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EPISODE 103:

Mission-Driven Investing

with the Hershey Trust Company



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

Leslie Lenzo: Thank you, Rob. Glad to be here.

Robert Morier: Yeah, thank you. And welcome to Philadelphia. It's always nice to have guests at the studio. We do get enough where it feels like it's become a regular occasion, but it always feels special when someone comes in and gets to sit here with me. So, thank you for being here.

Leslie Lenzo: Well, thank you for the invitation.

Robert Morier: Well, we have a lot of questions to ask you. But before we get started, I'm going to read your biography for the audience. Leslie Lenzo is chief executive officer and chief investment officer of the Hershey Trust Company, also known as HTC in Hershey, Pennsylvania. Hershey Trust Company serves as the primary asset manager and trustee for the Milton Hershey School Trust, the MS Hershey Foundation, and the Hershey Cemetery Perpetual Care Trust. With a mission rooted in preserving and advancing the Hershey legacy, HTC combines strategic asset management with fiducient excellence to support educational, philanthropic, and community goals in perpetuity. Prior to HTC, Leslie served as chief investment officer at Advocate Aurora Health, where she oversees

the investment of \$14 billion in corporate and pension assets, as well as the investment options available in the organization's \$8 billion defined contribution plans. Previously, Leslie was a senior member of the investment team at Northwestern Memorial Health in Chicago. Leslie started her career with the investment program at Partners HealthCare in Boston, then moved to the sell side to do equity research covering health services at SG Cowen. Leslie holds a BA in economics and government from Georgetown University and an MBA in finance from Boston University. She is also a CFA charter holder. Most importantly, Leslie calls Hershey home, where she lives with her husband, four sons, and Italian Greyhound, which we learned is named Dante. So, thank you for being here.

Leslie Lenzo: Thank you.

Robert Morier: Congratulations on all your success. We really do appreciate you being here at the studio. It's interesting just that hearing your background, Partners HealthCare has produced a lot of smart investors. We didn't ask you specifically about your time there, but it was early enough to want to maybe start there briefly.

Leslie Lenzo: And I was there really early on in the evolution of partners investment program. So, when I started there, it was 2002. So, at that time, the investment program was still being run by a treasurer as opposed to a chief investment officer. But I remember there were some really big names kind of on the investment committee, some of the luminaries from the Boston investment scene. And so, I think having that firepower on the investment committee really launched that program into what's now kind of a world class health care investment program.

Robert Morier: So, can you tell us about your journey into investment management, what initially drove you to the field, and what about it really attracted to you? We have some students in the audience today in full disclosure, who are going to be asking you some questions. And they're asking themselves those same questions right now.

Leslie Lenzo: So, I come from a relatively non-traditional background, but I was really blessed to be exposed to the field of investing from a really young age. So, I grew up on a hog farm in rural Iowa, really in the middle of nowhere. But I had grandparents on both sides who were interested in investing. So, my mom's parents set up a custodial account for me when I was fairly young, invested in equities in that account for me. So, I learned a little bit about investing from that. And then on my dad's side, so my grandparents farmed with my mom and dad, and they lived just down the road. So, I have very fond memories of being a really young child and going over to grandma and grandpa's house and watching Wall Street week with them on TV and eating popcorn. So that exposure to investing that way too. And as I got a little bit older, I remember being in high school... and this was really as the frenzy around the technology bubble was taking off in the late 1990s. And so, my mom and several of her friends started one of those beard towns lady

type investment clubs. And so, I remember, as a high schooler, joining my mom's investment club. And I think she probably had to sign me up under her name because I wasn't old enough to have my own account at that point. So, there was really kind of an exposure to investments and an interest in investments kind of all through my life. And then went to college, got a degree in economics, graduated into the TMT bust. So, I had a job offer to do consulting, but turned that down, really was looking for something in investments, and was really just fortunate that the folks at Partners kind of just took a chance on me and hired me into their entry level analyst program. And the rest has been history. And it's been a great industry to be in ever since.

Robert Morier: Any of the family members still working on the farm?

Leslie Lenzo: They are. So, my dad still farms. My brother now farms with my dad. And my grandfather is still living, and he comes down and helps every now and then as well.

Robert Morier: That's wonderful. Thank you for sharing that. I'm curious, we teach a lot of soft skills at Drexel. So those human skills, perseverance, the versatility that's important. When you have a nontraditional background, resilience. I'm curious, if you think back to your days as a younger person, being exposed to farming, what do you see as some of those skills that you picked up that you're still carrying with you today?

