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EPISODE 8:

Demystifying the Endowment Model

with Matt DeAngelo
of Drexel University

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 investment officers, manager research professionals, sales leaders, and other important players in the industry who will help you sell in between the lines and better understand the investment sales' ecosystem. If you're not familiar with Dakota and their Dakota Live! content, please check out dakota.com to learn more about their services. Before we get started, I need to read a brief disclosure. "This content is provided for informational purposes, and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker who is not affiliated with Dakota. Not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota." This episode is sponsored by Dakota Studios. Looking to take your marketing to the next level? Look no further than Dakota Studios, the premier video production studio located in the heart of Philadelphia. At Dakota Studios, we take the pain out of marketing and video production. You don't have to worry about traveling to a studio or not knowing what to say. Our experienced investment team knows just the right questions to ask to bring your story to life. We specialize in creating high quality engaging video content that captures your brand's unique voice and message. And with our state of the art studio, cutting edge equipment, and experienced team of professionals, we ensure that your videos are always up to date and effective. Don't settle for less when it comes to your brand's marketing. Partner with Dakota Studios and experience the power of great video content. Visit our website today at dakota.com/dakota-studios to learn more and book your session. And I am very happy to be over with that disclosure. And I'm very happy to introduce our audience to our guests today Matt DeAngelo, Drexel University.

Matt DeAngelo: Thank you.

Robert Morier: Welcome, Matt. Thanks for being here.

Matt DeAngelo: Hey, my pleasure.

Robert Morier: We really appreciate it. But before we get into who you are and what you do, I want to say hello to my partner in crime Andrew O'Shea. This is our third time now. So I think we're-- I said there might be some chemistry now. So an on air chemistry that there we're starting to see. So we're excited. So thank you so much. The band's back together.

Matt DeAngelo: I feel like a third whee.

Andrew O’Shea: Of course.

Robert Morier: It might happen.

Andrew O’Shea: We do these networking events around the country. And a few weeks ago I went to the Happy Hour. And an individual came up to me and said, big fan of the podcast. So it's great to know that--

Robert Morier: It's out there.

Matt DeAngelo: It's getting out there.

Andrew O’Shea: It is getting out there. That's good.

Robert Morier: So we are thrilled to have Matt here today. And as you think about the endowment channel, Andrew, with your clients, how do you approach endowments and foundations relative to some of your other channels? I know we've talked to a variety of different industry players now. But as you think about endowments in particular, where do you see some of the difference or the variations?

Andrew O’Shea: Yeah, I think it's a little nuanced because you break it up into different sub styles of how they invest in their structure. And so there's, obviously, larger endowments that have their big internal staff that have complete discretion. They might be divided by a generalist model or by asset class. The first is to really understand how are they set up as an investment team, especially if they have discretion. The second is how are they using a consultant, if any. How much do they rely on them. We speak with endowments that might use a consultant but still have autonomy to do their own research, bring ideas to the consultant. And there's, obviously, the OCIO space which is growing pretty dramatically. Which means a third party has discretion over those assets. So it's not as beneficial to be calling directly on that endowment. You would more likely be speaking with the OCIO. So it's first understanding the structure of how these endowments teams are built out. And then second from an investment perspective, I think thinking about their time horizon, obviously, they are able to stomach more volatility in the equity portion of their portfolio, which naturally leads to interest and probably higher tracking error strategies. I'm speaking more broadly, but that's been our experience. And perhaps less interest in fixed income or credit oriented strategies just because of the super long time horizon they have very similar to a family office. And the last thing is speaking of family offices, it is an interesting network. Endowments share ideas with each other. If you can figure out who shares ideas with who, it's a great way to get into current thinking we're hoping on to have Matt here today.

