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EPISODE 11:

Engaging OCIOs through Private Market Solutions

with Carolyn Patton
of TIFF Investment Management

Robert Morier: Welcome to the Dakota Live! Podcast. I am 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, sales leaders, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live! content, please check out dakota.com to learn more about their services. 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 a recommendation of the investment advisor or its supervised persons by Dakota. Today's episode is brought to you by Dakota Searches. Are you tired of endlessly scrolling through investment publications? Trying to stay on top of the latest investment mandate opportunities? Look no further than Dakota Searches. With Dakota Searches, you'll never miss a new mandate again. Our powerful platform sends you email alerts as soon as new searches are posted, so you can be one of the first to know. Subscribe today for a 30-day free trial, and experience the convenience and efficiency of Dakota Searches. And for even more benefits, become a Dakota Marketplace member for full access to Dakota Searches, our institutional investor database, Dakota Marketplace, and more. Sign up for Dakota Searches and stay ahead of the game. Visit our website at dakota.com/dakota-searches to learn more and start your free trial today. So now that that's done, I am very happy to introduce our audience to our guest today, Carolyn Patton. Hi, Carolyn. How are you?

Carolyn Patton: I am great. Thanks for having me.

Robert Morier: Yeah, thanks for being here. It's so nice to see you, and it's good to have you in the studio in Philadelphia. I know it wasn't a long ride, but we appreciate it.

Carolyn Patton: Love it. Love being downtown. These are my old stomping grounds.

Robert Morier: Oh, good. And Tim Dolan. Thanks for being here. From Dakota.

Tim Dolan: Of course. Good to be back.

Robert Morier: Yeah, happy new year.

Tim Dolan: You as well. Thank you.

Robert Morier: Appreciate you being on the desk. And we're very happy to have Carolyn here from TIFF Investment Management. But before we close out the new year, we had Matt DeAngelo, our deputy CIO from Drexel University here on the show. We were talking about the endowment model as well as New Year's Eve plans. But with the endowment model, it was just interesting. There's been so much going on with endowments and foundations and charitable organizations over the last few years. Obviously as OCIOs have grown, it's changed the way that endowments and foundations have thought about their businesses. So Tim, as you think about Dakota and your clients, how has the approach been in terms of thinking about the endowment and foundation channel on one end of the barbell relative to the OCIO market on the other?

Tim Dolan: No, it's quite interesting. And we've been raising capital for boutique investment managers since 2006. And what we have to think about when calling on a foundation or endowment, right, is if they work with a consultant or if they work with an OCIO. And some might say, what's the difference? Well, an OCIO, right, truly is an outsourced chief investment officer only focused on the investment side, or consultant might do something more on planning side, if you will. But specific to OCIO, in our mind we think about, right, is the strategies we work with. Is it product fit and product structure because OCIO is, there's all different flavors, right. And we'll learn more from Carolyn and how they're predominantly focused on institutional. But on the flip side, there are OCIOs that only focus on the intermediary space. So when we're calling on them, we need to know who is that end client that they're working with because product structure really drives everything in terms of how that end client can actually access the strategy.

Robert Morier: Well, thank you for sharing that. Well, it's great to have you again in our Philadelphia studios, Carolyn. So thanks for being here. We have a lot of questions for you. But before we get into our conversation, I want to share a bit more about your background for the audience. Feel free to interject as well if there's something. You want to add some flourish I'm missing.

Carolyn Patton: A little flair.

Robert Morier: OK, good. Well, Carolyn joined TIFF in the end of 2020, early 23, and serves as head of private market client solutions and is a member of the senior management team. TIFF is a leading asset management firm dedicated to delivering comprehensive OCIO and private equity investment solutions to primarily endowments, foundations, and other charitable organizations. For over 30 years, TIFF has been a trusted investment partner to the nonprofit community. TIFF offers two primary solutions for their members, comprehensive advisory solutions and a more specialized asset class specific solution business. As of June 30th of last year, TIFF manages approximately $8 billion in assets under management including committed capital on behalf of their members. Carolyn, you worked with institutional clients and consultants. I think it's been more than 25 years.

Carolyn Patton: Little more than that, exactly.

Robert Morier: A little bit. OK.

Carolyn Patton: Yes.

Robert Morier: I'll check my math.

Carolyn Patton: We'll just keep it at that.

Robert Morier: That's a good number.

Carolyn Patton: You don't need to scare people.

Robert Morier: OK. Well, congratulations. And I know you've been managing relationships globally. So I think that's also an interesting aspect to what you're doing now with TIFF. You've been based in London previously.

Carolyn Patton: That's right.

Robert Morier: And then the other side, you went up the mountain.

Carolyn Patton: Yeah, went up the mountain to the Mile High City. Lived in Denver. Had my children there. We were there about seven years.

Robert Morier: Great. Are they altitude acclimated?

Carolyn Patton: Not anymore. We moved away about a dozen years ago, but they do love to ski.