Leslie Lenzo: I mean, the biggest one is just the value of hard work. I think back to being a kid and you were just expected to help out on the farm. And so, whether that was getting up at 3:30 AM on Monday morning to take a load of hogs to the packing plant or in the Summers, you had to pick up rocks in the corn and bean fields. And it was hard work, but you did it because you were expected to do it. And I think that builds that value kind of into your value system and you carry it with you for life.

Robert Morier: I would think there's also a lot of entrepreneurship and innovation in there as well. I've met a few farmers over my years that have had to fix things on the fly, invent things on the fly. So, I can imagine some of that is in you as well.

Leslie Lenzo: That happens all the time on the farm.

Robert Morier: That's interesting. Thank you for sharing all of that. Well, you've held leadership roles. So, you obviously had a very successful path out of Iowa in those early roles. You had leadership roles at Advocate Aurora and Northwestern Memorial Healthcare. How did those experiences shape your investment philosophy and approach to managing large mission driven strategies funds?

Leslie Lenzo: I think there's really two aspects to that. One is the mission piece. I've spent most of my career in mission driven organizations. And just being part of that culture, you

really come to embrace the idea of mission, and you come to understand how important mission is in everything that you do. And as you become a leader, I think that mission becomes even more important because you're thinking about, as a leader, how do I make sure that my team fully buys into the mission, how do I make sure that everything that we do aligns with the mission. So that's really first and foremost in everything that we think about. I think the other lesson that I've learned kind of working for these organizations is that every organization is unique. And so, when you're in a leadership position, you really need to take the time to understand, what are those unique aspects of your organization and what is really important to your organization so that you can lead with those things in mind.

Robert Morier: Good advice for asset managers as well, to understand what the mission is prior to that first call. So, what inspired you to join Hershey Trust? I always like to ask, did they call you, or did you call them?

Leslie Lenzo: So, they called me. It was a recruiter who called. When they first called, I had actually never heard of the Hershey Trust. And so, when they first called, I turned them down and said, I'm happy where I am, I'm not looking to move. And the response was, this is a really unique situation. You should spend some time doing a little research. And if you think it's interesting, call us back. So, I did a little research and obviously called them back. But what really kind of hooked me was the mission of the organization. So, the trust supports the Milton Hershey School. And the school was founded over 100 years ago by Milton and Catharine Hershey. So, Milton Hershey was the founder of the Hershey chocolate company. And he and his wife were never able to have children. So, it was actually his wife's idea to start an orphanage for boys. That orphanage for boys today has become what is the present-day Milton Hershey School, which now takes on students of both genders. They don't have to be orphans, but these students do come from underserved backgrounds. And they live at the school. It's for preschool through 12th grade. And we cover 100% of the cost for the students. So, room and board, their education, if they want to play an instrument, we'll get them an instrument, if they need braces, we get them braces. All of that is funded 100% by the trust. And then recently, it's become even more exciting in terms of mission because we're expanding that mission into early childhood. So, we're rolling out a series of six early childhood centers that will serve children ages six weeks through preschool, again, completely free of charge to families and really trying to help those kind of underserved families, provide opportunity for their children, and help the families themselves try to get themselves picked up off the ground.

Robert Morier: That's a wonderful mission. I'm sure you were hooked. I'm curious, you still had to talk to your family. You've been in Chicago at that point for a very long time. So, when you think about sitting down with your husband and the kids and the dog, what was that conversation like? Was it tough to leave Chicago?

Leslie Lenzo: Yeah, well, the dog didn't have any say in it.

Robert Morier: OK, that's good to. I'll note that for the podcast.

Leslie Lenzo: No, it was a difficult decision, though. I mean, we'd been in Chicago for 17 years. We had four kids in school there. My husband actually still offices in Chicago. But it's an hour and a half flight from Harrisburg back to Chicago. So that made the move a little easier. But when we sat the kids down to tell them that the move was going to happen... so I passed out Hershey bars and Reese's peanut butter cups. And I think they at first looked at me like, what is she doing. She never gives us candy. But I think that helped to smooth the message. They also had visions that they were moving to Willy Wonka, but—

Robert Morier: That's hilarious. That's always a good way to get kids to do things is give them candy. So having Hershey behind you makes a lot of sense. And it sounds like it worked. Thanks for sharing that story. So now you're in Hershey, you're in the offices. You conducted an asset allocation study that led to some significant portfolio adjustments when you started. Can you walk us through those key findings at that time and what changes you prioritized? I think that's maybe the most interesting part of what... I know our audience would be wanting to hear is you've got this big plate in front of you and it's a big market, lots of asset classes to think about. How did you prioritize it?

