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EPISODE 34:

Navigating Investments

with the CIO of

North Dakota Trust Lands

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 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. Tim, welcome back to the desk.

Tim Dolan: Good to be here.

Robert Morier: Nice to see you, Tim Dolan of Dakota. It's always nice to have you on the desk. How's your summer treating you?

Tim Dolan: All is well. I hope the same for you.

Robert Morier: Yeah, anywhere exciting?

Tim Dolan: Quite a few spots. I was just in Scotland with a few friends playing some golf, so no complaints there.

Robert Morier: Oh, sounds like a difficult summer so far.

Tim Dolan: Exactly.

Robert Morier: Doing well, good. I'm happy to hear it. Well, I'm very excited to introduce you and our audience to our guest today, Frank Mihail, Chief Investment

Officer at the North Dakota Department of Trust Lands. Frank, welcome to the show. Thanks for being here.

Frank Mihail: Thanks for having me, Rob.

Robert Morier: Yeah, it's really a pleasure. We have a lot of questions to ask you, Frank. But before we do, I want to quickly share your background with our audience. So Frank joined the North Dakota Department of Trust Lands earlier this year as Chief Investment Officer, overseeing investments for the $7 billion sovereign wealth fund. Based in Bismarck, the mission of the North Dakota Department of Trust Lands is to manage the assets of the permanent trusts in a manner that preserves the purchasing power of the fund and maintains stable distributions to fund beneficiaries and to manage all other assets and programs entrusted to the board in a prudent and professional manner in accordance with the Constitution of North Dakota and applicable state law. The Land Board, which oversees the North Dakota Department of Trust Lands, manages 2.4 million mineral acres, with interest in more than 8,600 of the 17,400 producing oil and gas wells in the state. The Land Board manages 13 permanent education trusts, including the Common Schools Trust Fund, the state's primary education trust fund valued at more than $6 billion, which over the last decade has distributed more than $1.8 billion to K through 12 education. Prior to joining North Dakota, Frank was the Director of Risk Mitigation with the Public Employees Retirement Association of New Mexico. At New Mexico, Frank led core fixed income and absolute return hedge fund strategies for the $16 billion pension. Frank was also with Wedbush Securities out of California for seven years, working in private wealth management. Frank received his BS in Mechanical Engineering from UC Santa Barbara and his MBA from UCLA Anderson School of Management. And I had said before, he is our fourth UCLA Anderson School grad on the call. So we're very excited to have him. He is also a CFA and CAIA charter holder. And most importantly, Frank and his wife now call Bismarck home. Frank, thank you for being here. And congratulations on all your success.

Frank Mihail: Thanks, Rob. Appreciate it.

Robert Morier: So how are you and your wife enjoying the Northern Great Plains?

Frank Mihail: It's beautiful. I moved up in January. And my wife skipped out on the winter and came up in the summer. But we've already spent some time driving through Montana and South Dakota. And Bismarck is a small town, about 130,000 people. So naturally, you get that friendly small town vibe from folks.

Robert Morier: And I think you had mentioned before, you're on the house hunt?

Frank Mihail: Yeah, that's right. We actually opened escrow on a townhouse. So we're expected to close here at the end of the month.

Robert Morier: Oh, congratulations! Well, if it coincides with the release of the podcast, we'll make an announcement. Congratulations. It's not an easy time to be buying. So that's great news. I'm happy for you both. Well, one of the exciting aspects of what we do is getting to know why people choose the careers they do. But you started with a mechanical engineering degree. So what were your thoughts in terms of career path, given where you are today?

Frank Mihail: Yeah, I certainly took the scenic route to get where I am today. I come from a blue collar family. My dad was an immigrant from Greece. He worked the graveyard shift at General Motors at the factory line. And so he wasn't really one to give me guidance and be like, you should go to Wharton! In fact, I don't think I had heard of Wharton until I was in my 30's. So when I was in high school, I was good at math. And so I knew I wanted to go into a quantitative field. I was also into art and design. And I thought car building would be cool. So that's how I ended up choosing mechanical engineering. And when I graduated, all the jobs were either in defense or oil and gas. And so when I came out of college, I worked in oil and gas for a little bit. And it just wasn't a fit. And at the time, real estate markets were taking off. This is like, 2006. So I had my eyes glued to the real estate markets and said, hey, I'd like to invest in real estate one day. I'm going to get my license so I can save on commissions. And I don't have to pay an agent a commission. I'll do it myself. And so by the time I got my license and made the transition, I had missed the top of the market. The music had stopped. And I became a real estate agent in Beverly Hills during the subprime crisis. And I did that for a while. I learned a lot about foreclosures and short sales and bank-owned REOs and apartment building investing. And I think one of the things you'll see is I've always had just a continuous desire to keep learning. So from there, I wanted to just learn about other types of investments outside of real estate. And then that's what ended up leading me to transition into wealth management, the same sort of theme there. I was like, well, I want to invest in my 401(k). And I want to know how to do it without paying financial advisory fees. So I'm going to go do it myself.

