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EPISODE 64:

Mastering Investment Ecosystems with Tom Brakke

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, and other industry leaders to help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live content, please check out our website at dakota.com. Now, before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker, who is not affiliated with Dakota. Not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons, by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive, institutional and intermediary database built by fundraisers, for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. Well, I am thrilled to introduce our audience today to Tom Brakke. Tom is a principal and editor of the Investment Ecosystem. The Investment Ecosystem is a hub for insight into the world of investments. Content training, coaching, and consulting for people who strive for continual improvement in the changing world of markets and organizations. Tom, thank you so much for being here today.

Tom Brakke: Thank you for having me.

Robert Morier: Yeah, it's really a pleasure. And we'll let our audience know, you are dialing in from Excelsior, Minnesota. So, thank you for being with us. It's always a pleasure to be able to speak to people from all over the country. We're based here in Philadelphia, in our studios and, for us, it's always a pleasure, particularly someone with your experience. So, thank you again for being here. We have a lot of questions to ask you. But before we get started, I'm going to read your biography for our audience. Tom Brakke is principal and editor of the Investment Ecosystem, which provides advice to the leaders of investment organizations, including asset managers, institutional asset owners, wealth management firms, and other entities. Tom's work is focused on improving current practices and identifying new ideas for leaders to consider. He regularly deals with issues of organizational design, investment process, decision making, the application of technology, the development of human capital, and the effective communication of investment ideas, internally and externally. Tom has evaluated a variety of investment organizations. His consulting, training, writing, and speaking mix research and creativity to present new possibilities for investment professionals and other fiduciaries to consider. Tom worked for 15 years in professional investment management and leadership roles with American Express Financial Advisors. With experience in both equities and fixed income, he held positions as an analyst portfolio manager and director of investment research, Tom was president of Advisory Capital Strategies, the firm's alternative investment decision, and led a unit that created a variety of investment products. He subsequently taught at the University of Minnesota's Carlson School of Management Tom graduated from the University of Minnesota with a BSC in management. He is a CFA charter-holder and member of the CFA Society of Minnesota, where he has taught level two courses and served on the editorial board. Tom serves on the boards of the Southwest Initiative Foundation, the Brandenburg Prairie Foundation, and save the Manfred House Inc. Finally, Tom and his family call Excelsior, Minnesota home, which is where he is today, speaking with us. Tom, thank you for being here, and congratulations on all your success.

Tom Brakke: I appreciate the kind words.

Robert Morier: Well, you've had a remarkable career, spanning from professional investment management to your influential work at the investment ecosystem. Could you share with our listeners a bit about your journey and what motivated you to move from the hands-on investment management role to advising and educating others in the field?

Tom Brakke: It didn't turn out the way I planned it, let's put it that way, which is true for a lot of people. I kind of thought I might be a lifer at what I call IDS, and what ended up being American Express Financial Advisors. After 15 years, I needed a break. I decided to leave and did a bunch of other things for a little while. But then I got a call about teaching at the University of Minnesota, whether I'd be interested. And I thought, well, you know that's something I've always wanted to try to do. So, I did that. I found out how hard it was, so appreciating teachers is something. I got another level of appreciation, if you will, as a part of that. And while I was there, I got a call out of the blue about something called the Global Research Analyst Settlement, asking me whether I'd be interested in being a consultant for it, an independent consultant. And I thought, well, that sounds interesting. It fits my talents. I think I'd be good at it. It gets me back into the business in a different way. And something that would deal with more of the how, as opposed to the what. And so, I thought, you know, that's great. And so, I pursued that. But at the end of the phone call, I said, you know, I should say this, I've never done that before. And the person said, well, nobody else has either. And so, I thought, well, that's a good point to start. And I thought, you know, you're basically taking your knowledge and your principles and you're applying them in a new way. And over the years, it's surprising how many times that phrase, I've had to say that phrase or something like it. I never done that before. That really taught me a lesson about the fact that you can apply these ideas and principles, if the industry well, if the business well, if you know investments. There's all different kinds of organizations that need that kind of help. And so, I just found a way to apply it new, in new ways, even though I'd never done it before.

