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Special Edition Dakota Live!

**EPISODE 3:**

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# Building Client Trust

*with Greg Leonberger  
of Marquette Associates*



**Robert Morier:** Welcome to the Dakota Live podcast. I'm your host Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief Investment and executive officers, manager research professionals, sales leaders, and other important players in the industry who will help you sell in between the lines to better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live content, please check out [dakota.com](https://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. 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 fund raisers for fund raisers. 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](https://dakotamarketplace.com) today. Well, before I kick it over to Chris and the team, I want to introduce you to our guest Greg Leonberger. Greg is the director of research and a managing partner for Marquette and owner of the firm. Greg has been with the company since 2008 and has over 24 years of investment experience. He leads the firm's capital markets research and direct investment strategies and policies. He chairs the firm's investment committee and also serves on the operations, CIO, health care, defined contribution, and endowment and foundation committees. He's authored numerous papers on portfolio strategy and asset allocation and liability-driven investing, and he regularly consults with clients on these topics. Prior to joining Marquette, Greg was an actuarial consultant at Hewitt Associates for nine years where he consulted on all aspects of pension and post-retirement welfare plans, including funding, accounting, strategy, design, and regulatory compliance. Greg holds a B.S. in mathematics and economics from the University of Notre Dame and an MBA with honors and analytic finance from the University of Chicago Booth School of Business. Greg is a fellow of the Society of Actuaries, an enrolled actuary, a member of the American Academy of Actuaries, and a fellow of the Conference of Consulting Actuaries. Sounds like a great interview. We look forward to hearing from it.

**Greg Leonberger:** Thanks for having me.

**DLT:** Start with an overview, kind of, a wellness check, just give us an overview of market where you stand today. What's going on at the firm?

**Greg Leonberger:** Sure. So Marquette's been around since 1986. We are 100% employee-owned. We have 25 owners, five offices. We advise on about \$326 billion, of course, that number moves each quarter we run those numbers. We have a variety of clients. So we don't have one particular client base that is the majority of our assets that we advise or the majority of revenue, rather it's a diverse client base. We have Taft-Hartley clients. We have public fund clients. We have health care clients, Della Penna Foundation, corporate, and high net worth. So, really, a diverse set of clients, the diverse set of revenues. And for someone like me who sits as the director of research, I get to work with all the different client types and understand all their unique needs and it really what makes the job so interesting.

**DLT:** Let's dig into that client base a little bit. Can you give us your take on OCIO and how you implement that for your clients?

**Greg Leonberger:** Sure, and really, one of the distinguishing factors of our OCIO platform is this open architecture. So if anyone hires us for an OCIO mandate, we don't have proprietary funds. We don't have a suite of funds. We don't have a suite of different asset allocations that are going to put you into, rather everything's going to be customized. And is that the most efficient way to do it? Probably not. But as a consulting firm that really hangs its hat on client service, we pride ourselves on building client portfolios that are going to suit the unique needs and circumstances of each client. I think you look at the pension world, that's a great example of that. There are some pension plans out there that are 95%-100% funded. They're closed, they're frozen, they're no longer accruing benefits. So that portfolio structure is going to look a lot different than a portfolio or a pension plan that's about 70% funded and needs to kind of recover some of that unfunded liability via investment. So again, we're going to customize each portfolio according to each client's needs. And then also with open architecture, we're able to source the best, really, strategies across asset classes and make sure there's a fit. We want some consistency across funds that we use with our different OCIO clients, but also recognizing that clients are different and not every client will utilize the same funds.

**DLT:** Why do you think you're winning when you're competing for the OCIO business? So what do you think the secret sauce of Marquette is in bringing on new clients?

**Greg Leonberger:** I think the distinguishing factor that we really pride ourselves on, I mentioned just a minute ago with the term hang our hat on, it's really client service. And we pride ourselves on culture, we pride ourselves on personal relationships. At the end of the day, if the client doesn't trust you, then that's never going to be a long

lasting relationship. So trust is number one. And how do you build trust, really by servicing the clients, and our CEO would say, servicing the heck out of those clients. You return phone calls within 24 hours. You proactively call to let clients know what's going on. And if we can build that trust via really exemplary service, we think that's the best way to build our client base and to develop a really strong referral base across existing clients.

