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EPISODE 47:

Customized Recommendations: Exploring RVK's Inclusive Strategy in Investment Consulting

Robert Morier: Welcome to the Dakota Live Podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, sales leaders, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live content, please check out dakota.com to learn more about their services. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker, who is not affiliated with Dakota, not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota. Nothing herein is intended to indicate approval, support, or recommendation of Dakota or its affiliates by the investment advisor. Well, we have hit the road for the first time in the show's history. We are recording live from Portland, Oregon with very special guests, which I'm going to be introducing to you shortly. One of the largest fully independent and employee-owned investment consulting firms in the US, RVK provides strategic investment advice to over 200 clients, including corporate and public retirement systems, Taft-Hartley funds, non-profit organizations, operating funds, and high-net worth individuals and families. And I am equally thrilled to introduce our audience today to our two guests, Joe Ledgerwood, Director of Manager Research and Britt Vriesman, Manager Research Consultant. Joe, Britt, welcome to the show.

Joe Ledgerwood: Thank you.

Robert Morier: Yeah. Thank you for being here. We appreciate it. Well, we have a lot of questions to ask you both that we want to squeeze into the hour, but before we do, I'm going to share your backgrounds with the audience. Joe Ledgerwood is the Director of Investment Manager Research. Joe joined RVK in 2010, is located here in our Portland office. As RVK's Director of Investment Manager Research, he leads the team of research consultants who serve as practice experts for their assigned asset class. Each consultant determines the most appropriate managers for each client assignment, as well as the efficacy of firms currently managing assets for clients. He previously served as Director of Equity Research with coverage across regions, both active and passive. Prior to joining RVK, Joe worked for a Portland-based registered investment advisor as a portfolio manager, research analyst, and trader. Joe is a graduate of the University of Portland and has a Bachelor of Business Administration degree with a concentration in finance. He also holds the CFA designation and is a member of the CFA Society of Portland. He is a shareholder of the firm. Britt Vriesman, Manager Research Consultant. Britt joined RVK in 2005, and is a Manager

Research Consultant located, again, here in the Portland office. Britt's primary responsibilities include equity searches, investment manager meetings, and ad hoc client requests. Prior to joining RVK, Britt worked as an Assistant Financial Planner with Spaulding Financial. He earned a BBA degree with a concentration in finance from the University of Portland, and Britt is also a shareholder of the firm. Thank you both for being here. Congratulations on all your success.

Britt Vriesman: Thanks again.

Robert Morier: So, are you excited about your first podcast, Joe?

Joe Ledgerwood: Yeah, absolutely. Ready to get rolling on it.

Robert Morier: Well, good. We're happy that you're here. Well, we're going to just quickly start by asking you about RVK and the history of the firm. Obviously, it's nearly 40 years of history, but could you tell us about the history and mission of the firm today as it relates to your client business?

Joe Ledgerwood: Yeah. So RVK was founded in 1985, and the goal of the firm then as it remains now was to provide best-in-class non-discretionary institutional investment consulting advice to our many clients. And a key tenet of that is that we pride ourselves on having no conflicts of interest. So what's that mean? 100% of our revenue is derived from our clients. We have no proprietary products. We don't run an OCIO business. It's just retainer fees, project fees paid by our clients. That's how it was in 1985. That's how it is now. 100% employee-owned then and now. And so those are the types of things that we feel like don't go out of style, so to speak. And so, we think that that's a model that will allow us to provide the best advice to our clients going forward.

Robert Morier: That's great. Thank you for sharing that. Well, I read it earlier this year for the sixth consecutive year, RVK was one of three firms in the overall US investment consulting large-consultants category to receive a Coalition Greenwich Quality Leader Award. So, congratulations. I started my career at Greenwich Associates. So, I would love to hear the metrics you all consider most important when working with your clients, Joe.

Joe Ledgerwood: Well, that's a great question. And I think it's obvious to say, but I think it bears emphasizing that without our clients, we're nothing, right? And so, what we do is we really tailor our service model to our clients, and we customize our performance reports. We customize our searches. We do custom capital markets assumptions for our clients where it's appropriate. And so that may be… it's higher touch, takes a little bit more effort, time to do that, but we feel like that creates the best outcomes for our clients. And so, I think that is evidenced in that Greenwich award that you mentioned.

Robert Morier: Well, you're responsible for RVK's research consultants. So, could you share with us how the team is structured across asset class?

