

**dakota**

EPISODE 30:

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# The Power of Courage with Doug Hanly

*of the Louisiana State Police  
Retirement System*



**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](https://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. The thoughts and opinions expressed in this material and oral presentation are the author's and not necessarily those of the Louisiana State Police Retirement System, the Board of Trustees of the Louisiana State Police Retirement System, or the state of Louisiana. The statements and conclusions in this material and oral presentation are not binding on the state of Louisiana. And its agencies, officers, and employees do not alter the law of the state of Louisiana or policies of the Louisiana State Police Retirement System. In the event of a conflict between the material contained in this document and the applicable law, regulation, or policy, then the law, regulation, or policy is controlling. 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](https://dakotamarketplace.com) today. Well, I am very happy to introduce our guest, Doug Hanly. Doug, welcome to the show.

**Doug Hanly:** Thank you.

**Robert Morier:** Absolutely. And, Anna Blumenfeld, thank you so much for being here as well from Dakota.

**Dakota:** Thanks for having me.

**Robert Morier:** And we're very happy to have Doug here. So, Doug, thanks again. We have a lot of questions to ask you, as we do of all of our guests. But before we get

started, I'm just going to quickly read your biography for the audience, and then we'll get right into it.

**Doug Hanly:** Great.

**Robert Morier:** Great. Doug is the Chief Investment Officer for the Louisiana State Police Retirement System. The Louisiana State Police Retirement System was first established in 1938 by the Louisiana Legislature. LSPRS is a qualified pension and retirement plan, created to provide retirement benefits for Louisiana State police officers and their beneficiaries. Currently, the plan serves over 1,000 active members and over 1,200 retired survivor members. With over \$1 billion in assets, the plan's primary goal is to safeguard and manage the funds it holds in trust so that future benefits are guaranteed and protected. Previously, Doug served as CIO at Atala Financial. He also worked with Mass General Brigham and Washington University in Saint Louis in manager research and analysis. Doug earned his BS in finance from Fordham University up in New York, and his MBA from UCLA Anderson School of Management, so he hit both coasts. Additionally, Doug is a CFA and CAIA charter holder. And you now call Baton Rouge home, where you live with your family. A sincere welcome to Philadelphia. And congratulations on your success and the new role.

**Doug Hanly:** Thank you.

**Robert Morier:** How does it feel so far to be in the seat?

**Doug Hanly:** It feels great. I mean, it's a great community out there. We have a great board. We have a great team. And just being able to be the first CIO of the program is really exciting. We're working on a lot of great initiatives to just drive that marginal improvement over time. And it's just been a great experience so far.

**Robert Morier:** Well, I won't ask you which city you prefer; New York, LA, or Baton Rouge. But I'm sure you're going to come to love Baton Rouge, so we're excited for you down there.

**Doug Hanly:** Absolutely. I mean, LSU Tigers have been absolutely winning all the National championships, it seems, with the women's team winning, and baseball. It's been great to get one with the Tigers and watch all their games.

**Robert Morier:** Yeah, absolutely. Well, athletics played a large part in your early career. And when you went to Fordham, I understand that you played soccer. But we've had a lot of guests on the show who have also played sports in college. Angela Miller-May ran track. Greg Stamm was a rower at Penn. We'd love to hear, as you

think about where you grew up outside of Boston, how you can share with us what sports meant to you and influenced you as you started your early years.

**Doug Hanly:** Yeah, I loved sports growing up. I played with my older sisters. And ultimately, I was recruited to play soccer at Fordham University. One of the biggest takeaways I've had with sports is to really focus on the process rather than the outcome. So legendary basketball coach John Wooden, he won 10 national championships in 12 years. And the first day of pre-season, when he had recruited all these five star athletes, in high school, I had seen him achieve such success. Their first day at UCLA involved of John teaching them how to tie their shoe. And so what that meant was really just take your left foot, take your sock, roll it up, make sure that it's pressed, because if there's any wrinkles in it, it might cause blisters later on. And it was that attention to detail and that focus on process that really helped UCLA win championships. When playing in the game, like, say, in 1967 when they were playing Dayton, John calls the timeout and he ushers the team close to him and he turns to his freshman at the time, Kareem Abdul-Jabbar. And he says, "Kareem, all you have to do is simple, just find the low post, stick your hand out, call for the ball. Once you get the ball, turn and do your skyhook. And if the ball goes in, that's great. If it doesn't go in, then just compete to get the rebound." So that process and that mentality has really affected me and the way I look at investing. Of course we'll always have volatility in markets. Things might not go the way we anticipated. But how quickly can we then revert back to the process and focus on our process of how good it is.

