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EPISODE 41:

Investing in the Lives of Others

with Verger Capital

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 the dakota.com to learn more about their services. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker who is not affiliated with Dakota, not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. Well, I am very happy to introduce Taylor Jackson, Investment Director with Verger Capital Management. Taylor, welcome to Philadelphia.

Taylor Jackson: Yeah. Thanks for having me. It's been great. First time to Philly, so really enjoying it.

Robert Morier: Oh, good. So, what was on the checklist for the first trip?

Taylor Jackson: Had a manager meeting, and then after that, a colleague and I did the Independence Hall, Liberty Bell tour, saw Benjamin Franklin's grave, so squeeze in a little bit.

Robert Morier: Oh, that's great. That's one of the things I've always loved about Philadelphia is the history but also the food. We hope we can feed you after we send you back to North Carolina.

Taylor Jackson: Yeah. That sounds great.

Robert Morier: Good. Well, Dan DiDomenico, welcome back to the desk.

Dan DiDomenico: Always great to be here with you, Robert. Thank you.

Robert Morier: Thank you for being here as well. We appreciate it. So, before we get started, I'm going to read your biography for the audience, and then we'll get into the questions. Taylor joined Verger Capital nearly six years ago with his primary responsibilities including sourcing, due diligence, and ongoing monitoring of current and prospective investment managers. He also actively participates in all investment decisions, including asset allocation and portfolio construction and the development and oversight of performance reporting analytics and market commentary. To expand on Verger, Verger is an SEC-registered investment advisor providing outsourced CIO services to a select group of nonprofit institutions. Verger's mission is to invest in the lives of others, which has led the firm to exclusively serve clients focused on improving lives and providing opportunity. The Verger team's unique nonprofit heritage offers a deep understanding of the segment's needs, as well as the ability to benefit from the scale and purchasing power of approximately $2.6 billion in assets under management. Prior to joining Verger, Taylor worked as an investment analyst on the private equity team for the North Carolina Department of State Treasurer. Taylor earned his bachelor's degree in Business Administration with a concentration in Finance, from North Carolina State University, and is a CFA charter holder. Additionally, Taylor serves on the finance and investment subcommittee for the Winston-Salem Foundation, a community foundation supporting charitable programs. Outside of the office, Taylor enjoys playing and watching sports, caddying for his son's golf tournaments, and most importantly, spending time with his family. Taylor, thank you again for being here. We really appreciate it. Well, as we noted in your biography, Verger was created out of the Wake Forest University Office of Investments. So as an NC State graduate, were you subject to any unusual hiring practices, or did you have to put the red tie away and put that old gold on?

Taylor Jackson: I don't know if I really went through a different ringer than the people that we hired at Verger are hiring now, but yeah, maybe I don't wear the red tie to the Wake Forest Investment Committee meetings. And there's probably a few games I don't get invited to, throughout the year, but all joking aside, Wake Forest is obviously a phenomenal university. They're a great partner of ours, and it's rewarding to serve an institution like that.

Robert Morier: So, you don't put the historic win loss record on your desk?

Taylor Jackson: No. We've had a number of interns that have been athletes, and I remind them, I'll pull for you most games of the year. But still remind them where the allegiance is.

Robert Morier: That's great. Well, take us back to NC State. So, you're getting your undergraduate degree. You're thinking about what a career is going to look like. What ultimately took you into finance and financial services?

Taylor Jackson: So, my dad's actually a financial advisor back home. So grew up watching him, seeing how passionate he was about his career, the people he was working with really piqued my interest. And so honestly, starting middle school, going in high school, I knew that I was looking to get into the financial services field. Interestingly enough, I worked with my dad the summer before I graduated, in 2008. He became a little preoccupied during that time, as you can probably imagine. So, he had me actually sit down and study, and so I took the Series 7 and passed that right before I even started my senior year. Which was helpful coming out in 2009 in financial services having somewhat of a leg up. But along the way, throughout my career, I had different opportunities to work with different asset classes and hedge funds and private equity, which again, really, really piqued my interest, and I didn't look back after that.

Robert Morier: What was it like being an undergraduate looking out at the crisis that was going on, particularly with your father who was really in the midst of it? How was it being in the university setting at that time? I'm always curious. I had a class that I was teaching in the spring of this year. So, when Silicon Valley Bank was unraveling, and there was this liquidity crisis that was coming on, I tried to stop what I was doing to teach the students as to what was happening in real time. Did you get that same type of perspective? What was it like for you sitting in those seats?

Taylor Jackson: Yeah. Some of your friends that are in finance are all trying to figure out where are you going to go, what edge you're going to have. Obviously, the valedictorians and stuff have their jobs lined up, but thinking about financial advisor and more of the retail side of things, it was a little bit different go at it, I would say. A little tougher, nothing too glamorous out there in terms of the opportunity. I was really trying to go out and build my own career before going back and thinking about doing wealth management. So, a little tougher sledding, as you can probably imagine, graduating then. I think one thing that lesson learned from that time though was the importance of a network and utilizing the tools and resources that you have at your disposal. I put some of that blame on myself. I did not. I was a little bit naive to the benefits of those and paid the price a little bit. The first job out of school was a little tough. So learned the lesson the hard way and have been focused on my network and using the resources that I have now.