Robert Morier: OK, good. Well, prior to joining TIFF, Carolyn was with Sustainable Growth Advisers based in Connecticut. She's worked at some of the leading investment management firms in the industry, including Morgan Stanley Investment Management, Janus Capital Group, Turner Investments, and Deutsche asset management in senior strategy and distribution roles. As I mentioned before, you lived in London, Denver. You currently reside in Radnor, Pennsylvania. Not too far from Tim and here in the studios in Philadelphia. You served as president of the Association of Investment Management Sales Executives, AIMSE, who Dakota actually recently partnered with last month for their holiday party here in Philadelphia. And in partnership with the Toigo Foundation, you helped spearhead the creation of the AIMSE scholarship program to promote diversity and inclusion within the asset management industry. That's very exciting. We're going to talk a little bit more about sustainability in DEI over the course of the conversation. But that's a big accomplishment, so congratulations on that. You're a CFA charterholder and member of the CFA society here in Philadelphia. And finally, you received your BA in economics from the University of Virginia down in Charlottesville.

Carolyn Patton: That's right.

Robert Morier: Good, you've been all over.

Carolyn Patton: All my diplomas on my wall say Charlottesville, Virginia.

Robert Morier: OK, so you hang up your diplomas?

Carolyn Patton: In my home office.

Robert Morier: Behind the Zoom camera?

Carolyn Patton: No, off to the side.

Robert Morier: OK.

Carolyn Patton: To the side. Apparently the Zoom wall needs to be a little more classy these days than just diplomas.

Robert Morier: It does have a lot of books.

Carolyn Patton: Yeah, exactly.

Robert Morier: How's yours look, Tim?

Tim Dolan: We've got the Dakota painted on our wall, so you definitely know where I work. We walk into our office and there it is one day, so it is what it is.

Robert Morier: That's good. Good stuff. Well, Carolyn, congratulations on your success. Thanks for being here. We really appreciate it. So believe it or not, we do a little preproduction work. So I was looking through your LinkedIn profile, and I saw you reposted a quote which I'm paraphrasing from George Bernard Shaw that says, "The optimists invest in the airplane. The pessimists invest in the parachute." And I think that's very apt given the way that markets have been over the last 12 months or so. As you settle into your new role at TIFF as the head of private market solutions, how are you presenting both sides of the coin? The optimistic view of the way markets are going versus maybe less cynical but more realistic view of what's being presented in the context of what your clients are asking.

Carolyn Patton: Sure. No, it's a great way to open because you can't open a newspaper or read a blog without hearing something about private equity losing its shiny gloss or this being the end of the world from private equity. Very much sensationalized headlines from into your perspective. And you really need to balance a conservative view for clients and members, as we call them at TIFF, and future members to set expectations appropriately for what potential return in the smoothing experience will be but also being realistic about where we are within the space. So part of the way that we talk about that is to remind our members and future prospective members about what they're looking to achieve within the private market space, and diversification is first and foremost. And so many of these headlines will say the word private equity, and then they would dive very deep into late-stage venture capital, which is clearly one small sliver and not a discussion about a broader space. And so a reminder of what you're invested in, that you want to be diversified, that you want to have diversification by types and by vintage years. But also an acknowledgment that we are in a situation where there's a lag between reporting of the returns and the valuations in private equity from the public markets. And that lag will be coming in the future years. And we may see some drawdowns from the valuations that people have seen in the past to come. I hope that's what—

Robert Morier: It is. Well, speaking of public markets, and the more public market asset managers are investing in private equity securities.

Carolyn Patton: Right.

Robert Morier: So as you see this blend. There's a lot of blending going on in the industry across the board. Private to public. OCIO to endowment foundation. How does that balance work in terms of how you all think about the types of managers that you're utilizing? I'm just curious if there's a scale.

Carolyn Patton: Yeah, so since we have multiple clients, as you mentioned in the beginning, where we will manage the entire OCIO portfolio or a piece within an asset class such as the private market space. When we're looking at a total portfolio, we would be more cleanly looking at either the marketable equity securities, which is another word for hedge funds, a public equity manager, or specifically more of a private manager. So that is when you have the whole total portfolio, you're blending that together yourselves instead of having that type of blend. Of course, one of the things you're referencing is the B read that's been in the marketplace and very public lately about that gating within those types of securities. And when we look at on the private market side, there's really not as much of a parallel in what we're working on because we wouldn't be as focused in the real assets and the real estate as maybe some other private market strategies. But we do see some potential parallels there for valuations with maybe the SaaS companies, so software as a services, where when we see the public market side of that. And so very well noted in the marketplace that there's been major drawdowns there. We don't see that yet happening in the private market side, but that's a space that we potentially are watching and talking closely with managers. So that's the parallel that you're addressing there, and we're starting to see some of that.

Robert Morier: Well, I should say the firm was recently talking about catalyzing positive change during times of market disruption and dislocation, which we've seen quite a bit of. As TIFF is a steward of capital in the nonprofit space primarily, how are you advising clients on what has changed and what, if anything, they need to do about it?