Robert Morier: I'm very familiar with that same calling. I took it myself. I teach, as you know, at Drexel University, in the School of Entrepreneurship. And I concur, it is very difficult. Not just navigating the waters of the curriculum and a syllabus, but really trying to affect some change in the classroom. So, I admire you greatly for doing it, doing it myself now, has been a real learning experience. And I also admire the ability to be able to say that you've never done it before. I think that's one of the big challenges, in my experience, a lot of firms tend to be faced with, is just the ability to recognize where things need to change. So, I'm just curious, do you typically, with your relationships, and we're going to talk a little bit more about the culture of investment firms and what you see in those firms, but when you're speaking with those organizations, do they recognize that or are you having to draw that out of them?

Tom Brakke: The best clients are the ones that probably need it the least, in the sense that it's that kind of an organization. It's a learning organization. They're open to ideas. And so, they're already a ways down the road, if they've got that. But they want to engage. They want to have dialogue. They want to learn from you, learn from me, learn from anybody else. And I remember one time, talking with somebody at a firm and he said, well, I think we'll have you come in and do an independent review of our operation. It was a good-sized asset manager. And I said, it sounds great to me, but you sound more put together on this stuff than anybody else I've ever talked to, probably. I said why do you need me? And then when I got there, I realized, I was one in a string of people in different… with different kinds of expertise and capabilities, that they brought through, that they want to learn from. And so that really taught me something. The organizations that need it the most are the most defensive and, frankly, the ones that are least likely to hire you.

Robert Morier: So, when you do look back to those earlier days, IDS, ultimately, American Express, what sparked your initial interest in the culture of investment organizations? What was it about the inner workings that influenced your approach, not just to your career but also to manager research?

Tom Brakke: IDS, at that point in time, was one of the largest asset managers in the country. I think third largest, but in that upper echelon. Because of its size and importance, Institutional Investor magazine used to have the best of the buy side that would come out every year, kind of like their All-American research team. And we'd always have people that were in that group. It was a big and important organization. And so, we got access to all kinds of people coming through our doors on a regular basis, all the Wall Street analysts and strategists, and whatever, and economists, and companies that wanted us to buy their stock, and those sorts of things. And so, I was kind of thrown into that, interesting people and experiences, throughout that whole thing, and lots of ideas. And then you're also kind of thinking about what does this industry look like? How is it put together? And a couple of things in that regard. There was a sort of a propagation that was starting, where people who had been at IDS and had some success went out and started their own organizations. And so, you could see, you could watch them grow and think about how they might be different. But also dealt a lot with brokerage firms and research firms, and institutional clients and consultants. And so, if you're interested in that kind of thing, in general, it just was fascinating to me how all of these came together. IDS was a part geographically, located in Minneapolis. So that was a difference. It was probably the most stable investment organization of its size around. Very unique culture, very collegial atmosphere. We had people that were… did fixed income that went to equity and vice versa. I, in fact, did that myself, going from equity to fixed and back to equity. Performance across a broad range of product was really good. But I really got to think about the organization, how it was put together. I was at one time director of research, as you mentioned. And after doing that for a while, I mostly thought about what I should have done differently. Then toward the end, and one of the reasons I ended up leaving, was I saw the organization changing. And so, this wonderful, unique culture started to change, and I didn't think for the better. And so that was part of the experience that really came home to roost for me, was what does it take to make a culture work, an organization work?

Robert Morier: That's an interesting insight. I'm curious, as you're working with asset owners in your current role, not to get too far ahead, but what are some of the signs that you look for or you advise those asset owners, as it relates to cultural changes, dynamics that they may be able to uncover? Either do it during a due diligence process or even after the hiring process. What are some of those telltale signs that you believe are important to pay attention to?

Tom Brakke: I have a phrase that I cribbed from somebody else, that an organization is only as good as its conversations. And it's remarkable how many times that comes into play, whether it's an investment committee, whether it's the members of an organization, in terms of how they're trying to move forward, how they're trying to do what they do. And I think that that's at the root of it. That's one of the things that was great about IDS. At the root of it is that people come to the table with an interest in working together and knowing that there's going to be differences of opinion and even strong, strongly held views. And the ability to work with each other and deal with each other, and to have those kinds of conversations, at the root of it, that's what's really there. That's what's very important. And so often, you see the fracturing of an organization, even in those little interactions around the table, in terms of… it doesn't have to be a physical table. It can be a virtual table too. But I think that's really important, is can individuals communicate see the bigger picture, cooperate, to try to meet the goal that they're to try to meet.

