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EPISODE 66:

Steering Through the Currents: Family Office Wealth Management

with Gilder Partners for Growth

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, investment consultants, and other important players in the industry who will help you sell in between the lines and better understand the investment sale's ecosystem. If you're not familiar with Dakota and their Dakota Live content, please check out dakota.com to learn more about their services. 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 Robert Lovas and Emily Sumner from Gilder Partners for Growth, a registered investment advisor that offers a family office approach to investment. Welcome to Philadelphia.

Robert Lovas: Thank you.

Robert Morier: Yeah. Thank you for being here. It's really nice to… always nice to have guests come up to Philadelphia, particularly from North Carolina, because you're actually coming up to the cold weather rather than getting away from it, like I did very recently down in Florida. So, we're thrilled that you're here. It's really a pleasure. We're interested to hear about your roles at Gilder and what the mission of the firm is. So, before I do, I'm going to read your biographies for our audience. Gilder Partners for Growth is a registered investment advisor that offers a family office approach to investment. The firm is based in Raleigh, North Carolina. Emphasizing multigenerational capital growth rather than capital preservation, Gilder Partners for Growth invests across a variety of liquid and illiquid asset classes, expressing high conviction themes over various holding periods, and utilizing third-party investment managers as appropriate. The firm's roots were planted by Ginny Gilder, the firm's founder, and her father through the Gilder Family Investment Office, the Gilder Office for Growth. Robert Lovas is the president and chief operating officer, directing the firm's client service and engagement activities. He brings a deep knowledge of investment and balance sheet management to each client relationship and helps customize each client's asset allocation to their unique expectations and tolerances. Robert also designs and delivers annual family meeting content to develop financial literacy and risk management in the rising generation of family members. He is chairman of the firm's executive committee and sits on the investment committee. A 22-year veteran of Bank of America and its predecessor companies, he spent much of his career as a senior vice president in the bank's private wealth management division, formerly known as US Trust, serving clients in eastern North Carolina, and most recently, in the greater Los Angeles area. Robert earned his BA in history from Davidson College and holds an MBA from Kenan-Flagler Business School at the University of North Carolina Chapel Hill. Emily Sumner serves as the chief investment officer and chair of the investment committee at the firm. In her role, Emily provides oversight and guidance in managing and coordinating all aspects in investment activities and strategies consistent with its mission, objectives, and established policies. Prior to joining the firm, Emily was an investment officer at the Oklahoma State University and a vice president within the investment management group at Hatteras Funds, where she focused on sourcing, due diligence, and portfolio management of alternative investment strategies across public and private asset classes. Emily received her BA from Randolph-Macon College with majors in both business economics and accounting. Emily also obtained her MBA from the University of North Carolina Kenan-Flagler Business School. Emily is a CFA charter holder and a chartered alternative investment analyst. Now that you're in Philadelphia, I'm going to start with a very serious question. Being part of the Gilder family business, are you required to be a WNBA Seattle Storm fan?

Robert Lovas: Well, I think everybody should be required to be a Seattle Storm fan.

Emily Sumner: Absolutely.

Robert Lovas: I mean, four league championships. You've got dominance in the last Olympic team, the US Olympic basketball team. And then, the team's fingerprints are all over this year's Olympic team as well. So, for sure.

Emily Sumner: And our family, of course, has my daughter, before she was one, had a onesie that had a Storm. I have a stocking cap. My husband has gear. So, we support each other in all of our endeavors at—

Robert Morier: Oh, that's good.

Robert Lovas: And I like that.

Robert Morier: Let's hope North Carolina doesn't get a WNBA team, then. It might make things a little bit more conflicting. Well, for our audience who may be less familiar with the firm's founder, Ginny Gilder is a managing member of Force 10 Enterprises, which owns the Seattle Storm. She is also an acclaimed rower, author, and philanthropist, having been named to represent the United States in two Olympics, and earning a silver medal at the Los Angeles Olympics. She wrote about her experiences in and out of the boat in her wonderful book, Course Correction, which was great to read. I just read it recently. So, Robert, for some background for our audience, can you share the history and inspiration of forming Gilder Partners for Growth, and then, your role within the firm?

Robert Lovas: Gilder Partners for Growth as you, in your introduction, stated, is an outgrowth of the family office that was established, actually, 20 years ago by Ginny and her father. Ginny terms it a way of building a financial bridge to the future. But even taking a step back from that, it was a way of developing a succession plan for the stewardship of the family wealth that had been created by her dad. And so as we've moved through the years in the family office, and looking to the future, understanding the growth of the family itself, knowing that the family member investors have choices to invest, and not just in the family office alternatives, but in broader alternatives that are out there in the investment space, in order to continue to grow, we decided to pursue a strategy of inviting, on a selective basis, other families to invest with us and for us to basically conduct their investment activity. What we were looking for were families who wanted generational investment exposure, multigenerational investment exposure. And in building that client base very slowly, very purposefully, very thoughtfully, it was a way of continuing the ability of the founding family office to go 1, 2, even 3 more generations and improve the continuity. It was a way of retaining our key employees. It was a way for Ginny to think about what her succession plan would be, and if the single-family office… which is under the SEC, regulated a little bit differently than RIAs. If there were not a family member to come forward to take the leadership role, it would give the family members continuity in terms of the relationship with the key executives that they've known for years now to continue to manage that relationship.

Robert Morier: What's that transition been like in terms of the operational structure of the business? You had mentioned the way that you have to register the business, but when you think about staffing and just responsibilities, when you're opening up the doors to other families, introducing transparency, really having to show your cards, if you will.

Robert Lovas: In a number of different ways. It's changed, one, our compliance structure is different from what it was before, simply because of the way that RIAs are regulated differently from single family offices. So that's been a change. The transparency is kind of a carryover from the way that we've done business on the investment side within the Gilder family. There is a very closely defined and very high level of discipline in terms of the process we follow for making investment decisions. And that involves a lot of transparency from the point of sourcing a potential idea, all the way through to the final approval process. There's always been a family member on the investment committee to help make those decisions. And we like the idea of an engaged outside family putting a representative for themselves on an investment committee so that they can see, from A to Z, what our thought process is about introducing a new investment to the family.

Robert Morier: Oh, that's interesting. Thank you for sharing that. I ask because, as you can imagine, and you both know very well having worked with family offices over the years, not the most transparent bunch, particularly when you're trying to understand how decisions are made. So, from that transition into this multi-family structure… which makes a lot of sense, particularly sourcing ideas. Emily, one of the reasons that we're here today is because I was introduced to someone that you will do some co-investments with. And you'll have, call it, a consortium of ideas. So, what does that process look like in terms of communicating what you're looking to achieve from a structural perspective, and then, translating that into the sourcing of investment ideas?

Robert Lovas: It's really, really important to understand what any family's goals are in terms of how they want the wealth to be used, whether it's for the family, whether it's for society in general, whether it's some combination of the two, understanding what their time horizon is, understanding what their risk tolerance and return expectations are. And so really getting into that at a very deep level, understanding what structures within which we're going to be recommending investments, whether they're more growth-oriented or whether they're more yield-oriented. Once we have that knowledge base, we can start putting together a broader picture of how to allocate on behalf of that family. And we've had a couple of examples very recently here where, because of the sourcing that Emily does… and she's really deeply in the universe and has contacts all over in different private strategies and different institutions, other family offices, she's extremely well-connected. Which is why I'm going to turn it over to her now and let her take it from the detail perspective.

