EPISODE 27:

An Allocator’s Journey with William Yung

of Angeles Investments

Robert Morier: Welcome to the Dakota Live Podcast. I'm your host Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, 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 and 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 Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit DakotaMarketplace.com today. Well, I am always happy to introduce my friend on the desk, Andrew O'Shea. Andrew, welcome back.

Andrew O'Shea: Thanks. Happy to be here.

Robert Morier: Nice to see you. It's beautiful outside in Philadelphia, and I'm happy that we're in the studio, speaking to a really interesting and exciting guest.

Andrew O'Shea: Yeah, certainly and the OCIO space in general has really grown a lot. But if you think about Angeles, it's one of the original OCIOs out there, and they've been doing this for a long time. So excited to hear from William.

Robert Morier: Me, too. It's always interesting to listen to pioneers in the industry, regardless of the asset class or the channel. So, we're speaking to one of those firms today. So yeah, thank you for noting that. Well, I am thrilled to introduce you and our audience to William Yung of Angeles Investments. William, welcome to the show.

William Yung: Thank you, Rob. Thank you, Andrew. It's great to be here.

Robert Morier: Yeah, well, it's good to have you. We have a lot of questions to ask you. Before we do, I want to quickly share your background with our audience. William joined Angeles Investments in 2014 and is a partner of the firm. He's responsible for conducting research in private capital and real asset strategies. Previously, William conducted manager research in public equity and fixed income, working with the Angeles Investment committee to monitor and add to the firm's approved list of investment manager products. Prior to Angeles, William worked 7 years in wealth management roles that assisted independent financial professionals with building client relationships by offering a broad range of investment solutions. For those of you unfamiliar with Angeles, Angeles is a multi-asset investment firm providing sophisticated customized investment solutions to institutional and private wealth clients. Founded in 2001, the firm oversees approximately $6.2 billion in outsourced CIO relationships as well as approximately $31.6 billion in consultant relationships as of the end of 2002. Angeles is an independent, 100% employee-owned firm with 77 client relationships and over 40% of those clients being with the firm for more than 10 years, a great achievement in today's industry. William received his MBA from the Marshall School of Business at the University of Southern California and graduated with a dual bachelor's degrees in economics and political science from the University of California, San Diego. William is a CFA charter holder as well as a member of the CFA Institute and the CFA Society of Los Angeles. William, thank you for being here and congratulations on all of your success.

William Yung: Yeah, no, thank you so much and excited to be talking about a bit of myself, about our firm, and what we've been able to accomplish so far and how we're thinking about the future.

Robert Morier: Yeah, well, that's interesting that you say the future because that's actually where I wanted to start. I usually start these conversations, as Andrew knows in the past, getting to know who you are, where you went to school, where you're from, but I think what your firm has done, at least, in looking at sustainability from a future lens is really interesting. So, I just wanted to share with our audience, Angeles is a certified B corporation, which is a unique recognition in the OCIO industry in particular. So, for our listeners who may be less familiar with B corporations, certified B corporations are social enterprises verified by B Lab. It's a non-profit organization based here in Philadelphia. B Lab certifies companies based on how they create value for no shareholding stakeholders, such as their employees, the local community, and the environment. So once a firm crosses a certain performance threshold of these dimensions, it makes amendments to its corporate charter to incorporate the interests of all stakeholders into the fiduciary duties of directors and officers. So, these steps demonstrate that a firm is following a fundamentally different governance philosophy than a traditional shareholder-centered corporation. So very interesting that you all took that approach. I really appreciate that that's something that we can talk about in the beginning because we also usually talk about sustainability and DEI at the end. But why did Angeles pursue that structure because it is very differentiated.

William Yung: Yeah, you know, I guess, to start off with, I'd say that our mission at Angeles Investments is to enhance our client’s ability to serve their constituents, their communities, and we believe that our success in that really comes from nurturing a culture of respect, integrity, diversity, both within our firm as well as across the partnerships with our clients. And so really becoming a certified B corp, it really reflects the organization that our co-founders Leslie Kautz, Howard Perlow, and Michael Rosen set out to build in 2001. And all of the learnings that we've incorporated over our 20 years in business in the certification is really an acknowledgment of our values and the practices that we maintain every day. And it also sets that high standard to which we hold ourselves accountable to going forward. The firm, it was really our decision internally to become a certified B corp. But that said, we really wouldn't be here without ongoing dialogues with our clients that really challenged us to constantly improve. Getting to this point was really a journey of learning and relearning. There were, and I think, plenty of discussion, the discourse about traditional diligence criteria like minimum track records and minimum asset levels that really ended up screening out a lot of emerging managers, particularly those groups that were led by persons of color. And so, we had to think about things in a different way to develop really intentional practices within our investment process so that we could actually build portfolios that reflect our clients' values and the kind of impact that they really wanted to have. And so really orienting our entire organization so that we could actually deliver portfolios that can do well while doing good and that we can actually understand the risks that we were taking and ultimately have the ability to measure and actually report impact back to our clients rather than just say that we provide an impact.