Robert Morier: Seeing and hearing nontraditional journeys is one of the more interesting parts of the job because we see people coming from all different directions when it comes to their seats. But you stayed in California and spent seven years in private wealth, as you had mentioned. So could you tell us a bit about your time at Wedbush? What were you learning? What was the focus on during that time, other than avoiding advisory fees from wealth management firms? We'd love to hear, what were those formative years like for you before you made the step over to the pension fund?

Frank Mihail: Initially, when I joined Wedbush, I had came on as the middle office, I would say, helping with retirement planning. And I was working under a financial advisor who was an impressive sales person. He had basically built $100 million book of business from scratch, just cold calling. And so the idea was he was trying to teach me sales skills. And the idea is one day, I would grow into building my own book of business. But that really never came into fruition. I think I just didn't have the gift of gab that he did. So I kept my head down. I started studying for the CFA during evenings and weekends and then pursued the MBA at UCLA.

Robert Morier: Were you pursuing the MBA at the same time you were working?

Frank Mihail: Yeah, so I enrolled in the part-time evening program at UCLA. And so I'd work full time during the days. And then my evenings and weekends were dedicated to the MBA program. And so, yeah, obviously, things got pretty busy.

Robert Morier: I can imagine. How did you balance both?

Frank Mihail: Procrastination helps. Sometimes, if you only have two hours to get something done, you can't invest any more time than that. So—That's true. That's one way to do it. Well, it sounds like multitasking and a work ethic is something you got from your father and I'm sure your family as well. Balancing both is quite an accomplishment. So congratulations.

Frank Mihail: Thank you.

Robert Morier: But in 2018, you made a big career move, so not only moving from private wealth to a public pension. But you relocated from California to Santa Fe, New Mexico, so two big decisions. How did you think about that transition, both from a personal perspective as well as a professional perspective?

Frank Mihail: I spent all this time working towards the CFA and the MBA. And in that final year of the MBA program, I ended up leaving Wedbush to do some internships and explore investment banking and private equity. And what I learned in those businesses, to be good at your job, you have to pick an industry and specialize in it, like tech or health care or consumer. It's not really what I wanted to do. I was more total portfolio, holistic portfolio management. And I said, well, I spent all this time, I think I had spent altogether, about seven or eight years getting the CFA and the MBA. And the other thing, in retail wealth management, you can't go to sit in a client meeting and start talking about Sharpe ratio because their eyes will glaze over. And so I said, oh, well, I have to hide all this education if I want to be a good salesperson in the retail sector. And so there's a saying at UCLA, diamonds polish diamonds. And my goal was, OK, where can I go where I can rub shoulders with other smart people and continue to grow? And that's sort of when the light bulb went off for me and said, OK, I need to be on the allocator side. And so when I got the offer from New Mexico, it was a perfect fit for what I wanted out of the career. And I was dating my now wife long distance. I proposed to her. And she came out and joined me in New Mexico.

Robert Morier: Well, that's great. Well, that's wonderful. I can keep congratulating you then throughout this podcast. So it sounds like you're on a good run. So I'm happy to hear that. Well, there were some focus areas for you when you were at New Mexico. You were responsible for core fixed income and absolute return hedge fund strategies, I'm sure among other things. So I'm just curious, what were some of the highlights of the plan? What did you learn as you sat in that seat, focusing on those two relatively different asset classes-- so I'm sure learning along the way, but also building along the way. So we'd love to hear some of your thoughts as to, what were the takeaways from your time with New Mexico?

