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EPISODE 31:

Riding the TIDES with Melvin Lindsey

of Nile Capital Group

Robert Morier: 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 to 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 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 thrilled to introduce our audience to my special guest today, Mel Lindsey, Managing Partner at Nile Capital Group. Mel, welcome to the show.

Melvin Lindsey: Robert, nice to see you. Thanks for having me. It's always a pleasure having a conversation with you.

Robert Morier: Well, thank you so much. I was starting to get a little nervous. We had some technical difficulties in the beginning, and I was trying to get it up and running. I felt like I was your client service associate again. Like, trying to get ready for the meeting before the client came in so we could get everything done perfectly. So it brought back some very - actually some very warm memories of those early days. So Thanks for your patience with us.

Melvin Lindsey: Well, you always rose to the occasion when we were working together. So I need to get it together.

Robert Morier: Blind ignorance. I didn't know what I was doing. So I just tried everything. Well, we have a lot of questions to ask you, Mel. But before we do, I want to quickly share your background with our audience. Mel Lindsey is the founder and managing partner of Nile Capital Group, a private equity firm that invests in GP stakes of innovative performance-driven asset management companies. He serves on the boards of Nile's portfolio holding companies, including Welton Investment Partners, Britannia Asset Management, Kvasir Technologies, Wilshire Lane Capital, Strategic Global Advisors, Denali Advisors, and Convergence Investment Partners. Prior to founding Nile, Mel co-managed Julius Baer Investment Management as Managing Director of Global Distribution. During his tenure at JBIM, assets under management grew from $800 million to a peak of $78 billion. Ultimately resulting in an IPO and listing on the New York Stock Exchange in 2009. Mel previously worked at Investec Asset Management as Director in the institutional North American division, he was also Managing Director and Portfolio Manager at Wells Capital Management, and a Vice President at Shearson Lehman Brothers. Mel holds the CFA designation, and received his MBA from UCLA School of Management. Mel has also attended IMD Global Leadership Program in Lausanne, Switzerland. He's a member of the Los Angeles Society of Financial Analysts. Mel serves on the Board of Trustees and the Investment Committee for the California Health Care Foundation, the UCLA Foundation Board, UCLA Anderson School of Management Board of Advisors, and Saint John's Health Center Foundation. Finally, and most importantly, Mel calls Los Angeles home, where he lives with his family. Mel, thank you, again, for being here today. And congratulations on all your success.

Melvin Lindsey: Again, thanks for having me. Looking forward to this conversation.

Robert Morier: Well, we are as well. I always love when people who are mentioned on prior episodes get to come on as guests. You're one of those people. I had the pleasure of interviewing Chenae Edwards of NEPC about a month or two back, and we both shared a similar mentor in you. So your name came up on the program, and it was very exciting for me and exciting for both of us to talk about the importance of relationships and mentors in the industry. So I'm thrilled to have a conversation with you today. And I'm also thrilled, because you're such an interesting person and professional. Professionally, you've had this very unique opportunity to sit in between both institutional sales and manager research and allocation, particularly, funding asset managers. So we love bringing in industry veterans like yourself with these hybrid backgrounds so our audience can hear from both sides of the table in one conversation. So I'll start the conversation, Mel, by letting our audience know that you and I work together at Julius Baer Investment Management for over a decade. And we're going to spend some time talking about the rise and close of that organization, because we were talking about business cases before we went to air. I think that, in itself, was a very interesting business case as to how asset managers can grow and how asset managers can close. But before we do that, I always like to start at the beginning. If you wouldn't mind taking us back to where you grew up and how you initially navigated your way into the industry.

Melvin Lindsey: Humble, humble beginnings. Grew up in a blue collar beach town called San Pedro, which is part of Los Angeles County. And I would say, had a really good childhood in the sense that San Pedro was a melting pot. I mean, we had a lot of Eastern Europeans, Yugoslavians, Croatians, we had some folks from Greece there, we had Mexicans, we had African-Americans, Italians. And the one unique thing about San Pedro is that it was at the edge of Los Angeles and really its own community. And so people didn't come there unless they either worked down at the docks or they lived there. And so everyone was needed in the community. So it didn't feel like as divisive as things are now where people are so politically divided, they are racially divided. It just felt like. It was all about San Pedro. And the locals called it Pedro. And we were the Pedro pirates. And we acted like pirates. So it was a great place to grow up. Probably not the place where most people would end up on Wall Street. So I feel very fortunate that I got a chance to go through the Dean Witter training program, worked at Shearson Lehman Brothers, and then ultimately transitioned to the buy side at Wells Capital for starting as an analyst. Then a portfolio manager, got my MBA while I was there as CFA, which helped me get promoted to a portfolio manager. And so it was an interesting way to navigate how to get into the business, and trust me, I got turned down by every single Wall Street firm on the planet when I first graduated and just kept applying, kept applying, did internships, and just figured out a way how to just be there and say, whatever you need me to do, I can do. And just try to learn on the job. And so once I was able to get in, really just tried to be a student of the business. And never worried about how much money I was making. Just wanted to be a student. And one of the things my dad taught me when I was growing up is that your life should be about three things. Learning, earning, and returning. And when you're a kid and you're new in your industry, you don't know anything. So just learn as much as you can. And if you do that, you don't have to worry about income, you'll earn a premium over your peers, and you should never spend all the money you make, you should give some back in return. Sit on boards, do some philanthropic work, give back to your church, your community, mentor people. And it's like this universal recycle sign. You learn more from the people you're mentoring than you're giving to them. And you're always staying young and fresh. And so my dad didn't talk much, but when he did, he said some pretty powerful things. And I think that was one of the most powerful things for me.

