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EPISODE 127:

Private Credit & the OCIO Mindset with Adam Ladd of Windrose Advisors



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Welcome back to the Dakota Live Podcast. One of the most important attributes of a successful sales strategy is meeting with investors in their offices, and we continue to do just that. For our six on the road episode, we travel to Boston. Boston is the fifth largest metro area in Dakota Marketplace, and one of the most important cities for a sales

professional to frequent when targeting any channel. Boston is a major consultant hub and is the headquarters for Cambridge Associates and Meketa. For endowments, many traveling to Boston look to Harvard and MIT. However, don't pass up the opportunity to meet with Amherst, Wellesley College, and Boston College as well, which all have their respective investment offices located in Boston. This week I had the pleasure of sitting down with Adam Ladd, Vice President at Windrose Advisors, a multi-family office and outsourced CIO solutions provider, to talk about his journey from Amherst College investment office to his current role at Windrose, and to dive deep into a topic that's top of mind for many investors today, private credit. As public markets evolve and traditional sources of yield come under pressure, private credit has taken on a larger role in institutional portfolios. It's become a critical area for manager selection, risk analysis, and long-term portfolio construction, and Adam brings a thoughtful institutional lens to all of it. Adam Ladd is a vice president at Windrose Advisors, working closely with the investment team on asset allocation, manager research, investment due diligence, and research across all asset classes. He also works closely with clients on designing and implementing investment portfolios. Prior to joining Windrose Advisors, Adam worked as an Investment Associate at the Amherst College investment office, assisting with manager due diligence, portfolio analysis, and market research for the office's \$3 billion in assets under management. He worked as a generalist, covering their diversified global portfolio. Adam graduated with a BBA in finance from the University of Massachusetts Amherst. In his free time, Adam enjoys traveling, endurance sports, and volunteering. Let's get into our conversation with Adam Ladd. What's the difference between putting out a fire and putting out a fire in the office?

Adam Ladd: I think both do have some similarities. Being thorough, being thoughtful in the moment, keeping a level head. Obviously, a real fire requires water, and an investment situation would require thoughtful decision-making. But I think maybe more similarities than dissimilarities.

Robert Morier: Yeah, what did you learn from those experiences early on? So, when you think about being a volunteer fireman, you're still in school at the time, I believe.

Adam Ladd: Yeah.

Robert Morier: What were those experiences like for you, and what do you feel like you've taken from those days that still apply to what you do at the desk?

Adam Ladd: Definitely hard work. There's value in that. Getting your reps and practicing and making sure that you essentially know what you're doing. This is a lifelong process of educating yourself. Firefighters don't stop training once they become firefighters. So, us investment professionals need to remain academics as well.

Robert Morier: Yeah, that's great. Can you walk us through your path into the investment world? So, when you were sitting in that University classroom, did you think that this was going to be the path? What were you considering, and ultimately, how did that journey look?

Adam Ladd: I always had an interest in investments, but that's so broad. I spent the four years in college trying different things and trying to understand what might be interesting to me. And the funniest part of that is I ended up in a very broad investment role where I get to touch everything. I think that was partially driven by the fact that when I was leaving undergrad I didn't know which specific asset class I might find most interesting. And I happened to fall into a role where I got to look at a global investment portfolio, as opposed to one specific asset class.

Robert Morier: Do you have a favorite asset class?

Adam Ladd: I work predominantly with private credit. I find it very interesting. That was another happenstance type situation where when I joined in 2020, we were building out our roster of private credit managers, and you get assigned the first project, and then you get the second one. And then they start to say, well, he knows the first and second one, might as well give him the third. And it happened to be a very interesting time for private credit, whereas years prior it wasn't as exciting.

Robert Morier: Yeah, what was that experience like at Amherst college's investment office for you?

Adam Ladd: Yeah, it was an incredible experience to cut my teeth at a very prestigious organization with highly experienced investment team, was incredible. It's great exposure to really premier managers within the broader institutional investing space and to really help understand what a highly sophisticated, highly pedigreed manager looks very early on in my career.