Joe Ledgerwood: Sure. So, our team is structured across two main verticals. Traditional markets asset classes and the alternatives asset classes. Traditional markets is headed up by Matt Sturdevant, while the alternative side is headed up by Steve Hahn, both long-term RVK folks. Steve, over 15 years. Matt has a similar history of time there. Within each group, there are professionals that cover on the traditional side, your traditional long-only equity and then the traditional fixed-income space. We have professionals that specialize in sub-asset classes there on the traditional side. And then on the non-traditional side, the alternative side, we have folks covering hedge funds, private real estate, private equity, private credit, and then the non-traditional multi-asset space. So, on the one side, you could actually say it's maybe more market beta on the traditional side, and then it's a little bit more uncorrelated… call it maybe illiquidity premium-type strategies there.

Robert Morier: And how do you see your role between those two areas of the research coverage? Are you directing or dictating traffic… directing traffic, maybe, is one way to ask it?

Joe Ledgerwood: Yeah. That's a great question. I think how it works is we're trying to, in my role, make sure that the teams are appropriately resourced. So, finding folks, if we have holes in coverage or if we need to bolster coverage somewhere, helping to manage workflow, making sure processes are similar across asset classes, and then serving as a… I serve a role to facilitate work between investment manager research and the client service teams. And so given the history that I have at the firm, I'm relatively familiar with all of our clients. And so, to the extent that I can help facilitate a process or step in and provide coverage if necessary. So, it's a pretty fluid role. We allow a lot of leeway. Matt and Steve guide their teams how they see fit. And so, my role is just to make sure everybody's working, singing off the same hymn sheet.

Robert Morier: Is there an investment committee? Is there a choir that sits together and thinks about which direction the song should be going?

Joe Ledgerwood: Yeah. Each of the teams get together on a periodic basis, weekly or bi-weekly, to talk about what they're researching, what they're looking at. And then ultimately, those teams make the determination of whether or not a particular strategy is worth bringing forward to clients if it's new, or if there are strategies that might be under some pressure, whether or not they want to do additional work or downgrade them or recommend termination.

Robert Morier: And it sounds like clients are also coming to you quite often, maybe directing you. Sometimes they're coming in and directing traffic, asking what they're looking for.

Joe Ledgerwood: Absolutely. No day is the same. Your inbox can fill up with client requests very quickly, and making sure that we prioritize our work correctly is a big task within the Manager Research department.

Robert Morier: I can imagine. Thanks for sharing all that. Well, Britt, thank you again for being here today. We appreciate it. One of the areas that Joe described is traditional markets, an area where you spend most of your time. Could you tell us a little bit about the manager research underwriting process? So, if you think about sourcing a manager, doing the research, ultimately making that recommendation, could you take us through what those steps look like from your seat?

Britt Vriesman: As far as sourcing managers go, people reach out to me, or we use eVestment. And we can screen through there to look for managers. And it starts with an intro meeting. We'll get the basics as far as the philosophy process, get to know the team, et cetera. And then over time, we'll gain comfort with said manager. We'll meet with multiple investment professionals. We'll dig into details like attribution. And we want to make sure that their process is sound and they're sticking to it, that all the investment professionals that we're talking to seem to know what they're talking about, so to speak and dig into research, et cetera. It ultimately will end with a client, with an on-site to their facility. And we'll talk with analysts, PMs. We'll talk with compliance, IT, traders, basically cover the gamut. We have a positive, negative, neutral rating system here. So, if we like what we see, in the end, you get the coveted positive rating, and we'll be actively recommending them to our client base.

Robert Morier: That's very helpful. How about during COVID and the pandemic? On-site visits are very important, it sounds like, from a manager research perspective. How did you manage through that time as it related to everyone being home or on Zoom?

Britt Vriesman: We did do virtual on-sites. In fact, we had a couple of them during COVID, and it actually worked quite well. At the start of COVID, we had issues with Zoom, et cetera, but you can do everything from screen sharing. And one of the best parts is even with the analyst group, talking to them, everyone can hop on. There was one virtual on-site I did during COVID where I spoke with every single person on the analyst team during the on-site, which was 10 people. But that was probably the best part of the virtual environment is the access to people because anyone can hop online. But yeah, screen sharing, et cetera, we talked to traders. It's almost as good as being on-site.