Frank Mihail: Certainly, I can point to 2020 as the highlight of my time at New Mexico. When I started in 2018, I had come on as a generalist. And by the end of 2019, our CIO at the time, Dominic Garcia, offered me a promotion to build a portable alpha hedge fund program. His background, he had built the portable alpha hedge fund program at Wisconsin Squibb. And so he basically taught me everything he knew from doing that. And when COVID hit in 2020, we went full speed allocating. And so we were basically starting from zero and building a portfolio from scratch. And if you think across the industry, most allocators with a mature portfolio, they might be doing one investment recommendation a year. I did 10 mandates in 2020. And so I just got so many reps. And I went from not knowing anything about hedge funds when I joined New Mexico to having underwritten every single strategy type in the hedge fund business, from CTA, global macro, multi-strat, fixed income RV and merger ARB. And it was a great experience.

Tim Dolan: Frank, we're going to spend a bulk of this conversation on your current role at North Dakota. But our audience obviously is investment sales professionals like ourselves. And touching on your prior role at New Mexico, can you give us just a little bit of insight to that underwriting process from what you recall at New Mexico, as you said, comparatively doing 10 mandates compared to other pools of capital doing one, right? That's a lot of work. I'm sure you were extremely busy. But what was that investment process? So if we do have listeners calling on New Mexico, what should they expect?

Frank Mihail: Yeah, so we did all the investment due diligence in-house and supplemented our work with the consultant reporting. And so New Mexico has a general consultant. And then they've got a consultant. I think they're still using Albourne for hedge funds and real assets and then Axia for private equity and venture capital. And so one of the other differences with New Mexico is when

Dominic Garcia had come on, or prior to him joining, every investment had to go in front of the 12 person board. And when he came on, he changed that. So the investment staff got delegated authority. So it changed to, we would do the underwriting, pitch our presentation or recommendation to Dominic or the CIO. And then we would give and approve it, fund it. And then we would give the board quarterly updates. But yeah, with regard to my experience underwriting hedge funds, I'd start at the Albourne Castle platform, research hedge funds, figure out what strategy I needed. Who were the consistent alpha producers? And then just call on them myself.

Tim Dolan: Just one follow-on question to that, what is a typical allocation size or average ticket size, if you will, at New Mexico? Let's just take the hedge fund as an example.

Frank Mihail: Yeah, I guess in the hedge fund space, our smallest ticket size was 40 million for higher vol strategies. And then on the upper end, I think the largest check size was probably 100 million, so yeah, 40 to 100.

Robert Morier: Great insights. Thanks so much, Frank, for sharing those. Well, we are going to move on to your current role. We're excited to learn more about what brought you to North Dakota. And just, before we do that, we are a relatively young podcast. I'm excited to say, you're our first representative of a sovereign wealth fund to join the show. So to provide some context for our audience, I thought I would just give a quick background on North Dakota, spare you a little bit of having to run through the mission. But we are going to be very curious as to what resonated with this mission as it related to you taking the role as CIO. So North Dakota at the time of statehood believed education for all of the children for the United States was key to creating a strong democracy. So with approval of the Enabling Act in 1889, Congress granted North Dakota the ability to become a state. The Board of University and School Lands is part of that act. And the Enabling Act provided further land grants to the state of North Dakota for the support of colleges, universities, the State Capitol, and other public institutions. Revenues are generated through the management of trust assets, which includes assets of 706,600 surface acres and nearly 2.6 million mineral acres. There are two constitutional funds that the money goes into, which are the Common Schools Trust Fund and the Foundation Aid Stabilization Fund for education. The earnings from the Common School Trust Fund and the foundation aid dollars are transferred to the general fund, specifically to help fund K through 12 education, as I mentioned in the beginning of the podcast, which has allowed the state to increase the level of funding that is provided to the local school districts from the state to help with education funding. And I think it's notable just to close that out, that North Dakota consistently ranks in the top 10 for public schools in the United States. So as I mentioned before, Frank, what was it about the mission of the

Trust Lands that resonated with you prior to taking the role as Chief Investment Officer?

Frank Mihail: Obviously, that mission is wonderful, and not only for myself, but my wife is actually an elementary school teacher. So as I was looking at the role and prepping my wife, hey, we might be moving, she didn't want to leave New Mexico. And one of the ways I sold it to her was, as you mentioned, North Dakota ranks in the top 10. And New Mexico is actually an outlier in the bottom. I think it's ranked 50.