Robert Morier: Well, it sounds like he also instilled a lot of perseverance in you. So I think it's exciting for us to hear, because having someone who's been able to navigate through their careers very successfully. But we do talk to a lot of people who have faced a lot of barriers, particularly, early on in their careers. Coming from, you call it a community on the edge, which I think is wonderful. I could probably draw a lot of parallels to firms that you've chosen over the years. Maybe being on the edge of mainstream Wall Street or mainstream private banking. But what were some of those obstacles you did have to overcome in order to get where you are? If you think about the characteristics or the character that you needed to put forward in order to get where you've come.

Melvin Lindsey: You know, I think the obstacles have actually been constructive and helpful. So when you don't go to Harvard or Yale or an Ivy League school and you're working around people who do, you always have this imposter syndrome, right? And you're like, man. I hope they don't find out. You're always trying to continue to learn as much as you can. And what you find is that it's all about acceleration, right? It's all about working and learning at a faster pace post-college than you were when you were in college. And so this imposter syndrome just helps you focus on things and go a lot deeper than maybe most people will. And so that's why when you hire, I think, in building a team, you want to have different backgrounds. You want to have the typical Ivy League guys, you want to have the guys that maybe went to state schools, you want to have different ethnic backgrounds, people who may have humble beginnings, maybe who had a little bit more coins in their pocket when they started off. And then you get this get away from groupthink, which is what I think we had a lot of at Julius Baer.

Robert Morier: Yeah. I agreed. Well, speaking of Julius Baer, you were with Wells for over 8 years. And then you took a risk. At Drexel, we call it an entrepreneurial calculation. Thinking about what the pros and cons are of a decision. And you joined at the time, Julius Baer became a $78 billion asset manager. Very well known, particularly, in international equities. But at the time, it was a relatively obscure Swiss bank in the United States. So what was the reason for that decision? How did you come to the decision? What were the attributes of Julius Baer that ultimately took you there from what was a very successful career path at Wells.

Melvin Lindsey: It's interesting, when the headhunter approached me to join Julius Baer, I had no idea who they were. I had no idea they were a Swiss bank, I don't even think I could pronounce Zurich. I think I was pronouncing it Zurich. And when they approached me about joining, I said, let me meet the folks, and I just really wasn't into it. I had a nice cushy job at Wells Capital. I mean, worked really hard. I was managing a sales team after being a portfolio manager on the value equity team. And so I transitioned and I felt like I earned my dues and got the corner office. And it was a pretty good job. But it was a job. It wasn't an entrepreneurial experience. And when I joined Julius Baer, I met the team, I met Richard Pell, I met Raymond Baer, and I said, you know what? I really like these guys. They didn't have much in the way of AUM. No institutional accounts. But they were super, super passionate about taking care of the client. And I worked at Wells, and Wells was concerned about the client but not in a way that Julius Baer. It was all about not just benchmark managing strategies, it was what's the best strategy for the client? I think for me, it really hearkened back to business school when I took venture initiation. You do all these business models and you do the value chain. And I had this professor in marketing.

And if your value chain didn't start with the client, you got an automatic fail. And so I felt like Julius Baer would have passed flying colors this guy's class because they started with the client, their product started with the client. They wanted to make sure that they were adding value for the plumber, the pipe fitter. Whoever had an account with them.

Robert Morier: Well, today we would call it an emerging manager. So less than $1 billion in assets under management, not really established institutionally as you describe with a presence. So what were you coming into? What were you recruited for? And once you were in the seat, who were you joined by? And how did you think about tackling, essentially, the world. I mean, I understand that it was a North American target market initially. But it's a very big menu of items to choose from. When you're coming into an organization that's relatively small, you've got success in a key product, but you have to take it to market. So what was that process like for you when you came into that role, presumably, with colleagues and really had to think about what is our plan to action?

