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EPISODE 191:

**The Discipline of No:
Chip Caravati and
Chris Dion of
Brockenbrough**



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 visit our website. Before we get started, I need to read a brief disclosure.

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Robert Morier: Today is another special episode of the Dakota Live! podcast. Our guests today are Chris Dion, Co-Chief Investment Officer for Institutional Investments, and Chip Caravati, Chief Investment Officer for Brockenbrough.

Narrator: Brockenbrough is an independent investment firm in Richmond, Virginia, founded in 1970 by Austin Brockenbrough and Jim Lau. Fifty-six years later, it manages approximately \$5.5 billion as of the end of June 2026 across two businesses, private wealth management for individuals and families, and an institutional practice built around an outsourced chief investment officer platform. That institutional platform manages roughly \$1.8 billion as a fully discretionary co-fiduciary for a deliberately small group of partners: endowments, foundations, hospitals, and healthcare organizations, educational institutions, and family offices. Alongside it, the firm runs its own private markets program, Bespoke Private Strategies, which launched its 13th vintage year fund earlier this year. Chip Caravati serves as the firm's Chief Investment Officer and sits on the executive committee where he is responsible for investment policy, asset allocation, and portfolio strategy. He joined Brockenbrough in 1992, which makes this his 34th year at the firm, and he began his career as an account manager at NationsBank. He holds a bachelor's degree in history and economics and an MBA, both from the University of Virginia, and earned his CFA charter in 1994. Chris Dion is a managing director and co-chief investment officer for the firm's institutional clients and OCIO platform. He also serves on the executive committee. He leads investment strategy for that business and is involved across asset allocation, portfolio construction, manager selection, and risk management. Chris joined Brockenbrough in 2012 and has more than 20 years of investment experience. Before the firm, he was an Associate Director of Investments at Spider Management Company, the endowment office of the University of Richmond, where he also earned his BS in Business Administration. He received his CFA charter in 2004 and recently stepped down after 13

years as chair of the Investment Advisory Committee for Virginia 529, the largest 529 program in the United States. Chris joined us once before on the road at Baylor University, but this is the first time the two of them have sat down together on this show.

Robert Morier: Chris, Chip, welcome to Philadelphia and welcome to the Dakota Live! podcast.

Chris Dion: Thanks for having us.

Chip Caravati: Thanks.

Robert Morier: Appreciate it. Welcome back on the podcast. You're number two. We don't get many. Yeah, you're a veteran. We don't get many repeat guests, but you're one of them. So thank you for being here.

Chris Dion: Thanks for having me. It's great to be here.

Robert Morier: Yeah, last time we recorded, we were on campus at Baylor University. Dave Moorhead, the chief investment officer there, had invited us in and we were talking about relationships and the importance of networking. So I think it's appropriate that now the relationship between the two of you is being highlighted here on the show. So thank you so much.

Chris Dion: Thank you. And a shout out to Dave Moorhead. Dave's a wonderful investor and friend that I'd love to just say thank you to.

Robert Morier: Yeah, we've been very lucky with Baylor. As I'd said before we started recording, we've interviewed them now a few times. And I think what's unusual about that organization, truthfully, is how transparent they are. They're incredibly transparent. And I think for our audience looking in to better understand a university endowment that offers that type of visibility is really helpful. So I couldn't agree more. But today, we are talking to the two of you. And Chip, I think we're going to start with you. I think you might have the most experience here on the desk.

Chip Caravati: A little bit.

Robert Morier: I thought so. I'm just going to take a guess. You joined the firm—

Chip Caravati: I'll stay silent about that.

Robert Morier: You joined the firm in 1992 from NationsBank. What did the firm look like then? And what did you think you were signing up for at the time you were joining the business?

Chip Caravati: Obviously, a very different firm at that standpoint. Actually, I was coming out of business school. I'd worked at NationsBank previously and was really a fairly traditional asset management firm at that standpoint. We worked with private wealth individuals and smaller institutions. Everything was managed in-house and proprietary strategies. We picked large-cap core equities and we picked individual bonds. Business has obviously evolved a lot. Private wealth business has continued to grow. We started the OCIO business back in 2012 when Chris came over to join us. And, you know, I came into an earlier transition to work with one of the existing portfolio managers as he transitioned out of the business, get to

know his clients, work with his clients. And it was a small enough firm back then. Everybody did a little bit of everything. So came in to do equity research and start to work with clients.

Robert Morier: Yeah. Do you miss the old style boxes?

Chip Caravati: No, not at all. I never had style boxes.

Robert Morier: We're going to talk more about that in a few minutes, but I appreciate that. One of the best parts of having you on the desk and really having guests like you join us is when you have somebody who's been at one firm now for over three decades. So that type of duration is frankly kind of unheard of in today's market. So when you stay at one firm long enough and you see enough market cycles, when you go home at the end of the day, how do you wake up every morning and say, I'm going to go back there again?

Chip Caravati: What it has always come down to has been the people that are there. Austin Brockenbrough III, who founded the firm, he's in his 80s at this point. He's not involved in the day-to-day investments of the firm or managing the firm, but he's really just an incredible human being. And I call him the keeper of the culture. When he's in town, he's in the office. He loves investments. He loves being around the people. And that's translated into the other people that he hires. His son is now the CEO of the firm, has those same characteristics as his father, passion for the business, passion for the people and for the clients. And, you know, I think that's a big part of why we've had such little turnover. It's a big part of why I've been there as long as I have. You know, my wife's like, well, how do you know when you want to do something else or want to think about retiring? I was like, when we're in the middle of a bear market and I don't want to get out of bed, I'll know it's time. But it hasn't happened yet. Feel fortunate to have been there that long. Feel fortunate to get to work with folks like Chris and the rest of the folks that work at Brockenbrough.

Robert Morier: How about the city of Richmond? How important is that to the firm?

Chip Caravati: It's a lot of the legacy of the firm, you know, obviously founded there. Austin's from there. I grew up there. But Jim Lau was not from there. And, you know, we certainly have plenty of people that are from Richmond, kind of finding transitions. It's a really nice time to—we don't tend to hire real junior analysts. We tend to bring in people with experience and often, you know, have gone off somewhere else, maybe from Richmond or, you know, from the East Coast, and trying to get a little bit back closer to family. And so it's a really attractive profile when we're out looking for new folks.

Robert Morier: Yeah, I appreciate that. Thank you for sharing. You came from the other side of the table, Chris. You were at Spider Management, University of Richmond's endowment office, before you joined in 2012. So what did sitting in that endowment seat teach you about, you know, the way that you think about investments, both institutionally and also from a private wealth perspective?

Chris Dion: For sure. So, I mean, I think there's a number of empirical things, but really, I think it was the bug, the passion.

Robert Morier: Not the spider.

