still do a little bit of it now.

Andrew Deck: Mm-hmm.

Robert Morier: What are some of the characteristics that you're looking for from a manager to be a successful LPL partner?

Andrew Deck: There's a number of components to it. First and foremost is the investment side of things. They have to be a top-notch investor. You'll get into more details about this later with Matt, but we look at the 4 Ps and drill down from there. It's the people, it's the philosophy that they espouse to, it's the process they implement in order to basically live that philosophy, and then it's the performance — the result of those other three things coming to life. So we look for managers that we believe in. We look for managers that have a well-defined, disciplined philosophy, a well-defined and disciplined process, and that have a history of delivering the results of that through the performance, both at scale and duration. They've done it through time, they've done it through market cycles. That's not to say we won't be day-one investors in a product, but we're unlikely to be day-one investors in a manager. Somebody might come out with a new fund and we're willing to be day-one there, but it's because they have a strong background of being able to deliver on those results. That's a big piece of what we're looking at. From there, it's got to fill — it's got to serve a purpose on the platform. We've got 32,000 advisors, 8 million clients. Every product is not going to be right for all of those people. What we're looking for are these natural implementation points into portfolios. How do you use this product? Is it going to be useful to our advisors and their clients? And then beyond that, what we're really looking for is how do we partner with these managers? Education, as we've talked about, is a huge component. How are you able to educate the advisors? How are you able to keep them informed? Transparency is another one. That client-centric mentality is another one. We're almost obsessively interested in managers that do the right thing by the clients. It's not always the most popular decision. It's oftentimes not the best decision for them as managers, but they have to exhibit that client-centric mentality in order to be included on the platform.

Robert Morier: You're talking to so many different partners in this LPL program today. You must have just a wealth of information. Your notebook must be pretty thick in terms of all the notes, anecdotes, and thoughts you're getting. What are some of the trends that you're hearing today from all of these various partners? There's always risks, so people are always first to talk about what's worrying them — but what's exciting you? What's exciting LPL as it relates to some of these asset classes and strategies that people are talking about right now?

Andrew Deck: There's definitely a push toward simplification. If you think about the existing evergreen structure, which was that initial push into let's simplify this — not everybody can get into drawdown funds, not everybody wants to manage capital calls and commitments and return of capital. So let's do evergreen funds. Now we're seeing that shift into further simplification with the explosion of interval funds: ticker-traded, trades like a mutual fund on the platform, has a liquidity element to it. Again, that's where education comes in — making sure people understand that doesn't mean it's liquid like a mutual fund, but it has a liquidity component to it. That shift toward simplification is one that we're seeing and generally really liking. Where I'll caveat that is: the strategy has to match the wrapper. What we really struggle with is when you put very illiquid investments into a wrapper that has a certain amount of liquidity to it. What ends up happening is you either have to gate that on a very regular basis, or you have to have a liquidity sleeve, which

really detracts from what you're promoting this product as. The easiest example — and we're actually moving away from this philosophy a little bit — is take infrastructure. Put that in an interval fund wrapper. If you have a core infrastructure product or core infrastructure strategy, those underlying assets are not very liquid and it's hard to sell them generally in pieces. Providing that liquidity means you need to have maybe only 80% or 75% invested in those strategies. Are the clients really getting what they think they're getting when they're doing that? Which leads me to another trend we're starting to see more of: public-private. Traditional asset managers partnering up with alternative — or historically alternative — investment managers, creating these public-private funds where it's 60/40, 50/50, out to 70/30. You're getting a little bit of both. You have this public component, which is there to provide the liquidity, and then you've got that private access as well. We're seeing that from a lot of managers as well.

Robert Morier: I'm curious how you think about fees on all these products. I was thinking about all these really interesting strategies, particularly these public-private mandates, because I know some very smart, savvy institutional managers — both on the hedge fund side as well as the private side — that are doing these blended strategies, very concentrated, very niche, idiosyncratic, but very expensive. So how do you think about fees on the platform as it relates to the trends that you want to accomplish through simplification?

