

dakota

EPISODE 128:

Inside the WK Kellogg Foundation's Investment Strategy with Shanelle Brown



Robert Morier: Welcome to the Dakota Live Podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better 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 sales ecosystem. If you're not familiar with Dakota and our Dakota Live content, please check out dakota.com to learn more about our 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. 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 welcome to our show today, Shanelle Brown, managing director of Public Equity Investments with the WK Kellogg Foundation. Shanelle, welcome to the show.

Shanelle Brown: Thank you so much. Glad to be here.

Robert Morier: Yeah, I'm glad you're here. We tried to get you on the show earlier. We tried very hard in Chicago as part of a panel at Loyola University of Chicago with Katie Wyatt and a few other folks. It didn't work out for timing, but I'm so happy to have you here today. Thank you for being here.

Shanelle Brown: Thank you for trying again.

Robert Morier: Thank you. Well, we have a lot of questions to ask you. Before we do, I'm going to quickly share your background with our audience. Shanelle is a seasoned investment leader with a distinguished career spanning financial services, corporate finance, and mission-driven philanthropy. She joined the Kellogg Foundation after holding senior investment roles at Exelon, where she managed over \$18 billion in public equity investments. Her journey began at Citi and continued through US Trust, where she held roles in portfolio management and manager research. Today, at the Kellogg Foundation, Shanelle oversees the foundation's public equity portfolio, which accounts for over one

third of the portfolio assets. Chanel holds a degree in economics from UCLA, an MBA from the Kellogg School of Management, and has been recognized as a rising star in institutional investing, most recently as part of the CIO Magazine's Next Gen class of 2024. The WK Kellogg Foundation is a private, independent philanthropy founded in 1930 for the health, happiness, and well-being of children. The WK Kellogg Foundation Investment Office strives to generate outstanding investment returns to further the foundation's commitment to ensuring children and working families thrive and communities offer equitable opportunities. Shanelle, thank you again for being here today. We really appreciate your time and look forward to digging into the conversation.

Shanelle Brown: Likewise.

Robert Morier: You were at UCLA. And I told you this as we were preparing for this call, we have had more UCLA graduates on this program than any other alma mater, any other school. What is going on in Westwood that produces all of these asset management talented people?

Shanelle Brown: I wish I could give you a better answer. But the truth of the matter is when I decided to go to UCLA and study economics, I really didn't what I was doing. And so perhaps it's just the talent of the professors there that bring out all of the innovation, and excitement, and thrill for the industry.

Robert Morier: How did you land on UCLA?

Shanelle Brown: So, I'm from the Bay Area, from California. And what you'll notice is you tend to get the reverse. So, the Southern California kids head up to UC Berkeley. And the Northern California kids go down to UCLA. I actually intended to go to UC Berkeley initially. And then my mom came into the room and said, great, you got into Berkeley. We can save so much money. You can live at home. And I said, I ripped that letter up and went directly to the UCLA letter and said, that's where I'm headed. I'm supposed to be a Bruin.

Robert Morier: When you were there. That's funny. I could see that too. I ended up leaving home as well. I was from Southern New Jersey. I went up to the mountains in Vermont. And for a very similar reason, I was ready to get out and do something a little different. So, I understand that feeling.

Shanelle Brown: Not too far away from home, because I did--

Robert Morier: Exactly, same thing. Yeah, six-to-seven-hour drive. So, it was very manageable. I could be home by dinner if I left in the morning. So, tell me, when you're in the classroom at UCLA and you're thinking about a career, you're studying economics,

presumably taking some finance courses as well, what was going through your mind? If you put yourself back into those classrooms, what were some of the things that you were considering as you were leaving campus, leaving school?

Shanelle Brown: Honestly, I didn't know exactly what I wanted to do. I thought initially that I would be the next Black Suze Orman. And the reason I thought that is because my aunt had introduced me to personal financial planning when I was in high school. Prior to that, I was really lost. I knew I was good at math. But I didn't-- the careers that I thought were available to me, the classic doctor, lawyer, that wasn't a path that I wanted to follow. And this was, I'm going to date myself here, the late 1990s. I'm growing up in the Bay Area. You can imagine what all is going on during that time. It's Silicon Valley. And it's ripping and it's roaring. And people around me are maybe 10 years older than me, and starting companies, and making all this money. And I didn't understand what was going on, and neither did most folks around me.