Robert Morier: I have to be honest. One of the things that I do with my students is I require them to watch this show. So, they are obligated to download, subscribe, and like these episodes, particularly when we are speaking with people like you, with quite a bit of experience, in a variety of different areas of the industry. Particularly as they're thinking about careers. So just for that audience, can you discuss what you learned from your role under the global research analyst settlement and what… just for, again, our earlier career audience, what that was and how it impacted the way that you evaluated asset manages going forward in your career.

Tom Brakke: This was in the early 2000s. Eliot Spitzer was the Attorney General of the State of New York. And he started investigating conflicts of interest in investment research at the large investment banks. And he ended up cooperating his, the attorney general's office, cooperating with four other regulatory bodies. So, there are five regulators that entered into a settlement with 12 investment banks over these conflicts in investment research. It was a billion and a half dollars for those 12 banks, which sounded like a lot of money. It was a lot of money at the time. And then we got to the subprime problems five, six years later. And those dwarfed this settlement. But it was really viewed as an important thing. And it had a number of different aspects to it. The one I was involved in was the independent research and provision of independent research by these investment banks. So, they were required to have, when somebody pulled up one of the reports on a company, let's say IBM, they would see not only the investment banks report, but the report from an independent provider. And so, my job, and the other job of the other consultants that were involved, would be to basically select those firms to run that program for throughout the settlement. There was, again, no blueprint on how to do this. I had the smallest pool of funds to be able to do that on behalf of the bank. It was an interesting problem to try to solve. We would get together, the independent consultants and the regulators, on a fairly regular basis, leading into the actual onset of the research part of it. And there was a little peer pressure that was going on because everybody was trying to figure out how to do this. And there was one person, in particular, another consultant, who was telling me that I needed to do it in such and such a fashion. To use a consolidator because of my small amount of money that I had. I ended up not doing that. So, I cast a wide net in terms of large, large number of firms and the due diligence on them. And trying to put the pieces of that puzzle together was really interesting. And I remember getting to a point where I read the book, The Paradox of Choice. I don't know if that's a book that you're familiar with. But it's the classic thing is you walk into a grocery store and here's so many different kinds of cereal, et cetera. How do you make choices? And so, there's really maximizers and satisfiers. And maximizers think they're going to come up with the very best, optimal selection and choice in every given situation. It turns out they don't. A lot of times they don't do that. And, furthermore, their disappointment is great because they think they've done that, and they end up not doing it. And so just reading that book, for some reason, everything clicked. And so, I made the selection, we start the process, and from beginning to end, it was 6 and 1/2 years, the operation of it. And then ongoing due diligence, where I would go and revisit the research firms I had selected and maybe some that I was thinking about adding to. And in one of those, a couple of years in, one of the leaders of the organization, this was a large research firm that six or seven other people had selected to use too, and she said, you know, you don't do this like anyone else. And I said, oh well. How do they do it? And she said, well, we put together a presentation. We all come into this big room. We do our presentation, and they ask questions. And so, the idea of that was completely foreign to me, in terms of how I thought about things. And so, I much later put this down in what I call my index card approach. So, it's just six items and I can explain each one of them. So, the first one is one on one meetings with many people. Many people from different levels of the organization, different parts of the organization. To me, that's the best way to do due diligence. Importantly, second, it's my agenda, not theirs. I don't want to be receiving the narrative from them. I want to be pursuing things that I want to think about and talk about. I want to ask the kind of questions. It's really my agenda. Going along with that is no presentations or pitch books. So, I would have already gotten information from them in advance. I don't need to rehear all of that. I don't need to hear the narrative again. I don't need to be in that environment. So, staying away from that. The next one is, follow the script, but don't follow it. And what I mean by that is you need to have a plan of attack going in and to be prepared. But a lot of times there's a thread that's dangling out there, and you want to pull on it. It might be the most important thing. And if it's not on your list, so what? You need to follow the scent of what you're looking for. And so, again, follow the script, but don't follow it. The last couple are just triangulate. And you can't really triangulate if you've only been talking to one or two people. And then remembering that everything is connected. And that is like if you're doing, if you read about culture going into an organization, looking at the artifacts of the organization, how things work within it. The smallest thing might tip you off to something. And it's the observational part of it. And, again, being willing to focus on that and follow it, if it seems like it might be important.