Andrew Deck: I'm not afraid of fees. I think fees in a lot of cases can make sense. What I'm opposed to — take a public-private fund. If you're going to say, I'm going to charge 150 basis points on the whole thing because the private side requires me to charge 150 basis points, I don't like that at all. If you have a blended fee structure where I'm paying very low cost for the public side of things — because I can get that very cheap if I deconstruct that and reconstruct it myself — your blended fees need to reflect that. The private side — these markets and these strategies can be very complex. They can require a lot of research, a lot of diligence, a lot of underlying work in order to do it effectively. That costs money. The talent to do that costs money. So from a fee perspective, it needs to make sense. I'm not going to sit here and say it's got to be less than X percent because you can't really draw those lines, but it does need to make sense. You have to understand that you have to pay for talent. You have to look at what you're getting in response to it. So look at that net performance, that net-of-fees performance. I always say, if I deliver you 15% returns and I charge you 5 basis points, and I deliver you 25% returns after fees but I'm charging you 10%, do you care? Oftentimes the answer's going to be no. Give me the extra 10% of return — I don't really care. So that's how we look at these things. They have to be reasonable. It's got to be an effective use of the money. But if you're getting the performance from it, then it's worth it.

Robert Morier: That makes sense. I wanted to go back to something you mentioned earlier. When you were describing the platform, you mentioned marketing and distribution, but you also mentioned that this exercise is only 12 months old. So it's interesting — it sounds like you are building out a marketing and distribution plan and framework on a giant. This isn't a boutique firm looking to go to market. It's something they haven't done before. They've really pushed the underlying advisors in that regard, but now it's your own brand. I hope you're not the only one doing this. Is there somebody else? What does the team look like? Are you hiring? What does this growth look like for that segment of the platform?

Andrew Deck: That segment of the platform is actually fairly small. Overall, I have a team of 20 going to 22. When I look at that particular segment — because we've just launched this side — I have 3 product specialists and 1 individual who is focused on the education and training interaction with the marketing and distribution side. Those product specialists are really designed to partner with advisors on that alts journey. They know the products very well, they understand portfolio construction, they understand implementation, and they're really there as a resource to help the advisors implement alts in the portfolio. Because it's such a new resource, we're trying to figure out things like resource utilization — how are these advisors going to use these product specialists? We'll grow the team accordingly from there. But the old adage of alts are sold, not bought very much rings true. There's got to be that distribution component to it. We also spend a lot of time partnering with the sponsors to leverage their distribution elements as well so we can expand the universe as wide as possible. But one of the things we really talk about with those sponsors is the need for more education, less sales. That's a philosophy. Oftentimes what we see is the best interactions are ones where they might end up at a no, but it tells the advisor that they're educating them — they're not selling them, they're educating them. And the advisor eventually is going to have a client that it's right for. It's building that trust. It's not, hey, we're trying to push product on you. It's, no, these have a very powerful place in a portfolio. So here's how you use them. Here's how these things get implemented.

Robert Morier: Trust can be built through the lens of culture. How would you describe LPL's culture?

Andrew Deck: Client-centric, for sure. That's probably the biggest thing that we can do to build trust — showing the advisors, which can then relate to the clients, that we have their best interest in mind. From our perspective, we won't hesitate to pull a product. We won't hesitate to put out thought leadership on what we're seeing going on in the market, whether it's about a specific product or about an asset class in general. That's really some of the most powerful things from a cultural perspective: it's do the right thing.

Robert Morier: When you're doing the right thing, generally that would mean you are also steering clients away from potentially avoiding areas of the market that you find are overcrowded or overcapitalized. Just thinking from the seat of an advisor, what are some of those areas that you think are looking a little frothy, that you think are looking a little bit overcapitalized — that you want to make your clients aware of from an education perspective, looking at them first?

Andrew Deck: When I look at the private markets, I'm not seeing a lot of froth specific to the private markets themselves, because in a lot of ways we're still very much in the infancy of this. You think about the growth trajectory from where we sit right now of private markets exposure to where everybody thinks we're going over the next 10 years — we're very much in the early innings. I don't see a lot of froth being developed just from the private markets component of things. I do see froth in the broader markets. And I mean, what's going on in the Middle East is certainly taking some of that froth out. I was genuinely concerned about froth in the equity markets for a period of time when you look at the underlying fundamentals. When you apply that into the private markets — private equity, the valuations that are being set on the private equity side of