**Robert Morier:** And the other thing about John Wooden that I've always liked is that he had that same team clean up the gymnasium after games. So he would have them, with staff, clean the gymnasium after a big win. So Kareem Abdul-Jabbar, who was one of the greatest scorers of all time, was going through the bleachers, picking up trash because it was part of the team, it was part of an organization, so it makes a lot of sense.

**Doug Hanly:** Yeah, I absolutely love that. And it reminds me of another big takeaway from sports that I've had is the focus and building on mental toughness. And so I look at mental toughness as the ability to focus on the next most important thing. And so no matter what happens, how quickly can you go to what's next most important thing? And teams that can do that very well will create momentum. And the teams that have the most momentum tend to win the games. That has always been a huge impact that sports has left on me as I pursue investing.

**Robert Morier:** Mm, that's really interesting. John Wooden also said that failing to prepare is preparing to fail. So I did a little research on you. I found an old article. It was a student reporter who had asked you when you were at Fordham what you wanted to do after you graduated. And you said that you wanted to work at an

endowment investment office. I didn't meet many undergraduates who knew that they wanted to work for an endowment investment office, but your last answer that focus on process makes a lot more sense now. But what were you thinking back then? Because it is interesting to hear somebody who knew what they wanted to do in undergraduate and then has carried that forward. I was a history major, so I can tell you I did not know what I wanted to do.

**Doug Hanly:** At Fordham University, we had a unique opportunity. I think it's very similar to what you're offering your students at Drexel today. But basically, Professor Kevin Mirabile, he wanted to start an alternative investing specialization. And so he worked with the CAIA Association to offer that to students. And when I was there, that was the first year that that was offered. So along with my major in finance and really enjoying that, I was also exposed to alternative investing really early. And then, I took that experience into an internship with me and I worked with a family office that applied the endowment model of investing for private wealth clients. That CIO actually had come from the Yale University endowment. And so I remember my first time, my first day of the job, I walked into the office and there was a blue book that was left on my desk. And it was a signed copy from David Swensen, "Pioneering Portfolio Management." So I remember reading that book cover-to-cover the first week. And that foundation of philosophy is what really helped shape where I was heading and what I look for when in institutional investing. Specifically, I remember a passage from that book. And it says, just as location, location, location is important for real estate success, defense, defense, defense is the most important thing for institutional success. And so that's really influenced how I think about things.

**Robert Morier:** That's interesting. Thank you for sharing that. That makes a lot of sense. And that sounds like a fortuitous find in terms of that particular book. I am also interested too. So now you've graduated from Fordham and you're thinking about going into an endowment. And your first job was with Mass General Brigham, which at the time was Partners HealthCare. You actually may have been there after the name change. But Gildas Quinquis, who was just on the show recently, the Chief Investment Officer now for Windrose, was at Mass Brigham at the time. So I'm always curious, how did you end up finding that first job? And what was it about the role that really drew you to that organization?

**Doug Hanly:** Yeah, I mean, so Gildas has been incredible for me. I remember interviewing at Mass General, and I think during the interview, I gained a PhD in finance at the interview alone, because Gildas basically, he took out the flash report of the portfolio and we started going line by line what's in the portfolio, why is it in there. And that experience alone made me realize this will be a world-class training environment. I was super excited being somebody who wanted to pursue an institutional investment career to be able to learn from someone like that. And the rest of the team at Mass General I felt was super exciting. And then not only that, but

Mass General was also building out an investment effort at the time to be more dedicated. And so there wasn't just a focus on the portfolio, but also on building the processes around the back office and how we do research. And so it was really a holistic experience and an opportunity.

**Robert Morier:** Oh, that's interesting. So you really had an opportunity to be part of the building process, so actually quite entrepreneurial. So you're coming in, rolling up your sleeves, and building out this office with Gildas, who I agree. That episode where I hosted him, I learned equally as much, so it was very exciting to be able to get his insights and experience. So what were your responsibilities then at the time? So you come in, it sounds like you were doing maybe a little of a lot. But how would you constitute what you were working on exactly and what were the areas of focus?

**Doug Hanly:** Yeah, so one area of focus was investing, and being a generalist, and meeting with all the different managers. Mass General had really long-standing relationships with some of the best value managers in Boston as well as around the country. And so being able to have quarterly calls with those managers early on and be able to learn how they think about things and what their process is like and how they're improving their process was really impactful and beneficial for me. Ultimately, I went to WashU in Saint Louis. And then Gildas asked me to join him build portfolios at Windrose Advisors. And so we had built two hedge fund portfolios from scratch, essentially. And by the time I left, one was in the top one percentile, and one was in the top decile of the hedge fund universe. And so I think we work really well together. And I credit a lot to Gildas and what he's taught me.