And my aunt, she said, have you heard about the stock market? And of course, I had not. And she introduced me to books. Of course, Suze Orman was-- I think she still had her show at this time. She was pretty big, making a name for herself. And I started going down this path, researching what finance was all about. And at that time, I watched movies. There was no ChatGPT. There wasn't all the technology we have today to make an easy sort of research project or request. But I started watching movies, the classics, Wall Street, and I just-- I got so excited by what was going on. It was thrilling. It was something different every day. And I thought, this is something that I could do. No one in my community understood anything about investing. I didn't come from significant wealth. And I thought, I could pursue this. And I could help people and make-- change my family and the dynamics for myself as well. And that was very attractive to me. So, it was more from high school than from UCLA.

Robert Morier: Now, that makes a lot of sense. Well, after you graduated from UCLA, you've held a variety of different positions in leadership roles in banking, corporate treasury, philanthropy. How have each of those sectors shaped the way that you think about investing today? So, as you're sitting in the office at the Kellogg Foundation, what did you take from those different experiences post-college that really help you formulate the way that you approach problems from an asset manager research perspective?

Shanelle Brown: So, the private bank really gave me the foundational principles. I earned my CFA while I was there, my CFP. I completed those programs. The bank also helped me develop and understand the psychological aspects of investing. You're dealing with clients who have built a significant amount of wealth in one company. And so, it really helped me identify the behavioral biases that we can all fall victim to. I also honed my communication skills while I was there because you have to have an ability to communicate very complex topics to people who are very smart but have no investment expertise. And so that was very important to the foundational principles of what I needed.

When I had the opportunity to move to Exelon, it allowed me to have a different and more advanced dialogue. And it also allowed me to be more creative. I had a wider array of investment opportunities available in the toolkit, if you will. And just, again, we were investing \$18 billion on behalf of a corporate pension and some other assets. And so, we were investing \$18 billion on behalf of a corporate pension and other assets. And I was able to just have a more focused process versus dealing with multiple clients and multiple families.

Robert Morier: Your experience at Exelon, what were some of the key attributes that you took from that? When you think about the skills that it takes to be a successful manager research professional, a successful due diligence analyst, what were some of those key skills that you had taken from that particular experience as it relates to a corporate pension, particularly now as you're with a foundation?

Shanelle Brown: Yeah, so at Exelon, I think I was able to, again, being more focused. It allowed me to develop my process and my style. I think, again, with \$18 billion, we got to meet with everyone you'd want to meet with in the business. So, I've met with some of the best and brightest. And that helped hone my own skill sets. We also had a wide degree of freedom. And so, I don't consider myself the most creative person. But we were able to be creative in our process and maybe push the bounds a little bit. Not as much as I think-- the creativity is far greater being here at the foundation. We have a smaller portfolio. There are managers and strategies that we can invest in that there's no way we would be able to do with \$18 billion. And so, I think that's one of the benefits here. But it certainly, Exelon, I gained that foundation while I was there.

Robert Morier: So, you said your style. What's your style? So, if somebody is going to ask you, what is your style?

Shanelle Brown: Well, my style is I'm a very transparent person. And I respect and appreciate transparency in others. That's how I build trust. I learned a long time ago that-- and really, at Exelon, that this is a people business. And so, you have to build relationships with individuals. We're investing for what we hope will be significant periods of time that probably span longer than our tenure at the organization. And so that takes a tremendous amount of, obviously, work and diligence. But there's a qualitative aspect to this. And we have to believe that we're partnering with people who we can trust and who are aligned to our values.

Robert Morier: That's great. That makes a lot of sense. Thank you for sharing that. So now, you're at the Kellogg Foundation. When you walked into the role, what did the structure look like? So, the team, responsibilities, so if you could set the stage for us as we start to get into your process.

Shanelle Brown: So, things have changed quite a bit. I joined the team in the summer of 2021. At the top of that year, Carlos Rangel had been announced as the new CIO following the retirement of Joel Wittenberg, who had been the longtime CIO. He shifted the team, Carlos did, from a generalist model to the specialist model that we operate in today. And so now, we have three directors, myself covering public equities, my colleague Reggie Sanders covers hedge funds and fixed income. Neil Graziano leads our private markets team and efforts. And so, the four of us make up the senior team. Carlos also stood up, at that time, a risk function. Risk was always a part of the process. But he felt it needed to be called out and have its own sort of head, if you will. And so, my colleague Matthew Shellenberger now leads risk and operations for our team. And he's done a great job in that role.

Robert Morier: That's great. So, when it comes to asset allocation or thinking about the direction that the foundation is going in as it relates to the total plan assets, what does that conversation look like? Is that a weekly meeting, a monthly meeting? How do you-- I always like to say, how do you point the compass?