Robert Morier: Why, I think differentiating between stakeholders and shareholders is a good start, so we appreciate that background. Thanks for sharing that information on the organization. We're going to talk more about Angeles over the coming conversation, but now that we know a little bit more about Angeles, I was hoping you could share a little bit about yourself. You had told me recently that your family had arrived from China in the 1970s. Can you take us through your family's journey to here in the United States specifically to the Los Angeles area and how that impacted you, not just as a person, but as a professional?

William Yung: I guess I'll start off with just briefly on myself, and then I'll dive into that. I live in LA. I have my wonderful and talented wife Michelle who's a director of engineering who oversees platform and data teams at CareRev, which is a VC-backed startup that offers a software-driven staffing platform that connects health care professionals and health care facilities. We have two young children, a 4 and 1/2-year-old Liam and 2 and 1/2-year-old Ryland. I was born and raised in LA so really never left Southern California, the son of first-generation immigrants from China as you know who arrived in the early 1970s. My grandparents were born, I guess, during the same time as America's greatest generation, the group that we really venerate here in the US. And I could honestly spend probably a whole podcast recounting their stories, all their stories about their experiences over time, how much they persevered through really all kinds of adversity that I honestly will never truly understand, minimal education, famines, hiding from the invading Imperial Japanese army, surviving the Chinese Civil War, escaping the Cultural Revolution, and all the devastation that was wrought from that, traveling 500 miles by primarily foot to escape to Hong Kong, and then deciding in their late 40s with a huge family already to pick up their entire lives and move to the US. And really, theirs is sort of the quintessential American story, immigrant story, right, of arriving in the US with very little and building an enormous family here, so 6 children, all US citizens, a seventh who's a French citizen, 18 grandchildren, dozens and dozens of great grandchildren. It's an inspiring story. They've accomplished so much by just sheer grit and determination to provide a better life for us, for their family. And it's a reminder to me that talent, it comes in many flavors, and it really is ubiquitous. But opportunities are not ubiquitous at all, and it makes me think about my role at Angeles and sort of the awesome responsibility I have to make a difference as best I can. And so that actually brings me back to the early point of how we had to relearn certain aspects of our investment process so that we could actually widen our view and make more investments with diverse owned and led managers that may not have historically fit in the traditional investment box.

Robert Morier: Well, that makes a lot of sense, and thank you for sharing all of that. It's incredibly impactful. I think particularly when you can look back to the past to help form your decisions for the future, it sounds like you've done that very successfully. So, congratulations again, and it's wonderful to hear how successful your family has been as well. So, we do appreciate you sharing all that.
So, when you did have to make a decision and you're coming out of high school, you're in Los Angeles, born and raised, you decided to go South to University of California San Diego, what were those years like for you? What did you study, and what were some of the takeaways that-- as I tell Andrew all the time, I'm a professor at Drexel University. I'm always wondering what students think of my lessons. I'm curious what people like yourself, William, took from your time in undergraduate.

William Yung: Being in San Diego was great. Getting to stay and being far enough from home to experience real independence but also close enough to home that I could still just drive home for the weekend. That was certainly an important draw for going to UCSD. I certainly wasn't-- I'll say, it wasn't my first top choice. You know, my top schools were Berkeley and UCLA because they had full-fledged business programs for undergrads. Unfortunately, got waitlisted at both, but that's neither here nor there. But UCSD just really had a really top-notch-- it had then, and it remains one of the top undergraduate economics programs in the country. And there were enough sort of accounting and finance courses that I could take that I could sort of put together my own business program. I appreciated that the school didn't have a Division I sports teams and distractions and whatnot. You could really actually focus on being a student, and there was still a really vibrant student life around campus. I worked pretty much every year that I was at UCSD, and so that really gave me an opportunity to get a lot of different experiences as well. You meet different people and be in a service role. I think it's really important that students have that opportunity to actually work because, I think, if you're just studying, you're just continuing on from high school where you're really just primarily studying. Those life lessons of being in a group setting, having expectations in order to earn a paycheck, and then also realizing how much taxes come out of your paycheck, right. Those are things that it's good to know when you're in college before you get your first job out in the real world and you're all on your own.

Robert Morier: Financial literacy, it's funny, that's something we talk about a lot, at least, among the staff and the faculty, is that we're teaching a lot of theoretical concepts around venture or private markets. But most of these kids have no idea like how much comes out of their paycheck every other week, so that's really interesting insights. Also, too, I think very common in our industry is, well, you're coming out of undergraduate. You know you want to do something in finance and usually the first role that's available to you is something either in operations or compliance. And it sounds like that was the direction you took, William. You began your career cutting your teeth in those two areas, ops, compliance with LPL Financial. So, what was the decision to go towards financial services and what were those early years like for you, learning the mechanics of the industry from more of an operational perspective?