Robert Morier: That's great. What else did you take out of that first job? I think it was with Bank of America, if I remember correctly.

Taylor Jackson: It was. Yeah. So again, you're graduating in 2009, first job Bank of America, Merrill Lynch, right around the time of the transition, which was which was interesting. But my job was in discount brokerage, so I was fielding 60, 70 calls from clients, and 99% of those were not very happy, as you can imagine, during that time. So again, paid that price and really understood the importance of a network. And honestly, past Bank of America, any other position that I've held was either brought to me by someone in my network, or someone in my network was integral in my opportunity of taking those roles.

Robert Morier: After Bank of America, you joined Credit Suisse, in Raleigh, spending most of those years as a credit risk analyst in hedge funds. So, we talk about risk a lot, particularly an understanding of credit risk. It's not just fundamental in hedge fund manager research, but it helps you understand returns, counterparty risk, liquidity. So how did that experience lead you to decide on North Carolina Department of State Treasurer as an investment analyst in private equity, of all things?

Taylor Jackson: Credit Suisse was a unique experience covering hedge funds. We dug into some of the similar things you would from an allocator lens, but we weren't making investment decisions. And so, I still wanted to get more to that decision-making role, and so again, highlighting network, through my network I was connected with someone at the State of North Carolina. He was being promoted to portfolio manager, and they were looking to fill his analyst seat. And it was an allocator role, making investment decisions, so that was definitely an interesting part of it. And it was a new asset class, so that was learning you know about private equity. I had spoken with a few private equity firms, when I was at Credit Suisse, but not in that detail. And so, the challenge of learning a new asset class based off of probably some people you've had on the podcast already, as well as people in the industry know that state-run organizations don't always move very quickly. So, it was not a bad pace for me to learn a new asset class. I was fortunate. We worked on a small team, four of us in total… myself, two portfolio managers, and a director. So, we were in a broader, bigger organization, but being able to work on a smaller team was very helpful for me. So, I was able to spend a lot of time with, again, the two PMs and the director. They were very open, supportive, answering any questions that I may have had. So having that open door policy was really helpful to me learning. As it got toward the end of my tenure there, I was helping with full-on diligence days. We were spending six eight hours with the manager on site. And then right before I left, I actually led the entire diligence process from beginning to end for one of our existing managers. So really got to see that full process all the way through.

Dan DiDomenico: Amazing, and that's a skill set that you still leveraging today. Maybe just talk to us about the criteria that you were looking for in private equity, in managers, as it relates to the state's investment objectives.

Taylor Jackson: Right. It's a little bit different than an endowment or foundation. Right? It's still a long-term time horizon. We didn't have to hit home runs there. Part of the portfolio was to continue to provide the return that was needed for the constituents and add value there. We had monthly distributions that were required for the retirees, and so we were lighter in private investments within that portfolio. When I left, I think the target was around 5%, so pretty small… yeah. There were more illiquid investments across other parts of the portfolio, but private equity specifically was 5%. And we were mostly allocating very heavily towards buyout managers. We did our fair share of growth equity and some venture capital as well but really leaned into mid-market buyout managers that could create value through operational improvements and efficiencies. We're less reliant on financial engineering as a way to drive their returns, but also being the size that we were, limited the universe of what we can invest. So, we look at very different things now at Verger than we did at a $100 billion plant.

Robert Morier: Well, thanks for sharing that background. It's very helpful to get some perspective as your experience now takes you into Verger. So, tell us about… from the website, picking this up, and talking to you in advance… tell us about protect, perform, and provide. I heard Verger's CEO Jim Dunn describe the importance of not only those words but the importance of that specific order. So, what do those words mean to you and the organization?

Taylor Jackson: Yeah. They really drive how we think about the portfolio. The protect piece is to be able to protect assets and preserve capital across all market cycles. We want to be able to provide confidence to our investors, that they can drive forward the mission of their organization, and that's a big piece of that. But in order to do that, you also need to maintain your purchasing power. So, perform is, obviously, just as important or right up there. So, we focus, obviously, very heavily on capturing as much upside as we possibly can but not to the sacrifice of the rest of the portfolio. So, it's prudent level of allocating risk.

And then those two Ps feed to the third, which is provide. We want to be able to provide predictable, hopefully, growing distributions for our investors. So that they can, again, continue to drive forward the mission of their institution and organization, serve the communities that they're a part of.

Robert Morier: Would you mind taking for our audience, taking a step back, telling us a little bit more about Verger capital, the number of employees. We talked a little bit about the type of clients that you serve, but what are the overall objectives that you're looking to accomplish for those client partnerships?