Shanelle Brown: So, I feel like we have a lot of touch points. Technology certainly helps with that between Slack. And we have our standing team meetings. And we all work in a hybrid format. So, we'll just pick up the phone as well and call with ideas. But we do have our structured standard meetings. Every week, we get together as a team. We have what we call a pipeline meeting, where we run through each asset class. We'll run through the areas that they're focusing on. We'll talk about where managers or strategies are in the process. This helps also get everyone on one page. So, we'll have operations there. Our finance team is there. So back office and the investment team are working together in that manner. We also, on a quarterly basis, we just did this a couple of days ago, so my voice is probably not as strong as it would have been we not had this, but every quarter, we-- each asset class lead goes before the team and presents. And we go through the full portfolio, our strategy, how the managers are performing, what the expectations are, and where we see the portfolio going in the future. And then we also carve out a section to talk about asset allocation, risk, et cetera.

Robert Morier: That makes sense. What role does external research or external consultant play into your due diligence process? Are there any third parties who are helping the team in this regard?

Shanelle Brown: Yes, we use third party research primarily for market color and market insights alongside our investment partners. We may leverage our relationships with cap intro to-- we're casting a pretty wide net for research. But all of the manager diligence, and research, and quantitative work is done internally with the team. We also utilize a third party for our ODD.

Robert Morier: Makes a lot of sense. Many hands make light work.

Shanelle Brown: That's right.

Robert Morier: You've expressed a strong conviction, as has the foundation, to long-biased public equities. So, can you walk us through the conviction behind the asset class? So, when you're thinking about building this public equity portfolio, you're a specialist. How does it ultimately look? So, is there passive exposure? Are you investing in sector specialist or country specialist? So, if you could give us a taste of the menu, I think that would be very helpful for our audience, and helpful for me too.

Shanelle Brown: Rob, I think you were sitting in our strategy session when I presented to the team on Monday. We believe in a fully diversified approach. So let me say that at the outset, which is public, private, and hedge funds. Within the public markets, we run both passive and active strategies. But the majority of the assets are managed actively. That said, we also run more-- think of our managers as core mandates versus satellite mandates. And the core mandates tend to be those folks with longer track records operating in more diversified areas of the market and tend to run much more assets. And they tend to get the larger share of our allocations. The satellites are those mandates where we feel there is a little more volatility around. Maybe there's not as long of a historical track record. They're operating in areas that require more specialty, some more niche like strategies is how we define that.

Robert Morier: Public markets, obviously, have volatility embedded in them. And in this type of market environment which we've been experiencing since the beginning of the year, there's no shortage of it. I'm curious, how do you approach managing risk while still seeking those long-term returns? You mentioned you have a colleague who's dedicated to the risk management portion. But when you think about it from your seat, how are you incorporating the risk assessment into the process?

Shanelle Brown: So, it's a very important part of the process. We do a significant amount of quantitative work when we're in the process of diligence a strategy. Having the risk function has been very helpful. And so, we use FactSet as our risk system. We're able to run portfolio holdings through that system and do a lot of pre-investment work. So, we can see how strategies react in certain environments. We can see the impact-- had we invested, what the impact would be on our portfolio. With existing managers, we're able to run analytics at the portfolio level. We run analytics at the asset class level. We're looking at our risk factors, our exposures. We use that to really make important decisions for the portfolio. So, we may see that we are overweight a specific factor or sector. And maybe that doesn't align with our views. Maybe we have a negative view on that. So, we'll short out that beta. Or vice versa, maybe we want to lean in a bit more. We'll lean into that exposure.

Robert Morier: That makes sense. I thank you for sharing that. It's interesting as well, because I think sometimes when you're thinking about risk management, it can be either exclusively a portfolio construction discussion, or it's a postmortem type of process. So, it sounds like it's going to be embedded throughout your entire evaluation. So, thank you for sharing that.

Shanelle Brown: Yeah, absolutely. And I should have mentioned, it's how we think about our sizing as well. We think about the impact to the portfolio, and active risk, and that sort of thing in our sizing decisions.

Robert Morier: Yeah, that makes sense. That's a great segue because sizing is at the end of the process. But in the beginning of the process is sourcing. So how do you source a manager? Let's say you have a search that's come on that the team has decided on a certain area of the market that you want to gain some exposure, whether it's through a core mandate, or maybe one of those-- called satellite specialists. What does that sourcing process look like? You did mention cap intro very briefly. But I'm just curious when you think about where those ideas come from.

Shanelle Brown: We leverage the full breadth of the team. And I'm sure you know, there is no shortage of inbound that we receive. Cap intro is one source that we utilize, and we have eVestment. We watch a lot of podcasts. We're in the marketplace. And so, we try to stay abreast on folks-- who folks are that we would like to meet, even if we don't have an opportunity, say, at this particular time. I think it's really important to always stay fresh and not get too complacent in thinking that you have the best of the best and that your portfolio is clicking on all cylinders. We try to run a process where we're continuously looking to improve, continuously looking for the best strategies. And we want to have a pipeline and a bench of managers that we could-- we've done a decent amount of work on, where if, for some reason, we needed to make a change, we could do so pretty quickly.