Leslie Lenzo: Right. And there were really two primary changes that we made when we did the asset allocation study. And they both fall into the category of looking at the unique needs of the organization and making sure that any changes that we make align with those unique needs. So, the first was to look at our public equity exposure. The trust overall has a large exposure still to Hershey Company stock. So historically, our diversified portfolio had been biased away from US equities to counteract that exposure we had in the Hershey Company stock. But when you really kind of did the analysis and looked at the numbers, the realization was, yes, we have this big exposure to this Hershey Company stock, which is a US based stock. Most of their business is in the United States. However, we are taking on a lot of idiosyncratic risk with this single stock holding. Also, the correlation of that one company to the broader US equity market is fairly low. So there really wasn't a lot of reason, when you looked at it from a data analysis standpoint, to have such a large bias away from the US equity market. So, we did change and go to an acqui mandate and shifted a lot of that over exposure to the international markets back into the US. So far, that's been a really good decision. The other kind of bigger move that we made was to increase our exposure to fixed income, both public and private. And again, it was thinking about it in the context of the unique situation of the trust. So, the trust is an income trust, which means that we're only allowed to spend the dividends in the interest income that are generated by the trust. So that leads us to favor higher yielding securities within the portfolio. And particularly, now that we're in an interest rate

environment where you're actually kind of earning a nice yield on fixed income assets, it was a nice time for us to be able to move more heavily into those fixed income-oriented assets to be able to pick up that yield.

Robert Morier: That's interesting. From a fixed income perspective, did you consider how you would approach the various asset classes either from a generalist perspective, so one of the large managers who offer a little bit of everything, or were you going to look at individual managers, more specialists to build out that portfolio?

Leslie Lenzo: Yeah, so I'd call it more of a core satellite approach. So, within the core fixed income, we have just a couple of managers who are the bulk of our exposure and really consider that to be kind of our plain vanilla fixed income. But with active managers because fixed income is a relatively inefficient market. And if you can find a good manager, they can consistently clip a couple of basis points month after month, and that adds up to some nice alpha over time. And then we've complemented that with some more diversified fixed income exposure kind of just across the board in terms of high yield bank loans, emerging markets, debt, to pick up a little bit more yield. But in those areas, we'd rather be with specialists who really are spending all of their time on those markets.

Robert Morier: That makes a lot of sense. Such an interesting endeavor that you were able to walk into. Not quite a whiteboard, but it sounds like it was pretty close, particularly when you're looking at these various asset classes. But you mentioned that you wanted to avoid wholesale changes to maintain stability within the portfolio. I think that's interesting. How do you ensure balance between adapting or adopting new opportunities and preserving long term consistency? So, the yin and the yang.

Leslie Lenzo: Well, I think it starts with really understanding what your philosophy is and what your overall objectives are. But then with those in mind, we always want to make sure that we're out there kind of canvassing the markets, canvassing the manager universe to make sure that we always have the best opportunities possible in the portfolio. So, there's always going to be kind of incremental changes being made around the edges because we're always trying to better ourselves and make the portfolio better. But at the same time, we don't want to throw out what has been kind a very stable and successful framework over time. So, I think of it more of building on that solid base and then just kind of incrementally making change for that consistent and constant improvement.

Robert Morier: That makes sense. Thank you for sharing that. We're going to talk about that manager search and underwriting process in a little while. Before we do, I would love to talk about private markets, only because you posted earlier this year position for a manager of private markets. Hershey has long standing relationship with private equity

and venture managers. But how did you determine which relationships would stay and where you would assess new private market opportunities?

Leslie Lenzo: Yeah, that's the million-dollar question, Rob.

Robert Morier: It is. I didn't want to ask it too early, but I didn't want to have people wait till minute 40.

Leslie Lenzo: Right. And I think this is what a lot of my peers are struggling with too, is everyone has these portfolios that most folks have had in place for a while now. And most of us who are lucky, I guess, have really long-standing relationships that have performed very well for us. But there comes a time in most manager's lifecycle where funds naturally grow over time. There comes a time those funds start to get too big where the manager can't be as nimble anymore. There comes a time where maybe the fund outgrows what was originally its strategy. Over time, you also get succession issues. So, thinking about has the manager been thoughtful about succession, how do we feel about the second generation of folks at that manager. So, as you're bumping up against a lot of these issues, you really have to sit down and think about, OK, is this a manager that we're going to continue with, even though we've had a very long and successful relationship or is it time for refreshment. And I think part of our job is always thinking about how do you strike that right balance between maintaining those long term successful relationships that are so meaningful to us while making sure that we're constantly refreshing the portfolio and finding that next generation of managers who hopefully, 10, 15, 20 years from now, will look back on and will have had the same success with those relationships.