Robert Morier: It sounds like you adapted very quickly. That's great. Joe, how do you define and integrate risk management strategies within the investment research process, particularly as you're thinking about portfolio construction for your clients? How is risk defined and then ultimately implemented?

Joe Ledgerwood: For public market strategies, I'll focus there. Really, what we're looking at is when a strategy… how are they differentiating themselves from the benchmark, right? Those are the risks that they take. Otherwise, we'd be implementing a passive strategy. And so, understanding those risks, whether that's beta or tracking error or style risks that are being implemented within a strategy, understanding those, looking back on how they've behaved over different market cycles, and then taking what we learn on an individual strategy level and applying that to composite construction. So, making sure that we have complementary managers within certain composites so that we don't get into a situation where every manager is moving in a same pattern because that's not helpful for long-term risk-adjusted returns.

Robert Morier: So, it sounds like you're approaching asset allocation and that optimal portfolio diversification through that process.

Joe Ledgerwood: Yeah. I mean, we can certainly look at individual manager risk and strategy level risk, but really how that rolls up into an overall composite, I think, is more important because we can find great managers that might have a tremendous amount of risk that never make it into a portfolio. Or they don't take enough risk, and so when you add it to a portfolio, it may just over-diversify. And so really, it is… the first question is, is this a good manager? Is this a good strategy? But then, probably the more important question is, how does this fit into a client's overall portfolio composite asset allocation choice?

Robert Morier: Well Britt, I've called and emailed you many times over the years. And I'm always curious, what do you consider as a manager research consultant when taking that call? What are you looking for in that email or introduction to a new manager?

Britt Vriesman: I might not be the best person to ask this question because I will take any meeting. And honestly, even if it's an obscure mandate that will never fund, I will even say to them, so if it's like a Brazil-only mandate, we're not trying to make macro calls here. And if we funded something like that, it would be doubling up Brazil exposure… not something we're attempting to do… I will email the manager and say this will be a waste of both of our time to have this meeting, but I'm more than happy to take it. And they actually usually do take it, as well.

Joe Ledgerwood: They do.

Britt Vriesman: But there are minimum track records, minimum asset levels, things like that would keep us from funding. I happen to be overly conservative when it comes to a lengthy track record. But in the same token, if… you never know when you're going to uncover a gem. And if you've done that work already once the track record is there, then you can just immediately give them that positive rating.

Robert Morier: Are there any characteristics of a manager that you and the team tend to prefer? You talked about some of the checkboxes… minimum account size, track record. But how about things along the line of concentration levels? Do you prefer more concentrated managers in public markets, more diversified? You said you'll talk to anybody, but are there any factors that are a little bit more attractive, at least from the firm's perspective?

Britt Vriesman: I think it's going to be very client specific. And for instance, in a DC plan, I would prefer a manager that's less concentrated, lower active share. The issue with DC plans is you can see performance chasing if you have a higher tracking error. So ultimately, people would like to get higher returns. In those cases where we have a client that has a higher risk tolerance, you'd like to see higher active share and higher tracking error and more concentration. But also, one thing to take into account, you should be paying for what you're getting. So, if you're getting an enhanced index in a DC plan, you should be paying for that. And they should be substantially cheaper, especially now with the smart beta revolution, a lot of those enhanced or factor-based products, they're very cheap. You may not be getting as much alpha, but you're paying a lot less for it.

Joe Ledgerwood: We like to have solutions for all of our clients. And so that means many different things. One of my examples that I like to give quite often is that we have something close to 20 emerging market equity strategies rated positively for our client base, but those managers span styles, concentration levels, investment processes, so fundamental versus Quant. And so, what we want to be able to do is if we have a client that prefers mutual fund vehicles, that we have a strategy that we like that fits that, or a CIT, or even a separate account. And so, these are things that we take into account. Maybe a client wants a concentrated manager to pair with a more diversified manager, so we need to be able to have those options available. And that's, I think Britt earlier talked about he's a bad example of he'll take a call from anybody, but I think that's important because Britt is finding those managers that might need to be used by a client. And so having that context and that knowledge about the overall universe, I think, is really beneficial to our client base.

Robert Morier: That makes a lot of sense. It sounds like you're also well-prepared. So, if a client calls and they're looking for a specific style or a specific type of manager, you've done the work in advance. That makes a lot of sense. So, of all of those 20 managers… we'll just stick with that example, how do you glean competitive edge? So how do you distinguish one from the other as it relates to that one or two or three things that really separates one from another? It's something that asset managers are constantly asked, and I think they really struggle with the answer, for whatever set of reasons. So maybe for both of you. Britt, starting with you. How do you think about a competitive edge as it relates to an asset manager in the stable?