Robert Morier: So then could you walk us through what that typical manager underwriting process looks like? So now, you've sourced the manager. And the real work, I would presume, begins. You're rolling up your sleeves. You're having to spend a lot of time getting to know the people, the process. So, what does that generally look like?

Shanelle Brown: So, it's a two-stage voting process for us. The first step is everything relies with the asset class team. So, the lead will make a decision. You've met a manager. Let's say it's interesting. You've done some light touch work. What we've decided to do is try to set up a process that allows us to get to a no quickly. So, if there's something that we're not going to be able to get the team comfortable with, we'd rather know that early on in the process rather than after, as you said, we've spent all this time and done all this

work. So initially, it's usually myself, the analysts who work alongside me, spending maybe 45 minutes on an introductory call, just to get the basics of the strategy. We'll read all of the publicly available information. I like to read the historical letters. That's important to me. That's usually a little further down as I gain more confidence in the strategy, more interest. Once we get to a place where there's something there that we think, we'll write up a very brief investment memo. And we share that with the team. And we present to the team. We also do some quantitative work. And the team will vote on it, every member of the team. So, if there is interest, we proceed. It's also a place where the team can share any feedback areas where they think we should dive in further, areas of concern, places where maybe they're OK to proceed, but we need to do a lot more work to get to a yes. So, it gives us guidance. Then we continue the process. That's where we get into very deep dives, conversations, meeting with the full team, on sites, reading of the letters, as I said, a lot more quantitative work. That's usually where we'll be able to come up with a final conclusion. If it's a yes from the leads, we'll go back to the team. The managers will meet with our full team. The senior team will vote. And we need majority rules. Carlos, of course, has the veto.

Robert Morier: You talked a lot about quantitative factors and looking at historic data, historic letters and write-ups. I'm always curious about those qualitative factors. You had mentioned in the beginning of the conversation the importance of transparency, mission alignment. So, when you think about those non-investment related factors, things like culture, ownership structure, character, the character of leadership, the character of the investors, how are those incorporated? And I know it's a hard question. At least, it's hard for me to answer. How are they assessed and valued as it relates to the process? So, you've got to present that now. You've got to present someone's character. How do you do that?

Shanelle Brown: Yeah, that is the difficult part. Because the quantitative piece, we can all do. We've all been trained to do that. It's the qualitative piece that I really think separates investors and where you really have to lean in and make a decision. Transparency and communication, as I've said, is top for me. And I'm really judging and monitoring, through all of the steps that we just talked about, the engagement from the other side. How difficult is it to get information? We want to know how you're treating staff, how you think about succession planning. What are the firm economics? Some of these issues can be sensitive. And people react in different ways. And I think that tells you a lot about the type of partner you may be in the future. And so, you use that information to make a judgment. But as you said, we're looking-- it's very hard to judge character in what are now Zoom meetings, a lot of the time, also. I think it's important to get out. I still do on sites. Travel is a big part of the job. And I think it's because, personally, the face-to-face communication is key to how I make certain judgments.

Robert Morier: Do you think that being an introvert helps you in that process? Because I know you've got to do a lot of things in the open. You've got to go on podcasts like this. And you've got to sit-in front of large audiences, which don't feel good. But I'm also kind of a closet introvert as well. I need to go home and recharge. And I'm curious if that aspect of you allows you to gain a better insight into people who are selling you something. It's a very extroverted process. So, I would love to hear your thoughts on that.

Shanelle Brown: I'm not sure if being introverted helps me or not. I think what people have said is I have a very-- again, I keep using the word "transparent," but it's so important to me. And I think that makes people feel comfortable. And so, people have said my nature is what helps in that process. People are less with guards up, more willing to give information because it's a comfortable and safe space. And they know they can trust me as well. If you share something, you don't have to worry about me coming on the podcast and sharing it, or on a panel and sharing it, or just violating the trust. So, I think it's less maybe the introvert and just more of being an open-- and making sure it's a two-way street of openness.

Robert Morier: Yeah, that makes sense. I know that's going to be music to a lot of our asset managers' ears. I think that's one of the challenges. The world has changed so much. And I think the way that communication takes place, not just the modes of communication, whether it's a Zoom, or an email, or a Slack channel, but the timing of communication, we all expect an immediate response to something. And a lot of times, and I'm sure you're one of these people-- you were with me scheduling this podcast, really managing my expectations as to when there's going to be a follow-up or when we can get on the show. So, I think that's highly valuable. And I know a lot of our listeners will appreciate that.