Robert Morier: No, it's good. We're hoping Matt shares with his peers about this podcast so we can start to build up an audience. No, but structure is an important point. And we're really looking forward to hear about Drexel's structure and how you've built this endowment with the team. But before we do, I'm going to tell the audience a little bit about your background. So Matt DeAngelo is the Deputy Chief Investment Officer at Drexel University in Philadelphia where he oversees with his team $1 billion in investment assets for the university's endowment, the Academy of Natural Sciences of Drexel University's endowment, and the academy's defined benefit plan asset portfolio. Other areas of responsibility include portfolio risk management, audit, and junior staff leadership and development. Prior to joining Drexel, Matt was an investment analyst at ING Direct's $51 billion investment portfolio. Monitoring valuations and credit risk, and helping navigate the portfolio through the global financial crisis which we all remember well. It was starting to feel a little bit like it a few months ago. I was getting worried. But Matt developed his analytical skills through prior investment operations experience at the Vanguard Group and Morgan Stanley. Matt is a graduate of Drexel University, with a BS in finance. And received his MBA in finance from Temple University. All Philadelphia, it's good to hear. Matt's three daughters are continuing the Drexel tradition, with two having graduated from the university and one currently in attendance. Matt's on the board of directors of the Juvenile Law Center. For those of you who are not familiar with the Juvenile Law Center, the organization was founded in 1975. And was the first nonprofit public interest law firm for children in the country. That's wonderful, Matt. We can't wait to hear more about that. Matt is also a longtime supporter of the Movember Foundation even though, if you're watching YouTube right now, his mustache is gone. But it was there in November, as I hear and saw.

Matt DeAngelo: It was wonderful.

Robert Morier: It was wonderful. And you spend the rest of your time coaching youth wrestling, rock climbing. And you train for the next Ninja Warrior style competition.

Matt DeAngelo: Yep.

Robert Morier: When's the next one?

Matt DeAngelo: They happen every weekend, but I'm trying to pace myself because once you turn 50, everything hurts and everything takes longer to heal. So I'm slowing it down a little bit, pacing myself. So there will be another one, they happen all the time. But I'm getting ready for regionals in May and world championships in June. So that's the focus.

Robert Morier: Well, congratulations on all your success. You've had a wonderful career. It's great to have you here. We will explore what it takes to be a Ninja Warrior more through this podcast because I can already tell Andrew's biting at the bit. He wants to know what's going on because he's a little worried that he's sitting next to a Ninja Warrior. No, but it's great. So tell us why Movember, the Movember Foundation and the Juvenile Law Center. They're clearly very important to you, but I always find it so interesting to hear about what really drives people outside of the investment profession.

Matt DeAngelo: OK. Well, we'll start with the Movember Foundation.

Robert Morier: Thank you.

Matt DeAngelo: It happened that my family has a history of cancer. And my sister had gotten tested. And she said, Matt, you should go get checked out too. We all should. So I put it off, put it off. And then my daughter's friend's dad was diagnosed with cancer. And she said, dad, go get checked out. And I did. And lo and behold, I have condition. I had to have surgery. They took out a big chunk of my colon. We don't have to get into details, but that is what happened. And if I didn't go get checked out and if I waited until I was this age, I probably wouldn't have made it to this age. So it's so important to just go to the doctor. Go get checked out once in a while. Do your annual wellness visit. Just do anything, especially if you have a family history of cancer. There are tests that they can do to see if you have certain gene mutations for certain cancers, things like that. But talk to your doctor. Go get checked out. And it could save your life. So it turns out the same condition I have, my middle daughter has, so she had to have the same surgery as I did. And it saved her life too. So I'm living proof. And once I saw what the Movember Foundation does, they raise funds for research and raise awareness for men's health. And that's both physical and mental health. On the physical side, they do research on prostate cancer, testicular cancer. But there's a greater focus now on mental health. And I'm going to ask you a potentially uncomfortable question. Have you ever spoken to a therapist?

Robert Morier: I have.

Matt DeAngelo: OK, see. Now that wasn't uncomfortable.

Robert Morier: It wasn't.

Matt DeAngelo: That wasn't uncomfortable.

Andrew O'Shea: Every day with my wife.

Matt DeAngelo: And that is uncomfortable for a lot of guys. And that is a problem because a lot of times guys are like, oh, I don't need a therapist. I got this. And maybe they don't learn how to express emotion. We were talking about crying at movies, maybe it's good to do that once in a while. But just speaking with someone when you have everyday problems. I did, and it worked out really well because I learned how to communicate a little better. And I'm sure my daughters will agree that I've learned how to communicate a little better. But just small steps, just talking to someone can make a big difference.

Robert Morier: Thanks for sharing that.

Matt DeAngelo: That's why the Movember Foundation. And once that mustache comes in, I've grown it for a few months, and it turns into a nice handlebar. It's fantastic.

Robert Morier: It's good. All right, Andrew's taking notes.

Andrew O'Shea: Exactly.

Matt DeAngelo: It may take a few months, but it's good.