Emily Sumner: Yeah. I mean, I think what Robert said is very true. I mean, it starts at the very top. We need to know… every family is different, every person is different, every institution is different. And sitting in our role as fiduciaries, the main goal for us is to understand the objectives. Like, what are we trying to solve for? What returns do you need? What constraints and risk are we dealing with to be able… to be able to achieve those goals, and over what time horizon? And so, I think knowing that at the beginning is very important so that we can provide the options and put together a structure that works. I think also, at the very beginning, putting that governance in place… so exactly what Robert was talking about, making sure that the governance that we're suggesting, the investment policy statement, that we're both on the same page, that we all understand the rules of engagement, the guardrails. I think any time in investing where you run into problems is when the expectation and the reality don't somehow match. And so, if you understand the risk and the guardrails, then if something doesn't go right or exactly according to plan, because when we're investing, we do take risk, you're like, OK. I understand. We talked about that. Now, let's move on from there. Versus, wait, what is going on here? So, I think at the crux of any relationship in investing, it goes to process. It goes to governance and really understanding the objectives.

Robert Morier: From a business perspective, this is a question you ask asset managers often. But now that you are thinking of yourself as a multi-family office solution provider, what differentiates the business from other businesses? What's your competitive edge?

Robert Lovas: Yeah, that's a great question. And so, from the very beginning, one of the things we decided as a team was that we wanted to grow very deliberately and very thoughtfully. So rather than trying to gather AUM at a high rate and get to a high level, we wanted to make sure that we were partnering with the right families from the standpoint of cultural fit and from the standpoint of investment philosophy, and to make sure that we weren't taking on too many resources too early in anticipation of high growth. Because it's always a little awkward to pull up three, four years later and realize well we're not quite at the target that we had set for ourselves. We're going to have to make some adjustments. We really like the culture within the firm. We wanted to maintain that culture. And that's why it was important to find a cultural fit. So, I think, from a differentiation standpoint, we want to maintain the family feel. And so, three, four, potentially five outside families is probably where we would say, we just want to manage this intelligently for the next generation.

Robert Morier: It sounds very manageable as well in terms of the number of relationships you're working with. How would you describe your culture?

Robert Lovas: Very collaborative. I think the industry, generally, the family office industry is collaborative. Because it is kind of an investment universe and investment philosophy unto itself. We're a small team, and so there's a very, very high level of trust. We need a very, very high level of trust, because there's a lot to be done by a fairly small number of people. We've been together now… this team that's in place has been together for seven years. Emily came on board about seven years ago. And we've been fortunate to have very, very low turnover. And I think that one of the things that Ginny adds to the culture is this desire for authenticity and to say that it's OK to make yourself vulnerable, to be your true self with your partners. It's OK to talk about something that maybe isn't going the way you'd like it to go outside of work that may be impacting the amount of time or effort that, temporarily, you can spend within the role. We know one another's families quite well. That level of trust, that level of experience, and the ability to do our jobs remotely, even before COVID hit… we had every Friday was an optional work from home day prior to COVID. We had put all the infrastructure in place to make that happen. And so, when COVID hit, we already had that muscle memory to rely on to keep the operation going.

Emily Sumner: And I was going to say, I just want to add, I think it's really interesting what I've learned in working with Ginny in the family office is that we care about her family. I mean, that's our job, is to work with her family and the now for generations, but what she has just told us and shown us is that she cares about our families, too. And so, she does the same thing, I'm sure, for the Storm. It's the people that work for her and in her organization that she works… I mean, really, we feel like we're all a team, working together towards the same goal, but she wants to take care of our families just as much as we want to take care of her family because that's our job. We're working at a family office. So, I just think that's… I mean, it's really just interwoven in the culture and really important.

Robert Morier: Robert, you've spent many years educating clients about investments and generational wealth transition. So, what does that mean for you to be an educator as it relates to working with these families quite intimately?

Robert Lovas: It's funny to think about it that way. At least, to me, it feels funny to think about it that way. I tend to ask a lot more questions and spend a lot more of my time listening to what's going on with families. I come to a discussion knowing full well I don't know the answer yet, and it will take a while.
And there is a discovery process that I think occurs naturally in understanding how one generation thinks about their wealth, how they think about the next generation and the next generation's ability to steward that wealth. And there are a lot of variations from family to family about how those feelings evolve and how those perceptions grow. And so, where I see my ability to add value, my opportunity to add value is to ask questions that maybe I'm hearing them not ask themselves. I don't come to the table with the idea that this is how you should do it. I come to the table with questions about, well, how do you feel about it being handled this way or that way or another way? Presenting options, giving them some things to think about, giving them things to talk about with the next generation. Because one of the things we see so often is that the topic of wealth is not an easy topic for different generations, one generation to talk about with the next generation. And so, part of my role is to get everybody to the table and sort of create the spark for dialogue between two generations.

Robert Morier: I always like to ask, why this family office? You were doing very well for many years working in the same, but different sector. So, what was it about this job that really attracted you to take it?

Robert Lovas: This type of role really depends on a high level of relationship development and preexisting intimate knowledge. I don't think this is an easy role to come into cold. And I had the benefit from my business school years, developing a relationship, became a good friend who was in this role prior to my coming on board. And when I was at B of A in Los Angeles, he reached out to me and wanted to talk about the idea of me coming on board with the family. Over the previous couple of years, he had told me a little bit about the family, and we were trying to determine whether there was an opportunity for the bank to develop a relationship with the family. And it never quite worked out. And it was not far beyond 2008, 2009, and credit was still a bit difficult to try to put together. There were still a lot of brain damage involved with that. And although that never came to fruition, the relationship continued to develop until, one day, I got the call. And I thought, you don't get a call like this every day. And so, I spent a lunch with Ginny… almost exactly eight years ago now… that turned out to be an entire afternoon. Which I think told us both something. So, it was just a wonderful opportunity to work with a great family and do some really, really, really interesting and fulfilling work.

Robert Morier: And Emily, you're coming up on your seventh full year. So, what was the opportunity that presented itself to you? And why did you approach it and then take it?

Emily Sumner: I was working previously at Oklahoma State University, as you had mentioned. And I was an investment officer there, so I was working underneath the CIO at the time. And I was just focused on the private side and building out that portfolio. And really, this gave me an opportunity to step into a bigger role, a more senior role of not just thinking about the micro, of why an investment is good, or why it fits into a sleeve within a larger portfolio, but how do I think about the entire portfolio and how it meets the objectives of the family or the organization. And so just a natural progression in where I wanted to go in my career. I got to work across asset classes, which at Hatteras, I got to do, and I enjoyed that. And so that was exciting. And even in stepping into the role, getting to really put some processes in place and some risk management and structure and liquidity management. I like all the planning and the structure and seeing a path forward. So that was exciting. And then, as you read about Ginny and her father and all that they've done, and just the organization itself, I was eager to come and join a firm where someone like Ginny was at the helm and learn from her leadership as I grew in my career.

Robert Morier: Well, you weren't named chief investment officer right away. So now, after reading Course Correction, did you have to earn your seat in the boat?

Emily Sumner: Yes. Absolutely. I think, initially, when I came on board, there was some structure to put in place. And thinking about putting together an investment process and liquidity management for the privates, and really turning… not that it wasn't institutional before but taking my institutional knowledge and applying it to the platform that Ginny had built. And then, as we think about the RIA, how do we apply that across different families? And really growing into that more CIO role where now, I'm thinking more holistically of, how does this investment option that I think is really interesting… doesn't matter if it's really interesting if it's not anywhere meeting the objectives. So, there's a ton of interesting things. It's really tax inefficient. I don't need to look at that because that's not meeting the objectives of my client. And so, I think that in itself kind of got me to where I need to be. And I think there's so much learning in this industry and growth ahead in what we're doing for the RIA.