Robert Morier: I think it is, too. I did look at those rankings as well. I wasn't going to call New Mexico out directly. But yes, it's on the other end of the spectrum.

Frank Mihail: That was one of the ways I sold it to my wife. I said, look, wouldn't you like to work for a top 10 school district? And so she actually just accepted an offer and is going to be starting here in a couple of weeks. And she also taught in California as well. So this will be her third state that she's going to be teaching in. And yeah, the mission to fund students and education resonated with both of us.

Robert Morier: That's wonderful. I'm going to stop congratulating you. And what we're going to do is we're just going to flash a Congratulations across the screen for all of this good news. So I'm happy for your wife. So please send that to her for us. Well, it's interesting because the energy sector obviously is a big part of this plan. And it continues to be at the forefront of North Dakota's economy. About half of the state's revenues and taxes come from the oil and gas industry. So as CIO, how are you going to be considering the energy sector as an investment, just thinking about the mission, where those dollars are being generated from, both from a traditional energy perspective as well as renewables.

Frank Mihail: Yeah, obviously, the oil revenues were a great portfolio hedge for us in 2022 when broad markets, stocks and bonds were all down. We actually had a record-breaking year on the revenue side of the business. So because of that, we actually don't allocate in the investment portfolio to energy or commodities. We do have a real assets portfolio that consists of real estate and infrastructure. And there may be some renewable energy infrastructure plays sprinkled in that infrastructure portfolio. But we don't have a dedicated energy or commodities bucket.

Robert Morier: Well, I'm not sure if it was intentional. But it looks like New Mexico and North Dakota had a CIO swap. You had left New Mexico. Michael Shackelford joined New Mexico. And so I'm just curious, as you look at the two plans, maybe just kind of closing out the differences between the two, what was it like working for New Mexico? What are you bringing from that plan to North Dakota? And what are some of the new initiatives that you're excited about as it relates to the coming years?

Frank Mihail: Yeah, actually, it was a coincidence. I worked with Mike Shackelford for a few months at New Mexico PERA and when I saw his seat opened up, I read the description. And I thought it would be a great fit for my next career transition. Taking my perspective of now working at both plans, some of the differences are, from an investment perspective, New Mexico PERA is a 10-person investment team with about 200 line items. North Dakota Trust Lands is a two-person team with about 40 line items. And so even though-- and we're small. We're about a third the AUM, at about 6.5 billion. But because we have a lower staff, we have to write bigger checks. So we're taking more concentrated positions and actually writing about the same check sizes as New Mexico. From a governance perspective, New Mexico PERA is a 12 person board. North Dakota Trust Lands is a five person board. I find fewer chefs in the kitchen make the process more efficient. And so I do prefer the five person board structure. And then from a cash flow perspective, North Dakota Trust Lands is, I would say, a healthier institution than any pension in the nation. When you're dealing with being underfunded and having a liability that you have to match to, then it's more challenging. And so, the North Dakota Sovereign Wealth Fund, we don't have any liabilities. We're positive cash flowing. The biggest problem that we have that the board gripes about is, how come we're not putting the cash to work fast enough? So it's a good problem to have.

Robert Morier: That is, yeah. That is an uptown problem, for sure. So, with two people, how are you establishing those goals and objectives? What are the priorities as you see them, kind of coming in, the first seven to eight months now, and looking out maybe just over the next seven to eight months? I noticed that there was a head count available, for example. I think there's an investment officer position that was posted recently.

Frank Mihail: Goals and objectives, I would say I'm looking to drive alpha across the portfolio. So, obviously, you want to start with the inefficient markets where there is alpha. So I'm looking at every part of the portfolio and then figuring out if there's alpha in that space or not that we can chase down. And if not, in the more efficient markets where there isn't as much alpha, then we'll choose to just lever up the beta. And so we recently changed our strategic asset allocation, which incorporates a decrease to real estate, an increase to hedge funds, an increase to public credit, and allowing the use of bond leverage in public credit. And so, yeah, we do have a job posting right now that we're interviewing for, an investment officer. It's a bit challenging on the hiring front because we can't just go out and say, hey, we need to grow our team. Let's go hire. It actually, in the government, it has to be a bill that gets signed off by the governor in order to just to hire one more employee for our team. And so this year, we got approved for that one more. And we launched the job ad. So we're looking for an investment officer to help us with monitoring and managing due diligence.