Robert Morier: And how about the Juvenile Law Center, you're on the board of directors there. So it sounds like you've got quite a role in that organization. And they're clearly doing some wonderful things. So what brought you to them?

Matt DeAngelo: I was introduced to them by one of Drexel's trustees. And she asked if I would be interested in joining the board. And so I'm on the finance and investment committees. So I help on that side of things. But listening to the other board members and the passion and experience of the members of Juvenile Law Center, it's so impressive. And I didn't realize how much work needs to be done for youths in the justice system or youths in foster care. There are a lot of problems. And the systems seem to fail the children that they're meant to protect and support. And they do a lot of work representing children and working on litigation to help improve the system. I'm amazed every time the board gets together just so I can hear the stories and hear the things that they're working on. I would say check out their website because I can't do it justice just speaking about it. You really need to read about the issues and read about what they're doing. I'm honored just to be part of it, even if I'm working on one little part of it. But I'm happy to help however I can.

Robert Morier: That's great. Well, you talked about your work at Drexel University, but Drexel University has clearly meant a lot to you over the years. You've had three daughters who have graduated from well, the third is about to graduate, but you graduated from there as well. So what does Drexel mean to you as you think about the university aside from what you do day to day with your investment career?

Matt DeAngelo: Yeah. I want to help the university succeed at long into the future. I graduated in 1992. And I've been involved with the university for a long time, over two centuries. So it is very important to me. And it's close to home, especially when you're dealing with the students. There's a student run funds which maybe we'll talk about a little bit. We have interactions with the students. We listen to their stock pitches. Our CIO Cathy Ulozas and I both taught classes at the university, and it's hard work. It's hard work being a professor. But it's fulfilling because there's always at least a handful of students that really want to get involved and appreciate what you're presenting to them. And it's a great opportunity to help them, so very important.

Robert Morier: So take us back. 13 years ago you're considering a job at Drexel University, your alma mater. You were at IMG, I believe, maybe on the trading desk. So that's a pretty big shift, going from that side of the business to the endowment model which Andrew very eloquently described to us in the beginning of the conversation. So what was that decision process like for you? And that shift, that's a brave shift, particularly in this industry because endowments have gone through a lot of change. Some are shrinking, some are growing, some are moving towards an outsourced CIO model. But what were you coming into and what was the genesis of the shift?

Matt DeAngelo: Well, first of all, it was an easy decision. If you recall back in the financial crisis, ING, they had a portfolio of mortgage backed securities, so there were a lot of markdowns. So that rolls up to the parent company. And you're talking about European bailouts. And all of a sudden you're like, OK, we all need to go find other jobs at some point because ING will have to offload all of their regional banks, including the US Bank. So we all knew we were going to be out of work at some point. So I was very fortunate that I had worked with our CIO Cathy. I had worked with her. She was a senior PM at ING Direct. She came to Drexel first as the CIO. And I made a well-timed call. Said, Cathy, how are things going? She said, I need somebody up here. So let's go. And it was great. My career goal was always portfolio management, so. Do you remember the show Family Ties? I always wanted to be Alex Keaton. I saw him with his briefcase in his Wall Street Journal, leaving every day, I wanted to be that guy. So the long term goal was always portfolio management, so it was an easy decision for me. I'd been worked in different asset classes, so this was the opportunity to put it all together. It's been great since.

Robert Morier: Well we look forward to learning how that's changed over the years. But I know the endowment just surpassed $1 billion in assets recently, so congratulations on that. That's a big milestone for any endowment. But what were the assets when you began-- when you and Cathy began with the university? And we, obviously, know there are over a billion today, but what has that progression looked like just in terms of asset growth?

Matt DeAngelo: Well, in full disclosure, they're not still over a billion. This was back in August.

Robert Morier: Yeah. That's what the disclosures are for in the beginning.

Matt DeAngelo: Yes. But I went back and looked. And we were at 400 million when I started. So that's 12 years ago. That's not bad. Some of the assets when the Academy of Natural Sciences came aboard, they brought their portfolio as well. It's a smaller portfolio so that wasn't the 600 million difference. But strong returns over that time really did the trick. Compounding works.

Andrew O'Shea: Eighth wonder of the world.

Matt DeAngelo: Right.