Robert Morier: I think that was \$1 million answer. Thank you very much. I appreciate that. Before we talk about the investment team, I would love to talk about operations. I don't think it gets talked about enough, particularly from an allocator's perspective. You centralized HTC's investment operations team. What was the rationale behind that decision?

Leslie Lenzo: When I joined HTC, we didn't have an investment operations team. And in my mind, that was just a glaring hole. So, all of the operational work of which... anyone who's worked within an institutional investment program knows that there is a ton of that type of work. All of that was kind of decentralized. And people weren't allowed to work at the top of their license because they were spending so much time on these more administrative and back-office functions. So that was one rationale was I want our investment professionals focused on what they do best, which is out their kind of sourcing new managers, making good investments. But also, you get a lot of efficiency from centralizing those operations and bringing in someone who really is a professional operations manager because there's so much efficiency to be had just in, how do you structure your investments, how do you trade the investments, how do you make sure

you don't have any cash drag in the portfolio. There are so many aspects of the behind the scenes that really kind make everything else run smoothly and also add incremental alpha to the overall portfolio return because when you have the system getting gummed up a little bit or you're not doing things as efficiently as you can, you're losing a little bit of alpha just from slippage.

Robert Morier: You have this interesting balance between being a CEO and CIO. So, during that operations process, or that building process, you're hiring people. You're hiring new people, but you're also bringing in people that you worked with previously. So, when you think about the responsibility of bringing in people from the outside into a new culture that you've worked with and trying to align those interests, what was that process like for you? How did you accomplish that?

Leslie Lenzo: That's been front and center over the last couple of years because we've done a lot of hiring at the Hershey Trust Company. For me, obviously, you have to find the best candidate for the role, and they have to have the right kind of background and technical how. But culture is so incredibly important. And it's one of those things where if you get just one person who isn't right for the culture or is counter to the culture, that can really destroy the culture for everyone else in the organization. So, I think it's critically important that we get that culture piece right. So how do we think about doing that? You whenever we hire someone... so the interview process, we start the funnel, like most places do, with our human resources department. And then there'll be some early screening calls of some of the top candidates, whether that's with myself or depending on the role with the hiring manager. But from there, once we nail down a couple of finalists, we bring them into the office and we have them meet with everyone. So, when we have a finalist come in for a role, they're probably meeting with 8 to 10 people on the team. And that's by design because I want to have folks look at the candidate from a variety of different viewpoints to not only assess their competence but assess are they going to fit into the culture.

And everyone has a slightly different perception of what that culture is and what that looks like. So having everyone weigh in and then, at the end of the day, we sit down and we debrief on the candidates. And everyone that we've hired, it's been unanimous that that is who the entire group wants to bring in. Now, I think what we have to make sure we guard against is we don't want a whole team of individuals who all think exactly the same way. So, we do make sure that we're trying to find people who come from different backgrounds, have different experiences, think about the world in different ways. But the way that they're going to interact with our team is going to be consistent with our culture. So, it's going to be very collaborative, it's going to be very professional people. We want them to feel like they can speak their mind and contribute to the conversation but doing so within that team construct.

Robert Morier: I'll be curious if this is the same approach you take when you do manager research and whether you're meeting with everybody at the firm as well. But before we get there, I do want to talk a little bit about the team. So, your investment team, how is it structured, and what are the responsibilities of the folks? Are they generalists, specialists by asset class?

Leslie Lenzo: So, it's a little bit of a mix. So, we have a vice president of public markets who his bailiwick is everything public markets. Then we have two individuals who are responsible for carving up the private markets' universe. And then we have two generalist positions. So, one at the top and one at the bottom. So, we have a deputy CIO who... I think of him somewhat as kind of a director of research, really overseeing the research process throughout the portfolio, really kind of ensuring quality control for us. He's doing a lot of mentoring of the team, both across public and private markets. And then we also have an analyst who's a generalist, and we really use him for operating leverage. He is fantastic from a quantitative standpoint. So, I think everybody gives him a lot of their data projects to run. But he works in both the public and the private markets.