Robert Morier: What are those index cards telling you today, as it relates to some of the common challenges that you're seeing organizations face? So, if you think about that life cycle of the due diligence process, as you're having those conversations, you're really trying to read in between the lines, as to what an organization is presenting to you. What are you finding are some of the common challenges being faced, and what type of guidance are you giving as a result?

Tom Brakke: It always boils down, it starts with the same thing, I think. And that is, I mentioned narrative. I always have this graphic I use, the two sides of the table. So, on the manager side, you've got somebody whose responsibility is creating and delivering a narrative. Obviously, they're managing money too, but when they come to you, that's what they're doing. In my experience at IDS, I did a lot of it, and I was good at it. So, I got lots of experience in both writing and creating materials, but then presenting, both in conference kind of situations but also in when you're trying to win business. The whatever you want to call it, a beauty contest or bake off. So that's what the manager is trying to do. On the other side of the table, job one is to crack that narrative. That's your job. And the one thing I see that doesn't happen enough is doing that. And so, what you see, for example, is if you compare a manager's materials to somebody's due diligence report, you'll see common phrases being used, things that are almost cut and pasted. And so that tells me that there's not… that the narrative is being passed along. And that's probably the biggest problem today, with manager research. The other thing is just the whole performance chasing issue situation that is really hard for any of us to get away from. But it's really about that narrative. And when I saw when I used to do that at IDS, when I was out dealing with investment committees and consultants, and that sort of thing, first of all, they were heavily influenced by performance. But I didn't see that they were as in-depth as they should have been, in terms of cracking that narrative and in terms of ultimately, then, understanding what the organization was all about, which is what I want to try to do.

Robert Morier: You've spoken extensively about the critical aspects of investment process and decision making. So, in the context of today's approaches to asset allocation, which of these areas do you believe are going to require the most attention to navigate the complexities of today's investment landscape the most effectively?

Tom Brakke: I think organizational design is the one that pops out to me because it connects the stated philosophy, the investment philosophy of the organization, to almost everything else. Culture, structure, process, decision-making. Someone once had said investment firms are organized by chance rather than by design. And I think that's really true in a lot of cases. The other way is they're organized by the norms of the industry. An asset manager doing this kind of thing is organized in this fashion. An asset owner is organized in this fashion, an investment advisory firm in that one. Because somebody came from some other place or they've seen it work, or whatever. And so, there's a lack of intention, in general, I think, a lot of times related to organizational design. And you also get into what I call the arithmetic of investment staffing. And that means, OK, we need… technology is hot. We need to hire another technology analyst. Or look what's happening over there in that area. We need to get… we need to add somebody that does that. And so, it's reactive, as opposed to a thoughtful analysis of what it means, not just today, but what it's going to mean going forward. And so, then that gets into the kind of people you're selecting. And instead of selecting people for individual specialties, you're finding people that can take the organization forward in a variety of different ways. Process, you think about investment process should determine structure. The odd thing is that a lot of times structure determines investment process. And so, because you're structured in a certain way, you see the investment problems, whether it's asset allocation or anything else, in a way that is influenced by the structure that you've built. And so that's why I think organizational design is so important and should be at the top of what the leaders of organizations are thinking about. But, typically, it's a ways down the line. That's not their focus. That's not what they think about very much.

Robert Morier: The norms that you're talking about, as it relates to the structure, at least of an asset manager, so one of the reasons I've found in my career that organizations are more often than not structured the way they are, I absolutely agree. By chance, more than design makes a lot of sense. But, also, those obligatory check boxes, the way that asset allocators have to see an organization in order for that organization to progress through the due diligence process, to make it out of screening, to make it to the first round, second round, the final. So how do you find the synergies between the norms and the expectations? And where you may want to be different, but you're worried that might disqualify you from searches.