Britt Vriesman: There are so many things that we look at. But ultimately, I think we're looking for good investors that are doing good research. And you'd be surprised at the amount of people that I talk to and the information they tell me is something I could readily find on Wikipedia. I want to see a group of investors that has not changed over time, as far as the team goes. Stability of team is key because it's so hard for me to get insight into who's actually generating the alpha on that product. And you can talk to somebody, and they can also seem like they're an intelligent individual. And I like to use the example… I've been watching way too much of the Cooking Network lately. You can have individuals on that show who will come on and try and beat Bobby Flay. And they can talk the talk, but then ultimately, they cannot produce a dish as good as him with the same ingredients. And this is the same with a good investor. What makes Warren Buffett Warren Buffett? But if I talk to an individual and they cannot go into granularity about their research, that is an issue. Speaking of virtual on-sites, during COVID, we did a virtual on-site with a manager, and they went into their aerospace model. And the amount of detail on it was ridiculous. They had cataloged every single jet in existence, how old they were, scenario analysis of what they would do with said jets, and they even got so granular into looking at maintenance of those jets. They were going over the jet engine. And apparently, there's a honeymoon period, and it requires more maintenance. And that impressed me. But ultimately, again, that's what we're looking for is people who are doing good research. The team needs to be stable, so we need to be able to tell they're the same people who have been generating alpha the entire time.

Robert Morier: Do you have anything you would want to add to that? What about the people? I'm just curious. How do you evaluate the managers themselves? We talk a lot about the process. We've talked a lot about the process and thinking about those things that can differentiate you, but when it is said and done, it's very much a people business. So how do you think about, in your experience over many years, evaluating the talent behind the strategies?

Joe Ledgerwood: Britt's example is really instructive. I don't think that would have struck him as important as it was if he hadn't taken as many meetings as he had, if he hasn't been involved in discussing investment processes. We're manager research professionals, and we'd like to say that we know the best managers and we can identify them immediately, but in reality, it's a numbers game. We take lots and lots of meetings. We meet with lots and lots of managers, and we're just able to provide that context and put a manager into context and really say, this actually is a differentiated process, or it's not. I think we chuckle, a lot of times, when we meet with managers. One of the things that they all like to say is, we do something different than our competitors. And then they talk about doing exactly what their competitors also do. And that's fine. Those managers are not meeting with other managers. They're not learning what their competitors and peers are doing. They may know because they're plugged into the industry, but they're not sitting down and meeting with them and knowing those things. And so, one of the things I always hesitate to say is, I hesitate to differentiate RVK from other consultants because I've never worked at another one. I don't know exactly what they're doing. But just meeting with all those managers, it's repetitions. It's at-bats. And you just learn what makes sense and what doesn't in the context of doing your job on a day-to-day basis.

Robert Morier: Well, even though you haven't worked at other consultants, you've seen a lot of unprecedented challenges over the last two decades. We were talking briefly about COVID, but everything from the great financial crisis and even, more recently, with what was going on with Silicon Valley Bank. So, as you think about your career, can you look back and think about those times that you've had to go into uncharted territory, where you have had to reshape, in a way, the way you think about manager research based on the environment around you?