Robert Morier: What's that buildout been like for you? Because that's an interesting… that's an interesting project. You're coming into something with your experience. You know your multi-asset, looking at a variety of different areas to invest, but there's also a buildout at the same time. So, are you doing that together? Are you doing that alone? What does the infrastructure look like for you as it relates to the organization?

Emily Sumner: We didn't want to hire too much ahead. We didn't want to over… but there is a balance. And so, we've brought on some software that has been extremely helpful. That was a process in figuring out, what was the right fit there. So how do you bring on more capacity? You use technology. You use people, and you outsource. And so, compliance, we're using that, outsourced more so with some of the resources we have. I was never going to take that role. But you're thinking about, as an organization, how do we grow? And my role specific, using technology has helped. The potential of adding more resources to help me on the investment side, that's been in process. And so, I think building out just the additional capacity needed when you bring on more clients. But then, specifically, to building out an investment portfolio, that was really important as we're thinking on bringing on clients. Like, is what we're doing for Ginny and her family… can we find synergies across what you're looking for and what we can provide? And so, I think that was also really important. And I think it's a process. What we do offer is more a boutique, bespoke per family. And so, it's really their portfolio is built, after we have these discussions, using the infrastructure that we have, whether it's technology or additional people.

Robert Morier: So, I'm just curious. Because you were hired a little bit ahead of Emily, what did you see in Emily when you were going through the interview process?

Robert Lovas: Certainly, she had the credentials and the background. But I think more than anything else, she had the passion. And Emily is a bulldog. I mean, if you give Emily a set of data to analyze on managers, she dives in and does just a tremendous job of coming back with her analysis and reasons for why A is better than B and is better than C. Emily's also, as you can tell, very easy to talk to, easy to be around. She fit well with the culture. And it was a great opportunity, I think, for the firm to learn from Emily. But I think it was also an opportunity that we saw for Emily to learn from the firm. And so, I think it's gone really, really well for seven years. And Emily and I are probably in contact several times a day on investments, on money movement, cash management, making sure that we've got everything that we need in order to satisfy the mission. Emily kind of drives the activity, and I'm kind of supporting coaching from the sidelines, cheering from the sidelines sometimes. But I think, really… and I think that you should ask a lot of Emily's peers, and I think they'd all say the same thing. She's really passionate. She's totally engaged. And she lives this business.

Robert Morier: It's not often that I get to ask the investment officer why they got hired. So, I appreciate you listening to that as well. I'm sure much of it knew but thank you for sharing all of that. So, when you think about that process, that due diligence process, I understand that you'll have, potentially, different missions for different families, but when you think about setting the table, what does that top-down process look like? You've got this very wide world to invest in. You know the managers, potentially, that you've liked over the years, but you also have objectives of mission that you have to apply to the families. So, if you could maybe take us from the top down, what does that process look like in terms of setting the stage?

Emily Sumner: Yeah. So, I think when you look at… as you said, there's tons of ways to invest, right? And it really all comes to people, process, and performance, when you're just getting down into the nuts and bolts of it. Yes, we have to think about the objectives, and so we have all these tools and all of these options. How do we sift through that? So now, OK, it's this subsect that would meet these objectives and these risk tolerances and liquidity, et cetera. And now, let's get to, OK, well, what is their process? Do we like their people? Do we think their performance matches to meet the objectives? But then, the real key is finding, OK, what is their niche? What's their competitive advantage? And is it a competitive advantage? Everybody says they have a competitive advantage, but really, is it a competitive advantage? And, OK, is it repeatable? Because you did it for the past 10 years. Can you do it for the next 10 years? Because our time horizon is 10 years plus, plus because it's generational wealth. Talk me into it. Prove it to me. And that's the diligence process and going in really deep dives into each of those areas. Like you said, my undergraduate degree was business econ and accounting. And accounting, I mean, that's detail oriented. And I mean, I probably was an auditor in some past life, because I love getting into those weeds. I think any manager that I've done diligence on is like, oh, that's a list. But I think what it gets to is OK, trust and verify, verify, verify, verify. And then, even after the investment, verify, verify, verify, monitor, provide data.
It's not just a gut feeling. Yeah, you need the gut, right? Are they nice people? Do they treat their people well? But you also need the data.

Robert Morier: Before you get into that underwriting process, are there some high conviction investment themes that are currently running through the family's portfolios?

Emily Sumner: Yeah. I think growth is in the name. And it's also, when we look for clients, this isn't a preservation of wealth. This is a growth strategy. And honestly, to be a taxable investor, you really kind of have to shoot for some higher returns if you really want to capital appreciate over the years. So, thinking about it in that context, we're really looking for different subsectors in the markets where we believe that we can achieve above just average returns. But I think in coming up with those themes, yes, we have a strategy meeting. We look at market macro data at every IC meeting. It's not making some very micro bet. It's more saying, OK, what's a secular theme that we think there's lots of ways to win. It's like when you look at a business, and, OK, what is your total addressable market? And how do you get that? It's got to be a big market. You've got to… you can lose in these four ways, but if you win in these three, it doesn't matter. So, lots of ways that you see winning. One of the themes that we've had, and we continue to have, is biotech. We like it. We were investors. We added some more dedicated exposures with active managers in 2017. And look, it was great. And then, it's been kind of a hard, tough two or three years. We're starting to see it get better. But knowing going in, OK, this is a volatile strategy. We understand the risk. Are we going to be able to have the patience to live through that if literally, the next day, it could go down? And why are our bigger secular thesis, beliefs, bullet points, why do those outweigh the risk of volatility, or the risk of regulation, or whatever specific to that theme. And you just always reevaluate that, and reevaluating the managers that we think are expressing those themes. We could get comfortable… if we can get comfortable with the risk and the underwriting of the return opportunity is set, then OK, this is a theme that potentially fits within our investment platform. However, there are some themes out there that I agree there is an opportunity, but I can't get comfortable with underwriting what that risk is. So, example that recently came up was we had been investors in China. And we absolutely see the bull case and the return expectations. We could not underwrite the governance risk. And what is that risk premium that we should be expecting over the long term versus more developed exposures? It was hard for us to get there. Now, we're a small team. It's OK we couldn't get there. We don't have to do everything. And I think Ginny and the family being OK with that, and if they did want to move forward knowing that we could… OK, well, let's make that allocation, and knowing that we've already said we can't identify X, Y, and Z for this risk. And so, I think that's how we get to the bigger themes that we're comfortable taking and the ones that maybe we'll just pass on for right now.

Robert Morier: When you think about a theme like biotech, how is that being reflected in the portfolio as it relates to your exposures, public markets versus private markets. How are you trying to achieve that theme as it relates to the actual underlying allocations?

Emily Sumner: Initially, it started with public. And so, we found… we mapped the market and found a group of public managers that we thought were good, had good track records. And then, we made an allocation, and then, a couple of years later, made another allocation, especially in the trough. Like, oh, this could be a really good opportunity. And then, we also have a private allocation that we've made. So, it was along the years as we've learned more, as really, we've learned more of people in the ecosystem and how these different strategies can work together and have different return expectations, depending on the structure and time horizons.