Robert Morier: That's great. Well, thanks for sharing all that. I'm just curious, I know Tim's got a few questions to ask you. But on the hedge fund side, it looks like, as you had mentioned, you're going to be increasing exposure. We've heard a few of our guests over the last few months talk about equity long short, just because it looks like the short book is starting to drive returns again. How do you see equity long short fitting into your hedge fund allocation? Is that going to be an area that you're going to be prioritizing or are there any other areas within hedge funds that you're interested in?

Frank Mihail: You know what? I'm doing things a little bit differently this time around versus how I built the portfolio at New Mexico. When I was at New Mexico, I felt like a kid in a candy store. I was like, I want one of every strategy. Give me equity long short. Give me fixed income RV. And then from there, once you have a diversified portfolio of 10 strategies, that all rolls up into your own multi-strat. But the challenge with that is, yeah, in order to push on vol, you got to then look for these higher vol directional strategies, like global macro or CTA. And those strategies are always susceptible to double digit draw-downs. Then you have to go in front of the board and defend this manager's double-digit drawdown.
And so, I was thinking about things differently this time around and said, hey, instead of building my own portfolio of different strategies, I'm just going to go multi-strat across the board. And so while I do think equity long short is a great strategy, I won't be allocating to any dedicated equity long short strategies. But most of the multi-strats I'll be investing in will have some kind of equity long short strategy sleeve.

Tim Dolan: Frank, you had mentioned in our prep call, at North Dakota, you all are working with an investment consultant. Can you touch on that relationship and for our audience, an understanding of, I guess, point of contact, right? Working with you and your team, the two folks there, are we starting with RVK, or are we working directly with you? And how are you relying on them for investment resource or investment ideas?

Frank Mihail: RVK, they do a great job across the board, helping out. We've got, essentially, seven asset class buckets, public equity, private equity, public credit, private credit, hedge funds, real estate, and infrastructure. And so I've got someone at RVK that covers every asset class, a research consultant. And so at the end of the day, the process is, I look for strategy fit. RVK is underwriting the investment due diligence. And then once we both approve a manager, then we present the recommendation to the board. And so I think it doesn't really matter if a manager reaches out to me first or RVK first because at the end of the day, they got to talk to both of us. And there's certain areas where maybe I'm driving more of the initial decision making, like hedge funds because I have a background in that area. But other areas that I don't have a lot of experience in, I'm letting RVK take the lead, for example, in private credit, in making recommendations.

Tim Dolan: And obviously, early days here now, you listed out a few early initiatives in areas of focus. Just touch on that underwriting process and maybe the length of that underwriting process, right? Because across different channels, our audience covers different types of accounts. And whether it's an institution, a public plan like yourself, or even in the private wealth, the due diligence process can be quite lengthy. But touch on whether it's the speed of your work and your ability to put capital to allocate quite quickly, or does it take some time?

Frank Mihail: Yeah, it's pretty interesting because-- and I'll compare it again to New Mexico where I came from. At New Mexico, they've got in-house portfolio managers that covers every asset class. So they're doing the underwriting in-house, versus, we don't have that. It's me and Teresa, who covers operations. So I can't put together a 40 page deck for every single manager. So that investment due diligence and underwriting gets outsourced to RVK. And maybe because it's private sector, they're able to move faster. But I can push them to move faster. And so I feel like, yeah, the process, soup to nuts underwriting, we can get a deal done in two months. And they can move pretty quick. And so yeah, RVK does the investment due diligence underwriting. And I'm doing this right now. I've got their hedge fund guys working on a multi-strat. I've got their credit guys working on distressed credit. I've got their public equity guys working on some extended equity strategies. I've got the real estate guys working on a real estate recommendation. I got their venture guys working on a venture recommendation. So we got a lot of irons in the fire right now.

Tim Dolan: No, I love hearing that. Obviously, you have quite a mix of assets. Maybe just digging deeper into the private side of things, on the alternative side, I'm more curious about the illiquidity or that longer lockup, right? You touched on just that alpha drivers, the beta component, the public equity that RVK is working on. But on the private side, I mean, are you looking at two, three, five-year lock-ups, or will you even go even longer, a 10-year lock-up type fund structure for the plan?