Chris Dion: Well, it was my alma mater too, working at the University of Richmond. So that passion piece was there. But I meant even more the passion for investing as much as it was working for my alma mater, which was great. I mean, I love the school. I had a great four years at the university. I met my wife there. We're, you know, still married 23 or 22 years, three kids. And so those things are wonderful. But when I went to the University of Richmond, I would say I liked investing. I'd had a career of investing at that point, but I really fell in love with investing at Richmond. And we had an existing portfolio when I arrived of some really wonderful things. It was my job to go around and talk to these people who frankly you would pay a lot of money to probably get a chance to speak with on a one-on-one basis in a meeting. And they have to take a meeting with you because, you know, we are investors in their fund. And so you just really got to learn how the best people in the world invested. And many of these people were some of the best investors in the world. It was really just like this really interesting Cliff Notes version of, you know, how to invest among the best people in the world. I mean, Patrick O'Shaughnessy has a podcast, Invest Like the Best. But that's kind of like that Invest Like the Best thing was what I got to experience, you know, almost 20 years ago before podcasts, you know, made it easier to digest and obtain that information. It was just a really amazing thing. And so then I just started reading and voraciously kind of assembling more stuff that I could read to learn more and more about it. And that was the biggest thing is that I really—it really became a passion for me, something that I enjoyed doing, you know, outside of normal work hours and, you know, became something I just loved.

Robert Morier: And the two of you have now been working together for over a decade. So what's worked about the dynamic? I'll ask you offline what hasn't worked.

Chris Dion: But no, we're almost 15 years in, and I always colloquially tell people that when I started, Chip was kind of like my training wheels to make sure that I didn't go off the rails. Because I started—I had thought about trying to become a CIO, but at University of Richmond, I did not run the endowment, but I felt like I was ready to run a portfolio. But in the endowment foundation world, you can believe you're ready, but until someone gives you a chance, you're not a CIO. And unless you're a CIO, it's hard to get a CIO job. And so I think getting in the seat and getting settled, Chip and I, we have this really interesting kind of yin and yang to things. I mean, you'll see even as we speak here today, I mean, I talk kind of fast. I'm pretty intense. I'm a lot to handle sometimes. And Chip is like my foil. He's much more relaxed. If you took our heartbeats right now, like, my pulse is running a lot faster than his. And so I tend to say I'm gas and he's brake. And that doesn't mean that I'm always coming up with ideas and he's always killing them. It's not just that, but just that I think we've managed to fall into a cadence where we make really good decisions by covering a lot of the landscape.

Chip Caravati: What was apparent to us as we were interviewing folks to bring in to kind of help as we started this platform and thinking about building it out in 2011, ultimately starting in 2012, I mean, Chris talked about his passion. It is really clear. I think the other thing that we felt at the time, and it became very evident, you know, the trust factor between the two of us. And I'd really say the third thing with Chris is, you know, his ability to develop relationships with managers. You know, we're not the biggest firm out there. We go out and present ourselves to GPs as an attractive partner for them. Long-duration capital, take a long-term view. But we want to also have meaningful relationships. And not to say we can do it with every manager we work with, but we do try to find ways to be value-added to them as well. And so what we thought obvious at the time became very apparent early on. Chris has a special way of developing

relationships with those managers. So our credibility in the marketplace when we are trying to get capacity with managers, inviting them to talk to other managers that we work with, it becomes really evident that we do what we say and follow through on that.

Robert Morier: Chip, when someone is interviewing at the firm for the first time, so if you think back to when Chris was first interviewing, how do you describe the culture of the firm?

Chip Caravati: Yeah, I mean, it's always hard. You know, you can point to the facts. I mean, our average tenure, I think, is north of 15 years at this point.

Chris Dion: And it's been brought down more recently because we've had a few people retire. We have more people that retire than leave for normal reasons, you know, for other jobs.

Chip Caravati: I really think it comes down a lot to that trust factor. I mean, I think Austin did it early on. And young Austin does it today. We all do it with each other. You know, everybody's willing to push and challenge and ask hard questions, have hard conversations. It's not to avoid conflict. There's differences of opinion in this business and any business, but it's the way that people go about it. The respect that, you know, these are just my thoughts, these are just Chris's thoughts, but it doesn't change who we are as people and the fact that we respect each other for having different thoughts and, you know, being able to ultimately come to a decision.

Robert Morier: For our audience who are less familiar with the firm, Chip, would you mind just giving us a quick overview of the business? So what is the firm today? What are the services that you offer, and what are the ultimate goals you are trying to accomplish for your clients?

Chip Caravati: Yeah, so really two legs of the stool as we think about it. You know, firm started largely servicing high net worth individuals and smaller institutions as we talked about. Almost exclusively done with proprietary strategies at that point. That business started to evolve a little bit, diversification. We kept those proprietary strategies. That's where we felt like we had some edge. We have obviously largely taxable investors in that part of the business. And so have always continued to run that large-cap core single stock strategy and run individual bond strategies. What we layered in with that part of the business and ultimately decided to do it more in a passive type structure is diversification to international small cap. What we didn't have and what the OCIO business allowed us to also layer into that was access to outside managers and asset classes that we didn't currently offer to those clients. We made the decision on the OCIO business that we weren't going to use any of our proprietary strategies. We didn't want any conflict whether that fit in those portfolios. So OCIO business is all external managers. We do use a little bit of passive investing just to keep some liquidity in portfolios, but it's created a really interesting dynamic, I think, Rob, where we've stayed small enough in our asset base that it really still looked like a boutique firm in how we service clients. I would say that's how Austin and Jim first and foremost thought was the most important thing in the business and how they built it was the client service piece. And the client always comes first. So that boutique nature of how we service clients really in-depthly get to know, even on the institutional side, the OCIO side, really get to try to know the institutions we work with and the folks that are on those investment committees. But it's created this interesting dynamic where some of those private wealth clients can piggyback on what we're doing on the OCIO side. And they don't have to use any—all those strategies. Many of them don't use what we're doing in long only on the OCIO side.

They've got an existing portfolio. It doesn't make sense to necessarily go take those gains. But things like privates or where it makes sense, different hedge fund strategies, has really broadened the investment platform that we're able to offer for the private wealth clients. And I think really has helped us compete and win for some, you know, some larger opportunities that maybe when we were more narrowly focused, we might not have had that opportunity.

Robert Morier: Chris, you know, from monitoring the private equity GPs in your portfolio that increasingly they are looking at RIAs and OCIOs as investment opportunities. Yet your firm has remained independent and family-owned. So what's been the decision driving that? I'm sure you have a lot of suitors who are calling.

Chris Dion: So yes, I mean, we certainly get calls about the business and we probably have for 30 or 40 years.

Chip Caravati: As long as I've been there.

Chris Dion: Yeah. So, and then the multiples today are eye-popping in some respects, to be honest. They're not—they're multiples that, you know, we've never seen in that 30 or 40-year period of time. But no, I mean, I think that the firm has always been steadfast about what Chip said in terms of, you know, the client service and, you know, and really focusing on the investment performance as well. And we feel like, you know, we just don't want to have to compromise, you know. And some of that even comes down to client acquisition, where if you have a different owner, your targets and things are likely to be different. And that doesn't mean we're not ambitious, but what it means is that if we happen to meet a family or a board from an endowment or foundation, and for whatever reason we don't feel like it's a great fit, we can just say no, and we have the ability to do that and the right to do that. And the firm, I think, respects the thought of doing that because we've had clients like that in the past, and that's the reason why we often will say no when it's not a great fit, right? And so it allows us that flexibility to, you know, really kind of curate—excuse me—the client base that we're looking for in terms of that alignment of values and interests that, I think, stand by the culture of the firm to some degree as well. And that flexibility, I think, is really really important. And then ultimately, I think, as more and more of these things consolidate today, I think that independence piece actually continues to become more and more important and more valued over the course of time by our potential clients, where I think there's a lot of people that are coming in and they're seeing some of these larger organizations, and there's nothing certainly wrong with them, but larger oftentimes means less personal knowledge of the client. I mean, at our firm, if you call on the private wealth side to any of our group of people that are handling the client service aspect, you're generally talking to the same person almost every time. That person knows you. They know your family. They know where you went on vacation last year. They know where you're headed this year. They know a lot of stuff about you because they've gotten to know you. And that piece of it, I think as time goes on, is becoming more and more valuable, particularly in a world with AI and where there's a number of these things that can be done by artificial intelligence. But the question is, how much of them do you want to be done by them for fear of losing that personalized experience that, frankly, we think our clients pay for and that they want, that they value? And so we try to bridge the gap. Obviously, we want to be technologically forward and incorporate some of those things, but we want to keep the experience very curated. And that

independence allows us to often do that to a degree that we might not be able to do if we had a different owner.