Carolyn Patton: Yeah, so a lot of our clients really are looking at us for advice, and we're advice givers for them. And much of that is advice is to understand your long-term asset allocation and to make sure that you are not making knee-jerk reactions to some of the changes. So just making sure people understand to stay the course with where they are. That said, there are new market opportunities that arrive often. So for example, you've read a lot in the press, this would not be necessarily addressing the private market side of TIFF that I'm more of an expertee in, but you would read a lot in the press about some potential opportunities for the first time in many years in the fixed-income market space. And so that will be one thing as an example that we'd be talking to our clients about. Stay the course, make sure you understand why you're invested and where you're invested, but also note that there are new opportunities that we're going to be looking for on your behalf.

Robert Morier: You are spending time in venture?

Carolyn Patton: Absolutely.

Robert Morier: How early?

Carolyn Patton: So we'll do seed. We'll do early stage. Yeah. And a lot of what's in the press, there's not a discussion about the different stages and the different return patterns, but there's a big dispersion obviously between starting from the early and seed stage, all the way up to late stage. So we're predominantly in that early and seed stage.

Robert Morier: That's interesting because the early stage tends to be a volume game.

Carolyn Patton: Yes.

Robert Morier: You have a lot of companies that are being launched. Very few that achieve the type of success that we read about in the papers. How large is the team and how do you oversee all of those opportunities?

Carolyn Patton: Yeah, we have a seven-person investment team in addition to myself. And we've been investing since 1997 in the private market space. So deep expertise within the space. And I know you are an expert in venture and teach a class in that at Drexel as well.

Robert Morier: Kind of.

Carolyn Patton: Oh, come on now.

Robert Morier: I do. I teach venture. It is very much what we found, at least what the academic research tells you, is that it's a volume game. That most people are investing in the number of launches rather than the quality of the launch because particularly in the early stage, it's as much about the people and the idea as it is about the most viable product. The MVP.

Carolyn Patton: Yeah. And for us the network to have the connections with the people is really very important to make sure that you're underwriting and backing people who are well researched. For example, if we're going to do a relationship check, it's very deep and we go through so many different reference checks. More than perhaps many others because of the space.

Robert Morier: Would you mind taking a step back for the audience who maybe aren't as familiar with TIFF?

Carolyn Patton: Oh, sure.

Robert Morier: And giving just a little bit of overview of the organization? What it means to be a member of the TIFF community and how your team and maybe the public markets team interact with each other?

Carolyn Patton: Sure. So TIFF has a 31-year history. Many people know of the organization because of the mission and the founding to be a steward of predominantly not-for-profit organizations, so endowments foundations. And that type of client leads to a culture where you have really to be thinking through a long-term time horizon. The investment results tend to follow the endowment model, which you've mentioned in your opening, actually. So diversification being very important across multiple asset classes. We also are reasonably well known for our board, which is a volunteer board of some extremely successful and senior OCIOs at some large organizations. And we will have active discussions on markets with the board. We will talk about managers. And that will go two ways where we will share some ideas and they will speak with us about those. So a very different start and history to the company, and a focus on that type of client.

Robert Morier: Speaking of the board, a lot of times when we're working directly with endowments and foundations, there'll be a staff that's dedicated to the model. But they often have a board, or a board of directors, or an investment committee that they work alongside with. So as much as you're trying to target the investment staff, you also have to figure out who's on the board.How does that interaction work at TIFF? It sounds like they're providing a lot of thought leadership in terms of the direction of maybe the markets or asset allocation mix suggestions. But how would you constitute or describe the relationship with the board?

Carolyn Patton: Very interactive. It's a very active board. Volunteer, as I mentioned before, but sometimes you would think of volunteer boards and they would not be as involved on a day-to-day basis. And we have at least monthly formal meeting but then informal meetings with the board, with some frequency. And they're providing lots of discussions. Sometimes we'll come to them with a question about something that we're seeing in the market and asking what they're seeing. Sometimes they will provide observations. So I'd say interactive is even an understatement. Many organizations have boards of governing body. There's questions. There's a checklist. This is much more an engagement where we're looking to grow with them.

Robert Morier: So as you think about maybe taking a step back on just in your own experience as you think about your 25 plus years in the industry, what do you believe have been the key habits or tenets that you've brought to working with these clients? As you're sitting in this new role working within private markets, having to advise clients in terms of a variety of sub asset classes within private market solutions, what have you brought to this new role? And what do you think is going to distinguish you from others who are doing the same type of business?

Carolyn Patton: Sure. Well, I mean, TIFF has a mission. TIFF has a credo. And I really do believe in the mission and the credo of TIFF, honesty, transparency. And for me that is something that I do embody. And I was excited to join TIFF because of the clients within the organization, the long term-nature. And you're building a relationship, right. So this is not a transaction-oriented world where you're working with institutions. You want to make sure that you can be a trusted advisor to them. You need to do your homework. You need to work hard. And it's something that at the end of the day when you're working with clients for many years, it's not necessarily the events or what happened from meeting to meeting. It's how you make them feel, and you make them understand that they're a partner to you. And that's something that I believe that we all do at TIFF. And we try to make sure that the clients understand we're there working on their behalf, and we're their partner.