Frank Mihail: Yeah, actually-- and this is one of the things I really love about this portfolio that I inherited. My predecessor had a preference for open-ended structures, as do I. And so if you include real estate and hedge funds, you can consider our portfolio 45% alternatives. But less than 5% of that is in closed end funds. And so we've got, 80% of the portfolio has quarterly liquidity. And yeah, so I guess, with that said, I'm not against closed end structures. I have a preference for open end. But there are certain areas where I think you got to go closed end, for example, venture capital, unless you know of an open-ended venture capital fund.

Robert Morier: I think since you joined, you just invested in your first, in the plan's first venture capital strategy. What was that process like, if you think about everything you just shared with us, that things can take as short as two months. You've got your consultant in a lot of different areas of the portfolio, but maybe just looking at one recent example. So, could you take us through that venture capital allocation? What did that process look like for you? And this is a little bit of a step back, but just strategically, thinking about your role, you have to direct RVK to look at all of these different asset classes. What's the work that you're doing before making that call? So maybe putting it all into the context of VC, I think that'd be really helpful for our audience.

Frank Mihail: Yeah, it's really a portfolio fit. So at the highest level, VC falls in our private equity bucket. We have an 8% target to private equity. We're 5% committed and only 1% in the ground. So that's been an area of focus because right now, private equity, obviously, private equity has been pretty slow to call capital. And that's been a sticking point for our board. Every meeting, they're like, how come they're not calling capital? How come they're not calling capital? Let's get more money to work. And they're anxious to get money in the ground in private equity. And I looked at the book. Even when I was interviewing and I was studying the book, that was one area where I was like, wow, they don't have a venture portfolio. I'd love to build that out. And so when I got on, I started talking with RVK to think about, OK, how could we build a dedicated venture book that fits in our private equity book? And we agreed that venture could be about a up to a third of the private equity book. And they had already put together a pacing plan in the private equity book before I joined of about 110 million a year. And so we thought, OK, if a third of that is venture, I can pace at, like, 35 million a year for venture. And then the question was, OK, how do I want to think about building it out? And so I decided, I want to go with a few core blue chip names. And then we can go direct. And the venture industry I think is going through a shift right now, where traditionally, venture firms weren't interested in working with governments because of the FOIA, Public Records Disclosure Act. And so they were mostly working with endowments. But now that these big, most popular names are raising more and more capital, there's been this shift where, now, they're starting to work with governments. And so I think I came on at the right time to build this out, where valuation multiples have come down. We can get access to blue chip names. And so my plan is I want to get access to go direct to maybe three blue chip names to build out this core. And then I'll probably have to tap into a fund of funds. I'll look to build out a seed portfolio of maybe a dozen seed names. And that's where, again, our operational manpower precludes us from really going direct because I don't have the capability to write a dozen $5 million checks. So I'm going to need to go the fund of funds route to get help with that.

Robert Morier: That makes a lot of sense. That's great context. Thanks for sharing that. I wouldn't want you to leave without asking you a couple questions about the economy and just how it relates to the plan. I should have asked this in the past tense now because things have changed quite a bit as it relates to investors' bond portfolios. But the Fed's interest rate increases had created this level of uncertainty in the capital markets. And consequently, we've been hearing from a lot of our guests that they've been focusing on bonds for the first time in a long time in their portfolios. But I'm just curious, from your perspective coming into the seat and having a background in fixed income coming from New Mexico, what are the, I guess, anticipated changes, if any, with your fixed income portfolio? And maybe some of the other areas of focus, you had mentioned a few earlier priorities. But we'd love to hear some more detail for our fixed income asset managers listening in.

Frank Mihail: So one of the sticking points with our board before I came on when we were in the low rate environment was, they didn't want money sitting in cash. They wanted to get that money to work. And now, that is getting flipped on its head, with cash paying 5%. And so I don't mind having money just sitting in cash right now because the risk reward trade-off just makes a lot of sense. But with regard to bonds, I just went to the board and got approval to allow bond leverage. And I hired an overlay manager who can help us get synthetic exposure to the US Ag. And we're not planning to turn it on right away right now, in this sort of inverted yield curve environment where our borrowing costs are probably more than our expected return. We're probably going to wait it out here. I don't really know how long. I can't time it. But I wanted to get that set up. That way, when the time is right, we can turn it on. And so yeah, all that to say, in our new strategic asset allocation, we increased our public bonds from a 5% target to a 15% target, with the allowance of a 5% leverage.