William Yung: Yeah, I always knew that I wanted to do investments, be an investor, but which direction to take? Investment bank, book management, or research, et cetera? And I didn't really know what specific path to lean into originally, But I'd say, there was probably a strong lean toward sort of wealth management. I felt like a career helping people plan and manage their financial well-being, it just sort of had a lot of personal appeal. LPL Financial was local to San Diego. They were based in La Jolla like literally their headquarters, so I could literally like after I joined and I still lived in La Jolla, I could roll out of bed and get to work in 5 minutes. It's kind of funny. And it was an attractive opportunity. They were hiring. They were looking to hire more college students into the company. The firm was really growing. They were private equity backed. They were already the largest independent broker dealer RIA, and they really just had a unique story about that, like in an agent industry, a lot of advisors getting older, also just moving away from wire houses, wanting too truly be independent. And for me, it gave me a really good inside look at the industry before I actually went down the path of becoming a potential wealth advisor myself. And what I learned over that time, I started in operations, and I learned the mechanics of how accounts moved and realized the complexities of advising clients, and at times, how some clients can actually unfortunately be taken advantage of by sometimes unscrupulous people. I recall one day in the account transfer group; I had processed six $5,000 annuities to be transferred into a single IRA. I was like-- we were all trying to figure out why does this client has five or six different annuities at $5,000 each? And it's because their broker was just trying to sell them products. And so, then I moved into a compliance role and sort of overseeing that and talking about fiduciary responsibility and ensuring that our advisors did really think about how our practices are aligned to the best interests of our clients. And ultimately, I realized that becoming a wealth advisor was probably not a good fit for me. I probably just didn't have the right temperament for it, and that's fine. I think it was a good learning experience. And really what I took away foremost was really an appreciation for the people who work in operations and compliance roles. It's easy to overlook them, right. They're not front and center when people think about investment groups, and from an investor's seat, we're like, hey, we're the ones who make the decisions, and we're the ones who are in front of our clients. But for Angeles in particular, we view ourselves. We hold ourselves out as really a full service OCIO, and operations and compliance teams are integral to the value that we provide our clients. We are an extension of our client's staff, and we are stewards of their capital in really every sense of the word. So not just about the investment decisions that we make, but how we handle and safeguard their assets and their accounts. If we make a mistake, as Warren Buffett said, right, it takes 20 years to build a reputation and 5 minutes to ruin it. And so, we work really, really hard to not make huge mistakes with our clients.

Robert Morier: Yeah, no, that's great. It makes a lot of sense, especially the extension of the staff. I think being that strategic partner to clients is something that we see, particularly out of the OCIO world more than anything. You're having discretionary oversight over a large pool of capital, but there's people behind that capital. But you did mention your staff. So, would you mind just, for our audience's perspective, giving a little bit on Angeles, the organization, the people you work with, and then your role within the organization rather?

William Yung: Yeah, yeah, no, so today we're probably 50-ish employees. I'm blanking on the number. We've actually grown quite a bit in the last couple of years. Our wealth management team has grown, our operations, sort of everything. And yeah, we have 5 or 6 people on our reporting team. We have multiple people on our compliance and internal legal. We have a couple of folks who are dedicated to trading, and so we want to be fully staffed to really support all the functions for our clients because many of them are sort of in the, say, $10 million to $500 million. And even at $500 million, they have so many things going on within their own organizations that it's important for us to, again, just serve as an extension of them, to provide them a full suite of services to manage all of their money, not just, again, investments, but also all the processing. Make sure that we have our processes in place and give them the reporting that they want. I'd say one of the reasons I was really excited about Angeles when I joined in 2014 was just the size of the organization. Back then, we were probably less than 25 employees. Everyone wore multiple hats. I'd say we do that a little bit less today, but even then, it's still a very flat organization. We still work together on a lot of different things, supporting each other. And it's a culture that really promotes from within, regardless of where you started. And we've actually-- I think, one of the most impressive things we have and stories we like to just talk about is we've probably promoted in my time here, 8-9 years, half a dozen individuals from our performance reporting team to our investment team. And some of them have gone on to do bigger things and take better opportunities, but we also do still have two individuals who we promoted from that group and are key members of our public markets team. So, we're really proud of growing talent, giving opportunities to everyone. And so, for myself personally, I started actually, I also sort of had a circuitous route to private equity. And I actually started as an associate on the public markets team covering equity, fixed income managers. And about 2 years in, the then head of our private equity team departed for a local family office. And knowing that it would probably take 6 months at least to identify a new head of PE and with just a really, really big busy sort of commitment calendar, Angeles came to me and said, hey, look, are you interested in joining the private markets team? It's a different skill set. You're going to have to learn pretty quickly, but we really need the support because there's a lot going on. And I jumped at the chance, right. I mean, I think unlike the long-only side where we spent a lot of time just talking to managers and rehashing their performance and what's going on. We rarely made manager changes. We really focused on long-term partnerships. Whereas on the private side, we were building up that platform, and we were constantly underwriting new funds and managers, which from my perspective, really helped in accelerating my development, I think. In my first year, we probably took 300-350 manager meetings with private equity and private real asset managers. It was just a very, very busy time, but it was great in terms of being able to build that muscle of speaking within identifying what truly made a specific manager stand out, unique, interesting. And today, our team is 6 people, covering private equity, real assets. We also do a lot in impact investing as well. So yeah, that's kind of in our firm, my role at Angeles.