Chip Caravati: The only thing I'd add is, you know, the family has been thoughtful in planning, you know, whether it's succession and estate planning on their side. They've shared equity with folks at the firm. And, you know, it's always been a passion, particularly of Austin III's, that being independent was the thing that best served clients. And at the end of the day, that's the thing he's always cared the most about.

Chris Dion: Yeah, he's so proud.

Robert Morier: Is succession planning something that you are openly talking to and about with your clients? We released an episode recently, I was just talking with another OCIO that talked about that at the CIO level, but also from an ownership level. So when you think about succession, you've seen one of your founders, you know, unfortunately pass away recently. You've seen multiple generations now become kind of part of this business. How do you—I hate to use the word define succession planning because I find it so dynamic, especially when we're dealing with families. But how do you think about it?

Chip Caravati: When we think about bringing new people into the firm, right, we're 32 people. Yeah, we're not a large firm, right? So every hiring decision we make is really important to us. When we think about succession planning, you know, I think about it really from two perspectives. One is the management side, running the firm. I think we've done a really good job of starting to transition that to the next generation. Chris joined the management committee four or five years ago. Four or six, I think. Matt Shaia, who runs operations at the firm from an investment standpoint, came on about a year and a half, almost two years ago. And Matt's a decade-plus younger than you are. Chris is a decade younger than I am. So we've really tried to be thoughtful, not only about leaders of the firm having different aspects of the firm come into the management committee, but also thinking about how we structure from an age perspective and a transition standpoint. I think on the investment side, you go through the same thing, right? And as I said, Chris is a decade younger than I am. I don't know that I'll be young Austin, I mean, big Austin, still doing this at age 89. Probably not. Our other partner, Chris Culbertson, who works on the OCIO side, is 10 years younger than Chris. So we don't go in and say we have to find somebody who's 10 years younger, but let's go find the best person. But we have been thoughtful about how we try to structure that, thinking about what succession looks like in the longer term.

Chris Dion: What we have found over the course of time is that each age cohort has their own network. I mean, you were talking before we got on the show that there was a person that you're looking to do an interview with later this year, and that person is going to be with a number of their contemporaries, and she's in her early 30s or something like that. And that cohort is a different cohort than Chip or I are probably going to know. We may know bits and pieces of them, but it's not native to us. We have to kind of, I would say, force our way into a group of young 30-somethings, whereas Michael—

Robert Morier: I'm trying to envision what that looks like for you. What are you talking about? You're not talking about the Rolling Stones.

Chris Dion: Exactly. So that would be an interesting conversation trying to—but you get my point though, which is just that, you know, every age has their own cohort of people that become their friends and

colleagues and confidants. Then that group of people will be the next group of CIOs as well. There's obviously really, really smart people, motivated people, passionate people that are doing different things. As we think about hiring the next people, trying to figure out ways to access that group of people, and then to have people on our team that are talking to that cohort of folks, I think is also really, really important. We kind of think about trying to stage that without trying to say they have to be in 10-year increments, but trying to stage that in a way that allows us to continue to access that talent and that network pool across different cohorts and generations.

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Robert Morier: Chip, for those listening into the show, they're probably checking the structure. You are the Chief Investment Officer of the firm. Chris, you are the Co-Chief Investment Officer for the institutional business. Do you have job descriptions in your back pocket just in case you need to refer to who does what? What do you do on a day-to-day basis relative to Chris?

Chip Caravati: Chris spends more of his time on manager research and working with the managers that we already have in the portfolio. I'm not totally devoid of doing that, but it's usually Chris and Chris that are leading that. Our three-person investment team, so we're all involved, we're all constantly having conversations about those, but the two of them are typically leading those relationships. And finding new managers. I spend more of my time on the asset allocation side and on the client side. Obviously, the asset allocation side can translate to what we do on the private wealth side as well. So that's where there's some overlap between the two sides from thinking about portfolio structure and thinking about asset allocation. And certainly involved in the manager discussions with Chris and Chris, but less so than what they're doing.

Robert Morier: Can you put the responsibilities into practice for us? So when you're sitting around the table, whether it's the weekly meeting, a daily meeting, and you're deciding on an asset allocation decision, I suspect maybe the model is generally built, but when you're building it around kind of the periphery, you know, there's a discussion around whether we should do something and maybe there's a disagreement. What does that conversation ultimately look like and how is a decision made when it's all said and done?

Chip Caravati: I don't know that we've ever gotten to the point of where there's a—you know, somebody's putting a decision on the table and there's disagreement. Because we are a small team, our three offices are next to each other, the conversation is constant. Whether I've got a question about asset allocation and we're thinking about doing something, or Chris has been working on a manager, he gets interested, he's going to start to update Chris, our other partner, and myself. And so those conversations are really fluid throughout—

Chris Dion: And iterative.

Chip Caravati: Every day and what we're doing. There'll be something along the way, it can be a different trigger every time, that might kill an idea, might decide not to change asset allocation, might not, might decide to hire or not hire a new manager, fire a manager. And so, you know, ultimately, at least at this point, we've all three been able to get to the point where, once there's a decision to be made, we've had a unanimous decision that it's the right thing to do going forward.

Chris Dion: And I mean, his comments don't imply that there's not healthy discussion and debate along the way, right?

Chip Caravati: Oh, 100%.

Chris Dion: There's often a number of things that we'll ask or challenge along the way. That doesn't imply that it's a disagreement, but only that we're iterating. And, you know, I think we walk into every deal with the idea that it's a no. And so, as you start to move down the path of a yes, it's our job, or, you know, if it's my idea, it's Chip and Chris's job to do their best to kill it, if it's supposed to be a no. And so I think it's that kind of devil's advocate view that you try to have, that viewer saying like, did you make this call? Or I know this person who knows, you know, this person who's on the team, like we should check that reference. And I think there's just, you know, lots of helpful things along the way to make sure that when we finally get to say yes instead of no, that it's the right yes.

Robert Morier: Chris, if you're starting with a no, how does a manager earn the yes? So what does that earning process look like?