Shanelle Brown: Yeah, and I think that's important to highlight. We really try, as I said, we try to get to a fast no. The reason why we try to do that is thinking about the other side. I don't want to string anyone along and tell you; we'll get there, we'll get there, we'll get there if there's no hope that we'll ever get there. I think that doesn't do you any favors. Doesn't make you think well and highly of me. And so, I really do strive to get people answers as soon as possible. That being said, there's no way I can respond to every single email that comes in. Given all of the other responsibilities we have outside of managing the portfolio with travel, and board meetings, and other things, it does take time. And hopefully people understand that in this day.

Robert Morier: Yeah, I think they do. I always joke around on the-- especially with guests who come on, we talk about the manager research and the due diligence process. And I say this in the classroom; it's a lot like dating. You have to manage expectations, be transparent, be open. So, the next question I have for you is, what is your relationship like

with your email inbox? Because most of our guests have a terrible relationship with that inbox. So, I'm curious what yours is like.

Shanelle Brown: I don't think it's going to be any different. I really try to keep my inbox clean. And I'm very disappointed in myself over the last several years. I used to be-- I'm a very disciplined person. And so, I hate having alerts. I will clear alerts as soon as they come in, if I can. It just drives me crazy. It's like nails on a chalkboard. So, to see my inbox these days with 400 unread emails, it just becomes too much. You may get a kick out of this one. Because I can't handle all of the unread messages and that big 400 plus number at the top of the screen every day, I've created an Email Bankruptcy folder. And at the end of every year, anything that I have not gotten to, I go ahead and say, this is-- I'm bankrupting this year. And I move it to the Email Bankruptcy folder. I trust that if it was important, somebody will circle back up in the new year. And we try again, start fresh.

Robert Morier: I think that's a great approach.

Shanelle Brown: I won't to tell you how many Email Bankruptcy folders I have, though.

Robert Morier: I'm going to imagine it's quite a bit. I mean, I can only imagine the volume of inquiries that you're getting. Which begs the next question. When you think about your time and resources, you are sourcing new managers. But you're also monitoring existing managers, constantly receiving information as it relates to monthly updates, quarterly updates. You're going on site. How do you balance the two? So, is there a formal re-underwriting cycle in place that allows you to manage that existing book in conjunction with the new business?

Shanelle Brown: So, we don't have a formal process in place for re-underwriting. Each lead is responsible for setting that for their asset class. We are mandated to, which we don't need a mandate to do this, but we are mandated to meet with each manager at least once in a 12-month cycle. For public equities, we are in constant communication with our managers. And it is a balance. We want to give enough leeway for the managers to actually do the work. We don't want them on the phone with investors like us every single week. We want them focused. But we do need to understand what's going on in the portfolio because it impacts what we're doing in other parts of the portfolio as well. So, there is a balance there, where we try to have enough touch points, but not be overbearing. We also, in public equities, will utilize eVestment. And so, we're consistently looking at our universe ranks. If we're having a tougher stretch with a few managers, I think we lean in a little bit more during that time, which is probably not surprising. And we really want to have an understanding of what's going on. As long as the performance is meeting expectations, even if it's not positive, we're fine. But we try to have enough touch points. That's our way of re-underwriting is deeply understanding what the manager's

process is. Are they following that process? And does it match our own expectations when we underwrote the strategy? And have there been any changes?

Robert Morier: I'm curious about your definition around concentration. So, when public equity managers talk about a concentrated portfolio, the numbers used to vary, anywhere from 20 stocks up to 100 stocks, depending on whether you're investing in small cap, global small cap, or maybe a concentrated all cap strategy. So how do you think about concentration these days, particularly as it seems like more and more managers are getting hyper concentrated in terms of their portfolio profile?

Shanelle Brown: And we probably have some of those hyper concentrated managers as well. I think that's where the satellites in our portfolio come into play. Those are where you'll find our best idea strategies, go anywhere strategies. We expect those to drive significant performance. But it may be lumpier returns. And so that's why we tend to allocate a smaller amount of the portfolio to that piece. But I think concentration is necessary in today's equity markets to really drive returns. The market has just become more efficient. And so, it burns me a little bit. That's why I don't have as much quant, probably, in the portfolio as peers. But seeing those 20 basis point positions, it's hard for me to understand how you can have so many small positions, understand them all very well, and then expect to drive performance. I'd rather see conviction in your process and your work and let the chips fall where they may.