Robert Morier: So now you've got the team, and you have this big universe and portfolio. What does sourcing look like? So where does the process begin? I would assume that might be some top-down influence, potentially an investment committee. So, if you think about that funnel for you, where does it start and how do you ultimately identify some of the people that you want to be talking to?

Leslie Lenzo: Really trying to talk to as many people as we can or as many high-quality people as we can. And really across all asset classes. So, we're not necessarily targeting any one area, but we want to be out there talking to folks across all different areas, both so that we can constantly have an understanding of who the really great managers are and build a bench for our portfolio, but also try to see things very holistically. So, I don't want to become siloed where we're out there in looking for the very best real estate manager when really, we should be investing in, I don't know, high yield credit. So really want to be looking at things across the board. So that we can be making those relative value decisions on where to place our incremental capital. But in terms of how we approach sourcing, I don't think it's too different from how most other organizations do it. It's really using a myriad of sources. So, I mean, I think the best ideas typically come from the peer network. So do a lot of talking with our peers, who are they looking at you, who do they really respect. We talk to placement agents in particularly those who know us well, do a very good job of bringing us managers who are potentially a good fit with our program. We use consultant databases. We do a lot of screening within the consultant databases to see who might be out there that we just haven't heard of yet, who we should reach out to and have a conversation with. And then we tap into the managers in our existing portfolio, too. And every time we talk with them, we ask them, who are your

primary competitors, who do you really respect in your business. And we just try to make sure that we stay well informed at all times.

Robert Morier: I was in a final once for international equity. And my lead portfolio manager was asked who our main competitors are. And he shared one. And he said, if he was them, if he was in their seat, he would hire them. So needless to say, we lost that mandate. So, to the asset managers out there, be careful about who you recommend for competitors.

Leslie Lenzo: And did they hire the competitor?

Robert Morier: They did not, actually. Talk about authenticity and vulnerability. He was very honest in his assessment, but that's not what they were looking for. They were looking for a diversified approach. And that's what this particular manager was offering. So, I think there's something to be said about... it's sharing thought leadership. It goes a long way. I think that's a lesson for asset managers. When they're being asked those questions by folks like yourself, or asset allocators, is to give the real answer. Not the answer that necessarily betters your business, but it betters your client. And I think when you do, it goes a lot further. So, thank you for sharing all that, though. So now you've sourced your manager. What are some of those must haves that managers should understand before they come into the room, other than knowing your mission, which sounds like is very important?

Leslie Lenzo: Yeah, the number one thing for me is alignment of values. I mean, you obviously have to have all of the other ingredients. So, kind of consistency of performance, top performance, top people with appropriate pedigrees. But it's the alignment of values that's so key. And I always tell the team, particularly in private markets where you're signing up to be with this manager for 10, 15, 20 years, if you're contemplating re-upping with them that at some point within that time period have, to assume that something is going to go wrong. And so, think about when something does go wrong, how do you expect that manager to behave. And we want that manager to be doing what's right for their LPs in those inevitable times of stress. So that's what we spend a lot of time really thinking about in addition to everything else that's table stakes.

Robert Morier: I asked you about the soft skills that you developed on the farm. How do you assess those soft skills in asset managers?

Leslie Lenzo: I mean, it's tough. It's just spending a lot of time with the managers, trying to get to them a little bit outside of just sitting across from the table with them. It's getting to know as many people as you can on their team so that you can try to calibrate, from different viewpoints, how they handle themselves. It's doing a lot of reference calls, talking to people who know them from a variety of different standpoints just to try to get

that well-rounded picture of them. I also am not above just googling managers and seeing what I can find out there. And then I have a couple of times, in my career, actually killed investments at the final stages because of background checks that came back, and we just didn't feel comfortable with something.

Robert Morier: There's a lot of information coming at you. I would assume it feels like drinking water from a fire hose at times. How do you distill all of this information from all of these asset managers that are soliciting for your business?

Leslie Lenzo: I'm not sure we've figured out how to do that well yet. And I think it's somewhat just coming with time. And so, you start to get an understanding of everything that's coming into your inbox. What are those that I feel like over time really add value if I spend my time reading them versus what is just kind of reporting on the news that I already saw this morning in the Wall Street Journal. And so, you start to distinguish that way around where am I going to spend my time. You also kind of... I mean, you go to annual meetings and people have speakers come in. You usually get a lot of really interesting and good information from those. And then it's finding those data sources out there that are high quality and are going to add to your view. So, something like the Bridgewater daily observations would be a great example. That's something where it comes every morning, it doesn't take very long to read, but that's something that is definitely kind of additive to how we think about things.

