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EPISODE 36:

The Value of Why

with Franklin Park

Robert Morier: Welcome to the Dakota Live Podcast. I'm your host, Robert Morier. The goal of this podcast is to help 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.
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Narayan Chowdhury: Thank you for having me.

Robert Morier: Well, thank you for being here. It's really a pleasure. Well, you are a partner and co-founder at Franklin Park. I'll quickly just let the audience know, Franklin Park was founded nearly 20 years ago. They are an SEC registered private markets investment firm that provides their clients access to private equity, private debt, and venture capital. So again, thank you for being here.

Narayan Chowdhury: My pleasure.

Robert Morier: It goes without saying, Mr. Shay, nice to see you as well. Andrew, thank you for being here as well.

Andrew O'Shea: Yeah, glad to be back. It's been a few episodes since I've joined. And excited to be here.

Robert Morier: It's exciting to have you here. I was just doing the math. And this is episode number 40. And you were with me on episode number one. So I think congratulations to us.

Andrew O'Shea: Yes, you've done a great job.

Robert Morier: Thank you very much. So have you. So thank you for being here. You know, I was thinking about it, because this is episode 40 and we've recorded quite a few of these, some people are actually starting to find out about the show now, as things have kind of taken off, which has been wonderful for everyone, particularly our guests and our audience, who are learning so much about these wonderful allocators. But would you mind, just for the audience's perspective, just giving a quick background on Dakota, who you are, and what we're looking to accomplish?

Andrew O'Shea: Yeah, of course. So we're based here in Philadelphia. The simplest way to think about our business, we have three different business lines, but is connecting asset managers and allocators. That's either through a direct partnership with asset managers, which is actually the origin of our business, started in 2006, where we're directly raising capital with some close partnerships across long time frames to help them grow and become better recognized brands in the marketplace. We also work with asset managers through software solutions and then content, like Dakota Live. We have a beautiful studio here in Philadelphia, where we support other asset managers that we don't necessarily work with for capital raising. But they can come in, use the studio, create more content. And I think we've seen that the financial services industry has been a little slow in adopting things like video and forums of this nature. So we saw an opportunity. And we're really just trying to help connect asset managers and allocators through a variety of different verticals.

Robert Morier: And I know one of those verticals is this space, the studio you're on, 23rd and Chestnut in Philadelphia. And I think Narayan, Franklin Park is going to be coming into this space?

Narayan Chowdhury: Thanks to you, we found out about this. It's an annual event we do every year for the benefit of our venture community and local community. We bring together our VCs from around the country to have a half day of really informal science talk. It's not a pitch contest. It's interesting principal investigators from our region chatting with our VCs, and their peers, and the tech transfer folks that we've gotten to know. And it's just a half day of here's my unique insight. And here's some of my commercialization challenges. Let's talk about it. So it's fun. It's intimate. This is an unbelievable place. I've taken a panorama in our invite. And almost everybody believes it's a fake video.

Andrew O'Shea: That's funny.

Narayan Chowdhury: It's stock. This doesn't exist. It's beautiful.

Robert Morier: It's been a real success for us. For me, personally, just having the opportunity to invite allocators here. One of the things I don't think any of us were expecting were how many people have actually come into the studio and come to us in Philadelphia to sit down, see the space, sit with us in person. I think a lot of-- not just allocators, but I think just a lot of people in general, have kind of been longing for this to sit down and have a conversation, talk about what's going on in the markets, but also what's going on with people. And that's really part of the mission of this podcast is the people behind the process, sales process and the investment process.

Narayan Chowdhury: This is a great location for it too. You're blocks from 30th Street Station. This area seems like it's really booming commercially.

Robert Morier: It is lots of construction. For Guy Costa, the founder, and Dakota, it's been a success. And it is now even more of a success because you're here in the studio with us. So thank you very much. So we have lots of questions to ask you. But before we do, I'm going to read your biography and let the audience know who you are. So at Franklin Park, Narayan is responsible for the analysis and evaluation of private equity investment opportunities, monitoring clients' portfolios, and conducting industry research. He is also involved in the development and implementation of Franklin Park's technology platform and regularly interacts with clients on investment and portfolio matters. Prior to Franklin Park, Narayan worked with Hamilton Lane and Public Financial Management, better known as PFM. He is a CFA charterholder and a member of the CFA Institute. Narayan received a BA in mathematics and economics from Bucknell University. And you call Philadelphia home with your family. So again, congratulations on all your success. Thank you for being here.

Narayan Chowdhury: Thank you.

Robert Morier: And we love talking about private markets. There's been so much going on in the industry, particularly over the last 24 months. So we're excited to get into those. But we always like to start with the beginning. And the beginning for you, at least from an education perspective, was Mahwah High School in Mahwah, New Jersey. Go Thunderbirds. So you were thinking about college choices. And there's always a lot of choices to be made during that time. And sometimes, it can be any one factor that takes you to a school. But for you, why Bucknell? What was the origination of that decision?