Melvin Lindsey: Yeah. And it was really blocking and tackling. Now, keep in mind, we made a lot of mistakes. When I first joined, we didn't have what was called AMR compliance at the time. We really didn't have, what I believe, the proper vehicles. We had a mutual fund, and we had a separate account but no institutional clients. But we had a really talented team, passionate folks, and a great track record. And then we also had support from the parent, who said, here's some money to run your business, and we'll leave you alone. And you guys figure it out in North America, they were in Zurich, Switzerland. And so Richard Pell and I and a couple other folks just sat around the table, and we said, what we need to do-- because we didn't qualify for any emerging manager programs, because we were owned by a Swiss bank, even though we were an emerging manager. And we said, well, we need to get one corporate account, we need to get one state of pension plan, we need to get an endowment and foundation, we need to get a DB plan. And once we do that, we can start getting others. And so I think our first pension plan was the state of Hawaii. They gave us $120 million when we were only managing maybe $600 million. They didn't have an emerging manager program either. But I think when we made it to the final after Callan Associates put us in the RFP, we started to get other state of plans. But we had to get one. And then what we also had was focus, even though we went out and we lifted our teams from Scudder, a guy named Greg Hopper who ran a global fixed income team. We lifted out a team from JPMorgan, Lin Chen and Don Quigley, who were running a global investment grade. Greg was running a global credit. And a few years later, we lifted out a team from Deutsche Bank. But the first and most important thing we did was focus. We focused on international equity. And we got the whole firm to rally around international equity. And I don't know if you ever read that book, The ONE Thing, but I think it's one of the best books for people who are starting off as entrepreneurs. A lot of people have to-do list. And this book talks about having a success list. What's going to be the most important things you need to have success? And it takes that the whole rule of the Pareto principle, you know, like 20% of your success is going to come from, or 80% of your success is going to come from 20% of your focus. Or people say, 20% of your clients are representing 80% of your revenues. And so this book, The ONE Thing, it takes it to the extreme. It says, what's the one thing? Forget the 20%. What's the one thing you need to do today and every day for your success? And I don't think anybody had Julius Baer read that book, because it wasn't out yet, but I think what they did do is they did focus on, we need to get international equity scaled. We need to get clients. And if we get those clients, we think we can do a good job for them. So they rally the entire organization around one thing, and that was the international equity product. And it did very well for clients. And it gave us the halo effect to go out and then raise money for the global fixed income strategy, the global credit strategy, the all cap us based strategy. And it also allowed us, once we started to scale, to hire great people like you, to hire people in the RFP group, which we didn't have before. To hire people in client service, to hire product specialists. But if we didn't have those clients, we wouldn't have had the revenue to do that.

Robert Morier: So in addition to focus, what else would you attribute to the success of the business, of the international equity strategy and these other strategies that you brought on board? We get asked the question here a lot in terms of what makes a successful sales process? What makes a successful sales person? And you know that it's very clear from what Julius Baer achieved, you know that you and the team were able to capture that, in addition to being focused. So what other attributes would you say made for a successful initiative at Julius Baer?

Melvin Lindsey: Well, I think, Julius Baer, unlike any other firm I worked for, had speed. So we made quick decisions. And we carried out those decisions very quickly. Even when there were mistakes. And so we failed fast. And we got up, dusted ourselves off, and went back to the drawing board. But we did it quickly. And so if we were creating a commingled fund, we did it quickly. If a client had a request, we tried to come back to them within an hour to fulfill that request. And so when you have the whole firm rallying around, what does it take to satisfy the client? I think that you can really scale your business. And I think we also bought into the philosophy of John Wooden, the famed basketball coach from UCLA, who said be quick but don't hurry. And we practiced doing things quickly. So if you don't practice doing them quickly, when it's prime time, you hurry and you make mistakes. And I think with the fact that we hired good salespeople, I think the fact that we hired great product specialists, you know, like Andrew Barker. Brett Gallagher was around the global portfolio. And then he transitioned to be a product specialist. We hired Patrick to be a product specialist and so that kept the guys that were generating the alpha at their desk. Generating alpha for the client. And the client, they don't worry about alpha, beta. They're worried about their pension. And so we want to make sure that they were doing what they were hired to do, which was really what's the best way to deliver returns so these clients can meet their actuarial assumptions.