Robert Morier: I was reading this morning, the state of New York recently voted to increase their alternatives exposure from 25% to 35%. And so public markets are starting to realize that it's very important, particularly in times of dislocation, that having a balance of asset allocation exposure is important. But with endowments, foundations, charitable organizations there's been a historic overweight to alternatives over the years. So have you have you seen that change at all? Has that been a static allocation for your clients, or they starting to think about maybe that they have been overallocated to private markets? And maybe it's a time to think about public markets relative to what they're being presented with?

Carolyn Patton: Oh, absolutely. It's a great question because it comes across with multiple different things. You would be an expertee, Tim, with maybe some private clients with some family offices. And there's some great quotes in the marketplace about if you meet one family office, you met one family office. Meaning, they're very different. Well, the same thing endowment foundations. You can see broad asset allocations, however, when you unpack those broad allocations, it varies dramatically. And it's not even by asset type or type of client within an endowment of a university. There could be a broad range that they would generally have that might be different than a community foundation. However, each and every one might have completely different liquidity needs, might have different governance structures. And so they can have a much wider range of asset allocations than you'd realize. So that's something that we really care about. We really care about understanding the starting point of the institution with whom we're working with. And understanding how we can help them with liquidity, and meeting the long-term objectives, meeting their spending goals. But overall, so that said, averages are averages, as I mentioned. But yes, we are hearing some institutions who are overallocated to their asset allocation from private equity. Mainly because the public market space has come down, and we're seeing them look at what else that allocation that might need in the future. Some of them are recognizing that the public equity markets may be springing back. And they're saying, I'm going to keep to my asset allocation levels that I've had before, even though I temporarily will be overweighted. I have the governance with ban asset allocations to then increase to that level. Some of them are saying, we need to have the numbers come through from a valuation perspective for fourth quarter, which will be coming through at a lag. So there's no one answer to your great question here. And it's very specific to each individual institution. And so we're very careful to talk to each one of them about what they need.

Tim Dolan: Do you mind expanding on that in terms of the underwriting process and the research process, right? So let's take an example, you bring on a new client.

You've got your public team. You've got private team. You've got analysts and research folks in Boston and down here in Philadelphia. Walk our audience through what that underwriting process looks like from a due diligence standpoint from a manager selection.

Carolyn Patton: Yeah, so we have the two offices. We have Boston and Radnor. And it's somewhat just easier to think of the Boston office as being where the majority of our investment team resides. There are some exceptions where there's a handful of people within Radnor. But broadly, Radnor is our headquarters. Broadly, Radnor is people who are in the finance team, the operations team, the executive team. And broadly, Boston would be the investment team. So that's one way to address that question. It is somewhat within your question here, Tim, is talking through how managers would find us. Is that -

Tim Dolan: Yeah.

Carolyn Patton: Yeah, so we go about underwriting managers a variety of ways. One is through our established network that we have. Obviously, managers reach out to us. We have a really transparent website. We believe in transparency. So each individual role is on there. So you can look at our website and see who you might need to contact, if you're a manager listening to the podcast.

Tim Dolan: Saves us and you time.

Carolyn Patton: There you go. So go ahead and access that website. It's a really good thing. Even pictures on there. Our board is a source of our underwriting, as we have talked about before. Our own network from being in the space for decades is another source of finding and underwriting managers.

Robert Morier: I wish all allocators operated in the same way. I think a lot of times they're operating with a database, typically eVestment or another third-party source.

Carolyn Patton: Preqin, yeah.

Robert Morier: And a lot of times you're screening based on the quantitative, which is their performance. So it's nice to hear that there are allocators that are looking at the qualitative and making sure that the story is aligned. And then following it up with performance.

Carolyn Patton: Right.

Robert Morier: And we talked a little bit about early stage. But talking about academic research, there's no shortage of research available that shows that smaller, more nimble managers historically have outperformed their larger, more established peers. Dakota spends a lot of time working with emerging managers, talking them through what the process looks like in terms of speaking to folks like yourself. But how does TIFF think about the emerging manager community? And are there any differences in terms of expectations relative to the more established peers?

Tim Dolan: And if you don't mind, because the definition of emerging manager is quite loose, maybe start there. Of how would TIFF define an emerging manager?