Robert Morier: I ask you that question as well because when you think about emerging managers, earlier stage managers, that can get lost. Sometimes, it's hard to see the forest through the trees because the larger asset managers seem to just be getting larger. Do you consider emerging managers or earlier stage investment opportunities for the portfolio?

Leslie Lenzo: I actually prefer emerging managers for the portfolio.

Robert Morier: That will be our clip.

Leslie Lenzo: No, and there's a variety of reasons. I think with the emerging managers... and I should distinguish, when I talk about emerging or first-time funds, I'm not talking about emerging or first-time teams. I really like folks who they have worked together previously, they've built a track record, but now they're out there and they're trying to do it on their own. But they have enough battle scars that they have an understanding of what works and what doesn't work. But now they're at the point where they're doing this on their own. They really want to make it work. Your incentives are aligned for them to do really, really well. And that's the point where I love to get into a manager. And then particularly, if you can then grow with them over time and have them be the 10, 15, 20-

year relationship. And in a lot of those, I mean do have to get in early to be able to then get capacity in those later funds. So that's definitely a sweet spot in my mind.

Robert Morier: That's great. First mover advantage. It makes a lot of sense. This is the million-dollar question for our audience. The million-dollar question for you is what I ask from an allocators perspective. But any active searches going on today or anything that you're thinking about over the next six to 18 months?

Leslie Lenzo: I mean, we're constantly in the market looking at things. Within private markets, that's an area where we always need to refresh the portfolio as we're getting distributions back. We need to continue to put out capital. So, I'd say we're constantly in search mode within private markets. And then within the public markets, even if we're not kind of actively searching for a specific slot, we're always out there looking for what is our bench in case we do need to swap someone out and are there just any opportunities for upgrades. So, I know that that's a little bit of a non-answer, but I would say, we're really always searching for everything.

Robert Morier: Yeah, no, it's a good answer. We appreciate it. It just means that you're willing to maybe take a call a little earlier than most other allocators. And if it sounds like it might be something that could fit, maybe not today, but in the future, it will stay on the radar. So that is very helpful. So, thank you. You did touch on the monitoring part of that, which is there may be somebody in the lineup you may be wanting to add to an asset class, maybe trim from one manager, add to another. What is that monitoring process look like for you all as it relates to just the day-to-day operations?

Leslie Lenzo: Right. I mean, I don't think it's much different from most other programs, and it's a combination of things. Is the managers kind of push out their quarterly information or monthly information, kind of just reading through that to make sure that we don't miss anything, meeting with the manager periodically? If something happens in their space, picking up the phone and giving them a quick phone call to ask about it, attending their AGM. There's really no science... or there's no rocket science to monitoring in my mind. But it's something that you have to do and it's something that you should do so that you can continue to build and maintain those relationships over time.

Robert Morier: You're willing to take a lot of calls, and you're actively monitoring. I'm curious if you've identified areas that you are avoiding. So maybe we're not going to explicitly say that we're doing a private credit search today. But when you think about what this macro environment is providing us or presenting us right now, and the work you're doing on the front end and the back end, what are areas that you're avoiding?

Leslie Lenzo: We tend to be a little less risky than some of our peers. And part of that comes from the fact that we fund 100% of the school's operations. So, we want to make

absolutely sure that we're never in a position where we're going to lose too much capital such that it would impact the school and the school's ability to serve the students. And so, in terms of what that leads us to not look at, it's strategies that use a lot of leverage. It's things that, in our mind, are riskier. So, I mean, think about some of the cryptocurrencies and things like that. The other big category that we actually don't invest in... and it goes back to the comment about thinking about the unique situation of your organization... because we are an income trust, we actually don't invest in hedge funds because the hedge funds typically don't throw off any kind of income whereas all of the other asset categories in our portfolio do.

Robert Morier: Hershey has a unique role as a trustee for emission line entities like the school, which you mentioned. So how do you think about those short-term adjustments with the need to sustain that mission driven investment, but in perpetuity?

Leslie Lenzo: It's really a delicate balance. First and foremost, we have to make sure that we're generating that income to fund the school's needs, both in terms of their operating needs and then any capital needs so that they can grow their mission. But once we fulfill those needs for capital today, we do have to think about investing for perpetuity because we want this school to invest long after all of us are gone. So, it's a bit of a barbell. We do have those lower risk fixed income strategies, and we probably have a little bit more fixed income than most of our peers do. But then we couple that with higher returning strategies. So private equity, we have some venture capital, our public equity program, because we recognize that we need both.