Chris Dion: Yeah, it's kind of like describing the culture of our firm. You kind of know it when you see it. And I will say that there's certainly a lot of empirical data and references and things that we check. But after some period of time too, of doing it for a long period of time, there is some pattern recognition, I think, as well. But the broader things that I would say are just that they're broad. I mean, there's nothing that we completely put off the table anywhere from an investment perspective. So, I mean, the beauty of what we do is that we get to talk to lots of different people who want to meet with us, and they come in and they will tell us about their mousetrap, and they get to decide what that mousetrap is, why they're best suited to do it, why they have a right to compete and a right to win in that particular area. We get to try to evaluate whether we believe that that's a durable right to win. Sometimes we're not always right. Hopefully, the things that we do work pretty well. The hope is that we don't have those things that don't do well, and the things that we choose that maybe do okay is an opportunity cost rather than a cost of something blowing up necessarily. We're not really ever counting anything out, but I will say that, you know, we only do a couple of things a year in terms of changes to the portfolio for the most part. And so by definition, then almost everything else is a no. And saying no at first feels daunting, and then it starts to feel liberating, if that makes sense.

Robert Morier: Is it easy for you?

Chris Dion: No.

Chip Caravati: It depends. It depends.

Robert Morier: Is it a practice change?

Chip Caravati: No, I don't think it's a practice. I mean, as Chris said, you know, we don't do a lot of new things every year. We do a lot of meetings, you know, not trying to tell anybody, don't call us, don't come see us if you got something interesting. I mean, we're open, like, to be thoughtful about what we invest in, but there is a limitation, right? We're not going to have, you know, too many managers in the portfolio. We're not going to raise too much capital just functionally by the way the model works. You know, there are not a lot of new opportunities, but there's several every year, and that's the fun part is talking to people about who those several are.

Chris Dion: And I mean, it tends to be a high level of curation like we mentioned. And then, you know, the good news is that if you're not one of those managers today and you're coming in and you're pitching us or you're giving us your story about what your mousetrap is, I mean, the good news is if you become one of our investors or we become an LP of yours, we tend to be LPs for a long time. So once you get in, it's usually a very long relationship, but there aren't many new slots every year in terms of how we're looking at it. And we just try to, you know, we're trying to force displace, you know, what we have versus what's out there in the market and trying to make sure that we always have the best portfolio that we can with the idea that we're not trying to trade it either. I mean, we're trying to find these long-term managers that we believe are going to do what they say they're going to do and continue to do that over long periods of time with hopefully similar teams and not too much money.

Robert Morier: No, I appreciate that.

Chip Caravati: Yeah.

Robert Morier: Chip, going back to asset allocation just a little bit and digging into something specific, one of my favorite parts of doing this job is doing the research and getting to read all of your research papers and trying to formulate some questions. You've described the AI capital spending boom as one of the most intense momentum surges of all time and made the point that spectacular momentum breaks spectacularly. That's one of my favorite quotes from your research. What does being ready for that actually look like inside a portfolio, you know, compared to the literature?

Chip Caravati: I got to attribute that to one of our other partners, Richard Skeppstrom. He's a really creative writer, and he's the one who came up with that. The problem is we don't know when. You know, if we look at past significant technology evolutions, changes, AI certainly, you know, maybe will end up being at the top of those. But we've seen in all of those cases, right, at some point there is an overbuild, there is some overcapacity. And the challenge is trying to figure out when that is likely to happen. You know, we were talking on the way up, you know, you go back to '98, '99, late '90s, early 2000s, and the whole fiber build-out.

Chris Dion: Mm-hmm.

Chip Caravati: And, you know, you can model it based on technology and what it is today, what we think compute is going to be needed, how many data centers are going to get built. But technology's going to change. They're going to become more efficient. Those data centers are going to be able to process things faster, differently. And that's the part that's harder to predict. So, you know, when we came off of the lows after the war in Iran started, and it looks like there was going to be a ceasefire in March, you know, it

really did kick off one of the largest momentum markets, just empirically measured, if you look at price momentum, that we've ever seen. Second, probably, to the run-up to the end of the tech bubble. Not saying this is going to be a repeat of that.

Robert Morier: Mm-hmm.

Chip Caravati: But I think history would tell us that there will be some point where there is some overbuild relative to the needed capacity.

Robert Morier: I'm curious, I know you have all different types of clients with all different types of goals. Is it more challenging to allocate for resilience or opportunity?

Chip Caravati: The opportunity. I can build a resilient portfolio. It might not make you much money, right? So I think in today's world where, you know, you have this massive build-out, we don't know in some areas what the return on that investment's ultimately going to look like. I think at this point we've kept a foot in both camps. Feel like you need some balance in the portfolio, that it is too early to take all your chips off the table and probably too late to have an all-tech portfolio at this point. So to us that, and this would be true across the private wealth side of the business as well as the OCIO business, is some balance in the portfolio. Don't be out on a limb right now in either direction.

Robert Morier: Thank you for sharing that. I appreciate that. How do you think about concentration? So when you're thinking about the number of managers, whether you're building it for resilience or opportunity, how do you think about concentration in terms of the number of managers that you're using to populate that idea or that program for a client?

Chris Dion: Full stop, we've tended to hire more concentrated managers, both on the public and the private side. It is not uncommon for us to hire a private equity fund, buyout fund that does three or four platforms in it. So pretty concentrated. What we try to do is size those appropriately. So the general rule would be that if you have a more concentrated portfolio, you're going to have more volatility. Hopefully, the skew of that volatility over the course of time, if they're really good at picking, whether that's private equity funds or public stocks, the skew of that volatility should work in your favor over the course of time. So you're willing to accept a higher volatility knowing that hopefully over time you will make more money from that manager. But again, you're sizing them appropriately such that when you put everything together, the portfolio of those things, while more concentrated than the S&P 500, for example. It'll have fewer names, fewer individual stocks than that, but the overall volatility of that entire portfolio might be similar or maybe only slightly more volatile, but hopefully with some excess return because of that skew. That's kind of how we think about it philosophically. On the private side, again, we don't shy away from the concentration piece knowing that some of our managers, while they might have two or three or four platforms in a fund, there are others that are more diversified than that. So we have 12 vintage years now of our private equity platform, 13, sorry, that are layered on top of one another. And the sum total of the number of companies in that platform now, if you've participated in every vintage year, is well over 1,000. And so I don't want you to get the idea that we're just overdiversified then, because in our private portfolio, the top, I think, 15 or 20 names still makes up like 40% of that portfolio. So there is still some purposeful concentration, but it is a longer tail of names now that it's 13 years old. Some of our venture funds obviously are not doing

three or four concepts. They're doing a larger portfolio to diversify that risk, knowing that the power law can make up for that diversification with one company that can really blow it out and do well.

Chip Caravati: Yeah.

Chris Dion: It's a blend, but we still tend to prefer more concentration. But at the same time, that level of concentration is still reasonably diversified. We're looking at the manager level and then the portfolio level. I would say the managers are more concentrated, but the portfolio as a whole is still reasonably diversified.

Chip Caravati: And I think the number of managers within each of those asset classes varies somewhat in proportion to the volatility and the dispersion of those returns. And so a little bit higher number of managers on the long-only equity side, particularly where that's where we have some of the highest concentration, you know, managers that own the fewest stocks, and we need a little bit broader number to make sure the portfolio's diversified enough. As we kind of work through the portfolio on the public side, long-only has the most, hedge equity managers probably next, absolute strategies have a handful, and then just a few on the fixed income side. So as you move down that volatility scale, we're willing to concentrate those client dollars in fewer managers. On the private side, we really are, maybe a little different model in that we don't come into a year saying we have to go put half our money in buyout, where we strongly favor small company buyout funds. You know, most of the capital that we've allocated over the last now 13 years has been in small company buyout, later stage growth, and venture capital. We've done a little bit in real assets and real estate over the years, but not a lot. And so when we come into the year, it's really everybody has to compete for capital. And some years are going to be tilted a little bit more toward venture and growth, and some years are going to be tilted more toward small company buyout. It's really, let's go do the, call it, 10 best things that we think are coming to market in those three areas.