Joe Ledgerwood: 2019, 2020, we started to have clients ask more about ESG integration in their managers, and it was something that a number of managers have talked about and have used. And governance is something that I think all managers look at. That's always the easiest one for a manager that wants to say that they're doing ESG work, that they do governance. But our clients are asking us to evaluate their managers through that lens, and we didn't have a dedicated group of people who were doing that or who were looking at that. And we could integrate that into our research process. We could ask questions. We could have the one-off anecdotal comment, but as that built and as the requests became more normal and the effort to fulfill those client asks became a little bit of a heavier lift or more time-intensive, we had Sonia Ruiz, who heads up our Sustainable Investment Solutions Group, she was previously a manager research consultant covering traditional fixed-income strategies. But as those requests came through… she had a passion for the space, and she started to lead those projects. Well, it ultimately made sense where I sat down with Jim, our President, and Becky, our CEO, along with Sonia and said, hey, look. This is a real… this is a line of business that our clients are asking us to do. We need to dedicate resources to that. And so, we did that. We've got two folks now, Sonia, and she has an analyst, and they're dedicated to ESG. And more and more clients are asking for that evaluation. And I think that's an interesting anecdote for a couple reasons. One is that we didn't create an ESG group and then start looking to push it out onto clients and asking for business or something like that. It was client-driven, and it was organic. And so, we dedicated resources to that. That's happened before with our IOSG group, our Investment Operations Solutions Group… same thing. Custody searches, transition management, and that was a group that is now, I think, five people. It's headed up by Jonathan Kowolik out of our New York office, and it's a real driver of revenue and service for us. I think it differentiates us there. I just did it, right? I think I said it's a differentiator. But we have other practice groups that have bubbled up organically through client requests where we look at it and we say, it's not just this handful. All of our clients could likely benefit from it. The other comment I'll make about ESG just generally at RVK is that we're a provider of information there. We don't rate strategies on an ESG basis. We don't say, this is a good ESG strategy or a bad ESG strategy. We simply deliver information to our clients, and then their values are what matters. So, if our clients want to know, we'll provide that to them, but that doesn't mean we'll say, oh, this manager who doesn't incorporate ESG to the same extent isn't as good as this other one. They're just different. And if a client has a preference, we let them express that preference. We're just the providers of information.

Robert Morier: Thank you for that. I appreciate it. Well Britt, our audience is increasingly comprised of asset allocators, but for our asset managers tuning in, could you help set expectations for our listeners? So, you're taking the meeting. You're assessing a rating, but when onboarding, what does that time horizon look like? It may vary, but just your insights for those folks tuning in, I think, are helpful.

Britt Vriesman: Well, this is going to be very client specific. And if it's a public-owned client, this could be much longer. And I've had clients where it's been so rapid that it was a constrained product, and the individual I contacted actually swore on the phone because he's like, I don't know if we're going to have the capacity in time. So, I would just ask ahead of time. I would ask with all sorts of questions ahead of time. Be ready. So, for instance, another thing that asset managers should know beforehand is client servicing. So, this is very different between clients. Some clients do not want anything whatsoever. It's like, once the paperwork is done, you're done. But other clients want, on a quarterly basis, not only they want calls, but they want to talk to an investment professional specifically. They don't want an institutional PM or anything like that, a marketing person. So yeah, with all these things, I would just ask ahead of time because it always differs.

Robert Morier: That sounds like communication is important. It makes a lot of sense.

Britt Vriesman: And feel free to reach out. We're here and more than happy to answer questions.

Robert Morier: Yeah, I would encourage. Portland's a great place, and it's a great firm. So, thanks for sharing that. Joe, what development opportunities are available for the research team to stay ahead of the industry? You talked about ESG. It sounds like you were… it wasn't a solution chasing a problem. You were working with your clients, communicating with them openly. But as you think about those opportunities that are growing every day, how do you stay ahead of it all?

Joe Ledgerwood: That's a good question. So as a firm, we encourage our employees to pursue their CFA, their CAIA, their CPIM designations. We reimburse our employees as they pursue those. We also reimburse for continuing ed, so if someone's pursuing an MBA, we'll help subsidize that. And so encouraging people to continue to learn, I think, is important to stay ahead of those. We also really encourage folks to go to industry seminars, to speak at conferences, and to immerse themselves in environments where they will learn more about what's happening from their peers and from current and potential clients.

Robert Morier: Britt, one of the questions that we love to ask our allocators, particularly people in manager research on the traditional market side, is where you are currently spending your time. So, are there any specific areas of the market that are a little bit more interesting or taking a little bit more time than usual?

Britt Vriesman: There are areas that are more constrained. So international, small cap, for instance, is an area where not only do… there are fewer products out there. And I think it's a numbers game. So, you can probably only run $2 or $3 billion in one of those. So subsequently, it's not worth some people's time. In fact, there was a manager in the not-too-distant past… I don't know why they didn't run the numbers beforehand, but they had a strategy out for a few years, and they just chucked it because they decided that it wasn't going to make them enough money. But also, if there are strategies out there, they close as well at $2 or $3 billion, and then you can't get access. Or there's the third, which is you get a lot of managers that will garner too many assets. And then there are mid-product, and then not looking for a product that's going to overlap with others. Definitely more in the international small cap. At the moment, the client questions have been more in the area of China. We don't think that we can make any macro calls here at RVK. And just like five years ago when people were more gung-ho and wanting to possibly double up exposure to China, I'm trying at the moment to keep people invested in China and let the investment managers make those decisions. And if they want to go that route, maybe pick up a manager that's more active and can make those macro calls better than we can.