Robert Morier: Yeah. No. Absolutely. That makes a lot of sense. Thank you for sharing that. So you were there for 11 years. Coming out of the financial crisis, like a lot of successful firms, the foundations of businesses were shook for a number of different reasons. And the shake for Julius Baer, ultimately, they did come out of it successfully. But it was a few years later that it was sold to Aberdeen. So as you reflect back on those 11 years, what were the lessons you learned and have continued to stay with you as someone who's now founded a business as a managing partner and is looking at other asset managers to potentially stake? What lessons, in particular, have stayed with you that you are now conveying to these newer businesses?

Melvin Lindsey: You may recall, when we first started marketing Julius Baer, the market just didn't understand us. And it didn't understand us, because we didn't know what we were doing, right? We didn't know what we were doing from a marketing perspective. And so when you talk to Riyad, and you ask him, tell us about your strategy so we can develop a presentation. Are you top-down? He said, yes. Are you bottom-up? He said, yes. Are you a sector rotator? He said, yes. Do you do short-term trading? Yes. Do you do long-term investing? So everything was, yes. And so he was doing all those things and institutional allocators didn't want to hear that. They wanted to hear a very defined discipline. You're a value investor, you're a growth investor, you're top-down, you're bottom-up. And what Riyad was really saying was, you know what? We are top-down in emerging markets, and we're bottom-up in developed markets. And there's this place right in the middle called Japan, where you have to do both. And then you need to be able to think about where every country is on this spectrum. Are they more developed, or are they more emerging? And so the one thing that stuck with me about that is that that applies to sales as well. What's the best sales Tactic you've got to be top-down in terms of where do you believe, as Wayne Gretzky would say, the puck is going. Where does the money flow going? And money flow can be divided into three distinct buckets. One is money and motion, where the search activity now. And where all your efforts should be to try to capture those dollars if you have a competitive strategy. The second bucket is market share grab, where you look at the major competitors who may be underperforming or may be having legal issues. And at the time, Putnam was having a legal issue with the late day market timing scandal. And we were able to capitalize on that. But there was another group of investors that were in the bottom 40% of their peer group that were also underperforming. And we felt we could target them to gain market share. And then there were the clients that were more, we call the longer term sales or missionary strategies, they haven't really embraced that top-down, bottom-up approach. But if we provided education and white papers, they will soon come around, so we called it missionary work. And to be able to look at all your strategies in your firm and put them in one category or another. Are they money and motion category? Are they a market share category? Or are they a missionary category? And so if you combine the top-down, where the money flows are going, you can accelerate and scale your business faster than your competitors are. And then from a bottom-up perspective, we said, OK. How do we sell this strategy? What's going to be the main components, and what does the team need? And then we develop this thing called TIDES, which is, what's the talent? We have to prove to people we have skill versus luck. What's the innovation? We had to prove to people that combining emerging and developed markets with a top-down and bottom-up approach was more innovative. What's the diversity? We had to prove that we had people from different nations representing different flags so we got rid of groupthink. We had to prove we had the capacity. And when we ran out of capacity on international equity one, we created international equity two, so we could scale. We had economies of scale. And then we had to prove we can get back to them quickly. So we had the speed. So this TIDES acronym is the one thing we carried through from Julius Baer to now Nile Capital. And every time we're looking at taking a stake in a manager. Do they fit our TIDES model or could they, from a bottom-up perspective? And is there money flow and their strategy from a top-down so you can have the best tides manager. But if no one wants to buy it, if there's no money flow, you'll be trying to market that firm for years.

Robert Morier: Do you find that it's more difficult in today's environment to find the time to educate LPs? It just seems like it's busier than ever. There are more managers calling on LPs than it feels like ever before. At least that's what we hear anecdotally. From other sales professionals and from the LPs, the allocators themselves, is that the volume of inquiries is almost overwhelming. So how, as a sales person, do you find the ability to be able to-- particularly in that missionary work, to dedicate the time and get the time back?

Melvin Lindsey: Yeah. So for the missionary, you got to think long-term. The way we say it is, there's different types of investors, right? There's early adopters, there's pioneers, and then there's people who come along later, and then there's people who are going to be what we call imitators, where they kind of imitate what everyone else is doing in terms of allocation. And so when you're working with missionary strategies, you got to find the early adopters. And those tend to be family offices, they tend to be endowments and foundations, and some pension plans. Whether it's public funds or corporate DBs. You got to find the people who have demonstrated an ability to be innovative in their portfolio. And that comes through just having relationships and talking to people and not really trying to sell them, but believing in your strategy and listening more than you're talking. Because they'll tell you what they want. And you just got to figure out how to package it to satisfy that need.

Robert Morier: Have you always been a good listener?