Robert Morier: Just continuing that public and private. So, you start with public markets. It doesn't need to be biotech, necessarily, but how does the sourcing process look like? So, you've got to source managers. Biotech, it's a little smaller of an investment pool. Not as many managers. But when you think about having to narrow the scope, so going from the TAM you know down to the SOM, how do you get there from a sourcing perspective?

Emily Sumner: The way that the investment platform is many times set up is that… well, for the Gilder family is that we have four different pooled vehicles. So, there's real estate, private equity, and then, we have two public vehicles where we allocate to different managers. But I think the bigger question is just making sure that you have a pipeline. Because there's always… you always want to make sure that the manager that you have, you're not falling in love with. Like, let's keep the competition rolling and making sure there isn't someone else that… not that's doing it better, but doing it differently, and questioning your manager. We are long term investors. A manager can stumble for a year. That's not being a good partner if, great, you made us money for three years and you did bad for one year, and we understand why that we can't stay with you or add more. And so, I think building the pipeline for each of the different strategies, but then, how does it bubble up? Well, it's what's needed in the portfolio. And that's what we're going to spend our time on. Oh, this is what we have in the pipeline. We've been tracking these managers. Now, actually, we have a place for it, so let's dive in deeper. And what that process is… is really… it starts with, OK, now, we're going to dive in deeper to this subset, because I think we have a space for it, and it really makes sense at this time. And so, OK, let's have some initial calls. And then, those bubble up to maybe five that we really like. OK, well, now let's do some summary information. And that bubbles down to three that I think are about top. And talking with other allocators, saying, OK, do you like this manager? Also, have you heard of a manager in this space we need to be talking to? And then, through this entire process, every IC, meeting talking to Ginny and Robert. This is my pipeline. This is what we're thinking. What questions do you have? And then, looping in Robert when we get to those final three or five. All right, let's do calls with Robert. Let's see what he thinks. More diligence, more information. And then, really, when we get to the top one or two, OK, now, let's do a full investment memo. Let's go and do an onsite. Let's do an ODD. Let's get their references, along with using some of our networks. And then, OK, are we there and ready to make an allocation.

Robert Morier: Did those four pooled vehicles exist prior to the multifamily office, or was that something that was constructed as a result of bringing more families?

Emily Sumner: That's just for the single family.

Robert Morier: Just for the single family.

Emily Sumner: And we do just do… when we bring on a new family, it's what they need. So, it's not shared across.

Robert Lovas: There's no commingling.

Emily Sumner: Yeah, there's no commingling.

Robert Morier: That was going to be my next question. That's great.

Emily Sumner: Because the single-family office still sits outside of the RIA.

Robert Morier: So, within that pool for one family, let's say, private markets, for example, does it then look like… is it a core satellite approach? Do you have kind of your core holdings within private equity, and then, will you look opportunistically at early-stage venture capital, private credit?

Emily Sumner: Within the private equity sleeve, there is an asset allocation across the sub strategies, because we're trying to achieve a certain goal. And that's where the liquidity modeling… again, back to in the weeds… really matters. Because you're not going to get it perfect, but you need to have some guardrails and understanding, hey, venture is really hot right now, or we really love whatever it is, X, Y, and Z, but we can't do it all on that because that's not going to meet our liquidity needs. And each of these different sub strategies have different risks, have different returns, have different liquidity on characteristics. And so that has to work together in a portfolio. And so that's what I set up, where it's a different range for the sub strategies of venture, buyout, growth, credit. And then, what vintages we already have exposure to, our existing managers when we know that those are going to come up for re-up, and if those are ones that we have been tracking and continue to like, we're going to be good partners. And, yes, we're going to compare them against their competitors, their benchmarks. But they're already going to have a slot for them. And so then, what slots are left? And what areas or sub strategies are we missing in that modeling? And that's tweaked quite frequently. Because, as we know, as the industry knows, distributions have slowed. And so how does that change? And how does that change what we're looking for these next managers? I do think any… if we're talking about illiquid, specifically, you have to stay the course. You can't just say, we're going all in, and then we're going all out, because you're going to miss it. And the same thing for publics.

Robert Morier: What are you looking for in those early meetings when you sit down with a portfolio manager or a team for the first time? And what are some of the common characteristics from both perspectives? Thinking about it from a top-down perspective of the organization, what kind of partners are they looking for from an investment perspective? And then, more granularly, which sounds like where you like to hang out, in the weeds, what are those characteristics making sure that alignment is in place, that story and outcomes?

Emily Sumner: I really do like the fund twos, the fund threes, the fund fours. This isn't that clever. AUM can be the destructor of performance. But what I like is to see the small teams that stay in place. And so if you're a small team, you've been a small team, you continue to focus on this one niche of the market, you're not trying to grow outside where you've made returns, and you still just have that drive and that passion for what you do across strategies, that's hard not to be attracted to, especially if you have some sort of track record that illustrates that you're really talented in this area of investing. And so those are the qualities that get me energized and wanting to continue the conversation.

Robert Lovas: Yeah. So, I think we have a really good complementary approach. Emily and I will, as a manager gets further along in our due diligence process, we'll go to the on-site, typically, together. But early on, one of the things I'm looking at and thinking about is the opportunity that the manager is trying to express and capture in the context of what's going on in the macro and market environment. And does this feel like it makes sense, given what we think we know about the direction things are moving in the bigger picture? So, I think about it, well, does the strategy make sense to me? And from there, Emily's analyzing the team, analyzing the performance, and I'm just then listening for how the team works together, and I'm watching how the team interacts. And it's a little bit more difficult early on, but as we get further into the process. I'm either figuratively or literally looking around the room and seeing how people's body language looks, how they're expressing themselves to Emily, or to me, or to us together, to one another, and trying to come away with a sense of, if something really goes sideways here, how effectively will this team communicate with us? And I think that's really one of the things that we try to evaluate is, OK, let's assume everything else is good. If it goes sideways, how reliable are these folks as partners?

Emily Sumner: Yeah. And I think that's really important. Because you can really be focused. This guy can be a great investor, but you also have to run a business. And having Robert, who does run a business, and Ginny, obviously, too, but Robert sitting there, OK, but at the end of the day, this business has to keep running. And how are you running your team and your business? Because guess what, you can't retain your people, or you're not good to your people, or you haven't set up the organization well, then it doesn't matter how good you're at this. You're going to be so distracted by all this that it's not going to work. And so that perspective is really helpful. Yeah, Robert, also, in any of the strategies that we're looking at, that's really important as we take them to the IC that we're talking about. OK, does this fit in the broader viewpoint of what's going on in the market? Is this just completely contrary? And why can't we get with that? Or, OK, well, that's interesting. It's so contrary. I kind of want to know why. And so, I think having that broader discussion is always part of the investment due diligence process as well.

Robert Morier: I think that's great. It's refreshing to hear, truthfully. A lot of times, sitting at this desk, in interviewing with a lot of allocators, we can't help but focus on the quantitative, the numbers, the return expectations, how that translates to the process, how they're modeling the portfolio, whatever it is. But it's all about the people. So, whenever I ask about the people, and how you identify and assess and figure out the character of someone, it's a really difficult art form. So, it's interesting to hear that having a second person in the room kind of watching as maybe they're answering the granular… I always joke around, it's like you learn a lot about a person when they lose their luggage. And that's what happens a lot of times, I think, with these with investors and portfolio managers, when things go sideways, you lose your luggage. And how do you… how do you behave? Do you scream and rant? Do you run? Or do you just recognize that it'll get returned in a day or two? So, it's interesting to hear. Thank you for sharing that. I appreciate it.