**Robert Morier:** That's wonderful. Well, we just aired his episode recently just two weeks ago, so it's great that you're coming so close with him. It's good to hear both sides of it. He obviously has more gray hair than you, and which he acknowledged during the interview. But it's great to hear his experience with what he's done with you in terms of mentoring and then now what you've succeeded in your career, so that's wonderful.

**Dakota:** Yeah, that sounds like an incredible experience and good opportunity to sort of lay the foundation for your career and all the success that you've now experienced over the last several years. So thinking about other things that contributed to that success, you got your MBA from UCLA. What prompted that decision to go back to school? And then, I also understand that you launched a hedge fund while you were doing your MBA, so that's obviously extremely impressive. And I'm interested to just hear your thought process behind all of that and what that experience was like both getting the MBA and then also launching your own fund and taking that entrepreneurial route.



**Doug Hanly:** Mhm. Yeah, I mean, the decision to launch my own fund was certainly scary. One person that really resonates with me is Maya Angelou. And she's a social activist and when I watch Maya speak and what she says about courage being the most important of all the virtues, that really hits home for me.

And I'm actually writing a book. It's called "The Path To Top Quartile." And I'd love to read an excerpt from that book, actually. And it basically just describes my experience and what I was going through as I decided to launch my firm. Delivering top quartile results calls for courage. The brief span between completing an analysis and arriving at a decision can be crucial. This period, which we will term "the moment," sees a cacophony of our internal voices. The weaker voice highlights the uncertainties, worst case scenarios, and advocates for maintaining the status quo. Conversely, our stronger voice encourages us, reminding us the comprehensive analysis we've conducted, how potential rewards outweigh the risks, and ultimately that we are capable. Finishing in our strong voice proves to be decisive in the moment. So having worked at Windrose Advisors and having no experience investing directly in equities, it was really uncomfortable for me. And my weak voice at the time was saying, you have no experience investing in direct equities, you don't have the resources to launch your own firm. Why would you do that? And then, my strong voice, on the other hand, was saying, you can learn and adapt, you've done the analysis on the strategy, and you got this. So I took a deep breath and I went for it. I launched my own firm. And I raised \$2 million when I was at UCLA Anderson. I used that strategy to generate the highest returns of all time for the student fund. And it was those results and the process that attracted the advisor of the student fund to ask me to become his CIO.

**Robert Morier:** Well, your strong voice just read that very well. And it was very well-written. So thank you for sharing it. I couldn't agree more. I think it's a big first step, particularly for the emerging managers that Dakota works very closely with, to take that step, to ask that first investor for assets, to make that first trade, to call your first vendor, to negotiate your first contract. So it says a lot about you, so thanks for sharing that. And good luck with the book. Let us know when it's published. So ultimately, you did go down to Baton Rouge. You're down there now, which is wonderful, in a new role, Chief Investment Officer. So what was compelling about that opportunity? Obviously the title, we talked to a lot of CIOs, there's a lot of responsibility that comes with it. But we also talk a lot about the mission and the values of the plan that a lot of our guests think about when they take that first role, particularly in a CIO seat. So what was compelling about it from your perspective?

**Doug Hanly:** Yeah, I mean, it was a great opportunity. Loved managing large pools of capital. And my uncle and cousin actually are in law enforcement, and so we meet on holidays. And one of them is retired. One of them is active. And so I'm able to see firsthand how important having a pension is and how committing years of service, how deserving the individuals are of having a pension. And so doing what I can, bring

my investments skill set and contributing to that mission was really important for me.

**Robert Morier:** Now you're working at a public pension plan. You've worked at endowments before. So how do you find the differences, besides the obvious, as you're thinking about starting in endowments, what you wanted to do from when you were an undergraduate working with Gildas for those years and now you're at a public pension plan. So what have been the big differences for you?

**Doug Hanly:** Yeah, I mean, first off, just to go into the differences, I think with pensions, the liabilities are certainly much different. There's a whole valuation method, determining the discount rate, working when the actuary will determine, and so the liability side is much different. However, there are a lot of similarities as well. I mean, both are looking to take a long-term view now that rates have come down so much. Historically, pensions have been really over-allocated to fixed income and doing that, but as rates came down, there was no longer that opportunity. And so several pensions have taken on the equity bias that you see in a lot of endowments and also investing in alternatives like private equity, private debt. And so from my standpoint, I feel like there's a lot more similarities than differences, especially on a day-to-day standpoint.