Melvin Lindsey: No. I don't think so. But I've always tried to be a good listener. Because when you're growing up and you're trying to figure out how to market stuff, you want to tell your story, right? You want to get out there. And so I used to read every single sales book I could find-- whether it was from Brian Tracy, Zig Ziglar, I used to read negotiating books. Roger Dawson, the art of negotiation. I read this book called The Closers that taught you how to close every nationality, every industry executive. And then what I learned through all that is that it's not about sales skills. It's about taking care of the client and believing in your strategy. And if you're at a firm where you really don't love the product and love the people, you should just leave. And when I was at Julius Baer, every day, I was like, I would probably do this for free. I know that sounds crazy. But I really love the people, or at least make enough money to pay the bills. Because I took a pay cut when I went to Julius Baer when I left Wells. And I just loved the people, I loved the strategy. And I knew if we did a good job, the economics would take care of themselves.

Robert Morier: Yeah. That's a lesson you taught me many years ago. And I've carried with me, which is why I continue to get paid less and less every year, Mel. Thanks a lot. I appreciate that. So what happens, you've made me into a teacher. It was very good advice though, and I did take that. And I appreciate you sharing all that. But it's interesting. So you continued that trajectory. It was only for a year at Investec. So I'm sure a lot of those fundamentals that you had developed while you were a Julius Baer, you took into Investec. But presumably, something was going on in the background. You were really thinking about doing something new, something entrepreneurial. Taking a new step to forming Nile Capital. So what was that process like for? The ideation of thinking about doing your own thing, starting your own business. How did you approach that decision? And what helped you finally pull the trigger?

Melvin Lindsey: The journey was, I think, more important than the final destination, quite honestly. And when I joined Julius Baer, I think I was a first North American employee in that Julius Baer LLC that we had to create. I don't even think Richard and Riyad were in it yet. And we created the LLC, we got the backing from the Baer family, we started lifting out these teams from other organizations. We moved Richard and Riyad and Stefano Galli into this newly formed LLC. And then we just started blocking and tackling and making mistakes. But we knew that we had the talent. We just had to figure out how to grow the business. And so as we were scaling Julius Baer, the ride was so much fun. And then when I joined Investec, Investec was a great company, very well established in South Africa. And they were building a North American business. But I was itching to do what we did at Julius Baer again. I talked to Richard Pell you know who was the CIO, CEO. And I said, “Richard, why don't we go out and find teams that we can put our own money into, take a minority stake, teach them what we learned at Julius Baer.” We had over 400 institutional accounts and relationships from all types of clients. We think this TIDES framework worked. We understand money flow analysis. There are a lot of firms that are like you and Riyad when we first started, and they just need help in figuring out this institutional landscape. And I think if we can get them to sell us a piece of their business and if they have an innovative strategy, I believe we can scale it. And we had a decent exit at Julius Baer while it was publicly traded and before the assets started to decline. And so we just said, look. Let's see if we can do it again. Let's see if it was the jockey or the horse. Was it the Julius Baer name, or was it us blocking and tackling? And he was all in.

Robert Morier: Yeah.

Melvin Lindsey: And then we got Prasad to come over and Brad, so we had a good portion of the management team at Julius Baer to really start now. And they were all willing to put up their own money, which was amazing. They all believed in it. And Rob, you were there. You saw the movie. And if you look at the rise that we had in such a short period of time, unless you experienced it, it's hard to believe it can be done. And I think we experienced something pretty phenomenal. And we said, “Look, let's be asset class agnostic. Let's find 12 to 15 firms that we can invest in. We'll start with our own capital, and then if it works, we'll raise outside capital.” We were fortunate enough to get Jose Feliciano who runs Clearlake Capital to also believe in our strategy, and he gave us GP and LP capital. Then we got a few insurance companies. We got a family office that made their money from owning another asset management firm, which I'm extremely proud about. Because they understood the asset management business. People who made their money in asset management understand our model. So it took a while to get off the ground. We struggled. When you have a new strategy with an old firm, you can scale it. When you have a new firm with an old strategy, you can scale it. When you have a new firm and a new strategy, it's almost impossible to scale. Then factor in, I'm Black, right? So Black people weren't getting a lot of allocations if they owned the firm from the typical pension plan. Even though we were the exact same team from Julius Baer, it was still hard. I think minorities represent about 0.7 of the total allocations from institutional, and women represent about 0.7. So 1.4% of the total assets, and this is not me saying this this is the Knight Foundation who did the study, are with minority firms. So we were a new strategy, new firm, you know GP stakes, and a minority firm. So it's almost impossible. But again, you have to do the missionary work. And the missionary work is educating people about the strategy.