Tom Brakke: It's incredibly important. And there is a sort of fear that asset managers have about this. And I think the most important thing is to just set the expectations up front, to talk about who you are and why you are organized the way you are. So, I think that I talk about a ledger, if you will, same as, different than, in terms of thinking about how organizations are. How much are they like other ones and how much are they different. The differences tend to be small. And yet that's where the important things are because why be like everybody else? There's no sense in doing that. We've got too much copycat in the industry. And so, I want to set people up for that, and tell them why that's the case, and tell them why that's an advantage for them to think about. I'm reminded of an asset manager client that basically they would stumble at the same part of the process. And the leader of the organization said we get feedback from consultants that they don't like the fact that person A tells a story differently than person B, than person C, than person D. And yet, to me, that's a strength because you're bringing different kinds of expertise. And you're all, if you're all doing it together and you're bringing it together, that's really important. And so, for that manager, they need to figure out how to talk about that. And I think they can make a very persuasive case about why it's important to have that diversity of approach and thought and how they come together and make decisions together. That should be something that people should want, rather than be repelled by. And yet that's a really good example of how this happens, is that some people are doing check by the boxes, in terms of manager selection. And if you don't fit the boxes, what are you going to do? Are you going to try to do things to fit the boxes or are you going to try to say, this is who we are. This is why we're doing it this way. And go through the difficult part of communicating that in a way that allows people to think differently than they have before.

Robert Morier: Really interesting insights because I think about consistency in that communication. How many times I've been in prep meetings with portfolio managers and analysts and the message typically is for the analysts just to memorize the story. Repeat the process, be consistent with what's being delivered. Because consistency is key. But, really, it's effectiveness that's key. And as long as the other side of the table understands the nuance of that person's role relative to another, you should be successful. But to your point, this is all predicated on effective communication. So can you share some strategies or tips for the asset managers who are tuning in to our show on how they can improve how they communicate these more complex investment concepts to, again, to the other side of the table. How can they distill that message in a way that's effective and brief?

Tom Brakke: When I do workshops or meetings about this. I have a foundational principle and if I've got slides. The slide appears in very large, very bold, all capitalized red letters that says, don't tell me everything you know. And so that is the most important principle for investment people. They have a hard time editing the content. So first of all, you got to quit trying to sound smart because that's not necessary. The thing you need to do is communicate with the people where they are. Don't make them come to you. Come to them. And make those connections. I've been in so many situations where I've said to somebody, OK, now, we want you to not to use jargon. We don't want you to not do this. Don't go into there, in terms of things you talk about. And, invariably, the asset managers just ignore you and do it anyway. So that's the main problem is to be able to simplify the messages. The Feynman Technique, if you will, of being able to look at something complex and make it simple and be able to communicate that to somebody else. And so, I go through exercises of doing that. So, I think that's really the start of it, that you have to do that. But, again, making sure that instead of getting that analyst to rehearse, making sure that they understand the broader philosophy of what you're trying to convey and where they fit in that, where they fit in the organization. What they're trying to do, so that if somebody is trying to fit these pieces together, they're not just, oh gee, they said the same thing. That must be that must be how they do it. All that means is that they've rehearsed the narrative well. That's not what you want. You want to see, living and breathing, how this works. And so, a memorized rote approach is not good for the asset manager and it's not good for the people doing manager research. Because if that's what they're expecting, then they're not getting at the real environment, the real process.

Robert Morier: If you think about what John Wooden used to tell his team back at UCLA, failing to prepare is preparing to fail. So that preparation process, it does take a lot of effort, but it's good that there is a wider lane than I think a lot of us perceive when we go into these meetings. So, as you look ahead, thinking about the challenges that asset managers and asset allocators are currently facing, and it's everything from macroeconomic trends to trends that are currently happening within technology, what innovations do you believe are going to have the most significant impact on the way that these organizations operate going forward? How can they embrace these changes or these dynamics that are happening within the markets?