Taylor Jackson: Yeah. So, we mentioned earlier, we spun out of the Wake Forest University Investment Office, in 2014. So, when we spun out, our model's that we still have this endowment DNA, and don't lose that site. Today, we're about $2.6 billion, as you mentioned, 10 clients in total, all nonprofit institutions. So, university endowment Wake Forest, we have some health care institutions, independent schools, hospital foundations, working, trying to find opportunities with community foundations. So really finding those mission-aligned organizations or institutions that we can partner with. Today, the firm is about 15 employees, split pretty evenly across operations, client relations, and the investments team. We are growing, so that number will get a little bit bigger here soon. On the investment team, we actually take more of a generalist model. So, it's five of us on the investment side right now. We are, obviously, a small team. So, there are some dynamics there from a time and resource capability standpoint that, while we are generalists, we will spend time in some areas more than others. So, I'll spend more time within private equity and venture capital and some other private strategies but have had the opportunity to source long only and long short managers as well. And then on the opposite side of that other colleagues focus on more liquid and illiquid strategies and hedge funds. And coming from the State of North Carolina, where it was very focused on one asset class was one attractive feature for coming to Verger was the generalist model and being able to flex some muscles maybe that haven't been able to. But I think the other benefit as well is getting to understand the role of every manager and strategy in the portfolio. And if you have these siloed departments, only one person understands that. So, understanding that, hey, this manager fits for this reason, because of we understand what's on the other side of the portfolio I think is really important. And being a small team provides the collaboration and communication that's needed to understand that and where we need to spend our time.

Robert Morier: It's interesting. I understand, when Verger was first formed, that there was no private equity exposure. So presumably, when you started, the private equity program was only a few years old. So, what was your mission coming in? You had private equity experience coming from the state. So how was Verger approaching private markets at that early stage of their own evolution?

Taylor Jackson: There wasn't, I would say, absolutely no private equity but very little, to your point. And when we spun out in 2014, that's really when we started leaning heavily into thinking about private strategies. And so, when I joined, four years into that process, it was relatively immature portfolio. But as any analyst or any new person organization, that first step is really getting to know the portfolio. And I was probably naive to the fact that working in private equity at a big pension plan I was going to know the portfolio and know multiple managers, and honestly, came in and was not familiar with very many at all. So really that first year was digging in and understanding the strategies, understanding the portfolios, the role that the managers played for the broader fund. So that was where most of my time was spent. I was fortunate to work alongside another colleague who was an integral part in building out that part of the portfolio, so he knew the managers intimately. As we were having conversations, it was nice to have that connection to our managers and those introductions, and so that was a fortunate seat to be in. And after he left, that pushed forward my responsibilities a little bit. So, I went from knowing the strategy, knowing the portfolio and the role, to actually knowing the manager and building that relationship and maintaining that relationship, in some cases, to make sure we were able to maintain our allocation. Water from a fire hose a little bit, but an experience I wouldn't have had otherwise.

Dan DiDomenico: That's the best way to learn.

Robert Morier: It is.

Dan DiDomenico: Just building on that, had mentioned on the front end, coming out of Wake Forest, maintaining that endowment model, that endowment approach, maybe just take us into how you all think about asset allocation. Are you thinking about the traditional buckets of domestic equities, international equities, hedge funds, private equity? Like how does that work within Verger?

Taylor Jackson: Yeah. We think about it a little bit differently. There are others that have I think a similar viewpoint, but we break out the portfolio into four asset segments… equity, real assets, absolute return, and fixed income. But within each of those asset segments, we have long only, we have hedge strategies, we have private strategies. We see those more as vehicles, as a way to access a strategy or an asset class, as opposed to an asset class of themselves. So, if we think about equity, for example, we've got your typical US, developed X US, EM, long-only strategies, but the long-short fits in there as well. Private equity and venture capital also go in there. We really look into what's driving the underlying return for that strategy, and just as important, what's the underlying risk? And with all those, even on the long-short side, you have a hedge piece of it, but equity is driving both sides of that book. So, we think about that from that lens. If we look at absolute return, that is probably the closest thing we have to a, quote, unquote, "Hedge fund bucket," but the way we look at that is these are uncorrelated strategies that should perform across all market cycles. Our CEOs said before, "Absolute return is not no return." So, we're definitely looking to get returns from that portfolio, and I think a year like 2022 really brought that to light.

Dan DiDomenico: Reminded everybody.

Taylor Jackson: Yeah. Exactly. Conversation with peers, they were-- we would talk about their hedge fund portfolio, and some of it struggled, because there's a significant amount of long-short in there. So, there was a lot of beta and very correlated strategies, and again, it's been a part of our portfolio that's been really beneficial to the returns for us over the past few years. Fixed income is not your traditional fixed income allocation. We don't have really any core strategies in there. We have one longer dated treasury manager, but outside of that, it's long-short credit, EM debt, some legacy private credit in there, so not your traditional mix I think that you would expect. And then real assets, I think it's probably the closest thing that our peers think is inflation protection or inflation sensitive. And again, going back to our CEO, he likes to say, "If it falls on your foot, and it hurts, it probably fits within real assets." So that doesn't always hold true, but it's pretty close. So yeah. So, we think about it maybe a little bit differently but more dig into the strategy, the risk, and decide where that fits within our portfolio.