Emily Sumner: And also, with COVID, we didn't get to do on-sites, and you… kind of… dudes that come back. There's so much quality value that you… look, it is just one day. I'm not going to get to know somebody 100%. But you can pick up some things. And so, I like to go to lunch with people, and how do you treat other people? It's just the small stuff that Ginny has really put in the culture of the organization that, look, if we're seeing just some early signs that we don't like, we don't have to invest with them.

Robert Morier: You mentioned fund two through fund four. So how important is the question, who else is invested in the fund? So, when you're thinking about the other LPs who are involved early stage, particularly in the early days of, let's say, a VC fund that's in fund two, so they got the friends and family. Now, they're going out institutionally for the first time. So how important is it to Gilder and to you both to ensure that there are some fellow LPs in there that you trust?

Emily Sumner: Well, I think… I mean, we have a small organization, so it's the ODD question, right? I don't have someone that's dedicated to doing ODD like I did at OSU. And just knowing your limitations, right? And so, when you do have other LPs that… and look, we have a small team. So, we don't have a groupthink. So having other LPs that you trust and know that's doing the same level of due diligence, that, look, we are trying to get deep in here, but you're going to miss things. And so, what did I miss? And actually, I came up with this, what do you think? Is just so valuable. And it also doesn't have to be a red flag. Like, this, I just wasn't sure about, the yellow flag. Too many yellow flags, it's just, sorry, we have to move on. On the operational part, and also, being able to be a partner. Like, if you're in fund two, you probably need some help and some guidance. And so other partners that are taking that mindset as well.

Robert Lovas: I think that's a really good illustration of the collaboration that we find in this, in the family office investing space. So, I think your question takes the perspective of, we're looking at an opportunity, and then, asking, well, who else is invested? And a lot of times, it kind of flips because we're getting opportunities that are brought to us from other family offices and allocators that we've developed relationships with saying, hey, we're looking at this as kind of interesting. Here's the data set. Tell us what you think. And so, we can go at it from that approach. When we have the opportunity to understand how other allocators are looking at it, people that we've known for a while and trust, I think that is a big advantage for us. It can sway our decision, either, yes, we're really, really confident about this, or, no, I think we're going to back away.

Robert Morier: You can take the investment further, potentially, by investing in the GP. Have you considered, or have you in the past ever taken an equity stake in a manager or a revenue share, trying to get maybe more creative, particularly on the earlier stage?

Emily Sumner: So, we've invested in a fund. It's actually a real estate fund where they invest in emerging real estate managers. And there is like a revenue share component to it. Now, the underlying real estate is still supposed to generate what you would think, but there is an equity kicker. What I think about… what I love about working at the family office is there's never just a, no, we don't do that. Well, OK, why is this interesting? And does it match the expertise and the capacity that our team has? And so, back to biotech, if you send me the most interesting thing in the world, but you need me to go sit on a board of biotech and invest in that, it's going to be a no because I don't have this expertise to even probably underwrite that, and I can use my network maybe, but then, what value add and what capacity is that taking? And that doesn't seem to match up. Versus, let me go back someone who has his expertise in that capacity to do that very well. So, maybe. It just really has to… it's very opportunistic, I think, for some of the stuff that's maybe outside the norm. It's never a no. It's always a, well, let's hear the pitch, and maybe.

Robert Morier: Yeah. Yeah.

Robert Lovas: We like looking at different ideas. But as Emily says, the size of our team, we got to understand our limitations and make sure it makes sense.

Robert Morier: Yeah. Well, you are in a biotech town, so I'm going to try not to keep asking you questions about biotech. Here in Philadelphia, particularly with Drexel University, where I teach, it's a big part of our culture and curriculum. But when you think about risk management, we're talking about long-term investment horizons, you're looking for growth. There's still preservation that's part of this equation. But when you incorporate risk management, both from an investment perspective, and then, potentially, from an enterprise risk management perspective, how are you looking at both sides of the risk management factor?

Emily Sumner: Well, I'll start with the portfolio. I think that's why really taking it to the big level of, how does this all fit within the portfolio context of achieving this goal. Because knowing that this may have this kind of variability in this specific investment, well, what can we add to the portfolio that may not have the same variability? At the same time, and what can have some income component, and maybe it's a steady Eddie that, OK, so an 8% to 10%. That's boring, but I like boring. Even though the market's up 30, it could be down 20. And that boring allocation is going to help us compound capital over the long term. And so, understanding how that math works, coming from a down 10 to an up 20 is maybe not as exciting as an eight and an eight, but actually, you've made more money. And so just knowing how that compounding of dollars really works, and showing that, and educating, I think, is important. And making sure that rebalancing… rebalancing is really important. That's a continuous one. It's really fun on the way up, not so fun on the way down. It's not so fun on the way down, even though you might say, OK, well, I expect it to be volatile. Well, it's fine when you sized it. And it's really hard to rebalance when things are going well. But you have to really stick to, OK, well, this is the asset. And why did we set this asset allocation? And let's go back to our bear case scenario. And maybe it never happens. We're just rebalancing. And we can still achieve our returns in a very risk managed way. Again, not very sexy stuff, but at the end of the day, what is exciting is being able to achieve the objectives. And so, us kind of being the adults in the room. But really, being the adult in the room and saying, yes, I'm really sorry. I want to keep riding whatever train. And we are going to keep riding this train, but we're going to have to take a little money off the table.

Robert Lovas: We've got a matrix that we've set up as of about a little over two years ago that goes in terms of time horizon, near term, medium term, strategic, and then, across a number of other factors, things like financial risk, HR risk, regulatory risk, cyber risk, those sorts of things. And we're, at a high level, assessing where the firm is in each of those categories over the time periods that we think we have visibility for. And I think it's a good starting point that identifies, all right, well, here are the things, given our limited resources, that we need to focus on for the next three to six months. Obviously, AUM is an important consideration in terms of the strategic ability of the firm to continue to be in business, so we pay a lot of close attention to that. We're not in a terribly volatile AUM drawdown business, with the exception of maybe 2022. But from a standpoint of distributions and redemptions, we don't find that there's a lot of volatility there. So, we focus on growing, growing smart, growing responsibly. And then, I think a step further back on that… and this is something we do in investment committee at every meeting. We try to assess what the level of risk is out in the market. What are the trends that are continuing either to accelerate or decelerate that are really going to impact different parts of the portfolio? And how should we be thinking about positioning, maybe around the margin, or maybe, as the example with China, the direction is just not really headed in a place that we can understand. So, I think a lot of those more strategic portfolio decisions have come from really looking at the greater world around us and thinking, we're just not comfortable, or maybe we should explore a new idea.

Robert Morier: It sounds like the ability to say no is a pretty powerful tool at the firm. To be able to move on, just given whether it's resources, or just maybe an inkling of uncertainty. That makes a lot of sense. What role do hedge funds play in the asset allocation models with your team?

Emily Sumner: I will say, hedge funds, private… I mean, we are trying to… especially for the publics, hedge funds, mutual funds, ETFs, these are all the options that are out there. Like, I really like small caps. Let's look at all of it. And which of these options would these teams, with these managers, achieve that goal the best? And so, I'm a little agnostic. I say a little, because there are some strategies that I actually do think, a long-short manager, I like that you have a short book. I like that I'm a little protective because I know the volatility of the strategy. But in general, look, hedge funds have a terrible name because they have underperformed. The fees are high. Now, we're comparing them to fixed income. I don't compare them to fixed income. They're equity strategies. I want you to give me an equity return. And I'll hold you to that bar. But, yeah, I mean, it's been a tough space to play. And how do we use them, and just any alternative? It's, OK, well, does this tool work? Is this an option that works to help me achieve the goal or the exposure that I want to get? I really like credit. I really like some subsector tech. And of all these different options, which one do I believe that I'm comfortable with that risk and return to make an allocation?