Andrew O'Shea: William, you talked a lot about the internal growth that Angeles-- you also touch on the types of clients you all have today and how that's grown over time because one of the unique things about you all is touching not just institutions but ultra-high net worth individuals as well.

William Yung: Yeah, yeah, so it's been an interesting evolution of the firm. As I think back to what we were when our co-founders started the firm, it was a mix of traditional consulting. We had a couple of pension plans even. We had DC plans, and then we also did have some OCIO clients. And I think it was intentional that over time, we would really focus on new OCIO clients. It's just our setup just didn't really, wasn't really conducive to servicing pension plans and sort of they're huge, long processes that they follow. And it's interesting because the wealth management group was actually born from a board member from one of our clients. He had worked at Carson Wealth Management, and he'd been in the financial industry for years and years and years. And he loved what we did for our client, which is a health care system here in LA. And he was like, wow, if I could build a platform that could bring in money from high-net-worth families, many of whom are at banks and get bank products, and then couple that with what you're doing on the investment side, we could really have something here. And John Foster who's the head of that group was really visionary from my perspective about doing this. I think it is very unique in the industry, and today, we've got, I think, over a billion dollars in assets on that platform. Those clients all get the same sort of exposures to all of our managers as our institutional clients do because they all invest in the same pools of capital together. So, I think it's been a really, really great thing to watch both sides of our business grow. And then on the institutional side, again, we've continued to build out our capabilities with endowments and foundations. Nonprofits, I think, today are probably 70%-80% of our client base are endowment foundations, nonprofits, and it's great to have that be the core of our clients.

Robert Morier: And William, going back to the investment process, so could you expand on the idea generation process of the portfolio construction as you're working with your clients in between yourself and other areas of the business? So how are those decisions made from an asset class perspective? Are you thinking about it as an asset class decision, or are you thinking about it as a risk decision? And if so, how are those decisions effectively incorporated?

William Yung: Yeah, yeah, so I'd say, I guess I'd start with from a top-down perspective, just we kind of do what I think you would expect us to do, which is we have a capitalized pricing model, and we sort of price, and we try to draw out. Over a 10-year period, we'll be thinking asset class will return, and so we do that for every asset class. And we may do some sort of mid-year-- We do at least once a year, we may do a mid-year update depending on how things change in the market. And these are the things that we put into our model into asset allocation modeling for public equity, fixed income, hedge funds, and private capital strategies. I'd say we rarely see kind of major shifts across strategies where we try not to move those around too much because I don't think it really adds that much value quite frankly. What I will say, though, is certainly, private capital has become a bigger part of our clients' overall portfolios, so any sense that they're comfortable and they have liquidity for it, so those definitely have increased over time. And part of it is also just if you've seen some of the writing from Michael Rosen, our CIO, just a viewpoint that the traditional public equity, fixed income allocation on its own will just, it'll struggle to generate sufficient returns for our clients to really meet their spending needs without really invading their corporate. So, I'd say that's sort of the start of how we look at things just broadly speaking from a top-down perspective. And then there are probably periods where in market stress or distress, where a top-down assessment does also lead us into looking at an asset class a little bit deeper. So obviously, today, we're doing a bit more work market, mapping the commercial real estate debt space, right, and the debt's expensive, capital availabilities decline for real estate managers, debt maturities coming, obviously regional banks disappearing and/or stepping back significantly in the last year and a half, cap rates rising, so valuations going down. And so, we're thinking about how we play that space. But that's, again, that's sort of opportunistic. And so, if I get back to your original question do we do things from a top-down perspective or do we think of it from a more of a risk perspective? I'd say, it's more risk perspective. We are really bottom-up than opportunistic within each asset class and the risks we want to take within private equity or real assets or private credit, what kind of things we want to tackle in the portfolio. We don't fill buckets at all in what we do. It's really looking at an opportunity and saying, do we think this manager is and their strategy is unique in their space that we can actually identify a repeatable competitive advantage. And that could be by sector. Right, that could be sector specialist. That could be by strategy. Maybe they're opportunistic real estate, and they're really good at repositioning assets. And sometimes, it can be about geography as well. If they're really focused on Southern California or affordable housing in Texas or private equity, small founder-owned businesses in the Southeast. We think about all of those things in our ID generation process. So, it's again not top-down. It's just looking across the universe, and I think our structure allows for that because we're not again trying to do a lot of different things for a lot of different clients. We're just saying, hey, we're going to go out and try to seek out what we think are the most interesting opportunities for our clients.

Robert Morier: Would you mind just maybe using-- I realize it's opportunistic-- but maybe using real estate debt just as an example. So, could you take us through what that exercise looks like? So, it sounds like it's come from, at least, some type of top-down assessment where you're looking at where opportunities are based on, obviously, what's going on in the markets. So now you've identified real estate debt. What's the next protocol as you think through the steps that it takes to fill that allocation? Do you have an existing roster of managers? Or are you, as I used to joke around, are you opening the phonebook and starting to look around at who does or who specializes in that asset class? So, we'd love to hear about that, I guess, you could call it that underwriting process but really the exercise of sourcing the asset class, sourcing the managers, and then ultimately kind of deploying capital.