Chris Dion: Yeah, it's really a bit more of a bottoms-up approach on a year-by-year basis, knowing that over the course of time you're building a portfolio that's likely going to be more diversified. But, you know, we tend to just be more opportunistic with the idea that this is the pipeline of things that are coming to market in the next 12 months, and we don't care so much whether that's going to put us overweight for that particular year in venture or growth, as long as it's probably not 100 and 0. We tend to kind of do these things serially, and they blend in together to make that whole portfolio over time. What we hope is that rather than solving from the top down and saying we have to have this much in buyout and this much in venture and this much in real estate every single year, and forcing things in, potentially forcing things into those buckets where maybe the best manager that you have in infrastructure isn't raising this year, and so maybe there's nothing to do in infrastructure for the pool of capital that we're managing. Rather than trying to force-feed and force-fit those sorts of things, we just say, what are the things that we're looking at doing? We're comfortable with how this shakes out at a portfolio level, and we're hopefully getting capital into our best ideas ultimately.

Robert Morier: Chip, I'm curious about your experience with generalists versus specialists. So when you talk to certain institutional investors, allocators, sometimes it can go in and out with the tide depending on the asset class. But it seems like today there are more specialists than ever. It's a way for an asset manager, a GP, to distinguish themselves relative to their larger peers. So if you're going to compete with

BlackRock, let's do something very specialized. But that puts a lot of the onus on you, you know, as the allocators on behalf of your clients. So when you think about a generalist versus a specialist, do you have preferences? Are there attributes that you look for that you want to see, whether it's sector-specific or people, personnel-specific?

Chip Caravati: Yeah, I'd say for us it's been less sector-specific, more expertise-specific. So if I think about things like our small company buyout portfolio, different managers have some tendencies, whether it's healthcare services or specialized—

Chris Dion: Services.

Chip Caravati: Chemicals and could be services. They either have some sort of niche expertise in a more defined area of the market, or they tend to be what we call operating ninjas, folks that are really good at coming in and taking up a small business. Usually the founder's still running it. He was the key salesperson. He's the key product development person. And systems are not fully built out. And so how do they go really professionalize, lean on their experiences, whether it's directly at the firm or they have operating partners that work with them to come in and professionalize that business? So it's a little bit different thought on a specialist, but we really do spend a lot of time, particularly on that side of the portfolio, understanding what GPs bring to the table to really be able to go in and operate those businesses and help them take it to the next level where ultimately we find that's where you get the biggest multiple expansion is if you can grow that business and take it back to market as a much larger, much more professionalized business than it was. So we have some more sector-oriented specialists in the portfolio. But I'd say we have a little bit of both.

Chris Dion: Yeah, I think the expertise angle's a great one to talk about. And, you know, I take a step back for a second because the three people on our team, we kind of have to be generalists by design, right? And what I think you see at some of the larger organizations, and by necessity, honestly, because you end up managing a much bigger pool of capital at some of these other organizations, whether it be a larger endowment or foundation or a larger investor, a manager, but you end up forcing your way into sector specialization and verticalization. It's not necessarily bad, it's just different. What we like about the generalist model that we have, because we still have an amount of capital that we believe we can manage with that generalist approach, it's just like we talked about in the last question where we get to think about the marginal dollar of capital and where to deploy it. We don't just have to think within our, you know, little sector that we're responsible for. So if I'm responsible for the buyout portfolio, I'm responsible for the long-only portfolio. I'm generally only thinking that's my world, right? That's how I get compensated. That's, you know, a lot of the stuff that comes along with it. And we kind of get to think, you know, this way, a little bit more, perhaps without some of the depth that a sector specialist inevitably will have. But we feel like the trade-off there is still to our benefit in terms of being able to think with that mindset and saying, all right, here's our options across everything, what should we do? I mean, we were talking over the last few weeks about software, for example, and the public software names, they've come back to some degree, but over the course of the last six months, it's been kind of a rough market for software. And at the same time, we were evaluating a private equity investment in the software space, and we pretty heavily debated the idea of, is this a private investment that we should make? Or if we really are thinking about software,

is this something we should do in the public markets given where the valuation disconnect has been on the narrative versus the fundamentals?

Robert Morier: Yeah.

Chris Dion: Like I said, that discussion you likely don't have at a place where you're more specialized, where you're thinking across and saying, well, in the private growth equity sector, there's a growth equity guy who's working on that manager, but he's not thinking about the public markets as an alternative to that investment.

Robert Morier: Mechanically, where does that discussion take place? Does it take place weekly? Does it take place every day when you're getting coffee? Where does it take place? I ask it in the context, if you don't mind. I'm thinking about when you're pitching for business and you are competing against those larger managers that you alluded to that have offices all over the world and have, you know, multiple analysts covering multiple sectors. And somebody inevitably is going to ask you the question, Chris, that you ask managers all the time. Why do you deserve a seat at my table?

Chris Dion: Right.

Robert Morier: Why do you have an edge over those types of managers? So in the context of where those discussions take place, it gets a little bit back to what we're talking about, like, you know, setting the table for asset allocation. Where are the discussions happening mechanically, and how are they different than, say, your competitors who are doing it at a larger scale?

Chip Caravati: I think the advantage of the small team is they're—I mean, they're certainly episodic where we're discussing different managers, different asset allocation thoughts, decisions, but they're really continuous. You know, it's going to be different managers and different market thoughts at different times, but, you know, we do have a formal weekly meeting with our OCIO team. The reality is, you know, that's to kind of cover the nuts and bolts. The conversations about managers and markets are walk next door, go to lunch. You know, we don't have to wait for a meeting to have those conversations.

Chris Dion: No, sometimes we shoot an email or a text even, saying, I've been thinking about this and I wanted to let you guys know and I really want your input on it. And I mean, in this particular case, I actually ended up emailing our private GP that we were looking at and I asked him this direct question and I just said, you know, this is a question that someone will think about and bring up like in an investment committee meeting when you're voting on it, and this is a reason to kill this deal. But I wanted to ask you directly and get what your thoughts are about this before we have that discussion and go into that meeting, because we're all wondering it. If we don't ask you, and you don't give us an answer, then we don't have that view from your side to be able to evaluate as we're thinking about it. And it was super helpful. I mean, I sent him the email and said, here's the view of the private markets, public markets. And as we're thinking about the marginal use of a dollar of capital, how would you think about this from your seat? Obviously, he's not objective. He wants to get hired.

Robert Morier: He said, give me this much money and I'll do it for you.

Chris Dion: But it was interesting. And I said, I want you to think about it before you respond. Don't respond to me today. Take a couple of days and get it back to me when you want to. And he responded with a really well-thought-out argument of, I would say, semi-defending his position in some ways, but seeing, you know, how the public markets and the private markets are different in this regard, that the ability to have control being a very interesting concept in the company, where in the public markets, obviously, you cannot. You have more control and influence. And so a number of different things. But it was just interesting, you know, and got the direct feedback, obviously passing all that along to the team as we're continuing to evaluate. But this is just kind of the process we try to go through, try to be, you know, as exhaustive on the details as we can and try to have as much information as we can.