Dan DiDomenico: Fantastic. So, let's say, help us play this out, right? If you identify an area where you have a need, you want to express that within the portfolio, how are you going about identifying that manager that you would want to bring into the portfolio? So, walk us through the typical manager underwriting process, and what's the best way to approach Verger as an asset manager?

Taylor Jackson: So, most of our process is really bottoms-up driven. We will go top down, as necessary. We're not going to be blind to certain holes or spots in the portfolio that we feel need to have an allocation. So, when we go through that part, when it's more top down, we scour the universe, leverage our networks and our relationships. We prefer not to really run screens and find managers that way. In our experience, the managers you want to partner with are not typically found that way. But again, most of it is very bottoms up. So, the nice thing about our team is that, on the investment side, everybody has a very different background. We all got here… we all got to the same place. We got here a very different way. So, we talked a little bit about my background and how I got to Verger, but if we think about some of my colleagues, like colleague Carly, she took more of a traditional route. She was investment banking, MBA, worked at another endowment, and then now at Verger. Craig Thomas is our CIO, corporate pension plan, then he worked for the Wake Forest Investment Office for some 20 years and is now CIO for Verger. Maddie who's an analyst on our team, she came straight out of undergrad, so very different viewpoint, fresh set of eyes. And then Jim started his career in hedge funds and then was a consultant and was the CIO for Wake Forest, starting in 2009. So very different relationships, different networks that we can all leverage, somewhat diversified in our backgrounds and how we think about that. So, we start with the bottoms up, and from the sourcing standpoint, there is I think where that's really important. We are able to all leverage our relationships with different LPs and different investors, and we also work with placement agents, cap venture groups, third-party marketers. And

I think what's been really interesting for us over the past few years… and I think we're starting to bear the fruits of this sourcing method… is actually our existing managers. If we think about something like late-stage venture capital, our late-stage managers are seeing the same firms. They're seeing the same people from these firms, as they've built portfolios of strong companies. And so, we leverage them, use those data points and those trends to find out who's worth speaking to, who's the up-and-coming early-stage manager that we can access? So, as we source opportunities, and we have conversations with these managers, we'll have that initial conversation. For instance, if I'm the only one on that call, I find it interesting, I'll bring in another colleague to come in, maybe do a follow-up overview call. Let them hear the story. Get the validation, the buy-in from somebody else on the team. And so, if we get to that point, then we'll do an initial overview memo, where we'll look at firm, team, strategy, track record, if there is one, portfolio fit, and we'll have a discussion as a team. Maybe one thing I forgot to mention in terms of thinking about our structure is the investment team. We all sit on a trade floor. So, nobody has an office. We're all six feet from each other, basically, and so it creates that communication and that collaboration. And so, when we're having these conversations, that's not a decision made in a vacuum, and then the first time somebody on the team heard of that manager or that strategy. And so, once we get buy-in from the team that it's worth looking into, we'll then do our deep dive diligence. And here's where it could be somewhat table stakes, I think. Everybody gets the same information to go off of. If we think about a private manager, right, you get a data room. You dig into the data room. So, we do our quantitative and qualitative analysis. We do case studies. We look at the market opportunity, depending on the strategy. And then one other thing that obviously everybody does references. So, we do on sheet, obviously, that the manager provides. But again, leveraging that diverse network that the five of us have will… we've been able to do a fair amount off sheet references as well. And I think that's where you really get to learn a little bit more about the manager and people at the firm. So that's been a unique thing about us… I think that we've been able to really leverage there. So, finish with diligence, do a much more comprehensive memo, but again, along that way, we're having conversations. Questions are coming up. So, as we get to that final memo, it should address those questions. So, when we have that longer, more in-depth discussion and debate, some of those questions should be in there. It's not saying that more don't come up. But I think the one unique aspect is in coming from a bigger organization and sitting on the trade floor, which creates this culture of a flat structure, where everybody's expected to have a view. Everybody's expected to have opinion and voice those views and opinions, and again, I think the beauty of it is we all have the end goal of wanting to make the portfolio better. So, it's not a personal thing. It's literally just to try and make things better as much as we can. But the underwriting doesn't stop after the decision. We are actually re-underwriting our portfolio. The private side, you get that cadence of they come back to market, you get to re-underwrite. So that's nice, like it's built in. The public side, you have to be a little more disciplined, because you don't have that natural cadence of re-underwriting the managers. So, we have a part of our whiteboard process that we do every year. The investment team, we lock ourselves in a room. We re-underwrite every manager, understand their role in the portfolio. Are they still serving that role? Do we need that? And so, we go through that once a year. Obviously, throughout the year, we're still monitoring and having conversations, but that's a way for us to make sure we set that time aside. And then to your other point around the best way for managers to approach Verger, patiently… I think is probably the best way to word that… some of our stronger relationships over the years have been those that we probably passed on that first fund that we had a conversation with them about. But we do our best to give genuine, honest feedback, and if we feel that it's still interesting, we want to stay in touch, we do that. We also try and give feedback of, hey, this is probably not going to be a fit for us. But in doing so, it's also a two-way street. Right? The manager needs to stay in touch. We also need to do that. If the GP reaches out three years later for the first time, it's the next time they're raising a fund, that's probably not the right way to approach it. But it's been interesting in the almost six years that I've been here. We've really, over the past couple of years, really started adding more managers that fit that mold. For instance, we have a venture capital manager that I met for the first time in 2018, and we didn't make our first commitment there until 2021. Another good example there is there was a buyout manager I met in 2019. We discussed them as a team. Timing was, just from a pipeline standpoint, where we were, just did it make sense. And we were very honest with the manager about that, and because of that, they just raised their next fund. They remained disciplined in their fund size. So, they didn't have a ton of capacity. They only added three new investors, and we were one of them. And we got feedback from them that the reason that they wanted to add us was because of how we passed. Not because the fact that we passed, and they just want a check, they were looking for somebody who's going to be a long-term partner.