Robert Morier: And this may just be observational, but as you see the asset managers coming through the door, are more of them coming through with ex-China portfolios, so at least giving you the option to exclude the market if it isn't, let's say, specific to the client's needs?

Britt Vriesman: So, five years ago, everybody was very gung-ho, again, about China. So, they produced these EMX China products, and they were intended so you wouldn't be doubling up your China exposure and you could get this, boots on the ground, high alpha China manager. But now, people have been talking about utilizing those to completely get rid of their China exposure. Again, a macro call that we don't think that we can make, but these products do exist now. And one of the issues with a lot of them, too, is there's been a lot of talk about people picking up those products, but there has not been a lot of money flowing in that direction. So, a lot of the products out there just don't even have any money in them.

Robert Morier: Well, talking about educating clients, we just talked about capacity with international small cap, China, so macroeconomic, top-down risks. So, Joe, how do you and your colleagues educate your clients as it relates to these various criteria? What does that education process look like from a client service perspective?

Joe Ledgerwood: So, prior to us making a recommendation or our clients hiring a manager, we go through with the client service team search documents, where we lay out performance and characteristic data, where we stack different managers against each other. We talk a lot about the team, the process, performance expectations. And so, there's just a lot of upfront work that we try to do with our clients and with our client service teams in order for them to understand when those managers will or won't do well. I think that it's really important to do that because we have a tendency, as Britt alluded to earlier, in DC plans, they tend to follow, allocate to the manager or the strategy or the mutual fund in their 401K lineup that's doing the best. Well, that happens, too, in defined-benefit plans or some of our other plans where it's human nature to want to follow the best strategy. And so also building portfolios that are resilient over time, so pairing managers that are complementary to each other from a performance standpoint, from a portfolio construction standpoint, I think, is really important too. And I say this to all of our clients that I work with, that if your portfolio composite is built of managers that are performing or outperforming at the same time, I've done a bad job of helping you build your composite because they can all under perform at the same time, too. And that's going to create a composite-level performance track record that's going to be really volatile, and that's not what we're trying to do. We're trying to build a composite that actually reduces its overall volatility of the underlying managers, but still provides that excess return over a longer time period.

Robert Morier: Does market-neutral play a part? Do market-neutral strategies play a part in your client portfolios?

Joe Ledgerwood: We do have market-neutral strategies. It's something that more of our clients have been interested in. Not every client is looking for something like that. Part of that has to do with, they're more expensive, so from a fee standpoint, it's more difficult. Hedge funds, in general, have struggled relative to just long-only indexes over the recent past. But we have started to see some uptick in interest in market neutral. We've also seen more in the extension strategy space, so 130-30. That was something that, a decade ago, got pretty popular, and then fell off due to, essentially, lack of education on what they were. I think clients thought that they were getting down market protection from that short 30, but really, they were beta 1 strategies to begin with. But we have seen more interest in the 130-30 space. And I think a lot of that stems from the fact that if our clients or if someone wants to be active in large cap US especially, we want to make sure that they're truly active. And we think that the extension strategies are one possible avenue for getting there.

Robert Morier: Thanks for sharing that, Joe. That's very helpful. Can you take us through the emerging managers, the emerging manager universe? It seems like it's continued to be a big topic, not just for asset allocators, but asset managers, as well. Thinking about boutiques, early stage, how does RVK approach emerging managers or an emerging manager program?

Joe Ledgerwood: So, we have an open-door policy. I think that's been reiterated a number of times through what Britt has said and what I've said as well. And so, each of our clients may define their emerging manager criteria differently. And so, we try not to be too prescriptive about it. We don't want to set a definition that makes it overly burdensome to meet with or to place capital with an emerging manager because there are scenarios where certain clients may have different definitions than we do, and we want to make sure that we cast the widest net possible. And so that's another way where I think we let our clients guide us in terms of emerging managers. But I think the biggest thing for an emerging manager program, or an emerging manager is the operational side. You can get a lot of great investors that have great new products or ideas or spin-out, but we really can't compromise on the operational side of the business. One of the things that Matt likes to say is that he wants to minimize the non-investment risks associated with a firm, and really getting the operational side right is important. And one of the things that I think that we do well is that as we meet with emerging managers or new managers is we really try to give them feedback on the operational side that they can institutionalize so that they can get not just at-bats with our clients, but with clients, generally speaking. So dedicated compliance officers, dedicated traders, really just trying to isolate investment professionals so that they can do investing, and they're not running firms or figuring out comp, things like that. We want to make sure that investors can focus on investing and the operations of the business can be taken care of by high-quality individuals. So that's the type of thing where we try to give feedback there. But again, we're really letting our clients drive what they define as emerging, what they're looking for as emerging, and then we go out there and help them find that.