Robert Morier: Well, it sounds like prior to the pandemic that you and the staff, Cathy, and yourself went through a de-risking exercise, as I understand it. So what was that like? Because at that point, de-risking was not on people's minds. It was to a certain extent, particularly some of the public pension funds that were thinking about asset liability matching. But from an endowment perspective, as Andrew had said, a lot of time it can be heavy and alternatives, private markets, equities. So to de-risk at a time where it didn't really look like anything was going to be stopping this bull from running. So, well, take us back to that decision, it was just a few years ago now. Actually longer now, it's been over three years, I think, probably when that started. But I would love to hear the thought process there because when Andrew and his team or any of our audience call on an endowment, a lot of times they're trying to figure out what asset class to approach with. But what might be missing is what are the strategic plans that you're going through. So I'd love to hear about that strategic plan.

Matt DeAngelo: OK. It all started with asset allocation when we changed our asset allocation policy to diversify the portfolio, have less of a weight in public equities. I think that was the biggest decision. And that included a larger weight in inflation protecting securities, so real assets, real estate. And rebalancing to those targets made all the difference. Granted, it's tough to rebalance when things are going really well. Do you really want to trim your winners and invest in those that have lagged? On paper it makes all the sense in the world. But when you go to do it, it's very uncomfortable. But that's what we had to do. So our asset allocation policy really helped us have a diversified portfolio. However, equity markets kept running and kept running. And it seemed like nothing was going to stop them. What could possibly stop this wonderful, wonderful train? And at every investment committee meeting, we would discuss performance, discuss the portfolio. And our committee members would grow increasingly concerned. Like, OK, things have been going very well for a long time, maybe we should think about taking some chips off the table here. So that's what we started to do. We started cutting back our public equity exposure. But also we want to support the university in various initiatives. So at some point, the university bought half of Saint Christopher's Hospital. So we wanted to be able to help with that if needed. So providing support to the university was important, so we wanted to maintain extra liquidity in case something like that came up. So the combination of those three, so the proper asset allocation policy, trimming our winners, and maintaining a little excess liquidity, that made the difference. And we maintain that. We also slowed our pace of private market investments over the past few years because we wanted to maintain excess liquidity throughout the pandemic just in case. And that didn't serve us well when markets rebounded. But overall, for the pandemic, it really helped us out. And, well, we could talk about going forward, but those are the main contributors.

Robert Morier: Going forward, how do you think about what the next few years look like? I mean, it is certainly all about asset allocation. And it sounds like you have been cutting back private exposure, when arguably it's almost the complete opposite of what mostly everyone else is doing. It seems like there's no end to the private market surplus of strategies that are available and the money that's going towards those portfolios. Some warranted, others maybe not so much. But how do you see the next few years in terms of outlook?

Matt DeAngelo: Well, I'm worried mostly about the next six months. So it's going to be a bumpy ride. We discuss this all the time with the team. We have excess liquidity. When do we put that to work? And every time we discuss it we're like, OK, no need to rush to put it to work. Volatility will still be there. So maybe we could just slow our roll a little bit. We don't need to dive back into the markets and get to targets. We could still maintain excess liquidity. But we have discussed getting back on pace for private markets. And what you said about a lot of money chasing private market investments, it's true. There's still a lot of dry powder out there. So our goal is to focus on smaller areas of the market. In private equity we focus on small and mid buyout. In real assets we're still finding our way. So when we talk about consultants, that's one of the areas. That's one of our areas of focus. But going out past the next six months, the goal is the same as it always has been, moving towards our asset allocation targets and just steady investing. So getting back on pace for private markets, maintaining a constant pace over vintage years, that's the goal. We're trying not to outthink the market and just stick to our plan.

Andrew O'Shea: Going back to the public equities, talking about making a decision to reduce exposure, do you concentrate into best ideas managers and reduce your equity weight by redeeming from other managers? Or do you look at international versus US large cap versus small cap? Or is it more of, hey, we're just bringing down this overall exposure across the board to various managers. Take us inside how that thinking goes.

Matt DeAngelo: Oh, boy, this is a good discussion. Well, we start with, yes, let's reduce overall exposure. But then how we execute it is another decision. So it comes down to the liquidity of the specific strategy, how that strategy has performed. So I hate to exit a manager when it's down a lot. And so that guides it. So, again, we look under the hood and we say, OK, let's trim our winners. And with the periodic rebalancing, we have to meet our quarterly spend distribution back to the university, so we'll do that. And usually it's looking at who has done the best, and start there. And then when we go to rebalance, we'll do the same thing. We'll just try and reconfigure it, reinvesting in some that have underperformed and trimming those that have outperformed. And that's it.