Robert Morier: If you can humor me a little bit and improvise with me a little bit, I think most people will be able to figure out when we're recording this. Maybe they'll be able to backdate it. I will say it's in November. So, imagine it's November and it's the first investment committee you've had of the month. And you're sitting down with your team. And you're going to start that meeting off. And if you're thinking about what's being presented today, what's the direction of that conversation? And that could be either for asset managers or for your staff.

Leslie Lenzo: I'll maybe tell you about an actual investment team meeting that we had a couple of weeks ago at the end of October.

Robert Morier: Even better.

Leslie Lenzo: And so, thinking about the upcoming election, looking at the polls, things were pretty close. Obviously, none of us have a crystal ball to be able to guess which direction it's going to go. So, we said, the best thing to do for the portfolio is just neutralize our positioning. So, we did that at the end of October, just trying to be humble

in recognizing that we can't make a call on the portfolio here because none of us really knows what's going to happen with the election.

Robert Morier: Thank you for sharing that. That's even better than an improv session. Just a few closing questions on the portfolio. I would like to ask a little bit, if you wouldn't mind again, for some advice for those asset managers, those emerging investment professionals, maybe that team that's leaving another shop. So not pure emerging fund 1 from 0, but the advice that you give them to when they aspire to work with mission driven organizations.

Leslie Lenzo: Pick up the phone and call us. I mean, those are typically the type of managers that we really like to speak to. But we can't speak to you if we don't know you. So hopefully, we find you during our sourcing process when we're casting that wide net. But definitely, I mean, we take meetings with cold calls, too. So, people should be very encouraged to reach out to us. As folks that are spinning out, I think my biggest piece of advice is think about what you want to build for the long term and set yourself up from the beginning to be an institutional quality firm, because as much as I like those emerging managers, if you're not building an institutional quality product, it's going to be a non-starter for us. So, think about not only the investment team, the investment process. Set up an appropriate back office, set up all of the appropriate compliance. You'll really think about this as where do you want that shop to be 5, 10 years from now and lay the groundwork today.

Robert Morier: We've talked a lot about the mission of Hershey Trust. Can you talk about diversity and the importance of diversity from your perspective personally and the perspective of the plan?

Leslie Lenzo: This has been a pet topic that's very near and dear to my heart and has been for a really long time. And I think it starts with the idea of equality of opportunity, which is something that has been part of my value system for essentially my whole life. And I think that really dates back to growing up on the farm where most of the folks that I knew either didn't go to college or went to four-year college in Iowa. Thinking broader than that was not something that was really in the lexicon of people that I knew growing up. So, this idea of equality of opportunity for people who maybe don't have those horizons has always been something that's been important to me. But I think as it relates to investing, that's something that really clarified in my mind probably about 10 years ago. And so, I was working for a large health care system. And one of our hospitals was in the South Side of Chicago that has a very large, ethnically diverse population. And so, the health care system was thinking about, how do we bring in more team members, particularly on the clinical side, from diverse backgrounds to better match what our patients look like in these areas really with the thought of we need people who kind of come from different backgrounds and understand this patient population better. And around the same time

was when we were looking at long short managers, and everybody had valiant pharmaceuticals in their portfolio. And we were trying so hard to find someone who didn't have valiant in their portfolio because we already had that exposure, and we wanted some diversified portfolio exposure. And so, the two concepts started to dovetail with each other a little bit and thinking about, well, maybe we need to be looking for a different type of investment manager who has a different background in different experiences and are fishing in different places. And so that kind of led to the idea of the benefits of diverse managers from an investment standpoint and diverse managers using their diversity to add alpha from diverse sourcing networks, from a diversity of team standpoint, being able to get folks from backgrounds and with different experiences that the regular way firms didn't have. And so, we started to see that play out over time and really started to focus on that a lot at advocate, investing not with diverse owned managers solely, but also with managers with diverse teams. And thinking about it, not only from the standpoint of wanting to do good by providing that equality of opportunity, but also doing good for the portfolio because we felt like these managers really had an opportunity to outperform. That then also came into play in our thinking about, well, what about our own team and how and why do we think about diversity in our team. That was really crystallized for me at one point when I was at advocate. And so, we had two senior investment members of the team. And they both thought about the world somewhat similarly. Both were a little bit more conservative in their views. Both definitely focused more on the downside than on the upside. And we were expanding the team. We brought in a third senior member of the team. And he looked at things differently. He was thinking more about capturing the upside. And once you put those views together, and you got the different perspectives, I started to see how our portfolio started to change where not only were we focusing on downside protection, but we were thinking about, how do we have that downside protection while still capturing the upside. And I think it gave us a much better portfolio, but it really came from getting a different viewpoint and adding that voice to the room.