William Yung: It's a little bit of both. Sometimes, at least, in commercial real estate debt, we're fortunate to have some existing or preexisting relationships, groups that we know that are in the space. But then as you noted, it's a market mapping exercise because we don't have a lot of exposure there. And so, as you noted, open the phone book, open up our Rolodex and start calling on folks we know who might be in this space or just going into Pitchbook or whatever might be some kind of system database to just search out who, what are the groups in the space. And we'll always get Brookfield and Oaktree and whatnot. But there could be other groups in there that we hadn't met before in the past. And then it's really taken a lot of meetings, right. And trying to be upfront first, like hey, we're learning the space. Don't expect us to move super quickly on an allocation, just want to be upfront with that. We try to level set with our managers about what we're trying to get to. And then identifying what are the different ways to attack a specific space. And then from our own internal assessment after taking 10, 20, 30, potentially 50 meetings of different managers, identifying where along the spectrum do we think makes the most sense for us to play the space? And so, then my colleague actually ended up putting together a presentation, bringing it forward to our investment committee, and talking about here's what we've found. Here's what we think we want to-- here's the way we think we want to attack the space. And then from there, it's asking more questions. It is a very iterative process. I don't think we ever say like, OK, this is the way we're going to do it, and so that's the only way we're going to do it. It's a starting point, and as we get further along in the process, speaking with certain managers that we may have identified, and then filtering out from there like, do we think this actually makes sense for our portfolio or not. So, I'd say that's the way it works in terms of just the initial sourcing and the identification process and then as we again, iterating down to identifying a measure. Sometimes, we just don't find a group that we like, right, and that's totally OK. I mean, I think that's kind of the beauty of having an opportunistic strategy. We don't have to force anything into the portfolio.

Robert Morier: Just a quick side question, I'm just curious. You mentioned databases. I'm just curious. For private markets in real assets, are you utilizing external databases, or is it all residing in-house?

William Yung: Both, both. And I think we probably use more internal because we've, 20 years in the business, we've met a lot of groups. It's interesting, and our founders were very intentional about we want to save all the notes that we ever take with managers. And it's just kind of funny, we kind of joke when we're talking with managers because we're constantly clicking and clacking on our keyboards in manager meetings, and hopefully it's not distracting to them. But we memorialize pretty much every meeting we take. We clean up those notes. We share them out to everyone on the team. And it's interesting to be able to actually go back 10 years ago. Did we have this conversation with this manager before? Have we met them before? And what did we think about them and how they changed over time? So, it's been a nice historical record of all of our work. But yeah, I'd say we spend a lot more time internally and within our network. But sometimes when I'm doing a market mapping exercise, it's good to just pull up an external database that we have access to see, what's out there because we haven't always met every group.

Andrew O'Shea: William, curious to hear about both sides of the business, discretionary and nondiscretionary. Obviously, the discretionary has a component where you all can directly place capital, but how does it look on the nondiscretionary side? Is it more of an approved list status and then in clients then have the ability to make their own decisions on which managers they put in the portfolio. Or how does that look from the nondiscretionary side?

William Yung: There are a few different flavors. We have some DC plans where it's a process of hey, you know, here's your existing manager lineup. We're going to do a search for a long-only manager, and here's 3 or 5 different options for that. And we'll give you the pros and cons of each, and we wouldn't necessarily say one is our most recommended. It's really a conversation of what makes sense for them, the fee, and whatnot, the risk that they're taking, what they wanted to offer their clients. So that's one way we go about it. It's sort of very traditional consulting model. I'd say with most of our clients today though, I'd almost call it semi-discretionary because we don't do searches really anymore. So, we actually do have a couple of clients that, especially in the private equity side, that go direct. One's a billion-dollar foundation based in the Northwest, Pacific Northwest, very, very focused as a philanthropy on social equity and social justice. They actually oriented their IPS to really focus on any new manager that goes into the portfolio has to be at least 50% owned, operated, or controlled by a person of color. So not just diversity, right. It could be a woman or whatever. They are really laser-focused on putting more managers or managers in the portfolio that were Black or Latino. And so, we have that mandate, and we go out and look for managers. And we don't just again say here's a whole bunch of groups that you could potentially go to. It's actually, here's a group we really like. We've done a lot of work on them. What do you think? Do they align with what you're looking for in terms of your IPS, in terms of your values? And if they say yes, we keep working on it. We go to the full underwriting process, and ultimately get that approved through our committee. And then they will make a commitment, so again, it's semi-discretionary because we are still in most instances leading the process for them and checking in with them on, again, is this in alignment with your values?

Robert Morier: William, just looking at the private market allocations, what is it-- I know there's no typical allocation, particularly when you're dealing with clients on an individual basis, but when you think or look at your private market allocation, what does the typical mix look like? How are you divvying up the pool of private market capital as it relates to traditional private equity through venture capital and then, of course, into other areas of the market as well?