things, what they have to pay to get deals done — those are largely set by the public markets. So if you see froth in the public markets, that's going to flow through to the deals being done in the private markets. The main difference there is that private equity is really looking to find those undervalued companies and extract value from them. So it's not as impactful to the private side of the market as it is to maybe the public side. I think you see a little bit, or had seen a little bit, of froth in the equity space. And there's no getting around all of the media coverage of the private credit space right now. It's got to be talked about. But I think this ties in very neatly to the conversation we had about liquidity — the institutional mindset versus the retail mindset. We were talking over coffee this morning around the fact that institutions right now are allocating to private credit. They're not backing out of private credit. When they look at these things, these are hold-to-maturity assets for them. They're not looking at this like an interval fund where I'm going to get out in 2 years or 1 year or whatever that might look like. They're looking at these loans as hold-to-maturity. So the fact that they're allocating says that they believe in the credit quality, they believe in the underwriting standards, they believe in the underlying assets. You just have to hold them to maturity. But that really exposes the difference in mindset between an institutional investor and a retail investor. They view liquidity very differently. If we can get more of that mindset into the retail space, these markets will, for lack of a better way of putting it, smooth themselves out — because a lot of the ebbs and flows are just caused by the emotion of the retail investor.

Narrator: As the wealth management space becomes more important, it's never been more crucial to stay in front of key financial advisors. That's why we've created Dakota FAs. Dakota FAs is a standalone portal from Dakota Marketplace that provides access to key financial advisor contacts globally, including contact information, LinkedIn profiles, qualitative details, and much more. You can get started on Dakota FAs today at dakota.com.

Robert Morier: Before we bring on your colleague Matt to talk a little bit more about the manager underwriting process, I'm thinking from your seat — can you give asset managers a little bit of advice before they hear the underwriting process? What's the advice that you would give them when they are writing that first email, making that first call, maybe leveraging a network connection with you when they're trying to access the LPL platform as an asset management partner?

Andrew Deck: There's a couple of things I'll look at from my seat before I'll pass it off to Matt's team — that's where they'll really dig in on the diligence. For me, there needs to be differentiation in that product. There's no shortage of private credit. There's no shortage of private equity funds out there for us to choose from. So it's really about differentiation. There are a lot of different ways differentiation can come, but it needs to be different. There needs to be a story that can be told behind it. Not only will we look to make sure that story, that differentiation, reflects in the performance and the investment outcomes for the clients that ultimately invest in this, but there's also a marketability component. What Matt's going to tell you is that when you go through the diligence process, it's a very lengthy, very in-depth process. It takes a lot of time, a lot of resources. To make it valuable for both sides, not only do we have to do it for products that are going to deliver strong investment outcomes, but they've got to be used. If you're an asset manager that is young, doesn't really have an established brand yet, doesn't really have distribution capabilities, it's going to be hard on a platform like LPL to really establish yourself

there. Because without the brand behind it or the distribution capabilities, how do you get in front of the advisors? How do you tell that story? Differentiation helps, and we can amplify messages, but in the end there's got to be something compelling for the advisors to choose this particular product. Which is my long-winded way of saying there needs to be differentiation both on the strategy and performance side of things, but also on the storytelling side of things.

Robert Morier: A quick follow-up: is there a place on the platform for fund-of-funds?

Andrew Deck: I think there is. We do have two on platform right now. In general, what you're going to see with the industry — the biggest problem is implementation right now. Going back to what I said about simplification: a lot of advisors look at fund-of-funds and it's the retail mindset a little bit, where they say fees on fees and they don't like the added layers of fees. But again, you've got to look at that net performance and what they're doing. I think we're going to move to a world where individual alts aren't really bought the way that they are today. Advisors largely struggle with how do I create a portfolio of these things? You've got 40 private credit funds on platform. How do I choose one, or how do I choose 3 or 4 or 5? So what you're going to see more and more of is this move to constructed portfolios — single sub-doc or even ticker-traded solutions, multi-manager packaged solutions for advisors — probably objective-based: income enhancement, equity diversification, volatility dampening, those types of things in prepackaged form, which will make the implementation process a lot easier for the advisors.

Robert Morier: That's great. Thank you for sharing that. Why don't we bring on Matt now and we can dig into the underwriting process?

Andrew Deck: Of course.

Robert Morier: Matt Doyle, welcome to the Dakota Live! Podcast. Thank you for being here.

Matt Doyle: Thanks for having me.

Robert Morier: It's a pleasure. You're the Head of Investment Due Diligence, and I would assume as part of that role, you're spending a lot of time with asset managers.

Matt Doyle: A lot. Most of my time.

Robert Morier: Most of the time. And you were with Raymond James prior to joining LPL?

Matt Doyle: I was. It's where I started my career.

Robert Morier: Okay. When you think about that transition from Raymond James to LPL, what were some of the characteristics of the role that you wanted to bring into LPL as you were building out this platform with the team?