Dan DiDomenico: That's super helpful, and it's always helpful for us to also understand the team dynamic… the fact that you're all generalists, the fact that you're highly collaborative during the evaluation process and ongoing. So, you're building that consensus from the team, as you're doing the work. You know the team. Right? So, this understanding that dynamic, you also probably have an understanding of what types of managers to bring to the group that's going to connect to your overall philosophy. So, along those lines, do you prefer specialists as asset managers, or are you looking for those managers maybe be able to do more than one thing?

Taylor Jackson: Not to give kind of a non-answer, but it's somewhat dependent on the strategy. Right? I've mentioned our absolute return part of our portfolio, and we've got some multi-strat hedge funds in there, and they do a lot of things really well. The benefit to us of that is we can write a larger check there, concentrate in one manager, and get multiple exposures, not just to one sector, market, asset class. So that's a case where that's been, again, very good for our portfolio. And the other benefit of that is it allows the manager to decide where to overweight, where to underweight, as opposed for us trying to have to tactically shift things around. So, it, again, provides the benefit for us to concentrate in a manager, but if you go to something like buyout, we're going to look to partner with a manager that focuses on no more than two or three verticals. In our experience, especially if we think about the smaller market, those managers are the ones that can create value consistently across market cycles. So, we're going to spend more time on the private side with very more focused strategies. And then on the liquid side, it's most of the time somewhat rifle shot, but we still find those opportunities where we can get multiple exposures.

Robert Morier: So, thinking about sourcing, specifically you mentioned venture capital, and you've alluded to this a few times now. Private market investing is highly reliant on the relationships, and sometimes, it can be difficult to get those introductions or get the access to the managers themselves. So how have you successfully cultivated those relationships, as it relates to Verger's private markets program?

Taylor Jackson: Yeah. It's a really good point and a conversation we have a lot. As we think about… maybe, looking at me specifically, so I joined Verger… we had, again, we were building out the private portfolio, but the portfolio we had really allowed me to inherit a strong network to begin with. So, building a relationship with the people we had and the managers we had was a little bit easier, I think. But I also think coming into a new opportunity with a new institution, understanding a new portfolio, required me to, as I mentioned, dig and dig deep and understand the strategy, understand the underlying companies that these managers had. And so going to have the conversation with our GPs on that side, I get the sense that I feel it was somewhat refreshing that it was not a transactional relationship. We were very interested in what they were doing. It was a partnership. We wanted to understand what was in the portfolio, and I think that that carries a lot of weight. I think it's also important, again, the level of transparency that you provide to managers. I tried to, especially when I first started, took probably too many meetings with new managers. Part of it was getting to understand a whole new world or universe of investment opportunities, which was a really unique I think experience and way to approach that. You hone some of those diligence skills. You get to see in those initial meetings maybe who's worth following up. But I do my best… I wouldn't say I'd do it every time, but I do my best to provide feedback as much as I can, and I do think that goes a long way. As LPs, we obviously talk. We do reference calls on managers, but GPs talk too. And I think that the reputation you have with your managers can go a long way, and I think we're starting to see that to help flourish into new relationships and new opportunities for the fund.

Robert Morier: That makes sense. That feedback is so important. So, despite the challenges facing private markets in the near term from fundraising to deal activity, there's no shortage of news stories that have been covering this topic, as you know very well, and Dan knows from his conversations from being out on the road. Verger wrote recently that the long-term outlook for these assets remains fundamentally sound. So, can you talk about the areas of opportunity within private markets that you're specifically constructive on?