William Yung: It definitely looks different client by client, depending on their return targets and their liquidity needs and also just what they have existing. Sometimes we know when a new client that comes in already has some private equity exposure. But I'd say if, for example, we had a new client with no private capital exposure and really limited liquidity needs, and they were comfortable with our structures and locking up their capital for 10 years, we probably recommend starting, say, a 30% to 40% allocation to private markets broadly that we would build up to over a 5 to 8-year period so sort of a very traditional sort of endowment model. And yeah, we would build up to that level over 5 to 8 years using level annual commitments. And then within that allocation, it's probably 50% private equity primaries, and then the other 50%, we kind of split between 1/3, a third, a third between private equity co-investments, real estate real assets, and private credit, so those 3 buckets in the portfolio. There's no real like science to it. I think we kind of just feel our way out. I mean, I think, in the end, we were trying to balance maximizing return with liquidity and having a continuum of money distributions coming back from the different asset classes. Right, the private credit's going to typically come back the fastest, co-investments in between there because they get deployed faster, real estate, and then private equity further along on the spectrum. So, we can build out a really nice portfolio overall with different return profiles, different risks, and different liquidity profiles.

Robert Morier: So where do you, if they do, where do emerging managers sit in that mix? So, I could ask it about early stage. Sometimes, the two are interchangeable, but if you're thinking about early stage or an emerging manager who's relatively newer in their life cycle, how do you approach the emerging manager landscape relative to your legacy list of managers that you typically will call on?

William Yung: We actually take a lot of pride in the fact that we do a lot with emerging managers. Part of that is as a firm, as a team, we really like the low and middle market space. We just like the fact that we can-- partly because we can be a more meaningful part of their capital stack, right. We probably make-- our check sizes are not huge, but we think they're a right size for, one, getting access to smaller funds, if they're more established. And then for new funds being, again, making a meaningful commitment to them that also gives us an opportunity to partner with them potentially in opportunities. So, there's a variety of different reasons why we do it. And then I'd say I bucket our efforts in emerging managers in two different ways. First, obviously, being again the more traditional like just regular way investors focus on market returns, and then we do have for our more mission-aligned groups, clients that really want to do a lot more impact. We spend a lot of time with emerging managers that are diverse led. And so, the diligence processes are, as I noted, a little bit different with more established managers that we put into our broader portfolios into our funds. We're looking at the typical things you would expect us to look at in terms of track record and execution and the team and alignment of interest. And we do the same thing for emerging managers on the mission alignment side. But I would say we put less emphasis on track record, but we don't say, well, you don't have a track record. So, we won't look at you. It's more OK, you don't have a track record, so what else can we do to gain conviction in your ability to execute this strategy? And so that just means a lot more references with groups that they've worked with, other VCs, their personal references, who they've actually invested with, why did you pick this group over another, and do they seem like, well-put together in terms of how they would manage a portfolio. Do they have good mentors also? I think that's one of the really good things that we've seen in venture capital are seeing GPs at established firms really connect with and mentor emerging managers and really help them along, think about their portfolio construction, think about their models, think about how to size a position and how to pace out that portfolio. So, it's sort of two different ways. We would cut it two different ways.

Robert Morier: Well, one of the things I love about the show and sitting here with Andrew, besides that, is that we get to hear a lot of undercurrents, so maybe not what is coming up on the search platform, or even what your clients are necessarily asking for, but what you are all thinking about in the laboratory, what's on the horizon in terms of just the research process. So, as you think about the undercurrents from an asset class perspective, what are some of the areas that you're all seeing that or at least talking about that may start to come up into client portfolios in the next year or two? So, for example, we had someone here yesterday actually. He was talking about digital assets, so blockchain, cryptocurrency, lots of talk about a crypto winter, which means it's a good time potentially for institutional investors who haven't looked at the asset class before to look at it for the first time. So, I'm just curious from your perspective in your seat, what are those undercurrents that you're starting to see ripple a little bit in the lab?

William Yung: It's interesting. We try not to be too experimental with what we do. I don't think we ever feel like we have to be first in anything. I'd say two things that we are thinking about right now is, one, I talked a little bit about commercial real estate debt, but I think just commercial real estate generally speaking, particularly office, I think there's a huge question. And it remains. Like what does office look like in the next 10 years? And are there ways to actually capture some investment value in this time period? And so, we're looking at some opportunistic managers that might reposition some of these assets. But we're trying to be cautious because what is the actual clearing price of an office building? How hard is it to actually reposition because we know repositioning can be very difficult. So, we are thinking about that. I'd say also in life science venture, we've done a fair amount in the past, but it remains something that we think continues to have a lot of tailwinds, particularly at the early stage. When we think about how we wanted to attack the space, there's two different risks you could take. You could sort of take the valuation risk, do it later stage, and you've tried to tell yourself, you've de-risked the opportunity there by doing later stage because they're already in phase 2 and phase 3. But you're paying significantly more for them, and there's still no guarantee that you'll actually get something through to commercialization and actually make money on it. So that's actually something we've shied away from and really focused more on the earlier stage where managers can take more ownership at the earliest stage, particularly at the company formation stage. They can put less capital to work initially, so if something doesn't work out, they can actually just cut it off or they can find ways to pivot. And so yes, we're taking a different type of risk, but I feel like we're going to get paid. It'd take longer to get there, but we think we'll get paid because we'll own a bigger piece of that business at a much better valuation than if we had taken it at the earliest stages. And again, I just think there's so much going on in biotech today, in genomics, different modalities for attacking different therapeutic areas. Pharma has the sort of patent wall coming as well over the next 7 to 10 years, lots of patents expiring, key drugs going off-patent. And so, they are armed with a lot of capital, and they're going to be really acquisitive. So, we really like the opportunity. So, we're spending more time there as well.