Narayan Chowdhury: It's probably worth taking a half step back, pre-college, thinking about some of the choices that were made for me, by me. I came here from India. I don't remember, five, six, early in life. My father had already moved to try to secure a beachhead for us. And so I don't remember how long he was away from our family at an early point. But he had moved over. I think we came through-- I think we originally came through Chicago and then moved to North Jersey, which is where we spent almost all of my formative years. And in North Jersey, I think eventually, my parents divorced. And so it was just my father raising me. And it's only now that I really appreciate the challenges and the minimum viable human that he was trying to get out the door. And so that meant a lot of time alone, not a lot of time to understand the inner workings of the world. I happen to find myself in finance. But understanding capital markets, understanding banking, forget fractional reserves. The larger picture of why things are the way they were never really imparted, wasn't as important as let's make sure we have dinner tonight. So a lot of the choices in getting into college were more or less of picking between good choices versus this seems like the easiest or the most sensible path for us. So with Bucknell, apologize to my Alma mater, common app, and they provided me a scholarship. So that was a fairly easy decision. I hadn't really known the campus. I've now come to know a lot of the administrators. And I had two wonderful mentors in my mathematics and economics department. Bucknell was incredibly transformative. I lucked into it.

Robert Morier: Well, that's what happens sometimes. Sometimes, it's the fortuitous chance that gets you to on the path that you didn't quite expect. So I'm happy to hear that Bucknell ended up being that for you. I'm always interested, as an educator, I'm someone in the classroom, not really knowing the full picture of where students are coming from. I'm curious, how did those two mentors, we're going to talk a little bit more about mentorship at the end of the conversation, but what was it about them in undergraduate that really resonated with you and lead you to talk about it now all these years later?

Narayan Chowdhury: Well, different things. I always wonder if a college professor is objectively good or just better than what you're seeing in the areas that you're less interested in. So what do I mean by that? I mean, obviously, we took lots of classes through college. And some of those professors I'm sure were very talented in geology and-- but they didn't hold my interest. Professor Pamela Gorkin in math was just an amazingly passionate, interested, cared about first principles and how she conveyed. And I had an interest in math. And so it was just a good fit. I just found myself gravitating to the way she taught and ended up going down a pure math avenue because of her. And similarly, Professor Michael Moore, who's unfortunately passed, he could not have been a more opposite personality than Professor Gorkin. But he was almost a father figure because he brought a lot of the whys into my life that I hadn't had the luxury of experiencing. So I think he was a longtime Goldman partner and was an associate professor, actually. But he had tremendous networks.

He would keep in touch with his kids for decades. He also had uncanny graphing ability, which we always joked about. But he was a phenomenal educator, and again, had a real passion for the subject. Always had time for his students. And it was more of his see the world. He would do the semester abroad. He was a great counterbalance to Professor Gorkin, who was, I think, a bit more intellectual and subject matter focused. And Professor Moore was more of the big picture. I was very, very fortunate to have both of them as mentors, My college journey was much more about doing well in those classes and making some lifelong friends, but not doing the internship, the preparation for the next step. That was, again, probably a shortcoming that I hope to address with my daughter.

Robert Morier: Well, I want to ask you how old you are, but I do know internships were a relatively new phenomenon. I mean, they existed, obviously, and particularly with some of the larger banks. But the idea of taking an internship at any company, because all now are essentially offering them, was still pretty new. So I can imagine for your daughter and our children, it'll be much more important.

Narayan Chowdhury: Perhaps, who knows how generative AI may affect all of that.

Robert Morier: That's true. That's very true. Well, we're going to ask you more about that as well. But thank you for sharing that. I think particularly with Professor Moore bringing the whys, asking questions, and really thinking critically about what you're doing and why you're doing it, and not just the how.

Narayan Chowdhury: And contextualizing the world. This is, may I go on a slight, mini rant?

Robert Morier: Please, it's a podcast. That's why we're here.

Narayan Chowdhury: So even my economics education, I think people viewed it, and there was a similar sort of marketing lane, marketing 101 is pretty famous Bucknell class. I think people get into finance, and I know I did, there's another mentor I'll maybe mention later. You don't always know why. When you're growing up, you know why you might want to be a fireman. You might want to be a lawyer, a doctor, a police officer, the sort of obvious community benefits. And finance is a bit more abstract. And I think that does a disservice. I think it selects people who are in it for the wrong reasons, sometimes. I'd love to see some reform in math, maybe that's another podcast, but also in finance and economics, especially folks who want to get into capital markets investing of the why, of the duty that we have. And I think Professor Moore was fairly good about contextualizing that. You are a piece that's trying to understand what is a good use of capital for the benefit of lots of people. You have a real duty to work hard, to do your homework, do your diligence, and make good decisions on behalf of these people. That is what you are doing in finance, not hoping to get a second home down at the shore. So I've always found that civic engagement, that why of finance to be lacking in our education. I'd love to see more of that. I think it's really critical to get the right type of folks involved.

Robert Morier: Yeah, I couldn't agree more. I don't think we hear or talk about fiduciary responsibility enough, stakeholder responsibility, stakeholder engagement, particularly in the classroom. It's all about the mechanics of the industry or the mechanics of capital markets. But one of the things, at least for me personally, having been on the show now for 40 episodes, some of them with Andrew, is that when you are talking to a Chief Investment Officer from a public pension fund that's representing firemen, police officers, teachers, or a university endowment, there is more talk, which has been more reassuring, about the mission. We're hearing mission significantly more from our guests. So if I just did a word search on all of our transcripts, mission has been coming up more and more often. So I'm feeling better that there's this acknowledgment that behind the investment are people. But I couldn't agree more. I think in the classroom, particularly at the undergraduate level, things like fiduciary responsibility are still a ways away.