Taylor Jackson: We try and remain consistent across vintage year. We have asset class targets or strategy targets, and we try and weigh the portfolio as best we can to meet some of those. But we're somewhat beholden to who's in market, where the opportunities are as much as anybody else, and so some years will outweigh others. But I think it's incredibly hard to time private markets and trying to be tactical. There's been plenty of studies show the impact you can have on your portfolio. And so, we've been fortunate to partner with some very disciplined managers, and they're allocating capital over multiple years, not 12 months. And so, trying to time that is very difficult, when you have, again, the managers that we do. Probably been spending a little bit more time on the small market buyout side of things. We've historically been a little underweight there, and so we've been methodically building that out, over the past few years. We're not trying to build it out in one year. We find that is an interesting part to be allocating capital right now. Interest rates are high and based off of yesterday… they didn't go up yesterday, but it sounds like they're either going to stay there, or they're going to go a little bit higher. But these managers are typically less reliant on leverage to drive value. The managers we have in our portfolio, they are using anywhere from two to three times less leverage than what the broader private equity market is. The other thing that's been interesting about that market historically has been inefficient pricing, but as we have more conversations with our managers and prospective managers, that inefficient pricing I think can be a little bit of a gray area. So, our managers are typically first institutional capital investors. The founder or the entrepreneur is rolling a significant amount of their own equity. So, they're less price-sensitive. They're looking to maximize value tomorrow, not today, and so they want to partner with the right team that they believe can help build that out for them. And so, because of that, our managers win deals where they're not the highest bidder. So that's been a unique way of learning… of looking at the pricing dynamics. And maybe it's not inefficient, maybe it's just driven by some of that. We also think, though, that these are small businesses, and they're ripe for opportunity from creating value through again operational improvement, efficiencies, professionalizing these businesses. So, bringing in a CFO, a CMO, or a CTO, helping with the sales and marketing, strategic M&A, ways that drive value that, if you're a founder, an entrepreneur, that you just aren't thinking about, because you're just trying to drive your business forward. The other part of it too is we have the mentality that it's easier to grow a company from $5 million of

EBITDA to $10 million, as opposed to $50 million to $100 million. You also get this inherent lift in EV to EBITDA multiples by going from $5 million to $10 or $15 million. So, you move up market a little bit and get this extra kicker. Our managers don't underwrite to that, but it's a nice tailwind. And then depending on where markets are shifting, obviously, that can add a little more value as well. If we think about other markets, so think about venture capital, for example, I wouldn't say we're adding a whole lot there. We're comfortable and happy with the dry powder we currently have, especially as we think about the later stages. I saw something the other day, where this is the most friendly environment for venture capital we've seen in about 10 years. So, the next 12 months could be really interesting in terms of deal flow. We're starting to see it pick up. Conversations with our managers are that deal flow is picking up, but quality of deal flow is picking up, which is good to see. So again, I think the next year could be interesting in that particular market.

Dan DiDomenico: Now, while still respecting a very thoughtful due diligence process and be very patient around that, emerging managers. How do you all in this emerging manager programs… we hear a lot about it. It's obviously very relevant, when it comes to private equity and private markets. How does Verger think about considering those early stage or emerging managers?

Taylor Jackson: Yeah. It's a good point. We totally agree. We think that there's also some alpha to be had there, in the early part of a fund's life, and we prefer to partner with managers then. Obviously, it's still an extremely high bar to get to that point. A lot of that is driven by the introduction. How did we get to know about this firm? Sometimes it's, hey, we know them because they spun out of a manager we have or had in our portfolio. So, we know them already. But we do tend to do a fair amount of funds ones, and we've probably done more fund twos. So, it's going back to that, maybe it just wasn't a good fit from a timing perspective or whatever it may be, but if it was interesting, we stay in touch. And so, we've done probably four or five fund twos, just over the past couple of years.

Robert Morier: Just curious, just as a follow on, what does the level of engagement look like from your seat with those early-stage managers? Are you helping them along in that respect and giving them the basic blocking and tackling of what LPs are looking for, the expectations that they should expect going forward?

Taylor Jackson: Yeah, if they ask. I don't want to overstep bounds, but if they ask thoughts around how they should have conversations with peers of ours, then I try to be as… again, provide that feedback and transparent as upfront as I can. And then the other part too is, again, if I do think it's something very interesting, do our best to help make introductions. Show them that, hey, we are interested. It's not working for us right now, but we do think that there is something there with your strategy. And so, making introductions to other peers that… we talk a lot with other LPs, and we get an idea of what they're looking for. And so, making those introductions I think, and I think that goes a long way. When it comes back to fund two, if fund one absolutely is crushing it, capacity constrained, that is a good way to potentially find our way still to make it into that fund.