Robert Morier: You mentioned small cap. So, if you could draw up the ideal small cap exposure, what would that look like? Would you be looking at non-US small cap? Would you be looking at sector-specific here in the US? Small cap is loved and unloved at the same time. Sometimes, it's difficult to find the place for it. You'll see it in a hedge fund that's more-small to mid-cap-oriented. But when you think about your small cap, you say have a preference for it. What would that preference look like if you could build up the ideal exposure?

Emily Sumner: Yeah. I think for things like small cap and biotech and tech, I mean, it really… I do have a bias, and I know I do, to active management. Because what you're trying to do is take advantage of the inefficiencies. And so, if you have a team that's really dialed into that and has been doing that and knows that space, then aren't you better equipped to take advantage of and generate those returns? So, I'll put that bias out there. And we have in our pipeline right now one that is US-focused, and we have one that they're small and mid… I mean, they're all cap, but they have more so in mid and small… that's in Europe. And so developed, I think, is important in that space. But again, looking for just talented individuals who've been able to generate return. The reason I like the European one is because even in the face of you've had not as good performance in

Europe as the US, but you're absolute returns, in a less, maybe, accommodative environment, you've matched or done better. Well, now, I'm really interested. Because what if now, you could add diversification? And oh, by the way, your absolute returns have been good in maybe not as easy in an environment. And then, maybe if some of the tailwinds that you believe are coming for your specific market do come out, well, then, that's an extra boost. So, it gets me more excited. Because, again, I'm thinking, micro, oh, you're a good manager in macro from a portfolio perspective. Oh, we don't have Europe. That could add diversification. And that is outside of the fact that you've made x amount over so many years. So that's how I think about it.

Robert Morier: No. That's interesting. It makes a lot of sense. What other ideas are floating around right now that may not be reflected in the portfolios currently, but you're maybe sharpening the pencils and trying to figure out or learn about maybe some of the managers that have a little bit more expertise, really get in the weeds.

Emily Sumner: Yeah. So, credit has been one that we've been doing a lot of work on. Because before for interest rates really boost up, fixed income credit didn't make sense for taxable investors. I mean, first off, the returns weren't that high, and then, the tax rate really… I mean, it just knocked down the real return. And now that it's moved up, and you're seeing what's going on in the market, which we've talked about, is that there's just… there is a squeeze and liquidity that's available out there. And so, you're looking at these macro factors, and then, you're looking at the fact that the returns have now boosted up to where this could be interesting for an allocation. And then, OK, on a portfolio level, that does add diversification. And I'm getting equity-like returns for credit-like risk. That's the headline, but then, what kind of credit-like risk am I taking? And so that's really where we're getting into the weeds, what are we comfortable with? Maybe it's not your middle market direct lending where we've really, I guess, led us to more, is more the asset-backed lending. So, whether it's a manager that specifically focuses on originating loans to real estate, and we understand that they have the background in underwriting that real estate and owning and operating that real estate. That could be kind of interesting. I've always been, like, OK, the opportunity set is now here. Who's been doing it for the past five or 10 years and making good returns? Not great returns, but you've been doing it. You know that space really well. And so those are the managers that I think rise to the top. So, we've begun to put some money in credit. We continue. That's an area that we continue to do work on. And really, is there a place… especially as you've seen US large cap just increase, and we're rebalancing out of that, or the AI. Look, we're all for it. We think it's a secular trend. But we're being mindful of how much exposure we have to it. And where do those dollars rebalance to?

Robert Morier: That US large cap, is that reflected in passive, or do you have active?

Emily Sumner: Both.

Robert Morier: Both active and passive? OK. And AI, are you just trying to watch in terms of sector and industry exposures? It seems like everyone… most managers at this point, I think, are changing their name to AI.

Emily Sumner: Why not, right? You'll raise another 100 million, I'm sure.

Robert Morier: Yeah, exactly. So how are you… how are you mitigating that overconcentration, if you will, in that secular trend?

Emily Sumner: So, within the public exposures, exactly what… really, rebalancing, and also, reassessing. Is this still a secular trend? Yes, we actually think it is. We think the total addressable market just continues to get bigger. AI does not just apply to computers. It's like, consumers, and to biotech as we… it's just really… and how do we learn about that? We talk to our managers that literally have five analysts that are diving in deep. Yes, we do our own research, too. So, check, we still think that might be a secular trend. But how much exposure do we have to it? And how much exposure are we comfortable with it if X, Y, and Z happens, just a drawdown, and then, maybe it goes back up. Because things don't typically go up into the right in a perfect linear way. And so how can we protect on the downside? And on the publics, we can rebalance that. Now, on the private side, we… lucky, good. However, we were really interested in cyber. Early, was one of a thesis. And how do we express that? We really didn't find a way to express that on the public side. There's a couple of public securities, maybe some ETFs, but we just didn't feel like that was really giving us what we wanted. It's kind of already done. There's only a couple of public companies. And so really, we went early stage, and through our networks, found a group out of Boston. Invested alongside of them. And they invested in cyber and AI. They were spin out… the two partners were spin out from a larger VC, and when they were at the larger VC, they just did AI and cyber. And so, we were really comfortable with that. And so that was really how we got in on the private side. And that's where our exposure is. And we were in their fund one, we were in their fund two, now, we're getting ready to be in their fund three, and we feel really comfortable about that. But I do remember sitting with them in one of the diligence meetings and go, OK… and this was before AI, again, was just everywhere. How do you know it's like AI? Look, I know that I don't know that it's AI, and I know this is your particular domain, but how do you know the tech? And I just remember the partner, she was just saying, I can't tell you how many things that even I know it's just an app on top. But then. even when we get into our diligence, especially when it's really into the engineering, we bring on specific—

Robert Morier: The expert network.

Emily Sumner: Expert networks, domain expertise, engineers to make sure that this isn't just something over top.

Robert Morier: How about real assets? Are they showing up anywhere in the portfolio? And where would that… where would that fit in terms of those four sleeves?

Emily Sumner: So, we have a real asset sleeve.

Robert Morier: OK. OK.

Emily Sumner: Real estate. Yeah. And it's mostly real estate. We don't really do a ton of energy. It's the link to commodities, again, hard to underwrite that risk and the volatility. So, we haven't done a ton in real energy. But we have done… we do real estate. So that's across office. Take a deep breath. Infrastructure, multifamily, industrial, done some student housing. And so that's really where… the single family. And even now, as we bring on new clients, if there is interest in real estate, we've done direct deals where we're more passive and backing a real estate developer or a group that does one-off deals, or we'll do funds. And I think there's an opportunity set there. Maybe not in office. Take a breath. But I still think there's an opportunity set in multifamily. The same thing that happened after 2008, nobody was constructing. Well, there's still a need for more housing. So that's what I think we're seeing the beginning stages of. These construction deals are falling out. Construction starts, as we look at the macro. They're slowing. That's going to create a demand-supply imbalance. And so, if you're in these funds with these teams that have been doing this, they have dry powder to put to work. Again, who knows when the opportunity sets going to happen, but you just need to be in the market to be able to take advantage of that. Can't be late to the game. So, I think there's a lot of interesting things going on. There's a lot of… there is some distress, clearly, in office and other areas, and I think there's going to be more.