Carolyn Patton: Yeah, and I might be asking you these questions too, Rob, because you've probably got expertise here. We very much embrace working and looking for sourcing emerging managers. I do wish there was an eVestment or a Preqin to have a database of emerging managers because accessing and finding those managers is always harder than just being able to screen. However, we have a great network for that, in my opinion. And I feel that that's something that we are known for. And so there are emerging managers who seek us out, which is fantastic when they do. The definition from that perspective is, we're not trying to categorize those for the sake of checking a box for a client. Because they're not necessarily saying, we want you to have a certain percentage of emerging managers as maybe it's required by a public plan. And that's fabulous if that's part of their requirement to do that.Our client base generally wouldn't be needing us to have those boxes tick so often or so cleanly, I should say. So from an emerging manager perspective, it is a wide range from whether it's an AUM definition, which is the most blunt, I would say and usually the least useful from that perspective. The experience whether it's a brand new fund, whether they really are bringing together three or four different partners. I'm thinking of an opportunity that we're looking in the private market space right now, where it's three or four different partners coming together who've been successful at prior stages with prior funds who are now looking to join up. And is that emerging manager? I mean, it's hard to say how to define this, but at the end we're very open to being creative to working with those types of managers. And thankfully, we don't necessarily have to have those lines defined as much as some other clients might.

Tim Dolan: We've talked about on other shows here at Dakota the emerging manager programs. And a lot of fund managers sometimes associate that with a fee conversation. Is that something you all do as well in terms of you're an emerging manager, we have the ability to give you x hundreds of millions of assets in exchange for a lower fee base? You're at 200 million. We can get you to 500 million. Is that a partnership conversation with that emerging manager, or is it the fee is the fee and we just need to find the best manager for that asset class?

Carolyn Patton: Oh, interesting. So thinking through the EMOM model? The emerging manager manager model. I mean, I think that I'm a big proponent of EMOMs within the industry. And Rob and I have known some fabulous ones in our career. I think they do a really great job educating, mentoring, and getting these managers to understand the requirements of institutional managers. We're in a different situation where we'd be managing the money for them, and then we would be the ones who would be working with our members to speak with them. So there's a different requirement from the service perspective, from the operation perspective. We would take care of some things that they would be having to do on their own if they were within an EMOM construct. So there is a different way that they be engaging with us from a business perspective.

Robert Morier: Yeah, I think in terms of emerging manager programs, when you had larger players getting into the game that the threshold started to go up.

Carolyn Patton: That's right.

Robert Morier: It used to be a billion dollars or less. We were constituted as an emerging manager. You could have had a shorter track record. And potentially, they were looking for more of a partnership arrangement. But when you started to see insurance companies get into the game and the super public pension plans, it started ticking up to 1 billion, 3 billion. And now some programs are as high as 5 billion.

Carolyn Patton: That's right.

Robert Morier: So it's a little bit like ESG in that sense. The definition changes from plan to plan or allocator or to allocator.

Carolyn Patton: I was thinking that as well. I was thinking this really in a way has great parallels to discussion on do you care about the E, do you care about the G? Where are you in that perspective?

Robert Morier: Yeah, and you're taking us into the next question in a second. The other thing we've seen, and I'm sure you've seen more of this as well, there has been a lot of focus on the fee, right, that we're going to seed you effectively. So if your headline fee is a flat 1%, we're going to need you to take it down to 40 basis points. But we're going to guarantee you somewhere between x million and x million in assets. And a lot of emerging managers will balk at that because they believe in themselves, which they should, and they want to wait for the full fee. But some of the emerging managers and emerging manager programs have caught on to that. So you're seeing more profit-sharing arrangements, revenue share. Maybe even taking some equity in the asset manager. So the interest is aligned. I'm not sure if you've seen that with some of your folks.

Tim Dolan: There's definitely different ways to get creative, it's all around growth, right? And as you talked about it, telling a portfolio manager who thinks they're worth 100 basis points, we're going to pay you 25, right. There's a lot of pride that needs to be checked at the door in order to grow. So yeah, there's the profit sharing. It's giving up equity stake in whether it's the fund or even the entire GP. So there's different ways that allocators can think about working with managers that are smaller or newer or just getting off the ground. Because at the end of the day, who's got the leverage, right? It's the allocator trying to find a great manager. And to the manager it's like, hey, I need to grow.

Robert Morier: Yeah. And just to complicate things even further, now there are asset managers who are in the emerging manager game. So the multi affiliate model structure has changed dramatically.

Carolyn Patton: Recently, too.

Robert Morier: Recent. Very recently. We've even found here, as we think about the allocator versus the asset manager, where's the balance? And it's pretty fuzzy these days.

Carolyn Patton: It is.

Robert Morier: So it's an interesting time to be an emerging manager. Still quite risky, but for every few that struggle, there's one or two successes. So it's hard to get it involved. But talking about emerging managers, what's also happened is there's been this blending of emerging managers relative to ESG, DEI, minority and women-owned businesses. So I was looking through TIFF's 2021 sustainability report, which shared the way in which the organization captures ESG and DEI into your investment process. DEI has continued to gain prominence, particularly in the United States. But could you take us through TIFF's sustainability framework and how asset managers should think about partnering with TIFF and their members, relative to the sustainability construct that they may be adopting?