Robert Morier: Interesting, thanks for sharing. How about on the public equity side? The US equity markets seem to be continuing to be driven by a handful of tech companies, which we're all very well aware of. But we've also had a lot of investors talking to us about non-US equity exposure, so developed international equities, emerging market equities, publicly traded, that is. So just curious about how you're thinking about the US versus the non-US equity allocation and if there's any work on the horizon for you in that context.

Frank Mihail: Yeah, I guess this rally back makes me worry. So I'm skeptical. It looks like a double top because I feel like households and companies are burning through their savings. And I'm thinking, oh, the defaults are coming down the pipeline. But then the counterargument, the saying goes, bull markets climb a wall of worry. And that's exactly why I don't want to take a tactical approach and try to make a bet one way or the other. I just want to stick to my strategic asset allocation and do no harm. But with all that said, I'm looking at extended equities, 130-30 strategies to drive alpha. Whether we're going into a bull market or a bear market, lifting the constraint on that short side and allowing the managers to go short to drive alpha in our public equity portfolio I think is a great way to do it. And so then, yeah, when you think about, where's the best pools to fish for alpha? It's the small caps. It's the emerging markets. And so that's what I'm going to be looking at, hiring extended 130-30 extended equity strategies in small cap and emerging markets.

Tim Dolan: Frank, you touched on a number of asset classes that I'm sure our audience are probably getting excited about, sending you emails or phone calls immediately. So you might get flooded with that, which is good. Hopefully, you get presented an idea that maybe you might not have come across in your own work. But kind of the golden question as a fundraiser we all like to hear the answer to is more near-term opportunities, just from an allocation standpoint. And any specific searches currently or ongoing pacing opportunities that you have in the next six to nine months?

Frank Mihail: I've got a distressed credit play in the pipeline right now. I've got a multi-strat hedge fund in the pipeline. I'm restructuring my real estate portfolio right now. And then, yeah, we're still underweight private equity. So I've got 110 million a year. And how I'm thinking about that is probably 35 to venture and that remainder, 75, to private equity. And then we've got $120 million pacing plan in private credit. And so I probably want to do a distressed credit play this year and next year, back-to-back.

Robert Morier: Well, going back to the beginning of the conversation, I can see why you were so successful in multitasking when you were getting that MBA from UCLA because this has been an incredible initiative and in a short amount of time. And I know you've got a lot of work ahead of you as well, Frank. And we're getting close to the top of the hour. We greatly appreciate your time. We're happy to have heard all of these insights, particularly from someone who's new in the seat. It's not often that we get to speak to somebody who's been in a CIO role for less than a year and what that process is like. So for us, it's been very interesting. So one thing I always like to ask our guests as we close out is, who has helped you along the way? As you think about the mentors who have guided you, who have been important in your career development, both personally, again, and professionally, we'd love to hear that. And anything you could share for our audience, we're always looking for a little help, whether it's a salesperson or another allocator.

Frank Mihail: Yeah, absolutely. I think of probably my two most recent bosses, Dominic Garcia. He's now at CBRE. But I worked under him at New Mexico PERA. And he taught me about portable alpha, separation of alpha and beta, thinking about fees

per unit of alpha and just looking past headline fees when trying to drive alpha in the portfolio. And so I think about that on a day-to-day basis.
And then in my experience at Wedbush Securities in Los Angeles, Jeff Runyan, he was a great salesperson and a great mentor. He taught me about emotional intelligence, self-awareness, and I think all of that helps with my ability to communicate. And now I'm presenting to the board. And so I'm grateful for what he taught me.

Robert Morier: Thank you for sharing that. We appreciate it. Well, Frank, thank you again for being here today. Congratulations on all your success. Congratulations to your family as well. It sounds like a lot of things happening. So we appreciate you taking time out of your day to speak with us and to our audience. If you want to learn more about Frank and the North Dakota Trust Lands, please visit their website at www.land.nd.gov. 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 hearing and seeing, please be sure to like, follow, and share these episodes. We welcome your feedback as well. Frank, thank you for joining us. Again, we appreciate it. Tim, thank you for being here. And thank you to our audience for listening in.