Tom Brakke: We're 15 months into this AI era, that was magically started in November of last 2022, I recall reading five or six years ago in a CIA magazine, I'm trying to think of what they named the quarterly magazine, but anyway. It was a vignette of an intelligence analyst walking into their office and starting to interact with some kind of an artificial intelligence bot or something. And it just sort of really struck me as that, oh my gosh, that's where we're going. And so, I've said for a long time that, really, all of our roles in organizations, all the roles that we think we know, are going to be taken apart and put back together in different ways going forward. There's the external environment of technology and the capabilities that come in. Ashby Monk has done some good work on this, wrote a book about technology and how that affects the methodologies should long term investors should be thinking about. He also had a new paper, with a couple of other people, where he talks about technology disruption and its effect on the portfolio. And so, I think just thinking about that and putting the resources to that is going to require adapting a lot of different ways and organizations haven't been before. And when we talked about rigid structures and whatever, it's going to be very difficult for many organizations to do that. Well, we saw ESG just go straight ahead for a long period of time. And then we got into the backlash, and we got into the backlash of the backlash, lots of differences of opinion. But I think the E part of that, the climate and the other environment kinds of things, I don't expect that to be going away. We've already seen changes to commerce, changes to industries related to that. So, if you're a long-term investor. You've got to be thinking about probabilities, in terms of that, and what happens if trends continue. Organizationally, culturally, whether at the governance level or within a staff, there are differences of opinion. So, we get back to the conversations question again. You've got to be able to figure out how to deal with that. I think how markets behave in the whole growth of passive is an important question. And I also think that what I call compression, which is the wearing-away of edges from competitive advantages that we saw happen in mutual funds as a class and hedge funds as a class. Now private strategies, the question is whether that's going to happen just at the point at which those strategies are being starting to be heavily marketed to individuals. And so, I think that's a big issue, in a lot of different ways, for managers of strategies, for advisors of the strategies, and just obviously for the individuals that might be getting those vehicles. I saw something recently by the head of one of the organizations that said, this is a proven approach. Well, yes, it worked in the past. And I don't have the knowledge to know whether it's going to work in the future. But assuming that it's going to work in the future is one of the problems with how the business operates. Everything is subject to change. And we have to try to figure out what's changing and what will change, as opposed to what will stay the same. And I think so many of the things that we take for granted ought to be up for discussion on a regular basis.

Robert Morier: Well, over the years, have spent a lot of time analyzing the manager research function. You've touched on some of those points, particularly in the beginning, which I greatly appreciated, cracking the narrative and obviously not leading with performance. But what do you believe are the more significant issues facing the manager research function today?

Tom Brakke: I do think it is those same old things. It is that narrative and how do you get past the narrative. And what are your obligations, in terms of trying to find out what you should be finding out, in terms of looking at managers. The other thing is the whole problem with performance chasing. And this happens at every level. The most sophisticated organizations, in some cases, they can be the worst because they think they're going to find the very best manager. And after two or three years, if they don't, they're quicker to get rid of them than some other organizations are. But we have this pro-cyclical mentality. You don't make the cut in a screening unless you've had a certain kind of performance. If you've had performance below that, you just aren't looked at. And yet, counter-cyclical behavior is usually more effective. And so that's a big problem.

Robert Morier: I am interested to see how that changes, particularly in the face of the amount of attention that's being paid to private markets relative to public markets. There's a lot embedded in that counter-cyclical approach to asset classes that are illiquid and long term, extremely long term in nature. So, it'll be an interesting next few years, particularly as you see plan assets moving more aggressively into areas like private credit, for example. So, I'll be curious to re-read your next version of your e-book, which covers how that all went down. You had mentioned, prior to our conversation, that one of your favorite books is Zen and the Art of Motorcycle Maintenance, which I loved. And there is a line in that book which I quote regularly, which is that "the pencil is mightier than the pen". And I like that because it really stresses, more than anything, the importance of the eraser and the ability to be able to erase a mistake, start over, maybe forgive yourself or forgive your colleagues. So, again, for my teachers who are listening, for the students who are listening, and they may not admit it, but the asset managers who are listening as well, who make those mistakes, I'm just curious, in your own career, looking at asset owners, speaking with asset managers on a consultative basis, what lessons you've learned from having to use that eraser.