Robert Morier: As it relates to sitting in that office, when you sit in an endowment office or you sit here at Windrose, I'm always interested in the fact that you have to wear two hats. One is you have to be a hunter. You have to go out, and you've got to find the asset manager. But you're also hunted. So, asset managers are calling you every day. How do you balance those worlds? To actually going out trying to source managers that you may not, or you may not have heard from before, particularly in private credit, where it seems like there are more managers coming online, versus being hunted?

Adam Ladd: Yeah, I mean, it's about balancing having a trustworthy network and also being open to expand that network. Building a framework for the type of individuals you would like to communicate, and you find valuable in communicating with in terms of

sourcing new managers and also getting out there yourself and building those new relationships, whether attending cocktail hours or conferences, and really valuing the Intel that you can garner from the small talk in those situations.

Robert Morier: When you think about your time at Amherst, working in the endowment model, and the endowment model is something that Windrose talks a lot about here, based on some of the experiences of the team, how has that translated from your experience, that endowment model now part of the Windrose model?

Adam Ladd: I think foundational to the endowment model is an emphasis on alternative investments and finding the risk adjusted value in those. And also, very crucial to the endowment model is focusing on allocating to managers that are truly best in class. So, I think we try to take both of those things, with an emphasis on alternatives and an emphasis on true-on-true best in class managers and apply that to the advisory space.

Robert Morier: Mmh. And how about the way that you were thinking about your relationship with clients here today. It's highly customized. It's certainly client centric as it relates to the type of work and effort you're doing, whether it's through the outsourced CIO model or if you're offering any of your respective sleeves, whether that's private credit or private equity. So how do you typically work with clients to build those portfolios from your seat on the manager research side?

Adam Ladd: So, I think it's important to remember that clients, aside from being in this business relationship with us, are also human beings, which means they have their own experiences and their own motivations, and that will guide what they might find interesting for their own portfolios. And we should be very considerate of those things. In addition to this, we're also fiduciaries. So, it is our obligation to make the best investment decision for our clients. And that may sometimes live in contrast to what they would prefer. So, it's about balancing those two mandates, being a fiduciary, but also understanding that clients have certain parameters that they would like to be included into their portfolio.

Robert Morier: Yeah, that makes a lot of sense. So, what's your process then when you're introducing a new investment to Gilda, Salicia, and the team? How do you balance that education, so talking to them about who this manager is, what they do differently relative to the conviction? So, the conviction in you believe that this is a good manager for your clients.

Adam Ladd: Firstly, I'd like to highlight the flat structure here. I think it's incredibly advantageous in terms of sourcing new investment ideas. No one is fearful of speaking to anyone across the entire team. No one is afraid to suggest something that may not work out. At the same time, we need to be very conscious of our colleague's time and our time.

That means doing our work initially before we will involve other people and making sure that we're coming into those situations highly informed.

In terms of bringing those managers actually onto the platform, we follow our framework for evaluating those managers, conducting our due diligence, doing our reference calls, and keeping the broader team informed of those ideas and making sure that we're synthesizing this large pool of information into something that can ultimately be communicated as an investment thesis.

Robert Morier: What are the distinguishing features of Windrose's due diligence process? What, in your opinion, really makes it stand out?

Adam Ladd: I would say what distinguishes Windrose from others in terms of our due diligence is a high degree of points of contact and really boots on the ground type of approach. Meaning, we whether this is an existing position within our portfolio or a new position, we're diligence saying, we're having as many touch points with that manager as possible, making sure that we are going into their offices on site to kick the tires and really evaluate the intangibles. How many people are coming into the office; how do people look in the office other sort of qualitative points of information that we can extract from those situations.

Robert Morier: That makes sense. Before we started recording, I was asking or telling you about the due diligence class that I teach at Drexel, and that it surprised me how much time we spent formulating questions. So, what are the best questions to ask? If you hear this information, what's a good follow-up question? So, in your experience, since starting, what have been the questions for you that have yielded the most results from those due diligence meetings?

Adam Ladd: I would say questions that I find most interesting in framing our understanding during the diligence process is the cross-section of a manager's story, and what they're doing. So, it's important to understand whether their experience aligns with the investment strategy focus that they're actually conducting, and what led them there. Are they properly incentivized in this situation? What were those incentives to launch this firm as opposed to continue working in the previous role that they were before? What is their experience in terms of managing teams and how are they taking different aspects of previous roles they've worked to better manage a team at that point in time? Really, just building this mosaic of everything that they have been and were, and how that correlates to what they are today.