Matt Doyle: I learned a lot at Ray J. Fantastic team there. Very solid process. Strong history as well. And that's what I wanted to port over: a mature team, a mature process, and a very growthy opportunity, I think, with LPL.

Robert Morier: Did anybody at the University of South Florida ever talk about manager research and due diligence?

Matt Doyle: Manager research, yes. Due diligence, yes. Alternative investments, no.

Robert Morier: Okay. So you had to learn after the fact. But that's interesting — at the university level, you were learning about the research side.

Matt Doyle: Yeah, very much.

Robert Morier: Good. Well, I'm happy to hear it. Take us through what the day looks like — not specifically today, but your day-to-day. When you're underwriting a manager, would you mind taking us through that process?

Matt Doyle: Absolutely. Every day is different, as you can imagine. That's the beauty of the role, I think. But there are a lot of similar timelines. Everything starts with sourcing. We plan our pipeline well in advance. We have a very regimented goal to get to with the platform, and we've grown quite a bit over the past few years to get there. We've put in a lot of work to get where we are today, and it's been fantastic. But in terms of soup to nuts, sourcing can start months out, or over a year out even. On a quarterly basis we assess where our product suite sits. We assess the managers we do have, the exposures we have, where we want to build into. Based off of that, we'll build a pipeline that's really 12 months in advance. My team knows what we're working on through spring of next year even. When we identify a product in an area — and that can take different shapes — we have 30,000+ advisors, 8 million clients, you can imagine the unique and different solutions that people need that arise. So sourcing can come from any angle. We have a team of 9 today, and we are incredibly well integrated with just about every major sponsor out there. So we have strong visibility into pipelines, new products, what's available currently. We'll make a decision well in advance. Sometimes it can involve a broad-based search — maybe we're starting completely from scratch in an asset class. Other times we have visibility into 4 or 5 strategies that we think might be interesting. From there, my team will dive into manager meetings generally to start out with. We may send some brief questionnaires to start. The goal there is really to narrow it down from what could be a very large universe into maybe a much smaller subset — 3 strategies or less that can fit for our platform. To Andrew's point earlier, the investment thesis is really paramount. But to work with a platform like LPL, obviously there's different skills that a manager must have to be successful in the channel. So when we do ultimately try and drive toward a single product, we have input from our operational due diligence team, our operations and onboarding team, our distribution team, and obviously the investment team as well. Once we make a determination on the product that we want to move forward with, we'll send out our full-length due diligence questionnaires — everyone's favorite standard document requests — and that's when we kick things off. We'll host a number of manager meetings. Generally, our diligence process can take anywhere between 1 to 2 months on average. Some more complex products can obviously take longer than that, but the team has gotten really efficient. When we kick off a review, they'll go a mile deep and spend truly 80–90% of their time — multiple manager meetings per week, sometimes on-site visits — to really get to know this strategy inside and out. From there, we'll take it to our investment committees. We have two. We have our first investment committee, which we

host weekly. Our first committee is really more geared toward investment professionals at the firm — members of our Chief Investment Office are on this committee, we have risk representation and other stakeholders there. Really what we're trying to determine and get a vote on at that committee is on the investment risks and merits of the strategy. If we get approval there, we'll go to our second committee, which is a lot more geared toward LPL stakeholders. So we'll have compliance, risk, operations, trading — everyone who could potentially touch an alt product at LPL has a vote on this committee. So we try to get the input, make sure it fits really in every line of the business.

Robert Morier: How is your conviction conveyed? When you do the research on a manager — I know you're heading up the team now, but any one of the 9 people who are part of that team — I always think a lot about the conviction side of things. You've spent a lot of time with these managers, you've gotten to know their process. In some cases, it could take well over a year. Now you're trying to get through these layers, and there's a lot of people who are not as familiar with the manager. So your conviction really needs to come through. How do you demonstrate it? How do you express it?

Matt Doyle: It's a great question. We've built a lot of trust with our committees because they know when we bring something to committee that it has been fully vetted, and they understand the process. We've gotten our reps in with this committee — both of them. For a product to even make it to these committees, we've built that trust that we weed out most of the things that we know the committee would not have an appetite for prior to even bringing it to that committee. From that point forward, I think what we try to focus on is differentiating factors between strategies. At the end of all of our memos, we have the investment merits and considerations, like everyone else, I think. But we try to hammer that home, because there are a lot of products out there today that look kind of similar — a lot of rhyming in the industry. So if we find a manager that has some aspect that's non-standard, that's maybe off-market, we'll absolutely bring those risks paramount. If it's a merit, something we think the manager's really, really good at, we want that to shine and we highlight that in the committee.