Narayan Chowdhury: And I think a professional should feel good about I made that choice to be in finance because it is a benefit. And because I can talk to my parents and my neighbors about what we do, why we do it, what sort of value we add. Because I think there is an image of a financier, which it's completely unfair.

Robert Morier: Well, I'm going to ask you why. Why PFM, then?

Narayan Chowdhury: So this was another one of those less calculated, so I graduated without a job. I was back home wondering why a dual degree in math and economics wasn't working for me. And Bucknell's Career Management office had made some introductions to this muni finance firm based out of Philadelphia. And I still can't believe how green I was. Showed up for that interview. I think I had misspelled my name on the resume, which another great mentor, Brett Mattio had pointed out. I think he found that an endearing, thank you. And so that was one of only a couple options I had. And I felt like this was a situation that I think I had made that decision that I really needed to wake up and understand that there was a path. Let's really try to understand muni finance, let's try to understand how do we value securities, the nuts and bolts. I was sort of flipped. I was like, I really want to get into the mechanics now. And I really credit Brett Mattio for that. And they ran an amazing training program, which I try to emulate to a slightly smaller degree at our firm. He was an incredible mentor. And I was so lucky to end up at PFM. They've trained great people over the years. They were featured in Buzz Bissinger's book, I think, Prayer for the City about Mayor Rendell's term. So again, really, really got lucky finding myself at PFM.

Robert Morier: Those training programs are really critical, I think, especially for a career in finance, not just the mechanics, but remembering how to spell your name correctly. That usually helps as well. So yeah, I think about my first role out of college. It was very, very similar, it was just kind of the basic blocking and tackling, how to write a letter, how to write an email, how to leave a voice message, how to leave a message on your own voice machine. I mean, even in the beginning, I didn't know what I was doing. So it was very helpful. But after PFM, you were with Hamilton Lane, one of the largest private equity allocators in the country. They actually have a podcast as well. It's quite interesting, called Private Markets Made Human. And in their opening show, they shared that despite its size and reach, private markets remain a mystery to many. So I'm just curious as you think about, it was a few years ago now at Hamilton Lane, what was that experience like? Whether it was educating investors on the merits of private markets, and then what you learn throughout.

Narayan Chowdhury: So I had a brief detour, actually, after PFM. I had this crazy notion to start a company. So I think this was now the start of this desire to build something kind of started in the late '90s. So moved to California for a very good reason. The idea was to create an equity market for film and music projects. At the time, this would resonate if you're super old like me. You would buy a share of Blair Witch and then trade it online. But actually, you'd buy a bundle of these things because I'm a fancy finance person. So we went out there to try to start that media securities exchange. And was myself. I think I was 23. And lots of great learning lessons. One of the biggest is if you're trying to do something to disrupt Hollywood, you have to be an insider. You cannot just be a finance person showing up at MGM saying I have great idea. You should check it out. If you don't have any insider credibility, it doesn't matter how great your idea is. So fast forward, we couldn't move it along. And I was fortunate that somebody who was at PFM had moved over to Hamilton Lane. So I reached out to that individual at Hamilton Lane. He was kind enough to give me a chance. And so I ended up in their due diligence group. And again, a wonderful situation. Hamilton Lane is one of the progenitors of this private Equity Advisory segment. And I got a great training ground and I met my co-founders for Franklin Park. So another fortunate experience.

Robert Morier: And you caught the bug, you caught that entrepreneurial bug.

Narayan Chowdhury: Yeah, about three years in, the sequence of events is I had been working for the two folks who were leading diligence, Michael and Jim. And then in the last year of our term, Brad Atkins, who's now the CEO of Franklin Park, said, hey, why don't you help me start a research group inside Hamilton Lane? And that sounded fun, I'm an inveterate tinkerer. I love technology and sort of checked a lot of boxes. And I really admired Brad. So that was an easy decision. We did that for a year. And then slowly, Brad and a few others started digesting this idea of a next generation advisor, asset manager in private markets, tapped me at that time. So then I was 26-ish, the youngest co-founder there. Said why don't you start this with us? And it was not a rejection of Hamilton Lane but more a, - again I'd worked with Jim, and Brad, Carl on the legal side, Neal on the monitoring side, doer people that I was interacting with a lot. So it just sort of made natural sense to start this with my closest contacts, putting aside Eric, who had given me the chance, which I still feel a pang of guilt for. And I'm eternally grateful for him giving me that opportunity. But the six of us left in '03, opened up in the Lee Tire Factory in Conshohocken.

Andrew O'Shea: That's great.

Robert Morier: I'll put my due diligence hat on, my analyst hat. What was the problem you were looking to solve for?