Robert Morier: Speaking of partnerships, Verger recently kicked off a new diversity, equity, and inclusion panel series by hosting a conversation open to students, community members, and anyone interested in learning about finance, DEI, and ESG. So, can you share with us how DEI is incorporated into the manager selection and oversight process at Verger? How are you implementing it?

Taylor Jackson: Yeah. It started well before I joined Verger and probably going back to the Wake Forest days, but we really approach that from an engagement perspective. A good example is we added a buyout manager to our portfolio a few years ago, was lacking diversity across the firm, and especially on the investment team. And so, during our diligence process and during a diligence call, we asked the tough question. We asked them about what they were doing to try and help solve that problem, and they had been making considerable efforts there to do so. And so, we continue to have that conversation and gain comfort there. Fast forward to today, not obviously our credit to that conversation, they were doing many things already, but now they have added diversity to that team. Not just at the junior level but at the senior level, they're adding people of color and women to the investment team. So, we probably could have potentially passed on that manager, had we not had that question and provided our insight on ways that they could potentially make that better for their organization. So today, and so again, you can't build that type of portfolio overnight. So today, somewhere between 30% and 40% of our NAV is allocated to managers, where there is a woman or a person of color at a senior level, making investment decisions, and/or sharing in considerable economics at that firm. We can't just say that managers. We have to look at ourselves as well. So today, 60% of Verger is female, 40% of the investment team as well. We've also tried to find ways to take out biases, so that we can continue to drive that forward. And one area where we've done that is with our internship program. We've stopped asking for resumes. We have an application process, where we ask three or four questions and let that help drive our interview process and decision-making process. And interestingly enough, we haven't been doing it incredibly long, but over the past year or so or two that we've been doing that, I've definitely seen a tick up in the quality of interns that we have. They all have very different backgrounds. This semester, we have a Biology major, a Computer Science major and then a sophomore, and they're all three women students. And so, we're seeing the quality of candidates as well as the diversity within the program pick up by making that shift.

Robert Morier: I think that's wonderful. You get that interdisciplinary candidate, seen a lot of different things, and in the end, you get a very diverse pool of talent as a result. That's wonderful. Thanks for sharing that. I wish that resumes were not required when I was initially going out for a job. I think the main characteristic in my resume when I graduated was that I was CPR certified, which felt like a big deal to me. Well, we are getting close to the top of the hour, and this has been a wonderful conversation, very informative. We really appreciate all the insights. I am always and Dan equally is always interested in the people who have helped you along the way in your career, those mentors, those individuals, whether it was earlier in your career, today, or at some point in the middle. We'd welcome any insights.

Taylor Jackson: Yeah. I've been fortunate to have a number of very smart, generous people help me along the way, whether that be with career advice, personal growth, professional growth. As I was thinking about this, I think I kept going back to my time at the State of North Carolina. We were, again, small team, new asset class for me. I could have been the analyst that they tucked back in the corner, cranked through the models, Excel spreadsheets, and went along my way, but we were very collaborative there as well. We didn't have the trade floor environment necessarily that we have at Verger, but it was very open door. And so, I was able to go work with the portfolio managers and our director, and it was very interesting picking out who to go to with what question. They all had their strong suits and qualities, and so I was able to learn a lot from really from each of them. One of the portfolio managers there in particular, a gentleman named Brian Bolcar, we worked really closely together on a few things. We were running a secondary process and he and I would sit down together, run through the models, work through different scenarios, and how this would play out for the overall fund and the impact that it would have. And that's just one example, though, of sitting down and going through that with each of them. When the opportunity came up to join Verger, they were all very supportive about it. They were happy for me to have this opportunity and move to more in the endowment and foundation space, and I still stay in touch with them. They're looking at very different opportunities than we are, but it's nice to have that different point of view and that different opinion, and so I still value that. It was a great opportunity there, and I still respect very much the people that are there.

Robert Morier: Thank you for sharing all that. Congratulations on all of your success. We look forward to many more years of your accomplishments, and hopefully, we'll be able to speak to you again and learn more about everything that's been going on with you, your career, and at Verger.

Taylor Jackson: Well, thanks Rob. Thanks, Dan. Thanks for having me.

Robert Morier: Thank you for being here, and Dan, thanks as always for being here. We always appreciate it.

Dan DiDomenico: Fantastic conversation. Thank you, Taylor. That's great.

Robert Morier: Welcome back to the Dakota Live Podcast. We are very excited to expand on this special conversation that we had with Taylor Jackson from Verger Capital. One of the things that we love to do here at Dakota is better understanding the organization's community engagement, partnerships, and ways that these firms are giving back to the area around them. So, we are very happy to introduce you to Inge Smith, Communications Manager from Verger Capital. Welcome.

Inge Smith: Thank you so much. Thanks for having me.

Robert Morier: Yeah. Thank you for being here. Thanks for coming to Philadelphia. We had a wonderful conversation with Taylor. We greatly enjoyed it, and as we were joking around, we kept it in 45 minutes or less, which is a big hurdle for most of us in this industry. We all like to listen and talk. So, thank you so much for being here. It was really wonderful. And I'm going to start by saying that you were recently recognized as a Leadership Award recipient by Winston Under 40 and the Greater Winston-Salem Inc... I think it was called Incorporated... so congratulations.