Robert Morier: In the public markets, what is the manager turnover look like? But as you think about turnover in the portfolio, generally speaking, how long are you, on average, holding on to an asset manager?

Matt DeAngelo: Turnover is very low. We are a slow moving ship, and we try to do that. We don't make decisions tactically. We try not to. We're not going to exit a manager based solely on performance. We need to understand underperformance, but we expect that there will be underperformance. And if we understand it and they're doing what we expect them to do, then that's fine. But if there's a strategy shift or personnel change or anything significant like that, then it's another discussion. And maybe we look to make a change. But there are managers in our portfolio that have been there longer than I have. I think our longest tenured manager has been there in the portfolio since 2005. So we're not making a lot of moves. Maybe every couple of years we'll change a manager or add a manager, we try not to do too much. Our focus now is building out private markets, trying to get closer to target. So that's a 10 year process. But that is probably a larger focus than turning over some of the equity managers' public equity.

Robert Morier: So on the private side it sounds like that's going to be an area where you will be sourcing new relationships, potentially, for the first time in a few years. What does that process look like? We talk about this a lot, just the underwriting process. But in this case, it's kind of a step before that, it's the sourcing. There are no shortage of good managers out there, particularly in private markets these days, from emerging managers to fully developed.

Matt DeAngelo: Yeah, emerging managers is a key area of focus. However, we work with an advisor on private equity. And we've worked with them for the past eight years. And if you don't have a large enough staff where you can source and research hundreds of individual investments and management teams, and be able to identify team lift outs from larger firms that are starting new firms, it seems very difficult to do with one or two people. So we've worked with an advisor for eight years. They've done a great job helping us build out our portfolio. And their focus is on small mid buyout. Smaller managers funds one, two and three usually. If they can identify a management team that starts their own shop, that's a great source as well. So that goes into the emerging manager discussion. And that's been a source of excess return for us. So we'll keep focusing on there.

Robert Morier: Can you share the advisor?

Matt DeAngelo: Sure. Franklin Park. They're based in Bella Kenwood. Not far from here. And they've done a great job helping us build out our portfolio.

Robert Morier: That's great.

Matt DeAngelo: Now venture, we haven't done anything. I think we still have bad memories of all the health care buyout investments from the early 2000s that still might be lingering in the portfolio. Little pieces are still lingering in the portfolio.

Robert Morier: Yeah, venture is tough because it's a volume game. You're making lots of investments because just the research tells you that the more investments you make, the better chance you have to get that one or two winners out of a crop of 100 to 150. So it makes sense, particularly with the small staff. There's a lot of nuance in venture, and there's a lot of adventure in venture. I do understand that. But the private markets are interesting. So as you think about that advisory role, you're being presented a new manager for the first time, that first meeting. What are some of the criteria that you look for? It's the first time you're sitting across from Andrew and the asset manager. But generally speaking, what are some of the criteria that you're looking for in a manager?

Matt DeAngelo: Well, first off, we'll let Franklin Park do their first round of diligence. They take the first two stages of the funnel, and we'll wait for that. And then once they think a manager will be approved, then we will have a meeting with the manager. And we're lucky to have diligence in hand so we can walk through the process with them. And different ways to look at it, but the most common theme for our private market managers is a team that is focused on a certain area and they're good at it. And they've done it for a long time. And they have a track record of success, whether it's with the current firm or with a prior firm. And having an institutional platform so institutional investors can invest. And once you have the people, you have their process, you have the strategy, then it's of interest. And, yeah, that's the main area -

Robert Morier: That makes sense. Yeah, the Ps-- people, process, and then performance, see if it all is generally repeatable, yeah. Yeah, no, that makes sense. You had mentioned earlier the investment that Drexel had made in St Christopher. And the mission of making sure that you're giving back to the university and there's that investment into the school. Beyond that, there's been no shortage of talk around environmental social governance, ESG impact. How does the university endowment think about sustainable investing relative to 12 years ago when it wasn't really mentioned and arguably it existed, but in a very different format. How do you all think about it today?