Robert Morier: The challenge is it can be for minorities, yet you decided to GP stake minority and diverse-owned firms. So talk to us a little bit about the mission. Strategic global advisors, female majority-owned, Denali Capital, Native American-owned. So even though you knew those hurdles were present for you, having experienced them yourself, you still decided to allocate towards diverse and women owned firms. What was the genesis of that mission? And why did you choose that path?

Melvin Lindsey: The path chose us. So when Richard and I sat down, we basically said, we're going to go out and find the best firms we can find, and each particular asset class, and they have to be innovative. So when we talk to SGA, Cynthia Tucson was running a firm that I thought was pioneering. She started sort of quantamental. She seamlessly combined quantamental analysis and quantitative analysis. So she had some graduates from MFE programs, Master's of Financial Engineering. Students from Cal, Berkeley and UCLA and other schools that had those programs. But she also had people that had very good fundamental PhDs from Northwestern, and they were able to combine fundamental and quantitative, I think, like no other firm had done - and she just happened to be a woman who happened to have a diverse team. Bob Snigaroff, he wrote a paper with Harry Markowitz and did some work on what's called network value, that network value was showing that it wasn't just the Fama and French approach to understanding stock prices, but he said, what about liquidity and the role of liquidity, which he called network value. There's liquidity or lack of liquidity in private equity, but there's a lot of liquidity in public equities and public securities. And what role does that liquidity play in the asset pricing model? And he did a lot of pioneering work there. And if you look at his strategies, when you have fine firms that go from less liquidity to more liquidity, they tend to outperform their peer group. So that pioneering worked. Then we bought a stake in a company called Convergence. Again, small unknown firm down in West Palm Beach, Florida. They had a strategy, a biased long short mutual fund that didn't have a carry that had a 5 star Morningstar ranking, and no one was buying it. It was delivering 95% of the returns of the S&P with 60% of the beta, and they converted it to an ETF mutual fund. So it was tax-efficient and they could lower the fee on that. They had all these innovative strategies, but they all happen to be diverse. And then we did a stake in a company called Wilshire Lane. African-American guy originally from Ghana. He was in the prop tech space, worked at Fifth Wall, worked at Andreesen Horowitz. Got cut his teeth working at Morgan Stanley in the real estate group. And was part of the hedge fund group at Carlyle. And so he had this really diverse background. Harvard undergrad, Harvard Business School, well-credentialed. But his structure of his business wasn't right. So we went in, and we restructured the business. And actually, Harvard Business School wrote a case study about it, which I can share with you. And so we were finding all these diverse managers, even though our goal was to look for innovative strategies. And the people who weren't getting assets were these diverse managers who had these innovative strategies who were trying to scale their business. So that's why I said it found us not necessarily, we finding them.

Robert Morier: No. I was going to ask you how you're sourcing these ideas, because, obviously, it's become a very big topic in the industry. People are looking for emerging managers or emerging manager programs are growing rapidly. Whether it's within an OCIO or a public pension plan. So it's interesting to hear that it sounds like, I'm sure a lot of it, has to do with network and relationships. But just looking for the best in class was a big tailwind for you all. So that makes a lot of sense to us.

Melvin Lindsey: Yeah. I sit on the board of UCLA. Endowment, the UCLA investment company. We manage about $4 billion. And you see managers there sit on the board of California Health Care Foundation, California Community Foundation. We work with consultants. So you see a lot of presentations. You see big managers, small managers, medium managers. And there's managers that need help. They need help scaling. And also I've known a lot of consultants. And they have managers that they want to approve, but they haven't scaled to the point where they can really give them a lot of capital. And those consultants know what we do and they call us. And they say, “Mel, have you taken a look at XYZ manager?” That's where we actually got Denali. We got Denali from PCA, which is now called Makita. But they said, Mel, we think Denali could use your help.

Robert Morier: Yeah. No. That makes a lot of sense. That's the interesting part, I think, where you sit today. You are sitting on a few boards. So you get to really see the manager underwriting process as it operates. UCLA, California Health. So if you could talk to us a little bit about, what do those underwriting processes look like from your perspective as a board member? What have you learned from those processes? And then what are you applying to your work at Nile?