Robert Morier: Absolutely, the merits of cognitive diversity as well. You've given us a lot of great advice over the last 45 minutes or so. Who were some of the people that gave you advice along your career? Who are some of the mentors that were most important to you when you look back or think about today?

Leslie Lenzo: Probably the most valuable over time has been what I call the health posse. So, I spent most of my investment career at the intersection of investments in health care and there is a really robust and absolutely wonderful group of health care CIOs out there who really embraced me from a fairly young age. And particularly when I first stepped into the CIO role, I was calling a lot of them fairly often. And they were wonderful. Every single one of them would pick up the phone, would give me suggestions on what I needed to do. And most of them are still very dear friends today.

Robert Morier: Thank you for sharing that. Thank you for being here today. Congratulations on all your success. We wish you nothing but future success going forward. We're not going to let you go just yet. I have some students who have joined me today, which I'm very excited about as well. I know you are as well. So, thank you for making extra time for us to hear their questions. But once again, we want to thank you.

Leslie Lenzo: Yep, thank you. And I look forward to the students' questions too.

Robert Morier: I do as well.

Elena: Hello, my name is Elena, and I'm a senior at Drexel University's College of Business, majoring in finance and business analytics. It's nice meeting you today. So, I was curious if you think that the Fed's recent rate cuts affect your fixed income and private credit investment strategies. And I actually have the second question as well. If you anticipate any rebalancing in your global investments due to the Fed's action.

Leslie Lenzo: It's been really interesting because with the recent Fed cuts, interest rates on the back end of the curve have actually gone up. So, we had been positioned with our duration a little underweight, and that was actually helpful as those interest rates went up. But we really allow our managers to make those decisions. We're not making those calls in house.

Diego Gonzalez: Hello, Leslie. My name is Diego Gonzalez. I'm a junior at Drexel University studying entrepreneurship as well as finance. My question to you is, what qualities do you seek out in a team when building a strong investment team.

Leslie Lenzo: Yeah. So really look for cognitive diversity. We want people who are going to bring a unique way of thinking about the world and really contribute to the overall picture that we're making when we're looking at a manager as a team. But also want people who really play well into our culture because we want people who are going to be team players, who are going to be collaborative and who are really mission driven and want to be working for the Hershey Trust because they believe in what we're doing in terms of providing opportunity for the students.

Jerry: Hi, Leslie. My name is [INAUDIBLE]. And I go by Jerry. I'm from Cambodia. And I am a junior at Drexel University, majoring in entrepreneurship and innovation and minoring in marketing. And my question for you today is, in the growing volatility in the global market, how do you maintain HTC's current investments to remain resilient throughout this whole period and also maintaining the long-term objectives of the Milton Hershey School.

Leslie Lenzo: So typically, when markets get volatile and there's a lot of uncertainty, we tend to be more of in a neutral positioning than we may otherwise be just to protect

ourselves from some of those volatile swings. But the other thing that we're constantly doing is rebalancing. So, as you see that volatility in the market, we do rebalance back to a neutral position to try to capture some of that reversion to the mean.

Naman: I'm Naman. I'm a computer science major and entrepreneurship minor. And I had a question about, how do you evaluate fund managers. And what do you value more, track record or potential?

Leslie Lenzo: It's a balance between the two. We like to see some kind of track record as evidence of potential. But at the end of the day, we're making decisions about what the manager is going to do on a forward-looking basis. So, if I had to pick one, I'd probably say we lean slightly towards potential.

Robert Morier: If you want to learn more about Leslie and the Hershey Trust Company, please visit their website at www.hersheytrust.com. You can find this episode and past episodes on [Spotify](#), [Apple](#), or your favorite podcast platform. We're also available on [YouTube](#) if you prefer to watch while you listen.

If you'd like to catch up on past episodes, check out our website at dakota.com. And finally, if you like what you're seeing and hearing, please be sure to follow, share these episodes. We welcome your feedback as well. Leslie, thank you again for being here. And to our audience, thank you for investing your time with Dakota.