Robert Morier: That makes sense. So, getting back to private credit, clearly you were doing a good job. So, project 1 turned into project 2. So sometimes you can be a victim of your own success in that regard. It sounds like it was well deserved though. So, when you

think about private credit, and how it's grown in institutional portfolios, how are you thinking about its role today in client portfolios as it relates to the Windrose business?

Adam Ladd: Private credit plays a very important role specifically in the structure that we operate. Clients need access to good risk-adjusted returns, and they also need liquidity from time to time. This is ultimately their capital, and they will need to spend it, whether that be on taxes, whether that be on things that they would like to purchase, or way of life or whatever it may be. So, we're trying to balance the mandate of giving them those good risk adjusted returns and giving them income that they can use.

Private credit, particularly important in a broader private portfolio to counteract the illiquidity of private equity. So, if you have capital tied up for 10 to 12 years, and you're really only getting distributions in the last three years of that. Well, private credit, even on a total return basis, is typically five-to-seven-year term life. So, we're shortening that J curve very significantly. And in addition, a lot of private credit managers are designed to kick off income on a quarterly basis very early into the fund's life. So, getting very good returns for our clients, but also generating liquidity for them.

Robert Morier: Yeah, that makes sense. Can you do us a favor? Can you unpack what private credit means to your clients? All of them, I'm sure, are reading it in the paper. They're hearing it on the news, on business news, but private credit is a catch-all. There's lots of iterations, or I should say, there are lots of verticals within private credit itself. So, when you think about constructing a private equity allocation on behalf of a client, could you unpack what that would look like in terms of the types of underlying strategies that may be represented?

Adam Ladd: I would say we have really three core areas of focus within our private credit segment of the portfolio, which would be, opportunistic, all-weather type approaches, which is designed to perform regardless of the market environment. We have more sector specialists and niche-type managers. These typically return higher. These managers are highly focused on one specific segment. And we look for folks who are true and true experts in that segment. And then thirdly, we have private credit managers that are designed to take advantage of stressed and distressed environments. So, protecting on that downside and actually capturing the upside in those distressed dislocations. To dive a little bit deeper, we really like private credit managers that are non-sponsored, meaning they're working directly with the companies that they're lending to, and concentrated portfolios. We don't like highly diversified direct lending portfolios where the private credit firm doesn't have high degree of touch with the folks that they're administering the loans to. So, we really value that concentration and the deep relationship with the management company.

Robert Morier: That makes a lot of sense, particularly around concentration. So, wanting to have a manager who's focused. When you think bigger picture, to take it from the top-

down perspective, where do you see some of the risks in private credit today from your clients' perspective?

Adam Ladd: There's a tremendous amount of risk in highly diversified portfolios of sponsored-backed credit, where the private credit manager doesn't have deep or intimate relationships with the management companies because there's hundreds of loans in the portfolio. There's also a strong possibility for discrepancy in valuations. When you have that many loans, it's really hard to do the deep level of diligence. You need to properly value those. And those discrepancies present issues in the broader portfolio. You're advertising a certain asset level, but it's really marked significantly below that in an illiquid asset. There is going to be a lag period, and you're not going to see that there's markdowns for a significant period, which can present an issue for investors.

Robert Morier: We've had an opportunity to speak to Gilda, Salicia, Amanda, so you're the fourth leg of the chair, which we're excited to talk to you about. When you think about Windrose competitive edge, which is identifying these earlier stage managers before some of your competitors, do you find the same types of opportunities in private credit?

Adam Ladd: Yeah, absolutely. We love to establish relationships with managers very early in their life cycle, possibly at inception of their strategy. That is very fundamentally core to who we are as Windrose. You know that allows us at our size to negotiate preferential terms and also build a very deep relationship with our managers and grow with them together. There's a ton of opportunities to do that in private credit. And we've done some of the core positions within our private credit book. We have been funding one investor, which has given us advantaged fees, advantaged access, and all sorts of other benefits from establishing those relationships early on.