Narayan Chowdhury: We wanted to make sure that we really were thoughtful about AUM growth. So I think when you get to a certain size, your opportunity set for funds shrinks. So if I have to deploy $500 million into a portfolio construction and how a advisor asset manager does his or her business, there's a lot of art to it. And you can be ultra high volume, you can be a little bit more bespoke. Our thought was to be a bit more bespoke and make sure that the quantum of capital that we were responsible for deploying from situation to situation was big enough to be meaningful and have some say around governance, yet small enough so that we never had to make a choice that this is too small for us. This super interesting niche, inefficient idea, we're too large for it. So it's a nebulous feeling. But that was a critical part of how we wanted that firm to grow. The other thing, and this may be a mistake, we opted not to have a client-facing team. So a lot of firms have a research arm, which is separate from an investment arm, which is separate from back office, monitoring, legal, and separate from an IR team, that's the client-facing entity and meant to funnel traffic within. We really wanted a much more cohesive everyone does everything sort of shop. So it's evolved, certainly. But in the early days, everyone was pretty much doing everything. And startups often say that. But in this case, this was we wanted investment people to do a little bit of monitoring. We wanted investment people to be outbound, meeting clients. We wanted them to make sure we read all the documents and were at least doing a first draft on legal. I think with our scale, we have become a little bit more specialized. We still don't have any outbound client-facing folks. So even though I may lead venture capital, I still have some client responsibilities that I very much enjoy. And I think we've selected people who feel comfortable in that world to do mostly investing, but as we'll get into, I also love to build our technology and interface with some clients in managing their portfolios. And so why is it maybe a mistake? It's possible. I think when you have a dedicated person or a client management team, that is their job. They live and breathe that. And they're much more focused on gathering whereas our model is we gather tens of data points either within our client base or outside, those folks get hundreds of data points, thousands of data points. And I'm sure there's a benefit. There's a trade-off. And so we're probably losing that benefit to some degree. I think the benefit for us, our clients tend to know lots of folks on our team. And so if there's a question on private credit, they know exactly who to call. Even if it's a client that I'm not 100% close to, there isn't a client that all of us don't know. But if there's a client I'm not more day to day with, and they have a question on venture, hey, I'm putting trip together, just answering this email in particular. Going to San Francisco in October, I'd like to meet a biotech. I'd like to meet a super early stage. I'd like to meet an AI focused, can you help me? They go right to me. And that is our preference. So that's the trade-off. But it probably means you can't scale as fast, as big as a structure where you do have dedicated IR folks.

Robert Morier: It sounds like it also introduces more organic growth. So I would assume that it's a lot of word of mouth, your clients are talking to potential other clients.

Narayan Chowdhury: Yeah, early on, it was certainly some RFP answering. 20 years on, that has changed.

Robert Morier: Andrew can talk to us about the art of RFP answering for sure.

Andrew O'Shea: I was just curious the decision to focus exclusively on alternatives versus public markets. Is that a function of your team's experience? Or was that just philosophy that you all had that was we're going to be best at this and do one thing and do it very Well?

Narayan Chowdhury: A little bit of both. So Hamilton Lane, at that time, was fairly rooted in just privates. I think they still are. I think they've added real estate. I don't know if they have hedge funds. But our thought process was that was our background, really, the life cycle of pre-idea funding for private companies to potentially turn around private credit, later stage opportunities. And that was a massive universe. And the team that we were creating, we felt that we could cover that universe well. If we wanted to add real estate, that was another big universe and didn't feel that we would have to grow that organically. We wouldn't want to bolt something on. And so we said, "Well, that doesn't make sense to either bolt on or try to 50% increase our team for that." So extensions into adjacent markets just haven't made sense because we would have to grow our team, perhaps grow AUM, all these scary things that would perhaps mess with our formula. So it is really a combination of our background plus where we felt we could be best in class.

Robert Morier: You've talked a lot about the solar system of Franklin Park, but if you could, maybe just for our audience benefit, talk about the core, the sun of it. So at its heart, what is Franklin Park looking to accomplish for its clients?

Narayan Chowdhury: Trying to help them access really challenging opportunities, really inefficient spaces in private markets. So if you have made a decision to invest in private markets, first there's that decision. You're a custodian of some endowment or some public pension. Again, that's such an important and profound responsibility. So you say, well, how should I best deploy this capital? And in that discussion, you've said, well, I want to do some private markets. I think we would love to understand why. And there are lots of different types of private markets. And the private markets that you hear in the press at a large scale may not necessarily be the private markets you think you're getting, or certainly, that we would be investing in. We're really trying to focus on teams that have some unique insight into how they deploy capital with founders, with management teams, sometimes secondary from private equity to private equity. But they have some unique insight into what they're going to do with the proceeds that they're going to provide to these sometimes secondary to the founders, usually primary into the companies. What are they going to do with that? How are they going to find these companies? And they're typically smaller, nichier, and really hard to access. So our job is to do a ton of legwork that many of these institutions can't do to understand those markets, map those markets, continuously interview and look through track records and say we think these are the top end parts of this segment. This segment's super interesting, seems inefficient. And we think these are the top end players in that segment. Let's make it our job to meet them, endear ourselves to them, make sure that we can get access when they next raise. This notion that even if you like something, you may not be able to invest is unique to private markets. I think we're trying to make that a competitive advantage. So it's solving a lot of that informational asymmetry for these institutional investors that are often understaffed to do that.

Robert Morier: So how did you draw the venture capital stick?