Melvin Lindsey: When you're in the room where it happens and you take your investment manager hat off, and then you sit and you put your asset allocator hat on, there's real things you're trying to solve for. At UCLA, we're trying to create the best environment for the students. And we're trying to make sure that our research is leading edge for the engineering school, the medical school, the business school, the life sciences. And so when you're solving for real-life issues, you want to find the best people and the best partners who can help solve for that. You're trying to find the managers that you believe have something that's unique about their approach, and then you really believe that their skill as you're underwriting them. So when the consultants come to you with these different managers, you want to challenge them. And on all these boards, there's people who have been in the asset management industry, they're pretty sophisticated investors. And they all take their investor hat off and put on the mission alignment hat. And what I'm finding is that the mission alignment for St. John's Hospital is different from the mission alignment of UCLA, which is different from the mission alignment for California Community Foundation. And so we are trying to solve for California Community Foundation, the underserved community. We need to have money for that. And we had a goal of giving away a billion dollars over a 10-year period. We gave away a billion over 8 years. So we beat our goal to underserved communities. At St. Saint John's Hospital, it's really about understanding, how do we provide the best health care for all communities? And do we get to health equity at California Community Foundation? And so when you're really trying to solve a problem, it's not about MOIC or IRR or beta or alpha. The doctor doesn't care about that. The doctor cares about, am I going to have enough funding to try to cure this cancer? Or am I going to have enough money to make sure we get the right students at UCLA? That's what they care about. And so it's really about downside protection. And then when there's opportunity to make money in the markets, are we positioned to do that? What advice would you give to asset managers is really try to understand the allocator you're targeting. Don't show up not informed. Know as much as you can. The internet is good and it's bad. It's good because it speeded up the pace and everyone expects things now. And that's why it's bad. But it's good because you can get so much information about your client, so you should never be ill-informed when you show up. You should have some good information. And then even though you have that, ask a lot of questions.

Robert Morier: No. Absolutely. Well, you quoted John Wooden earlier. And I think one of his quotes is, "Failing to prepare is preparing to fail." So it's good to go in prepared for sure. Another interesting aspect of where you sit today is you also get exposure to a lot of different consultants. So you're seeing consultants from a different angle. So as you think about, again, the evolution of this industry, I think I'm partially obsessed with it. Just how the industry has evolved since at least I started. I started in the late '90s, I've seen a few crises, but I've seen this evolution of the way that we present our strategies, the way that we sell our strategies as it relates to fees, the way that advisory relationships work. Either partially discretion, full discretion. How have you seen that consultant relationship evolve? Now sitting in this unique seat of speaking to consultants about potential investment opportunities and also sitting to consultants about advice as it relates to the boards that you're sitting on.

Melvin Lindsey: Yeah. And I think the way you have to view consultants, a lot of people view consultants as gatekeepers. And I try to view them as strategic partners. Because ultimately, we're all trying to solve for the client's needs, goals, and objectives. And when you approach consultants, you've got to recognize that they're super busy. They're getting a gazillion emails. They have to evolve with the industry. In a lot of cases, they're not getting ad valorem fees, it's not based on the assets that they manage, it's based on more of a contract. And so knowing that, you've got to make sure that you're adding value to the consultant. And if you just have me-too products, you're not adding value. And so you got to make sure that your product offering is actually pushing the efficient frontier up and out, right? You want to make sure that if you're talking to them about a strategy, is complementary to what they're doing. It's not just a strategy where they can just get off the shelf and buy beta. And so when you approach consultants, you've got to help them help their clients. And that's why I say, don't look at them as gatekeepers, look at them as strategic partners. And I think when you do that in your long term and you don't waste their time and you approach them with something that can really add value where they can feel comfortable, if they take a risk with you, they're not going to get fired. Because that's real, right? It's a super-competitive environment. And I would say, just treat consultants as strategic partners. And I think it's evolved where they're getting bigger. A lot of bigger consultants are gaining most of the market share. And they're trying to appear to not have conflicts of interest with their own product. So you got to make sure you're providing some value to those consultants.

Robert Morier: It's great advice, Mel. Thanks so much. Well, as we're getting close to the top of the hour, I had opened up the show by saying how valuable the advice you've given me over the years has been and I appreciate it greatly. So as you think about your own network of mentors, the people, in addition to your father, which I appreciate you sharing with us, who have impacted you, who have helped you better understand who you are and what is best for you, whether it's a mistake or a success. Who are some of those people in your life?