**DLT:** Can you talk about the use of alternatives, how you source ideas and then ultimately, how you implement them based off of that different client type that you do have there at Marquette?

**Greg Leonberger:** Yes. So like most managers selection processes, there's an inbound process and an outbound process, right? Naturally, just because of our size and because of our client base, we'll have a lot of strategies and managers proactively reach out to us and that's always a great source about new funds. And also, we're not doing our part as a consulting firm if we're not proactively going out and finding new strategies, finding new funds that are going to make sense for our clients or could be a fit for our clients. And particularly as it relates to emerging managers in diverse managers, we really pride ourselves on the outbound element of this process. Now, all that said, when it comes to implementing alternative strategies, we've grown a lot as a firm. We used to be almost exclusively a fund of funds firm across private equity and hedge funds. But as we've gotten bigger, we've developed larger relationships and taken on larger, more sophisticated clients, fund of funds just isn't enough. So we're doing more and more in the direct world, both with hedge funds and private equity. For some clients, we'll do some co-investing, but really, it's primarily still fund of funds because honestly, our median clients about \$140 million today. So because of that size, there's still going to be some reliance on fund of funds. But with the billion dollar clients, the multibillion dollar clients are doing more directs.

**DLT:** Can you talk about how you source ideas, and will you partner with a private equity, a private credit manager with the ability to have co-investment opportunities to obviously lower fees and increase returns? How does that all work out because these are evolving massively?

**Greg Leonberger:** Absolutely, and it's really a product of our growth as a firm and our growth of our client base as well. We're certainly interested in doing that where it makes sense. And, of course, like I said some clients just are going to be too small and being unable to do it. That said, as we've developed larger, more sophisticated clients. We have a great research team here. Our lead analyst in the private equity space, private credit space are tremendous. They have great relationships across the whole landscape and this is something we do talk more and more about. And if we can save our clients some fees in terms of management, that's just more money in

their pockets when they make these investments. So something we're certainly doing more and more of as time goes on.

**DLT:** You mention it with DEI and emerging managers, is there the ability for a boutique manager, a new idea, a new team, to win and to get mindshare from consultants that have incredibly deep relationships?

**Greg Leonberger:** One of the things that we've always prided ourselves on as a firm, we used to describe ourselves as a boutique investment consulting firm. And as time has gone on, it's hard to describe ourselves perhaps as a boutique investment consulting firm given the amount of money that we oversee today and the fact we have five offices, over 140 employees. But that is still very much part of our DNA and that really manifests itself in the manager search process. And a lot of our consultants would tell you today that, hey, anyone could go out and find a large private equity manager because I have a client big enough with enough money, that private equity manager is going to pick up the phone and talk to me because I have this client in a certain dollar of assets that is going to be a good fit for them. But, really, I think the most rewarding aspect of manager search is finding those new ideas and finding those new strategies and ideas. And especially as it relates to minority products, women-owned firms, we want to work with every one of those that's going to be a good fit. Of course, they have to have institutional quality, right? They have to have the right technology, the right security, the right underwriting, the appropriate accounting, the proper independence of auditor, et cetera, et cetera. But if any manager makes their way through our four-phase process, whether they're one of the largest players in the world as it relates to private equity, that's great. But we're more interested in those boutique sized managers that have proven they can do it and are going to be a good fit and honestly, are going to be a more interesting story to tell as we go out and talk to our clients.

**DLT:** We're going to get into what a win looks like at Marquette for a manager calling on you. Expand a little bit more on that four-phase process for our listeners.

**Greg Leonberger:** Yes, I think any investment consulting firm is going to have this funnel type process, right, where you kind of look a big picture of what all the different funds are out there. You start to cut it down by returns. But one of the most important things that we think as a firm, as an investment consulting firm, is really getting to know those managers. And it's called trust but verify, right? So we'll go through all the different paperwork, we'll go through RFIs, and we'll really try to get to know the firm and understand all the key personnel in decision makers. But for us, one of the biggest value guides is going in meeting every one of the individuals on that team with the insights and making sure that the server room actually is where they say the server room is, and making sure that their trading software will prevent certain trades that aren't allowed. And really getting comfortable with the different

people making the decisions on those products. And if there's a comfort there, if there's a fit there, if they've checked all the boxes compliance wise, then the numbers have to be there to a degree, right? We're not going to select managers purely based on performance. That's a dangerous game to play. But if they proven they can effectively execute on their strategy, are a good fit, are institutional like, and are aligned with us in terms of interest and fees and they're going to work well with us as we work with our clients. We think that's a win.