Tom Brakke: Well, I'm glad you mentioned the book. I actually did a six-part series on it, the book as it relates to asset management or investment management, I should say. I think organizations and individuals need to build adaptation and growth into their identities. You hear the phrase consistent and repeatable process, which to me is merely a marketing construct. Because in a complex, adaptive system, it seems to me that's a losing proposition. And you sometimes see asset managers afraid to change because they've promised something, and that's what they want to deliver. Well, that's looking backwards as opposed to looking forwards. Everything changes over time, even if we want to nail it down. So, I'm reminded of the pandemic. I was doing workshops, managing research workshops. I had one scheduled for March 31 and April 1st of 2022 in New York City. So that didn't happen. And so, I thought, now what do I do? And it took a lot of work, but I put together an online course. And what came out of it is a much deeper body of knowledge, I think, than you could convey in a two-day seminar. So that that's something that I had to go through. Lots of people had to go through similar kinds of things because of the pandemic. I think one thing that I go back to a lot that I don't hear many people talking about, and that's categorizations. Whether it's asset classes or industry sectors, or any part of your business, there's some kind of categorization scheme that you're using. And they go out of date. If anything needs a pencil more than the pen, it's those kinds of scheme. And where we draw the lines is extremely important, in terms of how we picture our world and how we behave within that world. And so, success often comes from blurring those lines or operating between those lines or coming up something new that's not in an existing an existing box. And so that's, I think, a good example. And then, you kind of alluded to another one that I think about, and that is how do you personally deal with both traumas and successes in the business. So hopefully people have home runs. Unfortunately, they're going to have scars. And both of those can be problematic, in terms of how they think about the choices that they face going forward, from an investment front. And that emotional baggage is some of the hardest thing to get rid of. And so, the ability to do that is something that's hard to see but is very valuable.

Robert Morier: Well, one of the things I love about this show is that I have the opportunity to speak to people like you who have had many decades of success in this industry, speaking to all levels of organizations and both sides of the table. And I'm always curious, and how I always end this show, are the people who impacted your career along the way. The mentors who pointed you either in this direction, from a career perspective, or kept you in the right direction, from a career perspective.

Tom Brakke: Yeah, I'll mention two, neither of which would have thought of themselves as mentors, in the least. It was really more about how they did what they did, the kind of people that they were, the kind of examples that they set. There were both 20 years or so older than me and has each passed away in the last few years. So, we continue to get together, long after we were together on a regular basis. So, I miss them. One of them was at IDS, and was… I thought of it… kind of as the conscience of the place. You couldn't tell it from the organizational chart or the marketing materials, but that's who the CIO went to when he needed to talk to somebody about something important. Because he knew he would get an unvarnished opinion, completely without pretense or political ambition, or anything like that. A man with a wonderfully dry wit. But the most important thing to him was the organization and how they behaved. The other person was not an investment person at all. Was accomplished in his own field. And he was very similar, in a lot of ways. And I'm not a fan of hype and bluster, and there's just way too much of it in our business. And so maybe it's… that's what I reflect back on, that people like Bob and Rebbie, who I got to know so well, and you can count on to do the job, to do the right thing, and to not make a big deal of themselves. Those are the kind of people that can really make things happen.

Robert Morier: I couldn't agree more. As you were answering that question, I was thinking about the people in my own career who our CIOs would rely on, or even myself, personally, would rely on, either for advice, direction, or whatever it may be. And I, again, couldn't agree more. A lot of those people typically weren't on the org chart. Or if they were, they weren't where they should be. So, I appreciate that answer. Tom, thank you so much for taking time to be here today. Congratulations on all your success. Congratulations on the Investment Ecosystem. I highly recommend it to all of our listeners who are looking for insights and guidance as to how to think about both sides of the table. So, thank you for tuning your camera into us today and sharing your wisdom.

Tom Brakke: Thank you so much for having me.

Robert Morier: If you want to learn more about Tom and the Investment Ecosystem, please visit his website at www.investmentecosystem.com. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We are also available on YouTube, if you'd like 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 share these episodes. We welcome your feedback as well. Once again, Tom, thank you for joining us. And to our audience, thank you for investing your time with Dakota.