Robert Morier: It's funny, though, conviction can lead to this deeper expertise, this deeper knowledge of a company, or of a sector, or of a geography. So, what happens when a manager who is in that hyper concentrated bucket says to you, I have an opportunity to invest in a private company that we believe, over time, may go public or is going to go in this direction? Or vice versa, you've got a public company that may be going private, and they want to continue to hold it in the portfolio. So, these crossover types of strategies, the same could be said of opportunistic shorting. I know this company so well, I only invest in five names. They're like my children. And unfortunately, it's not-- one of my kids isn't doing great. So, I'm going to short them. So how do you approach those types of questions, those types of strategies, the public manager that wants to opportunistically either short or go private?

Shanelle Brown: So, we actually invest in crossover strategies. The way I think about it is there needs to be some demonstrated track record, expertise, a history of having success at doing so. And the strategies that we invest in that are crossover, usually, they have a private equity, if you will, arm to the business. And so, there is an ability for the private and the public markets sides to share information to an extent. And I think that's been a huge advantage. And we've done very well with many of those strategies. It's additional resources that you have. It's another lens. It's another type of training. And I think those are all important to driving success in returns. And we've found success in those

strategies. It's why I refer to the book as more long biased than long only. Because we'll go out and do some of the co-investments that you mentioned, very few and far between. It's not often because it takes a lot of work and conviction on our own part to get comfortable in doing that. But we will take that opportunity when we find it.

Robert Morier: How important is your LP network, then, in that regard?

Shanelle Brown: It's very important. As I said earlier, I think I said, this is a people business. I learned that a long time ago. And so being able to get out and meet with our peers, have conversations with peers, understand their strategy, I also know who I can call if there's a certain thing that I'm struggling with because I know different people and how they invest. And I can align myself in the right circles. And so, it's important to meet not only with managers and keep that pipeline fresh, but to meet with your peers as well.

Robert Morier: Yeah, that makes sense. So, you've allocated capital to AI-driven hedge funds. And I could ask you about artificial intelligence probably for the rest of our time. I won't, I promise. So, I'm just curious, what excites you or concerns you about the integration of AI? And I know machine learning's been in a lot of portfolios for a long time. But when you think about generative AI as part of an investment decision-making process, how do you feel? And where do you land on that topic?

Shanelle Brown: I think I'm still developing an opinion there. We actually invest more in quantitative strategies in our hedge fund, quite honestly, than in our long-biased equity book. Maybe I'm still having flashbacks from the quant quake, but I tend to be much more fundamentally biased. With AI, obviously, there's a lot to still be determined. I think what we know is we'll-- it's going to be greater efficiencies that we'll get out of it. I wonder how or I'm a bit fearful of the impact to junior staff and how we'll continue to develop talent when, quite frankly, I think AI is going to be doing a lot of the blocking and tackling that you tend to have your junior staff do as they learn, and train, and become more senior. So, I think opportunities are going to dwindle for that group of individuals. And then what are the knock-on effects going forward for the industry? I have a lot of questions, very few answers right now.

Robert Morier: Same here, same here. One thing I do see, at least today, is that artificial intelligence, at least the way I see it utilized both from an asset management perspective and even from a classroom perspective, is that it's absolutely creating efficiencies. So, people work much faster, much more efficient. But it opens up these gaps in accuracies. So, the accuracy, the time that you may take to deliver an investment report or an analysis relative to the efficiency, there's this misalignment because things can get out so fast, at least as a tool, as it relates to the day to day, the day-to-day work of your job. So yeah, thank you for sharing that.

Shanelle Brown: I think also, that's the importance of the human aspect. So, I think it won't be machine taking over. It'll be some combination of human and machine working alongside. And AI, so far at least, can't handle the qualitative aspects of this job. And so, you'll still need people for that.

Robert Morier: And that frightens me. I mean, I have a terrible relationship with my microwave, let alone my computer. So, I do not want to what it's like working alongside a machine. But you're absolutely right. It's going to be a vital tool. It's just how it's going to be utilized. And I do think for people who are earlier in their careers right now, there's a lot of uncertainty. But we've got some smart ones, at least at Drexel University and beyond. So, when you think about some of the investment trends, you're keeping an eye out on, artificial intelligence is obviously one of them, but what are some of those other potential disruptors that you're seeing in the markets that are either exciting you as an allocator or maybe putting up a signal to wait and see?

Shanelle Brown: I'm not sure if this is so much a trend or-- I think it will be a disruptor, but I'm seeing a lot of consolidation in the industry amongst asset managers. And when you think about where we are with the private market cycle right now, I think you could see consolidation not just across public markets, but also across private markets. And so, as you have firms get larger and larger, what does that do for the innovation? It feels like it might stifle innovation. And as I've said, when you're larger, the type of investments you can make are just very different than when you are smaller and nimbler. And so, I do worry about firms sort of gobbling up smaller managers. And we're just having this behemoth strategies and funds to invest with. I think that's something that could happen again across public and private. And it could have a knock-on effect.