**Dakota:** I think this is a good time to jump into the portfolio itself and your manager research process. You're building out of the investment process, being the first CIO at the plan. Can you talk a little bit about the characteristics that you look for when recommending or selecting an investment manager? What are some of the factors and considerations, the types of managers that you like?

**Doug Hanly:** When looking at investment managers, I would say that there are four main building blocks that I'm looking for. The first would be alignment. And I would say if I were to give a weight to that, it would be about 60% of influence. Of course, it's not perfect, but it's a huge part of the manager selection process. And finding managers that have that alignment where the firms are giving equity to the investment professionals. There's paths for growth of the investment professionals. There's significant investment of personal wealth into the strategy. Also, looking at what size the strategy is compared to the overall firm level and making sure that if we're looking at a particular strategy that it's really meaningful to the fund manager. The second part of that would be just finding edge. And so edge is all sorts of things and meanings. And I find typically, edge involves some type of expertise or experience. And when evaluating edge, I think it's really important not just to look at what the experience is but also try to find some causal links between this edge created this variant perception that the manager stated and because of this, the model was 5% and the street was valuing the stock at 3%. And understanding those really minute details that really drive the decision and making sure that that



expertise is actually the reason and cause behind the performance. And then the third block would be track record. And so this is great. I love this part because it's very easy to quantitatively measure performance track records, looking at their style biases, looking at how consistent their alpha has been. One of my favorite metrics for track record is alpha over max drawdown. And so it basically just states how well a manager can perform skill as well as how well they protect capital when things go wrong. And then finally, stability. And so is the firm stable? Has the investor base been stable? A key part of evaluating a fund is looking at other investors and looking at, are those investors have that same long-term mindset as we do? And so I think that those would be the four major building blocks.

**Robert Morier:** So before you look at those building blocks, how do you consider top-down assessments across asset class? So as you're thinking about coming into the role, thinking about different asset classes, what is that process going to look like and/or what does it look like today?

**Doug Hanly:** Well, as I described that influence of being a very defense first mindset really comes into play with asset allocation decisions. And one of the things that we really look at is preserving capital and making sure that if markets go down that we can still protect capital in those environments. And so the way we look at doing that is making sure that we're fully diversified. And we recently did a factor analysis of looking at the underlying factors that are driving performance and making sure that we're diversified, not with just equity risk but rate risk, currency risk, every other type of risk that is important and can do well when markets perform poorly. And so that's how we look at it.

**Dakota:** How has that translated into the asset allocation that you guys are now employing across the portfolio? So you mentioned more allocations to alternatives across all your peer other public pension plans as well, and it's certainly a theme that we've observed. But when you think about including more private equity, more private debt, maybe private real estate or infrastructure, are those areas where you guys have begun to deploy capital? Is it something you're thinking about? Just overall, how are you guys thinking about alternatives?

**Doug Hanly:** Yeah, so we have alternatives between private equity, real estate, private credit. And we have currently about 20%, just under 20% of the portfolio dedicated to alternatives. Of course, when evaluating whether to add an alternative manager, picking the top quartile funds really makes a huge difference. I mean, the dispersion in alternatives is much larger than, say, the dispersion in fixed income managers or large cap equity managers. And so then the question becomes, well, how do you get access to those top quartile funds? And so one of the ways we can do that is really building a presence of LSPRS as a premier investor. And outside of investing, if you look at companies like La La Land Kind Cafe, it's a small local coffee

chain in Texas and California. And on a very low budget, very low cost, they were able to generate the highest followers on TikTok and they did this in a very simple way. It was simply just giving compliments to strangers and then recording their reaction. And so similarly, as we look to build our reputation as a premier LP, we're looking for similar ways to do that. So, super impactful, right? And it's super simple yet very impactful. And they were able to outperform large competitors like Dunkin' Donuts, Starbucks, Nike, you name it. And so it's just really incredible and inspiring to see that. And so being a smaller pension compared to some larger other pensions, we wanted to adopt that same type of mindset. And so basically just building our presence, speaking at conferences, writing the book, doing everything we can to basically differentiate ourselves from other LPs. And one of those initiatives and things that we do is we actually hand-write letters to managers. So we really try to add a personal touch to the whole experience. And so for instance, I've written a letter to a top quartile manager expressing how in 2013, I met with him. And it was the founder and CIO of the company. And he had actually spent 45 minutes above time just going through the portfolio with me. And I told him in the letter how much that meant to me. And his attention to detail, how he was thinking about process really resonated with me, and it was what I ended up applying to my own life. And so having that really deep and meaningful commitment and alignment and expressing that to the managers, I think that really helps in trying to get access to those top quartile funds.