Narayan Chowdhury: Oh, that was easy. I think going back to my desire to start a company, I was just completely taken with, I'm a historian of it. And so thinking back to was it General Daurio, and ADR, and the roots of, I mean, it feels so American to me, that pioneering spirit. The idea of funding dreamers and funding people who are ultra passionate about making a big change, venture is the least cynical part of the financial stack by far. And I love every day talking to founders and VCs about their business. It's energizing. It doesn't matter if you're talking 1 o'clock in the morning, it's energizing. And so it was very easy to want to survey that market.

Robert Morier: I couldn't agree more. My office is adjacent to the Drexel University incubator. And it is contagious. I mean, you just want to start a business at the end of the day. And then you have to be checked when you get home. But I couldn't agree more. It is interesting, as a historian, we talked about some of the parallels earlier in your career, particularly with VC. So relative to what we've experienced this year, in

2001, VC investments fell by 61% from its previous high, which I think was $97 billion during the dot com era. And this year, VC has fallen about 32% year over year through June 2023. So I'm just curious, I'd welcome to hear how you are speaking to LPs about the environment today relative to what you experienced at the beginning of your career.

Narayan Chowdhury: Yeah, it was funny. When I started at Hamilton Lane, VC was interesting. And at the time, we were looking at a lot of, the prevailing wisdom is there are 15 firms - if you can't get into those 15 firms, you might as well not do venture. Then there was a crash. And really, until '05, '06, '07, and we're so fortunate to have someone like Josh Kopelman in our backyard starting with his Midas funds, really reinventing it. But between that, there was a pretty sizable gap where I remember articles that ask is venture dead? Is venture a viable asset class? Should institutional investors have venture? It was not of interest. And the incumbents were kind of plowing dollars out. It was a little bit of the tail of tech telecom build out that got overcapacitized. Along come a group of super angels, and I think that was the term then, like Josh Kopelman, and Aiden Cyncoed, and Mike Maples, and Steve Anderson, and Jeff Clavier. There's a dozen or so, Manu Kumar. I apologize if I've missed some folks. Who said, let's go back to the basics. This happens. Let's go back to the basics is a frequent lament in expansion and contraction in these private market strategies. And so that '06-07 period was one of those for venture where it was back to basics. Let's really try to find founders with unique insight solving difficult problems or working on profound new technology. Let's help them at the earliest stages when there isn't a lot of signal. And surprisingly, a lot of the incumbents had kind of abandoned that and made room for some fantastic, fantastic firms that are now household names. And there was a big shift in who were the power players in venture. So yeah, First Round and all those others, they really came to say venture is back. And in fact Union Square was another one, Foundry Group. I think I don't know if any of them have a bad fund. They've all done tremendously well in those vintages. And of course, now, that brings in a lot of interest, as efficient markets tend to do. A lot of folks said, “Well, maybe I can, and I was part of that story, let me take the other side and become a VC myself.” So that was the next phase. And there's maybe been three or so generations since then of either new seeds or seeds growing well beyond their initial remit. And we're still seeing lots of new names. So venture is down a bit. But it's still at a very healthy clip relative to that '01 to '04 or '05 segment. I think we're still investing $100 billion in the first half. And don't quote me on that. But that's still a really, really healthy level of funding for NewCo. And again, maybe we'll get into generative AI. But that is white hot. That is like 2021 peak activity underwriting behavior, good and bad, mostly bad. So there are quite active pockets, both regionally and subsectorially.

Robert Morier: Maybe taking venture capital as an example, is the work client directed? As you just mentioned, there's a trip that's coming up. So you've kind of pinpointed, well actually, the client has pinpointed a couple of specific areas that they're interested in. So does the idea generation process work from that call? Or does it start before that amongst yourselves?

Narayan Chowdhury: Our philosophy, and I'm glad you set me up for this, is on people, knowledge, and technology is it has to be continuous. So we've tried to set up our workflow to be continuous. And what I mean by that is if analysts are entering in duplicative data at any point, our systems are wrong. We should always be thinking about incremental pieces of knowledge. And those sources should be everything. It should be public repositories, private repositories, our clients, absolutely, our personal networks, and then our manager networks. We want to be pinging on all of those nodes constantly and feeding back into our proprietary software constantly, but doing so on an incremental basis. We really don't want to be re-entering the team, re-entering the thesis. And so I think that helps with the speed and inclination to go and gather data. I think if you're in a system where you're constantly rewriting and covering old ground, it becomes tedious. So job one is for our analysts and our software to conceive of a continuous diligence environment. And then, really, constantly triaging and reranking subsectors of interest and managers of interest. The venture side is so deep, if we look at 1,200 funds in a year, I think a quarter of that, at least, is venture. It is the most prolific and has the lowest barriers of entry to start. And I had a $25k allocation to my friend's seed deal. I'm a VC. It has the lowest barrier -

Robert Morier: Are those the kind of calls you're getting?

Narayan Chowdhury: Absolutely, yeah. And some of them grow into interesting opportunities. And some of them stagnate. But that's probably why we have such a high frequency of venture. So we're getting a lot of flow. So it would be impossible for our client to really understand who's focused on AI. And is an AI specific fund interesting? Or the AI partner, infrastructure partner at a slightly larger firm, or a generalist that happens to do a little bit of AI, what's important? It's too it's too wide a field, I think, for them to have a point of view beyond I want to know more about it. So because my board or our internal team discussion, it keeps coming up. And we need to understand it. So they're often point solutions in a broader discussion that they're having versus please construct a portfolio with x, y, and z.