Matt DeAngelo: We think about it a lot. We measure it. We monitor it. We discuss it frequently. We discuss it with all of our investment managers. At calendar year end we review all of our public market managers formally. And part of that process is we have them complete an ESG questionnaire that we have developed. And while we don't have a specific policy in place for ESG investing, we are carefully monitoring it. And we're making sure our managers are looking at it and they have a policy in place. They're looking at these things. What are they doing from an ESG standpoint? Granted it's difficult on our side to measure these things. We've looked at different data sets, we use our risk analytics platform to help measure carbon footprint, level different levels of carbon production, but it's difficult to do. The data is inconsistent across providers, and we understand that. But still, we still want to have the discussion with the managers. And we've invested in some sustainable specific investments, but it's not just because, OK, you're investing in sustainable technologies. It's because it's a good investment. And it's a good product, good strategy, good team. Oh, and by the way, it's sustainable. So as long as it fits the criteria and it still helps us reach our overall goal of supporting the university long into the future, then that works.

Robert Morier: How many people on staff now?

Matt DeAngelo: Well, we have four, four full-time. And, yeah, it's not much.

Robert Morier: So you're not broken out by asset class, I would assume.

Matt DeAngelo: We are not. Every morning we get on Zoom to discuss, and we'll discuss whatever we're working on. But the whole team works on it. So we'll bring up the risk system and we'll look at a manager, compare it to other managers and different measures and what we're going to do next. So it's one project at a time, but there's plenty on the pot. So we're just pushing one forward and then the next week we're going to push another one forward. So everyone's doing everything.

Robert Morier: And everybody is based in Philadelphia in general?

Matt DeAngelo: Well, our senior analyst lives in Ohio.

Robert Morier: OK, that's not Philly. It'll flow -

Matt DeAngelo: Yeah, it's a long commute. But like I said, we're online every day talking to each other. So while we are remote right now, we still have the same level of communication that we had before, just you're not standing in each other's offices. So we're sitting in chairs looking at each other. So I think it works pretty well.

Robert Morier: You talked about the private market side in terms of sourcing, obviously, having a resource that helps you there. But you also talked about having very low turnover of your public equities. So are you all sourcing public markets managers yourselves, or are you using a third party there as well?

Matt DeAngelo: Well, that it's a combination. So we have a general consultant. We use Wilshire. We've worked with them for over 10 years. And whenever we're doing a search, we'll combine it with managers we come across cause there's no shortage of managers emailing me. That's for sure. We have relationships with some of the larger investment banks who provide some managers that they've found or even some of their teams that have been successful. So we'll combine what we found with the highest rated managers from Wilshire, and put it all together, and start looking at it from, again using our risk analytics system to look at the various measures to see what is most attractive, and then we'll go from there. But we also will find a manager and bring it to Wilshire. And they have a large research team. And we'll ask them, what have you done? And most times, they've spoken with almost any manager we've brought to them. And so that's been very helpful. So combining our research with their research is how we get it done.

Andrew O'Shea: Great.

Robert Morier: Well, we don't curse on this podcast, but there is a four letter word that comes up often, which is fees. So fees have been under pressure in general in the industry for several years now, particularly in public markets. But as you're thinking about private investments and you take that into consideration as it relates to the whole portfolio. So if you're thinking about holistically what the endowment is paying for asset management services, has there been a change in philosophy? Or has there always been a consistent philosophy in terms of how you think about manager fees?

Matt DeAngelo: I couldn't say there's a specific philosophy or that philosophy has changed. And I can't say we're looking for the lowest cost provider. In the public markets we do have large passive allocations. So for those, yes, we're going to minimize fees. But we complement those with some active managers, especially on the smaller cap areas of the market. And we understand that some managers are going to have higher fees. There's one large public equity manager in particular and every time we meet with them, we'll discuss it with them formally twice a year. And we'll always say, hey, you're fund has x amount in assets. Shouldn't you be lowering fees by now? So it's always a question. And the answer is usually no. Well, it's been no so far. But it's always a question. So, yes, we will push back on fees. We will see if we can get some kind of discount. Yeah, we'll do what we can. But we understand that fees happen. The trend is lower overall. So that's good. But it doesn't guide our decisions. So if a manager has a higher fee, we're not going to eliminate that manager just for that. It's one factor.

Robert Morier: That makes sense. And thinking about just bouncing around a little bit but with public equities, it sounds like you may, and correct me if I'm wrong, but maybe a lot of your US large cap exposure, for example, might be allocated through passive instruments. But as you look outside of the United States, so international emerging markets, and you could comment on this whether you look at global equity portfolios. How do you think about the equity universe as it relates to what you're capturing passively versus active? And then what you are doing in terms of non-US versus US.