Robert Morier: That's very helpful, particularly in the context of speaking, having spoken to your colleagues. When you think about an asset manager, early stage, so potentially a fund one, who is calling you for the first time, on that first call, what are some of the key things that you want to hear to help you move that call to the next meeting?

Adam Ladd: I think it goes back to what I was saying earlier, understanding the story of the manager and how they got to where they were and making sure that properly aligns with what they're trying to do currently. We folks who are in this to generate attractive returns and not asset gather, who want to remain focused on doing what they do best and stay focused on that and not style drift. So, understanding where their incentives lie, making sure that aligns with us, and making sure they do so consistently are definitely characteristics that we're looking for in a manager.

Robert Morier: Yeah, that makes sense. What's your favorite thing about coming into the office?

Adam Ladd: I would definitely say, my favorite thing about coming into the office is seeing the people. I know it sounds cliché, but I would caveat that with I started here one week before COVID shut down the entirety of Massachusetts, so I had two days in the office at that, really, no one was there. So, I spent really my first year and a half, 2 years, seeing everyone as a little square on a computer screen.

Robert Morier: Yeah.

Adam Ladd: So, I really value actually getting to see my colleagues and talk to them in person and grow this relationship both professionally and knowing them better as people.

Robert Morier: Yeah, that's really great to hear. As an educator, we think about the students and their experiences during COVID, and more often than not, we tend to hang on the negative. How that impacted them. It's nice to hear it from the other side. It's like, the window is finally open. The doors finally open. You get to come into the office. And I would assume, and I'm speaking for you, I don't want to assume, but that you appreciate it more.

Adam Ladd: Yeah.

Robert Morier: You're maybe more interested in coming in.

Adam Ladd: Yeah.

Robert Morier: So, what's something that you've learned from working with your clients that you have been able to take into the manager research that due diligence role? So, any insights, any experiences with the client relationships that really help you think about the way that you approach your job?

Adam Ladd: No, I think I've learned a great degree from our clients. And we're benefited significantly from having a broad array of very successful entrepreneurs who exited businesses and have skill sets, and education across many different segments. To boil that down into something more specific to the work we do today, I think it goes back to properly understanding the motivations and incentives of people in working with clients. You can talk to them very quickly and start understanding what drives their thought process, where their interests lie. And that's really important to understand in communicating with a client to make sure that their portfolio is properly aligned. And it's also very important to understand those same incentives and motivations in our

managers to make sure that they're aligning with ours so that we can move forward in a long-term relationship.

Robert Morier: That's great. What do you do outside of the office for fun?

Adam Ladd: Outside of the office, I love to exercise. I go through this, seesaw of either being very into weightlifting and also periods of time where I'm running a lot, prepping for a race. I've run 6 marathons. Two of them were ultra marathons, so a 50 miler and a 100 miler. And I'm running another Marathon in the fall in Richmond. But I will say I'm one of those guys who changes body type quite often. I think the delta on my size is like 30 pounds given the year. Yeah.

Robert Morier: What made you want to do your first endurance race?

Adam Ladd: Part of the motivation for doing my first race was just to really see what my limits were. You hear all the time that you can go so much further than your body is telling you. And ever since then, I've been really trying to find where that line is and how far I can go.

Robert Morier: That's great. Before we go, I always like to ask our guests about mentors, so the people who have been most impactful to them, family, friends, colleagues, who are the one or two people who have really stayed with you over the course of your career to date?

Adam Ladd: At the expense of sounding cliché, I think, one of my greatest mentors ever was my father. And he's one of the hardest working guys I've ever met in my life. He's very thorough. And I think he instilled those values into me, the balancing of being very regimented, but also being flexible enough to adapt to new opportunities and learn from that. My father was a lifelong learner. And here I am trying to be a hardworking, life lifelong learner, just like he is.

Robert Morier: That's great.

Adam Ladd: Yeah.

Robert Morier: Adam, thank you so much. Thanks for spending time with us today. We greatly appreciate it.

Adam Ladd: Yeah, I appreciate it. Thanks, Rob.

Robert Morier: Thank you for tuning in to this conversation with Adam Ladd. If you want to learn more about Adam and Windrose Advisors, please check out their website at

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