Robert Morier: Kind of getting more granular in terms of the manager research process, but this is where Andrew always does best.

Andrew O'Shea: Yeah, I think it would be great to understand you're looking at themes, potentially. And you're constantly vetting managers. But once you really pick up to dig in and say, we need to make a decision here, how does that process tend to work for you all?

Narayan Chowdhury: Again, it tends to be pretty organic. And I'll give you a story, which is pretty canonical on the venture side. So having built some software, I'm familiar with a lot of tooling. And one day, I was noticing that there's this VC that has funded a lot of the tooling that I'm using. They were in Gradle, and CircleCI and Netlify. And I was kind of surprised that this entity was funding all of these really interesting formative tools. So reached out, introduced ourselves. And at the time, they really weren't raising institutional capital. They were more focused on a education acceleration model. So we said, well, let's go out and spend half a day. That went well. OK, I'd love to go to a community event, just to understand what founders are they attracting, how do the founders react amongst themselves about their programming and the community that this group was trying to create. And it just kept building. We love it when a diligence that we're getting to know a group, and it's usually years, it just keeps getting better. Every touchpoint, you just feel more impressed by this person, and then the person below that person, and this person who works with that person. So it's a lot of that triangulation of opinion and objective data points over time that just keeps you wanting to come back and learn more and learn more. And so we ended up not doing their first institutional fund. It was Roman numeral III. For us, we're probably not as aggressive as some firms on doing a very first institutional. We prefer to see a cycle where a manager is working with institutions, reporting, works out some of the kinks on building out a portfolio, reporting back, working through advisory board issues. And then usually in that second one, we're there, have really tracked that portfolio, have spoken to that manager multiple times over years. Again, going back to our earlier discussion, just because we want to do it doesn't mean we have the right to do it. So we have to be, I think, a credible partner for those VCs on the other side to say we'd love to have Franklin Park as a partner on what is a 10, 12 year journey and potentially co-invest. And so you become very close with these folks.

Andrew O'Shea: Is that consistent for private credit and private equity as well? Or would you be more comfortable being earlier in those asset classes?

Narayan Chowdhury: That's funny you say that. Probably private credit, I feel like every fund is a cargo spin out. They tend to be more institutional right out of the gate, same thing with PE. So I think there, and you might have situations where a track record, it's a perfect spin out. The team that was, in a generalist, the team that was doing health care is completely spinning out, very portable track record, very experienced. You can underwrite that fund one. So yeah, I do think there is some nuance outside of venture where we would get more comfortable earlier on.

Robert Morier: What's the best way for an asset manager to approach Franklin Park and approach you? I mean, it sounds like the flow of information, 1,200 I think you said is the number of meetings or at least inquiries that you're getting a year. So as you think about that, how do you distill that number down to a manageable amount?

Narayan Chowdhury: That's a very manageable amount. We also don't have a dedicated technology person. We've really kept the team lean, leveraged our technology that we've built to have a team that I think can easily cover that and more. So it's about being on the phone, traveling, meeting managers, understanding the story, understanding the why. Why did they start this? What insight do they have? Stylistically, what did they see that was broken at their parent or in their peer set that they're trying to address? What is their process that's unique, perhaps their sourcing strategy that's unique? They're effective at relaying that story. Which frankly, most-- these are almost all very successful, high competency people.

Robert Morier: Are there any common characteristics in those whys? So if you think about your asset management, your typical partner, do you find that over your 20 years that you've found that there are some characteristics in those people or in those businesses that seem to come up more often than not?

Narayan Chowdhury: I don't know. I don't know. We've had great success with restarts. I think for us, it's trying to keep an open mind and having a first principles approach to the story we're hearing, this needs to resonate with a founder. Does it? Why? Let's try to empathize with the other side. As we're diligencing the underlying portfolio company investments that the people who took the money, who took the investment are giving us a strong indication of that why really resonated with them, that's a good indicator that we should pay attention. But we've had success with restarts where the manager was, at one point, struggling. And the fund n minus 2 was a poor performer. And I think for a lot of firms, that means, well, we should never look at that manager again. And so for us, it may be a perfect opportunity. I'm thinking of one, somebody younger came in and absolutely set the world on fire, just reorged the processes, the team, eliminated a bunch of offices, refocused the brand, and just did an amazing job. And the next person that he brought in on a different part of the market, he set the tone. And everyone after was really fantastic. And that reshaped that org. And we were very fortunate to be partners there. Actually, both of these were on the venture side and the buyout side. I'm thinking of two now, both in Boston. So that is one archetype. There's another archetype of a really strong single, a firm is architected where one person sets standards, sort of allocates resources across the firm to prosecute the investment process. It's a fairly unique investment process. But it's clearly there's one person at the top. Not that the layer below is a singular process-driven entity. They've said, we prefer this structure, where this one person is the arbiter of quality and resources. And that worked out very well. So try not to have too much dogma around what could or could not work, I would say. But feeling that it resonates with the recipients of capital, I think that's the real rubric that works for us.