**Robert Morier:** That's wonderful. I'm going to replay that clip for my daughter when she's thinking about a career and how important it is to write handwritten letters. I think that's a great approach, particularly from an LP's perspective, from a sales perspective.

**Dakota:** I do think it's really interesting to hear how much thought goes into that on the LP side because obviously being more on the sales side, the managers want to make sure that they are providing that level of service to their clients, being extremely accessible and transparent about what's going on in the portfolio and going over time on calls if needed. And it's just nice to see how well that is received by, you might consider yourself smaller relative to some very large public pensions, but to still an incredibly important investor and certainly a meaningful allocation for a lot of these GPs.

**Robert Morier:** Yeah, and I think it really encapsulates the whole idea of a strategic partnership. We throw that term around quite often, particularly on the sales side as we're looking to pursue business. But there is another side to that partnership, so it's great to see that you understand that, so it's wonderful. Thank you for sharing that.

**Dakota:** Yeah, so being on the sales side, as a salesperson, we like to think about, what is the best way to approach this allocator? I know you're a new CIO and maybe

things are a bit fluid in terms of the team or how you guys are going to take on that approach. But can you just take us through the typical manager research process? If you were speaking to an audience of salespeople, what is the best way to think about approaching you and your team? And then, what does the manager research process look like? So how much time do you typically take reviewing the strategy in the firm? What can we expect as a salesperson working with you all?

**Doug Hanly:** Yeah, I mean, ideas come from all sorts of sources. One of my favorite sources is other CIOs who have had really strong track records and speaking with them. We have a consultant that can provide us with great ideas as well. And basically, it could come from anywhere, either inbound or through peers relationships. And so once that sourcing process is done, we typically like to look at a small subset of those managers. And we'll run quantitative analytics to see which ones are performing historically. And of those funds that stand out, we then will do a deeper investment research and investment due diligence on the firm, meeting the managers, finding out what led to their performance, whether we think that it's causal and can be repeated. And then finally, we'll do reference checks and calls. And it will end with a discussion with the IC, and then our IC will recommend any decisions to the board, and the board will either approve or deny.

**Robert Morier:** Well, we've talked about alternatives as an asset class, but one area that most of our investors who have been on the desk, at least over the last three to six months, have been focusing a lot of their time on is in fixed income and bonds. The Fed's interest rate increases have created a lot of uncertainty in capital markets, but they've made bonds a much more attractive asset class today than they have in the past. So do you anticipate increasing the exposure to bonds in the portfolio? Is that an exercise that you're currently going through?

**Doug Hanly:** It's an exercise we had just went through, actually, and it's still ongoing. But we actually had some IPS changes a few months back. And what we basically did was we trimmed our exposure to US large cap equity and some US mid-cap equity, and then added about 7.5% both to money market funds. Really short duration in the curve as well as some core fixed income. And so we had really taken advantage of those rising rates.

**Robert Morier:** Well, we've talked a lot about your background as a student, moving through these organizations, working with investors like Gildas, and now having the opportunity to build up and build out this program with Louisiana. So as you think about yourself many years ago when you were being asked by that student reporter what you wanted to do, what type of advice are you giving now or would you give to a student? We do have one student here currently who is thinking about a career in finance.

**Doug Hanly:** Yeah, so one of the pieces of advice I got when I was looking to break into the investment industry was to basically just pick a research topic, any topic, whatever sector you want to pick, tech, whatever asset class. And basically, even if you have no education or background in that topic, to pick it, go for it, and then reach out to different investors and ask them what they think about that topic and what their background is on it. And when you're in those calls, make sure you're taking notes and then using those notes to leverage different future calls. And so by the end of it, you'll have 10 different perspectives from 10 different investors. And you'll sound extremely knowledgeable. And it will be super impressive. Because it definitely happened to me. When I was in college, it was very scary to reach out to people without really having any background in the field. And so if you show that initiative and do that and take that courageous step forward, it will really pay dividends. And then the second part, I would say, that I've really learned and I think it's really valuable is just to review yourself and to be really vulnerable with what your weaknesses are, what you're struggling with and opening that up to different people. I think that will really pay dividends as well.

**Robert Morier:** I think that's a great place to end. Thank you so much for being here. Congratulations on all of your success. Thank you for coming to Philadelphia and adding us to your agenda. We greatly appreciate it. We know you're very busy and you have a lot to do down in Baton Rouge, so we appreciate your time. If you want to learn more about Doug and the Louisiana State Police Retirement System, please visit their website at [www.lsprs.org](http://www.lsprs.org). 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](http://dakota.com). And 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. Doug, thank you for being here. We greatly appreciate it. Safe travels for the rest of the summer.