Carolyn Patton: Sure. Well, as we were just saying, the definition of sustainability and ESG varies dramatically for so many clients. And so as having well over hundreds of different members and clients within our organization, many people have different definitions. We have some customized clients, and we will talk with each one of our customized clients about what does this mean to you? And it can be something like the environment and care about water because of the mission of the client. There can be a focus on race, on diversity from gender perspective. And so for those clients, clearly it's very targeted and very specialized that we can work with them to, first of all, understand the composition of the portfolio that they have and where they'd like it to grow over time. Because you have to always remember that all of these members start with a portfolio. These long-dated institutional assets aren't just built today. And so there's a starting point. And often we need to work with our members to say, what do you have currently and where would you like to evolve this to? And how can we help you grow? What are the steps to get there? And that's a really important point that, aspirationally, the organization sometimes isn't exactly even sure how to define where they'd like to be. And we can help them have the definitions. And then understanding where they are and how they're going to get there. What's the path to get there? Those are really important steps that take some work. There's a board with different generations sometimes on the board with different thoughts on how to achieve it. There's sometimes just a vague notion about what we're looking to achieve from an institution that's very passionate and important to the mission of the organization. But to translate that into paper and how that might work with investments, takes some time to do. So it's a hands-on advice-driven process with our members.

Robert Morier: Would you take it as far as engagement? Meaning, if you think about ESG and impact, one of the questions that we see in the DDQs and RFPs that come through to asset managers is, how actively do you engage with the companies in which you invest? So how actively? It sounds like it may be more advice based. But you're in an interesting position. You actually could really engage with managers, almost force their hand into either improving their diversity profile or integrating ESG more actively. So how do you think about that spectrum?

Carolyn Patton: Yes, so some of our clients would very much be interested in advocacy and some of our clients would not. And so you really do need to think through member by member, where it's important for their mission of the organization. And it's so variable. This is one of those topics where many people feel extremely passionate about. I personally throughout my career have been involved in the space often. And when you get into individual missions and long-dated assets with very different targets, it can be the opposite from one member to the next. And so it's a discussion we have to be having.

Tim Dolan: Looking at the fund managers, right, and looking at the potential private funds that you could be looking at, right, is it easy to sniff out those that are actually ESG, impact, DE and I focused versus the marketing team put together materials, put together a slide, and says, hey, we have ESG screens. It's a part of our process. It's a part of our core.

Carolyn Patton: Absolutely. I mean, it is chalk and cheese, to use one of my British expressions. Chalk and cheese difference between the public market and the private sometimes in finding these. And that's, for me, very fun, right, to be on the private market side, to be working with some of these organizations. Because this could be the entire remit of the manager we're investing in to a very specific sleeve, whether it's going to be social or whether it's going to be the environment side. And after early discussions whether this is a true mission of the organization. And you generally don't see as much of that, I would call it, greenwashing what you're talking about. You generally don't see as much of it on the private side because of where they are in the state of the business development. But you can sniff it out pretty quickly. It's there. Thankfully there's less of it.

Robert Morier: I also think for whatever reason private, I should say alternatives, have been held to a different standard than public market managers. Public market managers have to check every box. Alternatives do not. So you're right. It is a different standard, but it's the public market manager that has to have the policy. And if the policy isn't being adhered to, the regulator is going to call. And then the regulator is going to call. And if not doing it, then the regulator is going to find you, which we found last year.

Tim Dolan: Well, and specifically on the private side, right, I've always been told you can't have the E and the S without the G.

Carolyn Patton: Right.

Tim Dolan: You need great governance in order to be mindful of the environment and mindful of the society. And sometimes it's looking at the fund itself. Do they have great governance? Are they running their business, right? Focus on the environment and society as a whole. They're hiring great talent and diversified talent. And then you get down into the businesses that they go into. You'll be able to know, I'm sure you could speak to this much better than I could, exactly if they're focused on ESG just by their philosophy and how they invest. On the public side, we screen, and they're 3 out of 5, and it checks this box. And we're all good to go.

Carolyn Patton: Yeah it's interesting the parallel you're drawing there because you're talking from a governance on the private side being the governance of how the firm's running itself. And often on the public side, the governance would be their governance and selecting companies that they're investing within. So very different definitions of that governance from each one. And many times in the public side of the ESG is a governance G.

Tim Dolan: Yeah.

Carolyn Patton: And many of our clients or members would be interested on the E and the S. Not to generalize because our clients are very different, but you do see that on the public side. It's a lot easier for the ESG box ticking to be just ticked from the G side. And the interest really of many of our members would be in the E and the S.

Robert Morier: Well, continuing down that DEI path, I was reading the other day Citywire's September report, the percentage of female fund managers has been stuck for quite a while at 12% globally. As most asset managers continue to struggle with increasing diversity, particularly from a gender perspective, as you think about this as a successful woman in the industry, how do you think we get unstuck?