Robert Morier: That eliminates my next question. In our first episode, Andrew asked an allocator who shouldn't call you. There's a lot of asset managers that Dakota Marketplace, and I love that question. And I think about it a lot because one of the hardest, I think, aspects is, particularly in the investment sales front, is when not to call because you want to call everybody. You want to try to get in front of everybody. You're in San Francisco. You want to get that meeting. But there are certain characteristics of a firm that just don't resonate with allocators. One, for example, is one of the easier ones is if you're a publicly traded asset manager. Sometimes that's just a no go for folks. There are a lot of other smaller kind of boxes that can be checked as well. But I'm just curious, I'll ask.

Narayan Chowdhury: I think evergreen structures wouldn't work for us. It's often structural, kind of to your point, publicly listed, a hedge fund structure, an evergreen structure. Otherwise, the other thing that we should be doing, though, is setting expectations quickly. And so we'll often say, hey, you send us some initial information about the team and the offering? And that'll at least level set, say, based on our market map and our forward calendar, this is going to be tough for this fund. So let's have an initial conversation. Just keep it to half an hour. Let's hear the pitch. Tell us what do you think is the next step in terms of, we just did a roll up of medical gas. And that founder is really emblematic of what we look for and bought our story. Have a conversation. So we'll have that conversation. Try not to spin more cycles for that manager. Be really respectful of the resources that they're allocating towards us. But gather some initial data and a point of view. And realize that next time we're in XYZ City, next time we're at this conference or they're coming through to diligence, let's make sure we meet again before the next fund. I think the worst thing to do would be to say treat everyone in that same. And in another couple of weeks, we'll do eight calls together. And at the end of that, and say, you know what? It's probably not a great fit for us. We try to, again, really put ourselves in the shoes of the manager who's offering this pitch. And try to be really straightforward with them. But we're a pretty friendly meeting firm.

Robert Morier: Does that mean every sales person goes home and said that was a great meeting. I think Franklin Park is really excited about us? But you do take the next step. And you do set those expectations, which I think is helpful.

Andrew O'Shea: You've given us some great intelligence into your process and the depth of research you all do. I think our audience, and myself included, would love to hear where you're currently seeing opportunities today at Franklin Park, where you're spending time doing manager research, et cetera.

Narayan Chowdhury: Sure, I guess I'll take it from a bit of a venture point of view. So you can't not see AI, it's everywhere. And in fact, we went to San Francisco just a couple of weeks ago. And it had been a little while, probably six months or so. And there was a good energy there that I don't remember from our prior visit. It was a lot of it because of generative AI and what was happening in that market. Cerebral Valley is a new neighborhood in SF.

Robert Morier: What are the rents there?

Narayan Chowdhury: So this is the thing, your mileage may vary is a very accurate statement for what's happening in San Francisco and probably some other metros as well. The general theme I was getting from our discussions was that there were some zip codes were worse, the worst zip codes were worse. But there's plenty of zip codes that were thriving or no worse off. And certainly folks who had moved into Cerebral Valley, and there's a lot of events happening there, there's a lot of heat. And the valuations and underwriting in those spaces have looked like 2021 again. We had VCs swearing off that behavior a year ago. And it's back. And I think you can understand why. There is a feeling that this is going to be a winner take most or winner take all market. And the pressure to find the best interface for a large language model, the best fine tuning project, the best cloud deployment orchestrator, excuse me, there's a lot of pressure. There may not be five of them. And so you still have entities with lots of capital on the sidelines that are aware of how profound this technology could be. I want to be in the winner. And so it really is back to FOMO. There is definitely FOMO in that space. And it's driving up valuations. And it does feel like it's a massive horizontal affecting every venture segment. So that is the clear area of opportunity. I mean, at Franklin Park, we're experimenting. We have an AI policy. But we're experimenting, certainly, with our own systems and seeing where it could benefit our investment analysis or our client interactions. So that's a clear one. We're still believers. And we're, again, fortunate to be here in Philadelphia. Biotech is going to benefit. We're seeing projects where there are large language models for protein synthesis. And so it's in that arena as well. But more last cycle immunoncology and gene therapies, there's still plenty to do. And there's a lot of innovation here in Philadelphia. So we're believers in venture. We're believers in science. We're believers in innovation. Until people stop inventing, we're going to have a very healthy appetite for venture until a ChatGPT does my job as well.

Robert Morier: Acts like a fund manager?

Narayan Chowdhury: Yeah.

Robert Morier: No, absolutely. How about digital assets, fintech, digital assets?

Narayan Chowdhury: Well, fintech is definitely of interest. We call it DLTs, Distributed Ledger Technologies at our shop. It's something that we've done a ton of research on going down to the algorithmic level. We had, I think it was '17 or '18, we had kind of a luncheon talking about trapdoor functions, and Diffie Hellman, this has really been an evolution of technologies from the '70s or so, there's an anarcholibertarian bent to it. It's super fun to think about. Our criteria has always been we're looking for some enterprise use cases and some significant adoption. If JP Morgan moved 100% of its repo business to some DLT system, that would kind of pique our interest. What we had seen until late '21, and still do, is most of the value creation, whether it was kind of an open sea or blockdam, and these were exchanges or tooling around exchanges, tooling around trading signaling. And for us, we didn't want to be investing against that theme. So we're still on the sidelines. But as a technology for coordinating multiple players, multiple untrusted players, it's interesting. But we haven't seen the use cases just yet. We also candidly do worry about some of the worst this segment. Because you can manipulate the market and we've seen a number of firms fined for it, wash trading, I think, is rife. Some exchanges have very good KYC AML policies. Other exchanges and tornado mixers, very, very poor by design, can really promulgate the worst behavior that you might have a nightmare about. I think for our institutional clients, we've stayed away for now. But again, want to keep an open mind about it. It's definitely a useful technology. I think our VC, we certainly don't penalize our VC. Our VCs, they have stated, in many terms, their job is to follow technical talent. And there was a period of time when technical talent, either at the undergrad or post were really flocking to these technologies. And you would see it in open source project creation. You'd see it in undergrad enrollment. There's a lot of indicators. And so they were naturally following those professionals. And so we are a proxy of that. And so happy to follow them. I'd say now, it's really shifted hard into AI. But we'll keep an open mind on it.