Robert Morier: And are you seeing co-investments come across your table? Would you be participating in co-invest?

Emily Sumner: We do participate in co-investments, on the real estate side, on the equity side. But for us to do like, a one-off direct deal, again, it goes to capacity and expertise. And so, we've really more leaned on funds, or we'll do direct real estate deals, or co-investments where OK, we're analyzing an additional investment, lower fees. We can double down on this deal.

Robert Lovas: We've approached it more cautiously from a standpoint of real estate co-invests in a rising and higher interest rate environment, and relied a little bit more on the professionals that are steeped in it day in, day out for the last 15, 20 years, because they're the ones that understand and remember better than, maybe, we have, we can, what the impact of those higher costs of capital are going to be on their projects. So that's expertise we're willing to rely on.

Robert Morier: Robert, a bigger question for you, but I'm curious, how do you see the future of family office investments over the next 5 to 10 years? And I ask from the perspective of the RIAs. And they just seem like they're getting bigger. And they're out there, they're acquiring, consolidating. So, when you think about it from a family office perspective, how do you see the future, the near to mid-term?

Robert Lovas: 5 to 10 years. So, I think we've seen this proliferation of wealth creation and the establishment of family office, or what I call family office-like organizations. Maybe they're really investment focused. Maybe they really have built out infrastructure for planning and multi-generational wealth transfer-specific plans. But I think that there's definitely going to continue to be growth, particularly in the US. There's so much wealth creation here, and in other parts of the world, that are going to support that proliferation going forward. I do also see it continuing to be collaborative. Because I think that when you look at the available alternatives for a family who has significant wealth from a liquidity event, it's a different environment than sort of the bigger institutional platforms to navigate. But it's also, I think, a warmer environment. Families get to talk to other families that have been there and have had different experiences, maybe not identical, facing the identical questions that a newly wealthy family has, but there's some willingness to share there, whether that family is in the business of working with other families or not. I think it's going to be more diverse than it is now. I think there is sort of this concept of a traditional third, fourth, fifth generation family that derived its wealth from, perhaps, a household name company. That, I think is going to be less characteristic of the universe. I think there will be wealth made in a lot of different industries, certainly, technology, but I think there will be others that come through. And I think that the wealth creators will also have a more diverse perspective on the world generally than the traditional matriarch or patriarch from two or three generations ago. So, I think the purpose that families will communicate for what the wealth is for is probably going to change a little bit.

Robert Morier: When you think about that diversity of thought, maybe, in future generations, where does sustainability then pop up or show up in the portfolios as it relates to how maybe different family members are thinking about the way that they want to invest?

Emily Sumner: I mean, I think it's important to think about it also as in, is this what the family wants, not just one family member. When we think about even just backing emerging managers, or women, or diverse-backed teams, that's important to us as an organization. And look, I actually think it's a better investment outcome. OK, then that gets in, but I have to think about the risk that we're taking of backing anybody's earlier stage, whether they're diverse or not. And so just making sure that you're being mindful that, OK, maybe not everybody… you have more than just one constituent, and does this align with the objectives, and then, also, meeting that return goal. I mean, we're not going to invest in firms that don't believe in ESG, don't believe that diversity is important. I mean, that's just… that's a competitive like… not even a competitive advantage. If you're just so close-minded that you don't think that, then you're probably not going to do well. I just don't think that. And so, we're not going to invest with you just on that merit alone. Sustainability, if you don't want to use something that's going to be more additive to the environment, because of why? Or on the flip side, it's going to be negative to the environment, but you're making money off of it. I don't think we feel good about that, so we'll find a different way to make money. So, I think it goes to, really, the culture. It's not like, oh we, have a 10% allocation to something that's going to make the environment better. No, I think it has to be more of a holistic approach. And yes, now, everybody has to come out with their… everybody, all the managers with their ESG thing, and I'm like, yeah, but let's take a step back. Do you actually buy into it? I think that's the big part of it. And it's OK that you don't have a perfect organizational chart that looks super diverse, but what are you doing about it? Are you honest with yourself, knowing that, OK, that's not where we are today. This is where we're going. This is how we're thinking about it. And it's like, OK. Thank you for answering honestly. And that we can get with more so than the—

Robert Morier: Other stuff.

Emily Sumner: The cookie cutter stuff.

Robert Morier: Yeah. Well, it sounds like going back to authenticity and transparency. It really resides there. That's interesting. Thank you for sharing that. I'm always curious. As I mentioned, kind of cheeky. Family offices can be difficult to get to know, particularly from an asset manager's perspective. So, I'd be curious, what are some of the common misconceptions that people have, maybe, about working at a family office and wanting to work with a specific family, or when the family's name is on the door?

Emily Sumner: Anytime managers are doing… not all the time, but they think it's like, we're not very institutional. Like, oh, you don't just have a meeting, then the next day, you're like, oh, we're going to invest with you.

Robert Morier: I think that is the conception. That's really interesting you said that, because I think that's what happens. I'll hear anecdotally… I'm not in the game anymore, luckily. I'm teaching about it. But I think that is the conception. The conception is that you call a family office, and they'll move quickly. You call a family office, and they'll be sophisticated, but they'll be more willing to do something that maybe the more traditional, institutional public pension plan won't do for whatever set of reasons.

Emily Sumner: And that's true. We can move quickly because we don't have as much bureaucracy. We can say, OK, this is a-- this is really interesting. So, it's not… we don't have to have… like, it doesn't have to fit into a certain bucket. It fits into the, it's going to make us return and fits as this liquidity. What I don't like is that they think that we don't go through a diligence process, and we don't have questions, and we don't need them to answer those questions, and they do need to sit on calls. Like, we do need to talk to your CFO. That's where it's like, no, no, no, no. We're going to do our work. We can do it quickly. We can move quickly. We can only have to talk to three people. However, we still are holding you to the same bar. I'm taking my same due diligence report that I use for OSU and applying it to you.

Robert Lovas: I find it interesting that there's this attempt to characterize family office as this monolithic phenomenon, and it's really very much the opposite. There's the cliche now that if you've met one family office, you've met one family office. And I think, from the investment standpoint, where that really makes a difference is that there are families out there, they, as Emily says, can be perfectly institutionally sophisticated and doing all the diligence and so forth, but maybe their holding period is 20 years or 30 years. I don't think it's fair to conclude from that that every family office's holding period is that long, or that their risk profile is. And so family offices are different generations in their evolution. They have different liquidity needs from one another, different risk tolerances. It kind of goes back to that question we talked about earlier about evaluating a family to work with and just understanding where they are.

Robert Morier: So, what advice would you give individuals or families who are considering the services of a family office provider?

Robert Lovas: Try to be as clear as possible as what you're looking for. If it's investment services, OK, what types of investment services, and what asset classes, and why those particular asset classes? Be prepared to talk with a professional about the why. And then, also, if there's not been a lot of time or focus spent on building what… the term that I think a lot of people use is governance. I think of it as a process by which decisions are made and determining who makes those decisions. If that's not in place, I think it's important to think about what that looks like for a family.

Emily Sumner: The interesting thing about, as I've just been in the family office world, is that there's so much more than investing that is done in some family offices. There's so much more than investing that's done at our office. It's really being that trusted resource. And that trusted resource has to build and grow your investments and grow the wealth of the family, but also, where are all the documents? Where are all the accounts? I'm thinking about buying a house. Really, someone that knows how it all works together. It's so invaluable that I think that's really where we come to the table to help is because we can add all that, but also, this is what we do. You may want something else. Maybe you want someone that… there's some concierge services that some family offices also provide that's not necessarily what we provide, and that's fine. And so, I think we know who we are, and we're happy to tell you, we don't do that. But let us introduce you to groups that can provide that to you. And I think just being able to talk to a couple of groups, figure out also, culturally, do I like talking to these people? Is there a general base of, I like them. I trust them.