Robert Morier: Yeah, that's a great observation. So for managers that are hoping to work with you and with the Kellogg Foundation in the future, what's something that you wish-- maybe from the calls that you've received or the calls that you're going to get in the future, what's something that you hope that they understand about you and the foundation as it relates to your due diligence process and your decision-making timeline. And another thing I'd add into that, it's kind part of the same question, and your culture? What do you want them to understand or take from this conversation as they listen to it?

Shanelle Brown: We believe in the power of people. And so, we ask a lot of questions, as I said, around the firm. And we're really looking to understand your thoughts about leadership, how you develop people, and to really make sure that you're aligned with our mission and our values. I think people should understand, as I said, we can get to a fast no. But yes, is obviously a lot slower. And it's slower because we truly want to have those enduring partnerships that last beyond, hopefully-- hope I have a long tenure at the Kellogg Foundation. But the foundation, I hope, is also a going concern that will outlast me, and same with the firms. And so, we hope to make a good decision, make the right

decision for-- on behalf of the organization and have those long relationships. So that takes time. I think that people should understand also that as we discussed, we have various things on our plate. And our primary jobs are managing the day-to-day responsibilities of the portfolio. So, meeting new managers, taking new calls, all of those things take a lot of time, a lot of energy. And they're not our priority. And so, we have to balance everything, keep everything in balance. And if I'm a very transparent person. I will tell you up front, this is not going to happen. Or it's interesting, but I can't get to it right now. I hope that they trust me when I say that.

Robert Morier: I hope this question helps lighten your bankruptcy folder at the end of this year. So, what are you working on now? What do you-- any current searches or any asset class that you're hoping to dig a little bit deeper on as it relates to public equities that might help narrow the scope of asset managers who are reaching out to you?

Shanelle Brown: Well, your mouth to God's ears. Right now, we're looking at and spending a lot of time on Japanese equity. We were underweighting that area. We've been underweighted for a while. And we think that there are real opportunities there. We're also spending some time on European specific equity. We're looking at some financials in that space. Energy is an area where we're thinking about-- and I'm going in priorities that we're thinking about. And healthcare, we're overweight. So, we're probably not going to add additional dollars there. But we think it's ripe for opportunity. It's been beaten up. There's a lot of innovation, obviously, a lot of headwinds. And so, we keep our ear to the ground for unique strategies in that space as well.

Robert Morier: One more question, which again, I hope narrows the scope for you in the rest of this year. When you think about a manager size, the total assets under management, the scale of the business. So, the heart of the question is emerging managers versus emerged or graduated managers. How does the foundation feel about emerging managers? And how would you define it if that is something that you're looking for?

Shanelle Brown: So, we don't have a formal definition of emerging managers. The way I think of emerging is really just based on track record. And so obviously-- and size. So, if you have a shorter track record, fewer dollars, I will put you in that emerging category. That said, I don't really invest based on emerging or non-emerging. I'm looking to partner with the best asset managers. Do you have an approach, a strategy that I think can deliver consistent returns over long periods of time? Are you able to articulate that strategy? And do we believe that whatever your niche or specialty is will persist? When it comes down to AUM, that's more of a decision of how much we can allocate. And that's a back backend decision, right, versus should we invest at all.

Robert Morier: Yeah, that makes sense. Thank you for sharing that. So, one of the questions I always like to end with as we close out our hour here. And again, thank you so much for your time. And I do have a couple extra questions. You've very generously given us a few extra minutes to allow a few student interviewers to ask you a couple questions. So, thank you for that. But you've talked about some of the mentors in the past who have been very important to you. What qualities did they model that you now aim to emulate?

Shanelle Brown: I think the biggest qualities were the ability to provide enough rope, provide a space to allow for creativity, and to explore, and to do things that maybe weren't even on their radar. But to always be there and provide a safe space to make sure that I never harmed myself too much.

All of those who have had any impact on my life have always been very upfront and supportive. And I think the biggest thing that I've taken from them is advocacy. The reason I can sit here today is because there were many people who advocated for me in rooms that I would never be in. And I'm sure there are people who've done so that I don't even know about. And I try to emulate that in my life today.

Robert Morier: That's wonderful. Thank you for sharing that. Again, before I bring the students on, I'll ask this for them. But what advice would you give young professionals who are aspiring to work in asset management, asset allocation, manager research? What are some of the things that they should be considering as they're sitting in classrooms?