Robert Morier: Well, if you're spending more time there, then you should definitely visit Philadelphia. Philadelphia is one of the larger homes as you know for life sciences. I teach a class actually in Spark Therapeutics. So, we welcome you to visit Philadelphia in the near future if your manager research trips bring you here. Well, you did talk about manager meetings, and you released, I should say, Angeles released their annual DEI report recently. And I noted that there were 23%, so 23% of your manager meetings in 2022 were with diverse managers and to take it a step further, it sounds like your firm had revamped their questionnaires to really kind of home in as to what that means for their managers, DEI and ESG practices. So, would you mind, for our audience, expanding what that means for the firm? You've touched on it in a few areas of the conversation so far, but we'd love to understand holistically what that means for the organization.

William Yung: Thinking about that number when we saw it, I don't think we're obviously not aiming for any specific number, but we're really happy to see it nonetheless because I think it's validation of what we've tried to do intentionally within the firm. I think, actually, later in that report, there's actually a bar chart that shows year by year, what we've done. And I think in 2018, we probably have 10% of our meetings were with diverse managers. And to see that it's grown to 23% over the last five years has been really great to see. In terms of our approach, I'd say we're still iterating. I think we're still very much in the early innings of what we're trying to do. And what we're trying to start out with is the low-hanging fruit, right, so having ongoing dialogue with our managers about DEI. And before I jump into that, I think it's helpful to again to get context on our thinking here. You know, I'm recalling one of my favorite posts from Michael, inside post, which he titled Hot as Hell. And I think it was written like 5 or 6 years ago. And first of all, it perfectly encapsulates like Michael's ability to take a concept, so in this case like record high temperatures and really, really terrible fires in California, and then frame it with a non-investment device. Sometimes, it's literally. Sometimes, it's historical. In this case, it was literary. He talked, framed it with Dante's Inferno and Milton's Paradise Lost. And then he kind of unpacked the topic in a really, really data-driven way and then tied it to an investment, in implications for investors. And in that post, he talked about how we address climate change. There are two, approaches, negative approach, positive approach, challenges with both, but his perspective ultimately was climate change is a big problem from his perspective. And you can't just step back and say, we're not going to invest in something that we don't agree with. You actually have to engage. You have to take action in order to effectuate change. And so going back to how we think about our managers, we can add as many new managers as we want, but if we don't actively engage our existing managers who have far more money in assets under management, then we're not doing our jobs. So, it's important for us to have meaningful dialogues with our managers every year, every time we have a touch point with them. What are they doing when it comes to hiring diverse talent, particularly to the investment team? I think sometimes what we see is a manager will say, we have 50% women, but then 95% of those women are on the operational or administrative side of the business. They're not actually part of the investment team where at an investment firm, most of the money, most of the carry is shared out. And so, while we don't tell our managers that our commitments are contingent on a diverse team, again, we engage them about how do you think about diversity? We tell them, look, you miss 100% of the shots you don't take, right. So, if you don't have a broad, diverse pool you'll never find that potential diverse talent who you could actually hire into your team. And we also ask them explicitly like what are you doing also at your portfolio companies, on your boards? Do you think about and try to implement diverse policies, hiring policies there as well? So, it's going to take time, and we know it's going to take time. But if we never start those conversations, nothing ever changes. So, it's something that we're, again, as I said, still learning what to do, still iterating. We ask our managers to provide us with DEI stats every year to fill out our questionnaire every year so that we could track their progress and understand are they making that effort to become more diverse teams.

Robert Morier: That's very helpful and very interesting, William. Thanks for sharing all that. I do agree with you. Your CIO Michael Rosen has a real gift to drawing parallels between investment crises and historic crises. There was one that I had read where he tied the recent banking system crisis to the Johnstown floods here in Pennsylvania, that breakdown in trust when a very small amount of people is in control of a lot of responsibility. So, thank you for sharing that. I do encourage our listeners to take a look at your website and his white papers. They're quite interesting. Well, maybe one last investment question before we get ready to conclude. I hate to ask about your outlook because I think that can get a little bit stale. So, I've been sharing this quote that I originally shared actually with an episode that we released very recently with Chenae Edwards of NEPC where we said, there are years that ask questions, and there are years that answer. So, we're halfway through the year. Where do you think, the rest of 2023 is going to end up? Are there going to be more questions as we close out '23? Or do you think we're going to get some answers?