Robert Morier: That makes sense. I'm curious — to go back to the sourcing — do you utilize databases? Are there databases that you would recommend managers ensure that they have their information updated?

Matt Doyle: We do. We have two data providers, and some pull data from other data providers. So it's kind of aggregated in that respect. PitchBook is a great one that we use today. There's a number out there that work. I do think what we could improve on as an industry is specifically perpetual data — evergreen data. We've built our own benchmarks in that respect, but I at least have not found the stalwart of the industry there yet.

Robert Morier: I would agree. It's a good insight. The 9 people — how are they allocated in terms of roles and responsibilities?

Matt Doyle: We have a sector expertise coverage map. We break things really into 5 camps. We have real assets, and a sub-part of that is tax strategies. We have private credit, we have private

equity, and we have hedge funds. So within those teams, it's generally a senior analyst, a lead, and at least one support analyst.

Robert Morier: I'm always curious — the people who sit in your role are always generally inquisitive by design. They like to ask questions, they like to understand a manager, they like to have the full picture to avoid any of the roadblocks when they get to those committees. But I always like to ask: how — and when — do you know when to stop asking questions and make the decision?

Matt Doyle: Well, you have to have the EQ as well. It's a great question. And it's something that when junior analysts come on the team, it's something you have to learn into. You have to be able to — you're talking to a person at the end of the day, so you can tell when your questions don't land, and you can also tell when maybe it's time to restructure a question because you're not getting the answer that you want. One of the things we ask, what we look for in interviews with anyone that would be a potential fit for the team, is kind of an innate sense of inquisitiveness or curiosity. It's paramount to this role. But to your point, you have to have the EQ as well.

Robert Morier: Do you look for that same curiosity in your asset management partners?

Matt Doyle: I think we do. It's a different skill set though. I would love to be able to work with people that are also intellectually curious. And by far and away, most of the partners we work with definitely demonstrate that characteristic. But it's a different skill set — it's a different role.

Robert Morier: I'll give you a mini lightning round just because you're on the desk and we've got you here. I appreciate you being here as well. The team — are they all based in Tampa?

Matt Doyle: We are everywhere.

Robert Morier: Everywhere, okay.

Matt Doyle: We have East Coast, West Coast, middle of the country. We're everywhere.

Robert Morier: You're in Tampa though.

Matt Doyle: I'm in Tampa.

Robert Morier: Okay. So if we're coming down to Tampa and we're going to get lunch or dinner, where's the one or two places that we need to go to eat in the area?

Matt Doyle: Ponte in Tampa — fantastic. Chef Ponte has had a number of restaurants around the Tampa area, and I have not been to a single one that I have not liked.

Robert Morier: And how about your morning routine? When you're getting up in the morning, what's one of the first things that you do to get ready for the day ahead?

Matt Doyle: Drink a lot of water — got to stay hydrated. And I usually go to the gym in the morning. So kind of blast myself awake.

Robert Morier: Sounds good. Matt, thank you for being here. We appreciate your time. Thanks for answering our questions and being part of this overall interview with your colleague Andrew and LPL Financial.

Matt Doyle: Thank you, Rob.

Robert Morier: Andrew, welcome back. It was great to hear from your colleague Matt. I did have one more question for you before we do our lightning round. We've been having so much fun with these quick either-or types of answers, so I hope you have some fun as well. Advice — it's a tough job market out there. As you know, I'm a university professor. I teach a lot of juniors and seniors who are very stressed. There are less jobs than I think there ever have been, at least in my experience, looking at entry-level opportunities. So some advice that you would give them as they're thinking about a career in finance, investments, distribution, marketing, or underwriting.

Andrew Deck: I'll break this into two pieces. The first is, don't be so tied to one specific direction. Don't say, I need to go into investment diligence, or I need to go into buy-side research. Get into the industry, start learning the industry. I know from one of the other podcasts that I listened to of yours, you're big on networking — so get into the industry, start building your network, start developing those relationships. You never know where it's going to go. I think most of us, when we came into the industry 20 or 25 years ago, are nowhere even tangibly associated with where we are right now. So just get into the industry, find an entry point. But beyond that, it's have some forward thought into how do you make yourself very valuable within a very shifting industry. What I would say is focus heavily on AI. Because I think this industry, particularly certain areas of the industry, is going to be very impacted by AI. And just like we see with all the noise about SaaS, for example — winners and losers. You're going to find people that — you're still going to need people, people aren't going away, you're just going to be able to scale those people a lot more efficiently. So you'll need fewer of them. Be the one that can do the scaling. Really lean into the changes in the technology. Don't be so stubborn or so rigid that you can't shift in certain directions. So get into the industry, but as you're doing it, learn your way into the shifting industry so that you can actually be the one that's pushing the change as opposed to being minimized by the change.