Inge Smith: Thank you very much.

Robert Morier: It's a big accomplishment.

Inge Smith: I really appreciate it.

Robert Morier: I'm sure you're doing a lot to deserve the recognition, so we look forward to hearing more about it. So, could you tell us a little bit about community engagement with Verger? What does that mean to the organization and specifically to your role?

Inge Smith: Oh, thank you so much for asking that. I love that question. I think for me, I really enjoy the day to day that I do on our Client Relations team. In my role, I get to really support all the work that we do with our investors and external communications website, LinkedIn, all that good stuff, which is really rewarding. But I think for me, really being able to engage with our community, and we have been very selective about the institutions that we've partnered with. So, there's a few that I just have really found to be super rewarding, and one of them is the Wake Forest University Face-to-Face Speaker Series. That is something that Verger has supported since they started, in 2020, and we are the community engagement sponsor. So, we help pay for tickets for community members who might not otherwise be able to attend. This season is coming up, and we have just a really wonderful lineup coming. And so, I think that that is one example, but also, we are a partner with HBCUvc. And they are an organization that really supports people of color in the venture space, and so just really supporting them and their work has been really unique. Climate Vault is another example. Climate Vault is a nonprofit, and they are doing some really innovative things in carbon removal, and it's just super, super interesting. I won't get into all the details, because it's beyond my scope. But one of the things that we've done is we've actually hedged our carbon footprint for the firm itself, and then we started that. And we've done that for a couple of years, and then recently, we actually added on the personal carbon footprints of our employees. So, the firm and the staff are all having that benefit as part of our being part of the team at Verger, and I think that's a really unique thing. And then Girls Who Invest is another partnership that we have. Our CIO Craig Thomas has actually been an ambassador mentor for a couple of students, and that just, again, has been a really… they're an incredible organization. And I think the work that we do with really supporting gender equity, and that that alignment has been great. So, it's something that's unique. A lot of firms talk about being mission-oriented and partnerships, but our team has been really I think super unique, in that we all really find so much value and have really found ways to be authentically engaged. And then, again, we like to do celebrations, and like we celebrated Verger's anniversary last year by doing a volunteer project. We all went and worked in the garden together, like the entire team. And so, I think that that's, again, something that we actually spend time together and find ways to do that, to give back to our community.

Robert Morier: The other thing I was very impressed about was the internship program. It sounds like it's been very successful, particularly with this approach that you've developed. So how do you think about… we ask you Taylor about mentorships and how mentors have impacted you. So, as you think about those interns, when they come into the organization, what are the goals for the organization, as it relates to developing their careers?

Taylor Jackson: Yeah. So, we spend a lot of time with our interns. There's your typical day-to-day activities that an intern has, but we really try to integrate them into the firm, as much as we can. So typically, they work really closely with the investment team, but we do our best to introduce them to the operations, the client relations, client development, so they can understand how a firm works, in addition to maybe learning a little bit more about investments. So, we really try and drive that in. They get to sit in on manager meetings. They can ask managers questions. We don't just stick them in a corner and give them data entry work. We've now instituted, recently, a capstone project, where they actually lead an investment process from beginning to end and present the investment to the investment team. So, we obviously work with them along the way and help answer questions, but they really drive that process. So, it's, again, allowing them to develop some skills that maybe they wouldn't, and it's been really rewarding for me. I enjoy the teaching aspect of it, where we get done with the manager meeting, and what questions do they have, and questions of how that manager fits within the mergers portfolio, if at all. So, they really get to see the allocator side of things. Now, a few of them are now slowly making their way back to the allocator world, but a lot of them go… if they're in finance, maybe they go investment banking. But I mentioned, this semester we have a Biology major, a Computer Science major. She minors in econ and then a sophomore student who thinks she wants to go into finance, but nobody has a finance background, but they're all very interested in this space. So yeah, it's been rewarding from that standpoint, and then being here almost six years now, been through multiple classes. Still stay in touch with a number of those interns, have had a few of them reach out to ask questions about they're thinking about making a career shift and what should they consider, as they're considering this new opportunity?

Robert Morier: That's great Thank you for sharing that. Thank you so much, both of you, for being here, in Philadelphia. It's really wonderful to have you here in the Dakota studio. Thank you for sharing more about the firm. It was really helpful for us, I'm sure helpful for our audience as well. So, we wish you safe travels back to North Carolina, and we look forward to staying in touch. If you want to learn more about Taylor and Verger Capital, please, visit their website at www.vergercapital.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 and hearing, please, be sure to like, follow, and share these episodes. We welcome your feedback as well. Taylor, again, thank you for being here. Dan, thanks as always, and to our audience, thank you for investing your time with Dakota.