Shanelle Brown: So absolutely focus on your technical skills. Focus on the work. But in doing so, don't forget to stop, look up, and realize that relationships are incredibly important to your future. As I said, I'm an introvert. And I learned this lesson very late in life at UCLA. I was focused on the work and working outside of school. And I didn't build those relationships. And I learned that later on in life, just how important the relationships are. We all have to have the investment principles, and foundation, and the technical skill set. And you'll develop that. But it takes work at learning how to develop meaningful relationships, not just gathering business cards. And I guess I dated myself with that one, but LinkedIn requests. But truly impactful, meaningful relationships will be-- it will drive your career and your personal life much further if you focus on that.

Robert Morier: Thank you for sharing that advice. We appreciate it. Well, we're going to bring those students on the desk now. So, I'm happy to introduce you to them.

Kira: Hi, Shanelle, I'm Kira, coming from the University of Connecticut. I'm a student in finance there. It's been wonderful listening in on your conversation with Rob. I really admire everything you have to share about your career. As a student just starting my career in finance, I'm curious about the breadth you have across institutional and high net worth spaces. I was wondering if you could share your perspective on what qualities and values champion across both of those. And if there are any that really thrive in each?

Shanelle Brown: Oh, that's a good question. Nice to meet you. I think in terms of the traits or characteristics, they're pretty similar. Where I would say the biggest difference is the behavioral aspects.

So, in high net worth, you are working with very wealthy individuals and families. Obviously, in institutional investing, you've got one client. And that client is the institution. And so, there's not as much of the behavioral biases as I talked about earlier that you have to deal with. You learn a lot about people in the high-net-worth business. You meet all kinds of people, different personalities. And you're introduced to various ways that people have generated wealth in this country. And so, it is a unique experience. I think it was great for me to start. And I think the institutional experience allows you to just deepen your investment acumen, because you can go so much further than you can with high net wealth. For one reason, you generally don't have to deal with taxes. Hopefully that remains.

Kira: Thank you so much. That's really interesting to hear.

Shanelle Brown: Thank you.

Mikayla Peoples: Hi, my name is Mikayla Peoples. I'm an entrepreneurship major at Drexel University. And it's a pleasure to speak with you today.

Shanelle Brown: Likewise.

Mikayla Peoples: As a woman of color in a leadership role, what has your experience been like in the finance and investment industry? And what advice would you give younger women of color who are also looking at a follow a path similar to you?

Shanelle Brown: Excellent question and thank you for asking. Obviously, there aren't a lot of people that look like myself in the rooms that I'm in. And I hope that by doing podcasts like this and talking to individuals like you all, to inspire the next generation of women and people of color to join the industry.

In terms of advice, I would say, don't be afraid to lean into who you are. Be authentic. Don't feel like you have to downplay any of your experiences. And I think those are actually factors that make you unique that you should lean into and you should be proud of. And so, I would say, don't shrivel at all. Use your voice and lean in.

Mikayla Peoples: Thank you, Shanelle, that was wonderful.

Shanelle Brown: Thank you.

Payton Knapp: Hi, Shanelle. It was great listening to you and Rob's conversation. My name is Payton Knapp. I'm a first-year student studying public health and economics at Drexel University. I was wondering what you feel was the most important skill, value, or event early in your career?

Shanelle Brown: Nice to meet you, Payton. The most important skill or value. I probably will say, you may not like this, but failure. Early in my career, I had decisions that didn't go as well as I anticipated.

And it's always difficult to handle that when you've put in so much work, and effort, and time. But as the saying goes, you can learn so much more from your failures than you can from your success if you lean in and you really accept that. And I think it's important to work through, do all of the backward analysis, and think about what you could have done differently. Take the lessons learned, and most importantly, apply them to the future. So, I've had experiences where I wish I could have a do-over. But instead of dwelling on that, I learned from the experience and applied it in the future, the lessons learned.

Payton Knapp: Thank you so much. That was really insightful.

Shanelle Brown: Thank you.

Robert Morier: Shanelle, thank you so much for taking the time to be here with us today. And thank you for sharing your thoughtful insights into your work at the WK Kellogg Foundation. It is truly inspiring. And congratulations on all your success. We wish you nothing but continued.

Shanelle Brown: Thank you so much.

Robert Morier: If you want to learn more about Shanelle and the WK Kellogg Foundation, please visit their website at www.wkkf.org. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We're also available on YouTube if you prefer to watch while you listen.

And finally, if you would like to catch up on past episodes, check out our website at dakota.com. Shanelle, thank you again for joining us today. And to our audience, thank you for investing your time with Dakota.