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Robert Morier: Let's say, for the sake of argument, that you landed on the public—

Chris Dion: Yeah.

Robert Morier: So you decide to take that exposure through public markets. What does that underwriting process look like? Let's say you don't have that exposure specifically through one of your existing managers, so you're going to have to source a manager potentially for the first time.

Chris Dion: We could buy index as well. We could buy—there's a number of ETFs and things you could potentially do as well, right?

Robert Morier: Let's say we go active.

Chip Caravati: Yep.

Chris Dion: Yep.

Robert Morier: So we're going to go active, we're going to do an active search. What is that underwriting—just generally speaking, what does that underwriting process look like for you and your team. So when you've got to go out to market and you've got to source that manager, you've got to do the due diligence, you've got to meet with them however long that takes for you, and then ultimately you've got to make the allocation.

Chris Dion: Well, look, I would tell you that having all of us done this for a reasonable period of time, Chip and I have been together for 15 years and Chris Culbertson and myself have been in the allocator world for almost 20 years each. And so I would tell you that there is already a group of managers that having the whatever, 200 or 300 meetings that we have a year that we've already kind of put a soft little asterisk on and said, if we're going down this path or if we're thinking about software or another category of managers, there's kind of a—I wouldn't say it's a formal list, but there's a list of things that we have of where we've met these people and we either don't think they're demonstrably better than what we already

have in the portfolio and we don't want to add more of that exposure, so we decide not to hire them and keep the people that we have in the portfolio because it's really hard to kind of compare those two. And if you have something that is reasonably similar, there's really no need to change if you really don't think it's demonstrably better, right?

Chip Caravati: Mm-hmm.

Chris Dion: But there's a number of those groups over time that we said, gosh, we really think about it, but it's just not quite—we can't tell you that it's absolutely better than this manager that we already have that's covering a lot of this kind of similar area, whether it be the same exact stocks or companies or not. And so we keep a list of those and we try to keep that fresh over the course of time and are updating it. And so we already have a group of people that I think we would tell you that we would go to if we decided to execute that strategy in more of a public market thesis. Now, we would probably talk to a number of those different groups, you know, individually, kind of understand which one was maybe more attuned to the type of exposure that we were thinking about in the markets, and then try to hone in and do the process and work on our process from there.

Chip Caravati: If it was something for some reason where we weren't tracking, you know, wasn't on sort of our more actively monitored list of managers. They could be going back to our network and having those conversations, curated list of folks that we shared ideas with over the time. Largely comes from university endowments, a little bit on the fund-of-funds side.

Chris Dion: Family offices as well.

Chip Caravati: Yeah, family offices, ideas from existing managers. So it's a way for us to leverage a small team and that network. And make sure we're staying on top of new and interesting things that are out there.

Chris Dion: Yeah, and for them to do the same. The idea flow from us and from them and the fact that our philosophy overlaps with theirs and theirs with ours is kind of the currency, the commodity that we're trading, right?

Robert Morier: Chip, earlier in the conversation on the public side, you said that the firm—you mentioned the firm runs proprietary strategies alongside third-party open architecture. How do you decide what to build yourself versus what to go outside for?

Chip Caravati: Yeah, I think honestly, probably some of it is the legacy in that we've had the large-cap, largely, primarily US strategies since the inception of the firm. Same thing on the fixed income side. And so where we either didn't feel like we had the expertise, didn't necessarily want to go try to bring in somebody with that expertise, it's largely been done on the private wealth side through passive strategies. So international small-cap, mid-cap exposure has largely been done in a passive way on the private wealth side of the portfolio. If they do want some more active exposure or exposure to things like privates that they, you know, we don't offer in a different format than what we're doing through bespoke private strategies on the OCIO side, you know, that's where they can come in and leverage that.

Robert Morier: Chris, on the private side, the firm's long favored lower middle market buyouts.

Chris Dion: 100%.

Robert Morier: Can you help us make the case for it? Why do you think smaller deals have been more resilient?

Chip Caravati: There's not enough time.

Chris Dion: Yeah, I was going to say, how much time do we have?

Robert Morier: We've got some time. I've got the countdown clock going.

Chris Dion: So, I mean, you know, obviously in all private markets we can invest in whatever we want. And at the same time, now after 13 vintage years, if you had a dollar in every one of our vintage years and you mashed it all together, you'd have about 55 or 56 cents in buyout generally, and all of that has been in lower market buyouts. And when I say lower market buyout, what we're talking about is like a business with \$3 to \$7 million of EBITDA, pretty small business.

Robert Morier: At purchase.

Chris Dion: At purchase, correct. Yeah, that's the platform functionally. And what Chip had mentioned too, in terms of the expertise piece, like it's a small business, it doesn't have a huge amount of resources. And so it takes a particular group or GP to be able to manage and help a company of that size. And so, you know, you take that business and, you know, there are three ways to make money in private equity, right? There's you grow the business organically or through acquisition, you get multiple expansion. And I think there's an A and a B on multiple expansion where the A of multiple expansion is, you know, we had a 30-year rate cycle where interest rates came down and multiples went up. And that was kind of just a really, really nice tailwind for the industry, generally speaking, where you could, you know, ten years earlier or five years earlier, you could have bought a business. Rates have gone down by 200 basis points over that time. Multiples are inevitably higher, whether you've really improved the business or not, but you were able to sell into that tailwind. That's A. But we tend to focus more on the B part of the multiple expansion, where if you're able to improve the organic growth of that business, if you're able to extend the total addressable market, if you're able to improve the operations, if you're able to implement software systems, if you're able to upgrade the management teams to different levels than they had before, if you improve the R&D effort so that you're having a larger percentage of products coming from—sorry, a larger percent of revenues coming from new products, I mean, these are a number of things where you're demonstrably improving the business and that rewards a higher multiple over the course of time. And so the framework that we utilize is that you're buying this business for \$5 million of EBITDA times, let's call it six times cash flow, so \$30 million. And over the course of five to seven years, you're doing a number of those things that I just mentioned to improve the business. And at the end of that five to seven years, you're coming back to the market with a \$12 million EBITDA business, let's say, after you've done all that stuff. So you've grown EBITDA very nicely. You've got financial controls and a CFO. You've got an ERP system. You've got a more built-out sales force, as well as some sort of CRM, probably, that's helping you to organize the sales effort. The ERP system allows you to understand what your product cost is so that you're actually able to understand how you price it, what the value is to your underlying customer, and then to actually start increasing prices. Most of these smaller \$5 million EBITDA businesses, they don't