Robert Morier: Yeah, or watching it from the sidelines.

Andrew Deck: Yes.

Robert Morier: That's so interesting. As you were answering, I was thinking that 10 years ago, the advice I would have given is, where do you want to be? Do you want to be in San Diego or Bozeman? Do you want to work from home or work from the office? Now the advice is take anything. Take anything and go where the jobs are. That's a very different mindset than a lot of us have been used to for the last 10 to 15 years or so. Good advice.

Andrew Deck: Unfortunately, the market's changing, so we've got to adapt.

Robert Morier: We will, and it sounds like you are, so congratulations on that.

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Robert Morier: All right, Andrew Deck, this is our lightning round. We introduced this about 2 or 3 months ago. I'll ask Roberto to fact-check me after this is over, but it's just meant to give you short answers so you don't have to think as much about what's really going on behind the process.

Andrew Deck: All right.

Robert Morier: Early riser or night owl?

Andrew Deck: Both, unfortunately.

Robert Morier: Okay, both. Already a both.

Andrew Deck: Yeah, very little sleep for me these days.

Robert Morier: I understand. Beach or mountains?

Andrew Deck: Beach.

Robert Morier: Okay, good. San Diego. So you're done with the mountains, or you think you'll go back?

Andrew Deck: I like to visit the mountains, but as far as living goes, put me near the beach.

Robert Morier: Yeah. How about in the mornings — coffee or tea?

Andrew Deck: Tea. Although I'm not a hot beverage guy, so it's really hard for me to say.

Robert Morier: Okay. Book or a podcast?

Andrew Deck: A book. Although I need to be more efficient with my time, so I'm starting to lean more and more into podcasts.

Robert Morier: That makes sense. Are you a builder or are you an allocator at heart?

Andrew Deck: Historically, I've been an allocator. I'm a builder. I still love to allocate when it comes to my personal mindset. But from a career perspective, I'm a builder.

Robert Morier: If you could only invest in one for the next 5 years — private credit or private equity?

Andrew Deck: Next 5 years, give me private credit.

Robert Morier: Private credit. Okay. You talked about this a little bit before, but — an emerging manager or an established brand?

Andrew Deck: For me personally, I'll take the emerging manager. For me professionally, the established brand.

Robert Morier: How about — liquidity or return potential?

Andrew Deck: Return potential.

Robert Morier: Okay. Co-investments or fund commitments?

Andrew Deck: Co-investments.

Robert Morier: Okay. Concentration or diversification?

Andrew Deck: Concentration, within reason.

Robert Morier: Okay. Data or instinct?

Andrew Deck: Data.

Robert Morier: All the way. Access or transparency?

Andrew Deck: Well, transparency doesn't get any good if you can't get in, so you've got to give me access first.

Robert Morier: That's right. What wins in the long term — discipline or innovation?

Andrew Deck: Discipline. But not by itself.

Robert Morier: A little bit of innovation in there.

Andrew Deck: You've got to innovate, but you can't be undisciplined. You can innovate in an undisciplined way and you're not going to be successful.

Robert Morier: Touching on your advice — what's the better edge, your network or the analysis?

Andrew Deck: Your network.

Robert Morier: In one word, what defines a great asset manager?

Andrew Deck: Consistency.

Robert Morier: And if you weren't doing this, what would you be doing?

Andrew Deck: Probably be an engineer.

Robert Morier: There you go. Andrew, thank you for taking part in our lightning round.

Andrew Deck: Of course.

Robert Morier: Thank you for being part of this podcast. We wish you nothing but continued success. We wish nothing but LPL continued success as they build out this very interesting and exciting platform. Thank you for being a part of it.

Andrew Deck: Thank you for having me. I appreciate the time.

Robert Morier: If you want to learn more about Andrew and LPL Financial, please visit their website at lplfinancial.com. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We are also on video, so if you prefer to watch while you listen, please subscribe and follow our channel on YouTube as well. For more Dakota content, please visit our website at dakota.com. Andrew, thank you again for being here. And to our audience, thank you for investing your time with Dakota.