Melvin Lindsey: Oh, man. There's been so many. I would say Marx Cazenave who started Progress Investment Management. Marx will be the first to tell you about all the mistakes he made in life. And I think that's what good mentors do. Because you don't put them on a pedestal, but you take their advice. And he's been super successful. Worked in the Carter administration. Started an asset management firm focusing on emerging managers. Bob Bissell who was at Wells Capital. He was the one that I felt saw more in me than I ever saw in myself. I mean, every time there was an opportunity to do a job or a project, he tapped on my shoulder. When we were rebranding Wells Fargo Investment Management Group to Wells Capital. I was part of that committee. When we launched into the institutional side from the private wealth side, I was part of that team. When we started merging Norwest Investment Management Group and First Interstate Investment, I was always on the integration team. And so it allowed me to cut my teeth on the business of asset management. Not just being a portfolio manager, not just being a sales, but the business of asset management. And I would have never had that, I think, lens that he gave me and the opportunity he gave me to do that. And so I'm eternally grateful to him. And he didn't look like me. A lot of times, people pick mentors that look like themselves. He was middle-aged white guy that went to UVA, that was super smart. The CIO of Wells Capital and ultimately the president. And so along the way, I've had people, whether it was Dale Brown who I worked with at Wells Capital who actually did look like me, at Wells Fargo Bank, he always took the time to answer my phone call. I'd ask him stupid questions and he made me feel like there was never a stupid question. So there's so many people. I would say, never underestimate anybody based on how they look and ever overestimate anybody. Just try to go into a situation and learn people. You just never know what they can bring to the table. Your mentors could actually be bad people too, because you learn what not to do.

Robert Morier: Yeah. It's funny you said that. I asked the same question, it was Joe Miranda from Cambridge Associates. He oversees digital asset investing. I asked them a very similar question. It was funny that was actually his first answer. Was as much as I've had some great people in my life, it's the bad ones who are in my head right now. Not to do that. I don't want to treat an employee that way. I don't want to make that kind of decision based on that type of information. So I think that's a fantastic point. Very consistent with a couple other folks I've heard from.

Melvin Lindsey: Yeah. Because I think you actually learn more from those folks than people just giving you the pie in the sky. You can do it sort of philosophy. You need those, I hate to say this, but you need the good and the evil.

Robert Morier: Yeah. No. It's funny. I could have framed the Julius Baer years in a very similar way. As much as I learned between 2002 and 2008, the real experience came from 2010 to 2012, when it was very difficult and challenging. The real relationships came in those two years. I don't mean real in the sense that they were any less important than the earlier relationships, but the conversations that were really difficult, it's difficult for people to fire people. It's difficult for people to let people down, give bad news. And I think those lessons have at least stayed with me. And usually in my career, the folks that I've been through those lessons with like yourself, are the ones I'm very lucky to say that I still speak with today.

Melvin Lindsey: Yeah. No. We had a great, I call it our Julius Baer tribe. It was phenomenal. And it's hard to explain. It was those lessons that we learned. And we went from a private company where we could have so much fun, do whatever we want, generate alpha, everyone was working hard to a publicly traded company where the spotlight was always on us. And I would say, the one thing is, when companies are thinking about doing that, make sure you really get some publicly traded experience. Because it's a totally different environment going from private to public. And every time you made an announcement, you had to make it a public announcement. When you're a private, don't have to do that. If you're transitioning things. So that was a big lesson learned there.

Robert Morier: So Mel, last question. As you think about your current roster of asset managers, are there any asset classes that you're focused on today, you'd like to see a manager knock on the door and potentially introduce you to something that's currently burning on the stove at Nile.

Melvin Lindsey: Yeah. So as banks are getting out of more of the direct lending and the private credit side, we think there's a void to be filled by private credit managers.

And there's so many unique strategies that we've been talking to. And they're not just me-too private credit and direct lending. There's some pretty interesting companies. We also think emerging markets are on sale. They've been underperforming for quite some time. We had the strong dollar. It just seemed like it was a huge buying opportunity to go in and look at some unique emerging market managers. The challenge is trying to find a platform where they can really scale the business and still deliver alpha. So we like that. We like the private credit in the emerging market space, the Middle East, and Africa. We think that's a huge opportunity to deliver some returns. We don't think they have the big run up in valuations like venture and private equity had here in North America and in developed Europe. So we think there's huge opportunity there. And we're talking to a lot of those managers. We have a lot of risk mitigation strategies on our platform. We have Welton Investment Partners, global macro fund that's done really, really well for us. We have Britannia, which is a structured credit shop out of London. We have a a machine learning AI firm. All the talk right now is about AI and ChatGPT. And they were creating it before Microsoft got really big and start making announcements. So we felt like we were on the forefront of that. So we're just trying to round out the portfolio with these different performance-driven asset classes and managers. But we still got some voids to fill.

Robert Morier: Yeah. Well, good. Thank you for sharing that. We appreciate it. Mel, thank you for taking time to be here today. I'm sorry you couldn't come to Philadelphia, but this is still a great way to see you and share your expertise and experience with our audience. So thank you and congratulations again on all your success.

Melvin Lindsey: Thank you and congratulations to you and Dakota. Looking forward to seeing you thrive.

Robert Morier: Well, thank you. I appreciate that, Mel. Well, if you want to learn more about Mel and Nile Capital, please visit their website at www.nilecapitalgroup.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. Mel, thanks for being here. And to our audience, thank you for tuning in.