Robert Morier: How early stage are they looking? So, thinking about the private markets, are you looking at Fund One, Fund Two, or does it tend to be a little bit later stage?

Joe Ledgerwood: We'll look at Fund One or Fund Two, but again, it depends on what that's bubbling up from. If we can look at a track record from a prior firm that someone spins out of, Fund One will certainly be an option there. The operational aspect in private markets is even more important than in public markets because that's locked-up capital. And it's not custodied at your custody bank. And you really got to get that right before we move forward with them. If there is a mandate for it from our clients and we dig in and we do the work and we're comfortable with the operational side of the business and we have some comfort with the track record that's been given to us, we'll consider it. But in private markets, I think it's a much higher hurdle for us to get over in terms of that Fund One, particularly.

Robert Morier: What are the main challenges and opportunities you foresee in the investment management industry? I know it's a big question, but I think it is on the top of mind of a lot of people. There have been a lot of changes, more consolidation from a consultant perspective, asset managers are getting bigger. But what do you see as the main challenge?

Joe Ledgerwood: Probably technology. I think we're on the cusp of… or not even on the cusp, but AI has been a big topic of discussion. We've met with a number of managers who have talked about how they're integrating that into their investment process. I think what's challenging about that is, we're not computer scientists, and being able to understand how they're credibly implementing that into their investment process, I think, is going to be a challenge. But I also think that's going to be a challenge on the investment industry side as well because they're going to have to be able to tell us why they're making the decisions that they are, and not just blindly following technology. I think that's going to be a challenge there. But that's always the challenge, I think, across our economy is the implementation and integration of new technologies and being able to discern how that's going to change the direction of an industry.

Robert Morier: Britt, the same question from a manager research perspective. So, if you're thinking about the challenges and opportunities from the due diligence standpoint, how would you think about that?

Britt Vriesman: Well, first of all, one of the opportunities that I see from a manager research standpoint right now is the more niche asset classes. Emerging markets small cap is an area due to benchmark construction. Most people are not utilizing the IMI, so it's the standard or large and mid. And subsequently, people don't realize that they're underweight in the small cap realm. And emerging markets are supposed to be an area of long-term growth. Also, small cap is supposed to be an area of long-term growth. And lastly, these are areas that are ripe for alpha for managers. They're a very inefficient asset class. You have thousands of opportunities. Analysts are not covering them, and I've even talked with managers who were doing due diligence, and they're like, oh, we went to this emerging markets small cap company and it was basically a front. And it didn't really almost exist. As far as the process itself goes, I don't see any huge hurdles. In fact, things have gotten better, again, with Zoom and teams and all of this virtual access. So, we can even speak with a quantitative manager now and they can screen share and get into great granularity and show us the underpinnings of their Quant model. So yeah, I don't foresee any huge hurdles coming from that vantage point.

Robert Morier: Thank you for sharing that. Thank you both. Well, one of the goals of this podcast is to highlight the causes that are most important to our guests. As the host and the creator of the show in conjunction with Dakota, one of the causes that's very important to me is diversity and inclusion. Inclusion is the practice or policy of providing equal access to opportunities and resources for people who might otherwise be excluded. So, when you and I first talked about this interview, we had discussed, possibly, you coming to Philadelphia to come into the studio, but we had a very candid conversation about what that meant for you being a person with disabilities and the hurdles that it would take to get there. And as much as I love Portland and the opportunity to be here today, I wanted to share with our audience how important it is as it relates to the way that firms can implement inclusion policies in accordance with the Americans with Disabilities Act. So, for us and for Dakota, we are grateful to be here with you today. One of the questions we always ask of our guests and of our firms is the causes that are most important to you personally and then the causes that are most important to the firm. So maybe Britt, starting with you.