Robert Morier: Well, I teach a lot of people. I teach a lot of students, in particular. And they're always curious, I think, not just career, how you entered the field, but once you're in it, a question I've been thinking a lot about is, what's a decision that you've made in your career that you're most proud of?

Robert Lovas: One was the decision to come into the wealth management space back in the late '90s when I had a handful of opportunities after I graduated from business school, and the amount of learning that I've had access to for 30 years. And I think the other one that I am proud of, but also, recognizing that I am totally the beneficiary because I didn't go knocking on any doors for this, but the decision to accept the role here. It's been a tremendous opportunity.

Emily Sumner: The no's, right? The no, this isn't what I want to do, so, OK, I need to make… my first job was working for a broker, a Series 7. And I loved investing, but I don't want to do… I don't want to be a cold call. Like, I have to say, this doesn't fit, so what's my next… I loved doing… I was an accountant for a couple of years. I actually really did enjoy that, but I had a passion for investing and taking that risk of moving over to the investment side. And then, I'm proud that I made the choice to go get my MBA, go get my… like, learn, learn, learn. Give myself all the tools so that if the opportunity came, I was ready to pounce on it. And so those are… knowing when it's not a good fit, and it's hard, and it takes risk to say no, this isn't a fit, for whatever reason it is, and being honest with yourself and not taking something just because, oh, it looks really good, or the money. No, it's got to be like right for you. I never thought I could work in New York because that wasn't right for me, what I wanted for my life. Like, I grew up in a small town. So that's a hard-no to say to when you look at some of the other positives. And so, I think just being really authentic to yourself and being able to say no to some really shiny balls. And when you do that, then the right opportunities will come your way, like the family office, and you just grow so much in a so much better way, I feel like.

Robert Morier: Who are some of the people that have helped you with those decisions, those mentors?

Emily Sumner: Yeah, my mom and my grandparents. Absolutely. They gave me… my mom was a teacher of 35 plus years. My dad was an elementary school principal. And they gave me the knowledge that learning and having an education is not only valuable and worth making an investment in, but, wow, how much empowerment it has given me. It gives me options. It gives me freedom just in me and my role. It gives me confidence. And so, I'll forever be a learner. I mean, this is a great industry to be in, because you're always learning. You always don't know the answer. And then, just hard work. There's nothing like grit that will get you a hit. Somebody can be 10 times smarter than you, but if they're not putting in the grit, you're going to get them every time.

Robert Lovas: So, certainly, my parents, encouraging education. I remember my dad pushing me and asking me, even I was out of college a year or two, saying, when are you going to get your MBA? When are you… it's like, let me let me get a little experience first. But, no, I think the opportunity to learn and to be in environments that are stimulating and challenging. And there's been… I mean, I'll always remember the opportunities that I had to be around the senior investment team at B of A. Really, really great approach. And I think differentiated themselves by taking a more positive approach than maybe the rest of the street was and looking for… looking at the data and being able to tease conclusions out there that, ultimately, were spot on. And watching how they delivered that and listening to what they were thinking about and pointing to as themes, and I thought, boy, wouldn't that be a great environment to be in because of exactly what Emily was saying, the things that they're always looking at and learning from. And I'm grateful to Ginny for giving me this opportunity. It's been fantastic. Every day, I wake up and think about what's going on in the world today that I need to match up with. What's going on with the family today, and what's going on with the portfolio. And it's been a fantastic experience.

Robert Morier: Yeah. I think there's something to be said about bringing yesterday's learning to today's meeting. So, if you can bring what you learned yesterday and then apply it to today, it always keeps you fresh. It always allows you to have a different perspective. I'm going to ask you one more question, and it's going back to the markets a little bit. It's a quote I love to share, particularly in the first quarter of a new year. This is our second first quarter of this show, so we're still pretty young. But there are years that ask questions, and there are years that answer. So, we're in the first quarter. There are a lot of elections this year. I think maybe a lot of questions will get answered. But what do you think this year is going to end with, more questions or more answers? And maybe a little addendum to that is, what questions would you like answered?

Emily Sumner: Yeah. I think with the elections coming up, there are a lot of questions. Robert and I were even chatting about this question, thinking, OK, social, geopolitical. I think there are a lot of questions out there. And I would like answers to some of those social. Just as a human, and as we work in this world, I'd like more answers than questions. I work in investing, so I always have more questions than answers. But I mean—

Robert Lovas: Totally agree. I think 2024 is a year of questions with respect to geopolitics and domestic politics, and a good handful of social issues that we're wrestling with right now. I feel like we are getting better answers on the economic and markets front. I've kind of used the analogy that the last three or four years, we've all been in this giant bathtub with water sloshing one way and then sloshing the opposite direction, and then, just gradually kind of settling back down to the normal level of slosh, right? So, I think we are going to find ourselves in a little bit more of a settled situation. I think the big question is, will interest rates come down? And if so, by how much? But I think compared to geopolitics and domestic politics, that looks almost more like an answer right now than a question.

Robert Morier: Emily, I do have one more question. The biggest challenge I have with this podcast is knowing when to stop asking questions, because I could keep going. But when do you know when to stop asking questions and make the decision for the investment?

Emily Sumner: Yeah, that's a good one. So, my memo, my final memo that I send to them, there's always highlighted questions that I have like, recent, and recent, and AI. I think there are also questions that you're like, this is something we need to monitor. But when you've gotten comfortable with the risk, I mean, you had to already know, like, this is the returns they think they're going to achieve, but are we really comfortable with the risk? Are we really comfortable with the team? And if I come from an on-site and I'm more energetic about the investment than I was before I came, then that is also an indication. Because the team has put that energy on me. And I always like that.

Robert Morier: How do when to stop asking questions? I'm sure it's a similar… maybe it's your clients trying to… you had mentioned something, which I thought was interesting. When you're really trying to get to know someone, there's a point where you stop relying on the questions and you rely on the information that you have, and then trust what you have, as you mentioned, from an investment perspective. How about from a business development, a growth perspective?

Robert Lovas: I think that there are always the big questions that you lead with that lead to more detailed, more refined questions. And in terms of making a decision about is this a family that would fit what we're looking for, I think we spent… one of the families we work with now, we spent probably three months working, asking questions and understanding what it was they were looking for. And then, in another family's case, it was a matter of a handful of years. We can tell pretty early, I think, if the opportunity is the right kind of opportunity for us. And so, I would tweak your question and say, all right, at what point do we stand ready for them to ask us questions? And if we're comfortable, then let us enter that next level of transparency and say, here's how we would handle what it is that you're asking us to do or thinking that we can do.

Robert Morier: I am going to stop now. So, I'm going to… I'm going to rest the microphone. Congratulations on all your success. Congratulations, Robert, on all the success of building this business with the Gilder family and more families to come. It's been an honor speaking to you both. I greatly appreciate you coming to Philadelphia. Philadelphia welcomes you, as do we. And it's helpful for us to understand how you think about the investment landscape, and it's helpful for us to think about how you think about this business. So, thank you for being here.

If you want to learn more about Robert and Emily and Gilder Partners for Growth, please visit their website at www.gilderpartners.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 prefer to watch while you listen.
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