Carolyn Patton: I love this question. This is really important. Many people will just ask this question for how come there aren't more senior women in investment management? And that would be just from the senior ranks, but you're talking about from the investment perspective. And I think one of the ways, start talking about money, right. So if you think about it, a lot of people who enter into an executive MBA program or a top-five finance MBA program, they can cite off the top of their head how much you would make as an iBank investment banking graduate of that MBA program. They can tell you, I'm 28 years old. I'm going to spend all this money to enter a two-year MBA program a top-five finance school. And when I get out, I'm going to be an investment banker. I'm going to make x. They don't even know that there's a career path for asset management often when they enter. And if they do know there's a career path, they don't really understand how much it can make and how much you can make as a individual there. So I do think that we need to have much broader discussion about the wealth that can be created within this space as the first blush because that is where you're getting people who are going in the investment banking side. That said, that's not the only reason here. It's more just being provocative by starting that from that perspective. We are seeing CFA programs be introduced into both undergraduate institutions and MBA schools that has raised the understanding and awareness of asset management career paths dramatically. I applaud that effort. Kaya, the organization that works with alternatives, is a very successful educational program, where they have been working with those same exact institutions to bring awareness there. It's helping, but I also think that just the network. So having the ability to reach out to individuals. With COVID, I was actually around my home, not on an airplane for the first time in a long time. I was delighted at how many people reached out to me and said, aren't you in that investment industry? And I've got a daughter who's going into economics. And I'm a doctor or I'm a lawyer. I don't know anything about this, could you talk to my daughter? Absolutely. And so I have personally thought, where can I make an impact in this world? And what can I do to help this number. So I have really increased the amount of time and try to tell people, I would love to do this. To talk to women who are thinking about having careers as investment managers, as portfolio managers in asset management. And talking to them about what the career path looks like, the time commitments. And I just think it's a fantastic career. You can learn about all the different companies. A lot of people get stymied on isn't it just sitting behind a desk and running Excel spreadsheets and working on valuations? And how boring is that? Absolutely not. It's the most fascinating career. If you're a portfolio manager, you're learning about all the different businesses of the companies that you're investing within. You're traveling. You need to think differently. What is the percentage? You would know academically, Rob, 51% is the percentage that you need to be right to be an outstanding top decile performance manager in academic studies. I mean, what other career path can you be right 51% of the time and you're a rock star? And you get paid a lot of money and it's interesting. And you work with smart, diverse people. I mean, it's a fabulous career path.

Tim Dolan: Baseball hitter 300.

Carolyn Patton: Oh, there you go.

Robert Morier: Exactly.

Carolyn Patton: There you go. Baseball.

Robert Morier: Yeah, it was Charlie Ellis from Greenwich wrote that Winning the Loser's Game. Just keep the ball in.

Carolyn Patton: Yeah.

Robert Morier: Don't even worry about hitting a winner.

Tim Dolan: Yeah.

Carolyn Patton: It's just a really dynamic, fun, fabulous career path. You're working with smart, intellectual people all the time. And I think that people don't even really know that this career path is out there. And certainly there needs to be a much broader awareness of it. So I was being a little cheeky starting with saying, tell people how much money it makes. Because you have to have all those factors. And it's just a fantastic career path. And I really wish that more women will go into it. I'm trying, to the extent that I can, to get the word out there and get people to get excited about it.

Robert Morier: Yeah, I think for academically, the schools of entrepreneurship that are springing up all over the country are helping that as well. Because venture and private markets are introducing a whole different area of the industry relative to the traditional equity analyst programs. So you can actually launch your own business and still learn about the industry in that way. So that's really helpful. Well, before we close out, I'm going to ask you to dust off your old sales hat because like Tim, you were an institutional salesperson at one point.

Carolyn Patton: Yeah.

Robert Morier: You were the president of AIMSE. So as you think about how the investment sales landscape has changed and you're getting calls now from investment salespeople, maybe even Tim after this podcast, how have you seen it evolve since the financial crisis? And we could talk to Tim. I'd love to hear your thoughts, too, because you've been in it now for more than a decade. And it hasn't gotten easier. That's for sure. But I would love to hear your thoughts.

Carolyn Patton: Well, on one hand, which financial crisis? There's been a couple of my careers. But the most recent one, the GFC.

Robert Morier: Most recent one, yeah.

Carolyn Patton: I think the consolidation that was forecast many decades ago is really starting to materialize. And so you're starting to see long only shops that were maybe single product or that were maybe one asset class only with multiple products within it. So maybe they were a growth shop that would do large cap and small cap and mid-cap. But essentially, a single sleeve looking to either have partnerships from a capital perspective. They're looking to be creative and to launch maybe selling pieces of them, getting different distribution channels than they used to before. So I think that that's one way that that's happening. I think that there's also going to be fewer roles within the industry going forward. I think if you think about the industry having been-- I love demographics, I'll just put it that way. Starting with the demographic bubble, the growth of the industry was from the '90s to the 2000s when the baby boomers were at their peak earning years. And now that the baby boomers are going into retirement or are in retirement right now, they're drawing down capital, thinking about passing through capital. That will impact the asset management organization and the sales within it. Is there empirical evidence for that? Probably. But that's my anecdotal view from having been in sales. I think the relationship side of it has always been there. Many decades ago there's so much relationship side. We used to call it credit card marketing, where people would take people out to baseball games and dinners. And I think that's faded over the decades. And it's harder and harder to have that type of sales engagement. But the relationship is more important than ever. So you need to be creative about how you build your relationships and not have it be based on more of an entertainment perspective. What are your thoughts?