raise price on their largest customers usually because they're afraid to lose them. And frankly, if it's a \$5 million business that an entrepreneur was running and they were making \$5 million in cash flow every—you're like, business is pretty good. Like, why would I risk that? And so I think there's a number of things that can be done by starting to raise prices incrementally, year over year, because it ascribes to the value of the product that you're providing, that improves the organic growth of the business. So all of these things at the end, you go from 5 to 12. And we model that you sell it at the end for eight times. You bought it for six, you sell it for eight. We often do better than that. Because you built a bigger, stronger, better business. But the framework that we're saying is you're buying it for 6 times 5 at 30, you're selling it for 8 times 12 at 96. You've paid off most of the debt over the course of that holding period of time through cash flows. And so your equity value is in the low hundreds, and the low hundreds divided by 30 is almost a 4x gross. Like, that is the framework that we're thinking about. And what we believe, and why we've done lower market buyout rather than any of these other places, is that the most improvement that you can make in the business is from like this \$5 million to \$12 million area and where you're going to get paid the most for doing that in terms of the multiple appreciation you're going to get is also that area. And so that's the area we focused on. And we believe that skillset of working with those companies, understanding how to work with, you know, small businesses and professionalize them, we think it's a very repeatable skill where you're focusing on, you know, numbers 1 and 2A, sorry, 2B of that, where you're growing the business and you're getting multiple expansion from, you know, professionalizing and growing that business. The third one, in terms of the three things in private equity, how you make money, is leverage. And the leverage piece, like I mentioned it in the framework where you're paying off a bunch of the debt, but the leverage piece we generally view as a commodity. And as long as it's not overleveraged, we think the leverage piece is a useful piece. We just don't think it's differentiated. I mean, in most respects, in terms of being able to, you know, lever the business a couple of times and making the equity value appreciate as a result of that.

Robert Morier: I appreciate that. Unfortunately, we stopped recording at the beginning of that answer. Could you do that again?

Chris Dion: I could, actually.

Chip Caravati: I don't even have to wind him up.

Robert Morier: I appreciate that, and obviously I am just kidding. That was very insightful. And I'm thinking to myself as you were answering it, kind of ending with leverage, but when you're trying to capture all of the opportunities that are available in that particular segment of the market, and you've got managers, GPs who are out there able to do it for you, do you consider fund of funds? Is that an option for you as part of your private book? Will you look at multiple managers to try to capture that kind of lower middle market exposure?

Chris Dion: So yeah, I mean, we have not ourselves used fund of funds in that regard. I mean, we believe we have a pretty good network and skill of competency of finding these managers. We believe that's why people actually hire us, is to go and scour through the, you know, hundreds of small buyout firms that are out there. I mean, you know, we talk about lower market buyout, and we've managed to do a pretty good job of selecting, for the most part. But there's lots of them out there to choose from, right? So it's where the selection piece actually becomes the biggest differentiator. Because if you think about

the return streams over the course of time of funds 1 and 2, funds 3 and 4, and funds 5 and 6, you would probably not be surprised to know that funds 1 and 2 can have the highest median and the highest top quartile or top decile return, right? Versus funds 3 and 4 and 5 and 6. The funds get bigger, they get a little more mature, they take a little bit less risk. Like, that all makes sense to people. But what you might not expect is that the bottom decile return of funds 1 and 2 is actually still in the exact same spot as funds 3 and 4 and funds 5 and 6. So you're basically not getting, you know, any of the downside capture of choosing early, but you have the ability to earn more from, you know, doing these earlier, younger, smaller funds. And that is an area where we've decided to focus our time and our network and our competency on facilitating and growing that muscle. And it's an area over the course of time that I think we've done a pretty good job of being in. Every one of these places has its own community and its own network. And I think we've been a—we're not the biggest part of that network because we ourselves are not a huge pool of capital. But I think we've made our reputation in that market to be a pretty good one.

Robert Morier: Chip, I'm curious. One thing that has been happening among your competitors, RIAs and outsourced CIOs, is that they are launching and offering their own funds of funds themselves. So in addition to the à la carte menu that you're all building on a day-to-day basis for private wealth and institutional, you know, there's also some prefixed meals available through fund of funds. Is that something the firm has considered?

Chip Caravati: Yeah, I mean, we effectively have that today because for our OCIO clients, we deliver access to those public asset classes, long-only, hedged, absolute strategy, and fixed income, in one partnership, Bespoke Capital Strategies, which has a sleeve for each of those asset classes. So effectively functions as its own little mini fund of funds. And so if a private wealth client or a new OCIO client comes in, they're going to invest, you know, we'll customize asset allocation for all of those clients, but they're going to come in and invest through that structure largely. We'll do some outside stuff, as I said, in a custody account with cash and some passive vehicles to maintain liquidity. And then on the private side, we have a vintage year structure where we raise a pool of capital roughly every 12 months. We start the next one when we've committed the last dollar from the previous vintage year. And so it really effectively is a fund of funds. It just has those underlying vintage years underneath of it. And on the public side has those different asset classes underneath of it. I'd say the bulk of the dollars still invested in those are clients where we have the entire or a large portion of their mandate investable assets. We do have a few clients, and I'd say largely on the private side is where a lot of those dollars have come, just because it's a harder asset class to access in a really high-quality way. We have both institutional clients and private wealth clients that have come in just to invest in bespoke private strategies. So we effectively are doing that today. It's not something we have widely marketed or tried to distribute, but we do have some of that business today.

Robert Morier: We're getting close to the conclusion of this conversation, but before we wrap up, I am always curious. We've talked a lot about the philosophy of the firm. We've talked a lot about how you execute on those ideas, but we've talked a little bit less about the outlook. So what areas, what asset classes, what strategies are you thinking about today that you think you're going to start doing the work on over the next six to 12 months? And I ask that mainly for our asset managers who are listening in, also for the two of you as well. You're bound to get a lot of phone calls after this conversation from the GP

community. So if you could help them narrow the funnel, what is the next six to 12 months like in terms of where pen is going to go to paper?

Chris Dion: As much as anything, I have been spending a lot of this year reading, which sounds like I've been doing nothing. But I've been spending a lot of this year reading, just trying to learn as much as I can about AI and the potential disruption, the pace of that disruption, the build-out, a number of different vectors, I would say, that go into that conversation and trying to distill that down into what might be actionable ideas. I'm not sure I've distilled it down fully yet. As much as anything, I've been trying to re-underwrite some of the stuff we already have and making sure that we feel like the portfolio that we have is as good as it possibly can be, because that's the bigger cost than the things that we don't do, right, in terms of type 1, type 2 errors. And so I've been reading a lot this year. I would say that largely speaking, in terms of people that might be listening to this that would call afterwards, I would say there's really going to be still no limitations on that. I mean, there are ideas and meetings that we take that seem pretty far afield, and we probably still say no to most of them, but we will take a meeting for any strategy as long as it's reasonably interesting and legal.

Robert Morier: That's a good qualification.

Chris Dion: And so I don't want to close the door on anyone really. And to be fair, like I said at the beginning, we don't do that many things in a given year, so it's not like we're really highly defined on exactly what we're going to be working on in the next six to 12 months. Like I said, we're reading a lot and we're trying to learn and understand where that's going to take us. And at the same time, we're taking meetings from all these different managers that we may or may not be interested in or may or may not hire. But it's this alchemy of things all swirling around together as we're doing all of that, that hopefully crystallizes itself in some way, shape, or form into an actionable idea over that ensuing six-to-12-month period of time. So I hate to be general about that answer, but there's really no prescribed notion of exactly what we're looking for.

Chip Caravati: Yeah, no, I was going to say the same thing. It's kind of more of the same. I mean, I think everybody's trying to understand the impact of AI on various industries and sectors of the marketplace. But as Chris said, on the public side of the portfolio, we'll do zero to, call it, three things a year. And the private side, 13 years in, there are a lot of re-ups in there. So there's kind of one to three or four new friends in each vintage year. So we still get to pick and choose and have a lot of conversations, which is fun and interesting.