Matt DeAngelo: OK. How we've structured the portfolio, we try to have half US half non-US. And it never seems to work out because US keeps running, and international markets lagged the US markets. And that's fine. Good problem to have, that one sector of the portfolio does really well. But we will also have large passive exposures in both US large cap and in non-US large cap. So we will not have global equity managers. So the way we look at it, we try to focus on managers that have some level of expertise, similar to what we're saying in private markets. So especially when it comes to emerging markets, we want to look at a manager and we have a manager that has a large group of analysts on the ground at different countries. So we like to think that they have a certain level of expertise and they have an information advantage over other managers. So that's what we're looking for. We try to have them as narrowly focused as possible. Yeah, but it's tough, especially in emerging markets. That has not done so well.

Robert Morier: You never know who's going to start a war.

Matt DeAngelo: And I don't know. When China comes around, I can understand with slowing growth due to COVID lockdowns, but all of a sudden, COVID isn't so bad over there. Omicron is not so bad. You can open your town up. I think that's created a little confusion over there. But I don't know when the economy gets on solid footing and you start seeing earnings growth again in China and maybe emerging markets broadly. But it's a tough area and one we're concerned about. But I don't think we're going to make any significant changes as a result. It's just something to monitor and try and understand.

Robert Morier: Well, I read somewhere that the best performing manager in the endowment is the student fund. Is that correct?

Matt DeAngelo: The dragon fund has a long track record of success. That fund was created in 2007. And they were started with $250,000. And the fund is now worth, I think it's about $3.2 million. And it's student-run fund. Over the past 15 years they've delivered, I think it's about 300 basis points of outperformance annually over that period. I don't know many managers that can do that, that can deliver 300 basis points of outperformance over 15 years.

Robert Morier: Especially with the PM turnover technically, the students graduating and coming in.

Matt DeAngelo: Exactly.

Robert Morier: That's why there's no succession planning.

Andrew O'Shea: Probably a good thing.

Matt DeAngelo: I think that's one of the keys to success. It is very rules-based. So the students will come in. It's a two semester course. It's like advanced applied portfolio management, something like that. So they'll spend the first term learning how to do the analysis and learning about the portfolio. And then the second term making their stock recommendations on what changes, they're assigned to sectors, and they will propose changes to that sector. So they'll recommend a stock or recommend two stocks and something to exit, to fund it. And it's the same rules apply over the past 15 years.

Robert Morier: Have you seen students recommend to do nothing? To stick with what's there.

Matt DeAngelo: No. No, I have not.

Andrew O'Shea: It wouldn't be fun.

Robert Morier: It's interesting because the reason I ask is it's kind of to poke a little bit. But it's funny, you've had the same consultant for 10 years, which I think is admirable. A lot of times when new consultant relationships come in, whether it's an endowment or a public pension plan, it seems like the first point of business is to make changes, shake up the lineup. And I always used to just wonder, again, getting back to philosophically, I'm not sure what the data says, but whether that's actually a warranted exercise. For a student fund it sounds like it is because it's, kind of, bringing fresh eyes to something and it's a new sector. But, yeah, yeah.

Matt DeAngelo: You raise an interesting point about trading in general. And someone had given me a couple of interesting data points on if you look at retail brokerage accounts, the two groups that perform the best, the first group they forgot their password. And the second group, the account owners passed away. Those are the two best performing groups. So trade less and maybe you'll do better in the long run. And that's what I used to tell my students. I used to teach intro to investments. And I would give them that story and try and tell them trade less. Unless it's your day job, unless you're following that market all the time, then you can trade. But, otherwise, take it easy.

Robert Morier: Well, I think that's a good place to wrap up. I think that's good advice for any investor, whether you're an institutional investor or a retail investor looking for their password in the desk drawer. So, Matt, thank you so much for your time today. We appreciate all your insights into your background and experience, personally as well as with Drexel University. Congratulations on the success of the endowment as well. Andrew, it's always good to see you. Thanks for being here. If you want to learn more about Matt and Drexel University, please visit their website at www.drexel.edu. You can also learn more about Matt's work at the Juvenile Law Center and the Movember Foundation at www.jlc.org and www.movember.com. That's with an M. You can find this episode and past episodes on Spotify, Apple, Google, or your favorite podcast platform. We are also available on YouTube if you prefer to watch while you listen. And, once again, thanks for being here. It's great to see you. I wish you the best of luck in the new year. Andrew, same to you. Happy New year, and best of luck in 2023.