William Yung: I think we'll still see a lot of questions. I don't think we're going to get all the answers. I mean, some things will get resolved, right, like this silly debt selling fight that we're in right now, just this crazy brinksmanship. Like we can see this is the first order effects, like what'll happen, but we don't actually know the magnitude of those ripple effects that might happen, the second, third order effects. So, we don't know how much that will reverberate. So, we'll see if it ends up finally tipping us into a full-blown recession, how deep that ends up being. We don't know. Core inflation is just stuck at 5 and 1/2% no matter what the Fed does. All these rate hikes, and it just has gone flat for the last 4 or 5 months. So, I think there's a huge question like what does the Fed do? I mean, I think they've said they're going to pause, but they also couldn't. They may also just decide like we have to keep raising rates. And it's interesting that if you look at the silver curve and sort of expectations of where rates will go, people really think, still think for some reason that the Fed is going to cut rates pretty aggressively in the next year. And I think at least our in-house view is that is just not going to happen, that the Fed is really focused on bringing inflation down, and they have not succeeded so far. I think I touched on commercial real estate like we don't know what market clearance price is for office. We don't know what happens when these buildings completely empty out. And again, the ripple effects for retailers, for hotels, for local businesses, so what does that actually mean? Do new banks get swept up in this banking crisis? So, I think, yeah, there's a lot of different questions we have to think about, and I think it requires us to be patient and be prudent with the bets we make in our portfolios. And we're not saying go to 100% cash. We would never really ever do that, but also don't make heroic bets in the portfolio at this point.

Andrew O'Shea: No, that makes a lot of sense. I think it's good advice. I agree. There are a lot of questions, I think, to be answered still. But we look forward to following along as you look to answer them with your team and your firm. So, one last question as we're at the top of the hour here. You talked about the importance of mentors for venture capital and venture capitalists, particularly, early-stage venture where it really is about the people. So, if you think about your own career, how mentors have impacted you in your journey, and if there are some of those people that stand out that you could share with us and what you learned.

William Yung: Yeah, yeah, I put them in 2-- or I think of mentors in 2 buckets. There's one group that opens doors for you. Even if they don't necessarily interact with you every day, but they open doors for you. So, I was fortunate enough when I was at Cetera Financial Group. So, while taking my MBA program back here in LA, I was taking a leadership class, and I sort of stuck my neck out and said, hey, I should interview Barnaby Grist who was the EVP of our wealth management group at Cetera. He has no idea who I am, but I'm reaching out and saying, hey, I'm taking a leadership class. I'd love to interview you and talk about your experience building this wealth management because it was fairly new at Cetera. And he was so gracious with his time. I think he was talking to me in his car on his way home from work in the rain. And once the interview was over, he actually spent another 5-10 minutes asking about me and my interests. And it's funny kind of reading between the lines. It kind of felt like he was asking me like what the heck are you still doing in a compliance role? Like you're an MBA student. You're clearly, I guess, I'm clearly fairly smart. And so, it didn't really turn into anything right away, but 9 months later, when a junior role opened on his product team, I was the first person he thought of to bring over. Like he's like, this is-- it's not a permanent role potent-- it may not potentially be a permanent role. We're kind of hiring for someone whose just fill in, but are you interested? And I was like, yeah, absolutely. And it ultimately got me exposure to manage research, which is what led me to Angeles. And then I guess more on the traditional mentor side, I'd say, top of mind is my former colleague Shana Barghouti who's now the current Co-CIO at an LA-based multifamily office. She always had an open door. She would always stop what she was doing and speak with me whether it was for a minute or an hour. No matter what issue I had to come up with, she always listened. She always offered her opinions. I'd say, she was always blunt with her opinions, but she was never there to tell me what to think, right, like I think that's great. She's very matter of fact, but she's like I'm not going to tell you what to think. You have to figure it out for yourself. Be creative. Seek out your own answers. And then, of course, as a good mentor does, like if I'm ever about to go off the deep end, she's there to pull me back from the precipice. So, I'm very fortunate to have her in my life and to help me in my career.

Robert Morier: That's wonderful. Well, thank you for opening your door to us today. This was wonderful to have this conversation. We learned a great deal about you, Angeles, your approach to manager research and selection. We're grateful for your time. Congratulations again on all of your accomplishments. We wish you nothing but the best of luck in the future, and we look forward to hearing some of those answers as we move forward. Andrew, as always, thank you for being here.

Andrew O'Shea: Of course.

Robert Morier: Great questions as always as well. Well, if you want to learn more about William and Angeles Investments, please visit their website at AngelesInvestments.com. You can find this episode and past episodes on Spotify, Apple, Google, or your favorite podcast platform. We are 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. Finally, if you like what you're seeing and hearing, please be sure to like, follow, and share these episodes. We welcome your feedback as well. William, thank you for joining us. Andrew, thank you for being here. And to our audience, thank you for investing your time with us.