Robert Morier: How do you cultivate those relationships?

Narayan Chowdhury: After 25, in some cases, 30 years at our team, it's really now been just a network. We love to start at the founder level, really, just at the grassroots, founders, and accelerators, and PIs, and folks who are at the very formative stages of innovation. What are you worried about? What do you care about? Do you care about a giant services platform like Andreessen has when you're taking your first dollar? Do you care about a global approach, multiple offices when you're raising your first dollar? Who's not saying the typical thing that, right now, you can get 8,000 venture blogs about how to conduct a board meeting and how to think about a safe note. Information dissemination is everywhere. So who's doing something atypical? And really bonding with the best founders and the best ideas, and it's a lot of telephone a subjective sourcing that we're fortunate after that many years to have folks we can call and get an opinion on. And it has to be a diversity. I think there can be a danger of a monoculture if you made a good decision on manager X and you're constantly hitting manager X, well, who else do you like? What else is interesting? Is there a deal you missed? But you have this you have this single pipeline of information. I think it's really important to have a diversity of information, and folks that may not agree with you, and folks who might have a really different perspective on what works and what doesn't. Piece that all together for new managers to develop relationships.

Robert Morier: It never ceases to amaze me that all of the financial software and science that we have behind it, it's still about people. We're really evaluating people. And I was talking about Bucknell. Philip Roth, a graduate and author from Bucknell wrote this great book called American Pastoral. And he says that, "the fact remains that getting people right is not what living is all about anyway. It's getting them wrong. That's the living. Getting them wrong, and wrong, and wrong again, and then after careful consideration, you get them wrong again." So I'm curious, 25 years, nearly 25 years of doing this, being so people dependent, how do you get people right? How do you evaluate the founder? What characteristics do you look for? It could be character. It could be values. It could be approach. You said maybe cognitive diversity. But I'd love to hear just from more of a behavioral perspective how you think about these founders.

Narayan Chowdhury: Focus and will are super important factors. But the other is kindness and what sort of following they engender within their teams. So we try not to be too contrived about it. I think our core belief is if we're good people to our clients, founders that we meet, which we always try to be helpful. We try to extend our network, help our managers, help our founders, help our clients, just be good, decent people hopefully we'll see that reflected in our interactions. And then you say, well, in that subset, looks like these folks have extraordinary will. And their team is really cohesive and single minded about what their mission is. Those seem interesting.

Robert Morier: I was going to ask you about mentors. You covered them in the beginning. But as we're talking about founders, what have you learned from the founders that you've evaluated over your years? What are some of the lessons that you've taken from them and have applied to your own career?

Narayan Chowdhury: To get an outstanding outcome, the amount of sacrifice is really challenging. So the folks that can somehow balance their mental health in the face of, particularly with startups, the brutality of it. I'm always inspired by that, it's super difficult. I remember at our start up, Franklin Park, we didn't get paid for 18 months. It was a very difficult time. It builds some empathy of you have to answer to your family, and your parents, and your community. And did I make the right decision? And to keep going on. And this feeling like every positive is the most incredible moment until the next one. And every no is the most devastating thing that's happened. And those founders live with that constantly. That roller coaster, it just pulls people mentally apart. So the folks that can maintain and still keep an even keel, gosh, I take that to heart all the time. Those are really amazing folks.

Robert Morier: That's wonderful. Thank you for saying that and sharing that. I know a lot of our students, at least at Drexel University and the School of Entrepreneurship, we tell them often, entrepreneurship is a lonely business. So getting through that and building that fortitude which you just described very well, is it. So thank you for sharing that. And thank you for being here today. This was a wonderful conversation. I know Andrew and I always talk about after these shows, having learned something new is really the value that we get from this. And I think we could both comfortably say that we learned a lot today. So thank you for being here.

Narayan Chowdhury: My pleasure. This was fun.

Robert Morier: Yeah, congratulations on all your success. If you want to learn more about Narayan and Franklin Park, please visit their website at www.franklinparkllc.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. And finally, if you like what you're seeing, hearing, please comment, like, follow, it all helps. So we appreciate it. And we welcome your feedback as well.

Narayan Chowdhury: And stop by. This is an unbelievable space.

Robert Morier: Thank you for that plug. I was going to say that next. Absolutely, it is wonderful, the Dakota space, Dakota studios, the staff here is really wonderful. Andrew, wonderful as always, Thank you for being here on number 40.