Britt Vriesman: Yeah. I know this is being brought up because I have a form of muscular dystrophy. I'm in an electric wheelchair. And even just this morning, attempting to get here, Uber and Lyft both have a service. I started calling them at 7:45 this morning. And I tried for about an hour, and neither of them worked. It was just me pinging them every 10 minutes, and then they'd time out. And then I'd try it again and again and again, and I had to hop on the bus, eventually. Which, it is an option, but the bus is an hour and 15 minutes, as opposed to less than 30 minutes. So, there are difficulties. And it's one of those things where if I complain to Uber and Lyft about it, whoever I get doesn't seem to even know what's going on. And they're just telling me that I should wait longer. And then I get into well, do disabled people not need to be on time? And they literally will stop answering my emails. But yeah. This is what it is, but I think some of these solutions out there would be not too expensive. And, but I think maybe people just don't know about it.

Robert Morier: Yeah. Well, that was one of the things we wanted to do is raise that. So, thank you for sharing that, and we appreciate it. I appreciate it. And Joe, from the firm's perspective, what are some of the areas that are most important to the firm as it relates to their own mission?

Joe Ledgerwood: Yeah, I think from a firm standpoint, we're engaged with Rock the Street Wall Street with a local high school. That's a financial and investment literacy program designed to bring gender and racial equality to financial markets to spark the interest of high school girls into careers in finance. I think… I grew up, my dad was an investment advisor. So, I grew up with financial buzzwords permeating the house, and so it wasn't ever really something that I thought about. But man, financial literacy is something that I think we fail our children at. And so being involved in that program for Rock the Street Wall Street, I think, is really important. Regardless of whether these folks pursue careers in the financial services industry, just being exposed to it, I think, is really important.

Robert Morier: Yeah. I would agree. Thanks for sharing that. Well, we are in Portland. We are in a book town. There's a great bookstore not too far from here, Powell Books. And there are lots of authors that have come out of this great city as well, one of whom is Ursula Le Guin. She wrote a great book called The Left Hand of Darkness, and in that, she wrote, "It is good to have an end to journey towards, but it is the journey that matters in the end." So, as you think about each of your respective journeys-- you mentioned your father… who are some of the more important people, mentors in your life who have really helped you along with your career?

Joe Ledgerwood: Yeah, no. I think family, right? Just supportive and keep me on track, push me when I stray. But really great colleagues, too, like Britt have been important.

Britt Vriesman: Thank you. Well, I didn't actually pick a person I met. And I picked… I'm picking two, so Confucius and Jesus. I'm a big fan of the Golden rule. Apparently, it was originally coined by Confucius, but popularized by Jesus. But I guess it's littered throughout philosophical and religious texts.

But oh so frequently, we can get caught up in life and become self-centered. And just thinking about doing unto others as you want others to do unto you and trying to be more empathetic. I have, for instance, a lot of friends who have anxiety and depression issues. And if you have somebody who's in a bad mood and being rude to you, you never know what's going on in their life. And maybe you should try and be even nicer to them because they're having so many problems at the moment. Or even just the small things like giving somebody a smile. And it's funny. I wish I was still subscribing to The Economist because there was just an article… I read the blurb on it… about the positives of casual conversation and how it can be life changing. So yeah, kind of abstract answer, but human interaction is important. And I think that's helped me a lot in life to be a better person. But also, my friend Alejandra has been a big positive in my life recently, so I'd also like to thank her.

Robert Morier: That's wonderful. Thank you for sharing that. Joe, thank you for sharing that as well. This has been wonderful. We appreciate you hosting us in your offices here in Portland, allowing us to take the show on the road. I'll acknowledge my wonderful team, who also joined me here today. And it's really been great. So, congratulations on both of your success. We wish you nothing but future success, as well. If you want to learn more about RVK, please visit their website at www.RVKinc.com. With regard to the Greenwich award, please note that Coalition Greenwich issued the award on April 25, 2023, based on their February through November 2022 study. No direct or indirect compensation has been paid by RVK in connection with obtaining or using this award. 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. A lot of people do watch it. We have learned that from our friend, Sasha. And if you would like to catch up on past episodes, please check out our website at dakota.com. Finally, if you like what you're seeing and hearing, please be sure to like, follow, and share these episodes. We welcome your feedback as well. Again Joe, Britt, thank you for hosting us. And to our audience, thank you for investing your time with Dakota.