Robert Morier: Is there too early for a manager? Will you invest in a Fund 1?

Chris Dion: No, there's not. I mean, I feel like that is a differentiator, I think, for us. I mean, there's a lot of people that will not invest in Fund 1s or that will—they need them to be a certain size. Our smallest—the smallest private fund we've ever done was a \$15 million fund, 1-5. And so, that doesn't mean we'll always do \$15 million funds, and it was a reasonably interesting and special situation. But no, I mean, Fund 1s, early people that are spinning out. I mean, some of our best small and new ideas have come from our existing managers, actually, where, you know, they know of somebody that's spinning out of, you know, X, Y, or Z, or—it doesn't even have to be a firm, but there's an idea that I'm working on right now where a friend of mine who used to be on the hedge fund side of the world, who now actually runs his own small

private equity fund, you know, called me in and introduced me to a guy that was spinning out of a family office and doing a small buyout fund that we're looking at right now. And it's a Fund 1. So there's no such thing as really too early. It just really depends on the right to win and the number of things that we kind of talked about in terms of why you're doing this strategy, what makes it interesting to us, and then what gives you a right to operate and succeed in that particular strategy that you've chosen.

Robert Morier: I'm curious, since you've been reading a lot, if you had to make a recommendation to the audience about something of all the things that you've read about this AI expansion, are there one or two books or one or two papers that you've come across that you feel have really captured it?

Chris Dion: A lot of it's just small blurbs here and there of different things. We've had a number of interesting manager letters that they've written which are unfortunately not probably public information. I mean, I read a lot across a number of different newsletters. You know, I read Substack as well. Because there's a lot of interesting content on there from various different points of view and various different professions, actually, which is quite interesting, and it can get you into a number of different areas in a depth that you wouldn't normally see at the Wall Street level. I would say it's more on the practitioner or the operator level where some of these people are giving their points of view. They're just data points, but it's really interesting to kind of see some of those come to life. AI is so new that I'm not sure that there's one single book that comes to mind. Obviously, there's a number of really interesting data points and charts and things that come from the venture capital houses now where they've really put a lot of resources behind a lot of data analytics, charts, graphs, a number of different proof points like Andreessen Horowitz or Coatue or those groups. We're not invested with either of those, but nevertheless, it's—there's some interesting, you know, data coming out on it from a number of different points and just trying to amalgamate and make sense of what it is. But nothing I would say specific to a single publication.

Robert Morier: Chip, what does the future of the firm look like to you when you think about the firm five years from now? Do you see continued growth? Do you see different channels? Do you see a continuation of the same? What is that? What does the business look like?

Chip Caravati: Yeah, I think in some ways a lot of the same. I think opportunity on the private wealth side to continue to build out the multifamily office, you know, that implies a little bit larger client and implies a broader range of services, something that team has been working on for several years now. But no, I think growth initiatives on both sides of the firm, the OCIO and the private wealth side, you know, continue to commit resources to both of those sides. And with the goal of continuing to grow both.

Chris Dion: So somebody asked me this question at a meeting yesterday, actually, interestingly. And I just said, look, we'll be judged by, you know, how we service and treat our clients and how we perform over the course of time, and as well as the number of the ancillary services that wrap around that. And if we do both of those things well, then our business will have a right to grow and we'll get to choose to some degree who we get to work with. And like I said, if it's not a good fit, who we don't get to work with. But I think, you know, if we take care of those, you know, building blocks of what we're doing, then the growth to me is an output. It is not an input. Inputs are how our service model and our investment results, and the outputs are, you know, the growth of the business, hopefully, if both those things are good.

Robert Morier: Yeah, thank you so much. I appreciate that. Chip, there's a rumor that the Rolling Stones was your first concert. Is that true?

Chip Caravati: It is.

Robert Morier: Where did you see them?

Chip Caravati: In the Hampton Coliseum.

Robert Morier: Wow. What year was it, if you don't mind me asking? This is on record.

Chris Dion: Prehistoric.

Chip Caravati: That would have been 1980 or 1981.

Robert Morier: Well, I chose not to ask him about—I was going to ask you about AI, then I was going to ask him about fishing. But I thought that was too far afield. In 1981. And yours was Air Supply?

Chris Dion: Air Supply. Yeah. At the Erie Civic Center in Erie, Pennsylvania.

Robert Morier: Erie, Pennsylvania. So not too far.

Chris Dion: I was in fourth or fifth grade.

Robert Morier: Okay.

Chris Dion: Yeah, early '80s.

Robert Morier: And I ask that because, you know, when this day is over, you get to go home to your families, you get to hopefully switch off. What does switching off look like for both of you?

Chip Caravati: Doing anything outdoors. I do love to fish. I do love to hunt, although that's maybe not politically correct to say anymore. But no, I just enjoy the outdoors. Sports, used to be college sports, I used to watch a lot of college sports, but unfortunately transfer portal and NIL have put a damper on that. I don't watch as much college sports as I used to.

Robert Morier: Do you invest in sports?

Chip Caravati: We have done a little, not in a big deal.

Chris Dion: Not so much the teams. We've done some stuff around—

Robert Morier: I can't help myself. I go back to investing, even though I'm asking you about switching off.

Chip Caravati: Yeah, we've done some stuff on the technology side around sports, but not on the team side.

Chris Dion: Experience of sports, but not the teams themselves is the best way to describe it. And in growth capital.

Robert Morier: That makes sense. Thank you. I appreciate it. A little aside. How about you, Chris?

Chris Dion: What are you doing? No, I am consumed at the moment. My wife and I are fortunate. We have three boys who are 16, 12, and 10. And so we are in the thick of it in a really good way.

Robert Morier: Travel sports?

Chris Dion: Yeah, my oldest is a pretty good tennis player. And so we spend a lot of the weekends in different places watching my son play tennis. My wife and I kind of trade off because the other two have now seen so much tennis that they no longer want to attend. And so one of us stays home with two, and then one goes with my oldest son. But we're now getting into college visits at the same time that we're going and traveling for these tennis tournaments. And so it's a really interesting process. It's our first time through it, and it's been really, really fun to see the different schools. I can see them in a very different light than I saw them 30 years ago as a potential prospective college student myself.

Robert Morier: Mm-hmm.

Chris Dion: And then just getting to spend time with my oldest son before I kind of lose him to the—is a really good thing.

Robert Morier: I am so happy you spent some of that time with us today. Thank you both for being here. Chris, thank you for organizing all of this, being a second-time guest. Chip, it's wonderful to see you again. Thank you for coming to the desk, being part of this podcast, being here in Philadelphia, letting our students sit along as well for the ride from Drexel University. We wish you nothing but continued success. So thank you for being here.

Chris Dion: Thanks so much, Rob.

Chip Caravati: We appreciate it.

Robert Morier: Thank you. Well, thank you again for another episode of Dakota Live! If you'd like to learn more about Chris, Chip, and Brockenbrough, please visit their website at www.brockenbrough.com. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We are also available on YouTube if you prefer to watch while you listen. And for more content, please visit us at dakota.com. Chris, Chip, thank you again for being here. And to our audience, thank you for investing your time with Dakota.