Tim Dolan: Well, I'd be curious to hear, right, coming out of the COVID era of no travel, right, everyone stuck at home, and I mean, even my peers are like, you're traveling? You're back on the road that much? It's like, of course I am, right. I'm allowed to and I can. And I need to from that relationship standpoint. You need to see the whites of each other's eyes and build that relationship. From your standpoint of being called on now from sales people, right, what irks you thinking, about what you did before? And you're like, god, I wish I never did that as a sales person.

Carolyn Patton: Oh, irks. I'd say some good tips which might help, everything has gotten more compressed and condensed. And so whether people are Zoomed out or Teams out, there's definitely need to be more precise in what you're saying. You need to be shorter. So one of the tips that we've had, and we've been talking with people at AIMSE, the other salespeople, if you used to be used to having an hour-long meeting, it's probably 30 minutes now. And if you're going to do it in an hour, you're diminishing marginal returns from people tuning out and being less pleased with your outcome. So keep it shorter. Emails are shorter than they used to be. Getting to the point. Bullets are fine. They never used to be fine.

Tim Dolan: Yeah.

Carolyn Patton: Bullets are fine now. So adapting to people's shorter attention spans and recognizing that's here to stay.

Tim Dolan: Yeah. We always talk about that, right, because when you're in a meeting, that hour-long meeting, you're telling a story that needs to be retold at least three to six more times, right. The telephone game.

Carolyn Patton: Right.

Tim Dolan: Right. And there's no way you can absorb everything from an hour-long meeting, just getting the presentation, every slide. It's so boring. You're asleep half the time, right. So what are the four to five bullet points that you need to get across in that meeting that you now as an allocator will definitely not forget? And can regurgitate to the rest of your team of, hey, we should continue to look at this manager. Not saying we're going to allocate after one meeting because we're not. But we should continue to do our work, and that's an important component.

Carolyn Patton: Yeah, some people are note takers by nature. A lot of people in the industry are. And so if you're in a meeting with someone who's a note taker, if they type them, an old fashioned one, I used to say, watch the pen. If someone was writing, you were getting your message through. They thought it was something that they could then understand and they could repeat back to at another decision maker, as you're talking about. If they're typing, whatever it would be. But if they've stopped and you're still talking, you need to stop, too.

Tim Dolan: Yeah.

Carolyn Patton: So you need to think about, I'm not saying something that resonates with them anymore. This is their time. And if I'd like to have a long-term relationship with them, I need to value their time. And you can ask. You can ask questions. Let me take a pause here, and what would be productive for you from the standpoint?

Tim Dolan: Maybe just one final question on this topic. How important is it to meet the portfolio manager, whether in your office or at their office in person?

Carolyn Patton: For a sales person who's -

Tim Dolan: For an allocator, right. If you're looking at a potential new private equity fund, how important is that? Because we get asked all the time, right, salespeople are like, hey, it's tough for me to get my PM to go travel or to go to get on the road. That's your job Mr. or Ms. Salesperson.

Robert Morier: Yeah, that's a good point.

Carolyn Patton: Right, I understand.

Robert Morier: Let's say it's a London-based asset manager who's targeting the United States as their primary sales market.

Carolyn Patton: I think this is one of the ways that post GFC, post COVID that there has been a positive change going forward. I think that you can get very far with a qualified institutional client portfolio manager, salesperson, IR person, relationship manager, whatever title you want to have that person. At the end of the day before there is an investment, there generally, at least in our institutional side, it might be very different with some intermediary clients.

Tim Dolan: Sure.

Carolyn Patton: But in the institutional side, they do want to see the portfolio manager. And the Zoom can take the place of the travel-across-the-country meeting that used to be required in the past. So I mean, you're hearing it from institutional consultants who will say this often. They'll say, we love that we've been able to see more portfolio managers in person, meaning on camera. But we were respectful of that and we will only do it towards the end of the process. And so it needs to be there, but the mechanism, the vehicle, the way it's delivered is changed.

Tim Dolan: That's good to hear.

Robert Morier: Carolyn, thank you so much. We really appreciate it.

Carolyn Patton: Thank you for having me.

Robert Morier: So if you want to learn more about Carolyn and TIFF, please visit their website at www.tiff.org. You can find this episode and past episodes on our website as well as Spotify, Apple, Google, or your favorite podcast platform. Finally, we are available on YouTube. So if you prefer to watch while you listen, please check us out. And again, Carolyn, thank you for being here.