**DLT:** What does a win look like? How does, for us to sales professionals representing strategies, what will we think of as the funnel of assets from market via select list and approved list or a model, et cetera?

**Greg Leonberger:** So the way we run things here Marquette is we have a couple of lists. So we have a top picks list, which is typically six names per strategy, right? And I say strategy, I mean within fixed income, you have a high yield strategy. You have a senior secured loan strategy. So each strategy. We want to have about six names our top picks. And then a bullpen list which is kind of like your second set of names, which is anywhere from three to six names. Again, that's somewhat contingent on the asset class because in some asset classes, they're just going to be a lot more options than others. And then getting back to the idea of customizing portfolios. When a consultant comes to us and says, hey, client xyz wants to do a search and let's just use fixed income as an example. It wants to do a search in high yield, they'll work with our lead fixed income analyst to determine, again, who is going to be the best fit, right? Some high yield strategies are a little more conservative, some high yield strategies are more aggressive. Of course, high yield as a whole is an aggressive asset class, but there are nuances to it. And the client may be trying to build a higher octane-fixed income portfolio. So there might be a little bit more aggressive or they may be using it simply to complement a kind of a core anchor to the fixed income portfolio. So maybe you want to be a little bit more conservative. Again, this is very dependent upon the client and what they're trying to do. So we'll work closely with our consultant to build a search that goes in front of the client, but the goal is to include really just names on our topic and bullpen list because we've spent the most time getting to know those strategies and then once those names go in front of the client, then, of course, we'll work with the client to make sure they make the best decision.

**DLT:** Greg, on the traditional side of things when you look at the top picks in the bullpen list, is there an opportunity for boutique managers to be a part of those lists and do you have thresholds in line, whether it's years of track record, AUM levels? Just touch on boutique managers, more so on the traditional side when reaching out to your team.



**Greg Leonberger:** Yeah, so I used the term a few minutes ago, institutional quality, right? We want to see a track record. A three-year track record will be satisfactory. We're not going to require a five-year track record. A one-year track record is a little too short for us to be completely comfortable with for a manager. But the three-year track record-- the minimum asset size it's going to be contingent upon the strategy. There certainly has to be a threshold of, again, depends upon the asset class, but we're flexible. There's no hard and fast number on what that looks like. But if there's perfect performance, if, again, the alignment of interest is there, if it's institutional quality and in terms of all the infrastructure, the technology, the fee structure, among other requirements, if all those boxes are checked, we'll certainly open to those conversations and interested in talking to those types of strategies.

**DLT:** Are there any searches over the next two quarters where you're really looking for exposures on behalf of your clients?

**Greg Leonberger:** Yeah, well, given what's happened in the fixed income world with rates moving as much as they have, we're seeing a lot of activity in fixed income, we're seeing a lot of activity in international equities. International equities partly driven by what happened with Russia-Ukraine last year. What's happened in China. There's a lot of questions around China and whether clients continue to be comfortable investing with China or having Chinese exposures in their portfolio. And that's a topic for a whole other time. But because of the Russia-Ukraine issue, because of China, because of, again, uncertainty across the geopolitical stage, international equities has always been a source of a lot of search activity for us. And then, like I said, with what happened with rates over the course of 2022 and really year to date even, fixed income is another space we're seeing a lot of activity. And one of the biggest themes we're seeing across our client portfolios is perhaps stepping back out of equities a little bit and going back into fixed income a little bit, of course, all within the guidelines of the investment policy statement. But, again, we have the running joke around here that fixed income actually got us last name back where you're actually getting income today where you couldn't before. And there's less dependence upon equities to do all the heavy lifting in portfolios. So the short answer to that question is fixed income and international equities are the most active spaces for us as we look forward here.

**Robert Morier:** Thank you to the Dakota Live! team for that insightful interview. If you like what you heard, check out decoded and registered for the next Dakota to live call, every Friday at 11:00 AM and 2:00 PM. You can find this episode and past episodes on [www.dakota.com](http://www.dakota.com) as well as Spotify, Apple, Google, or your favorite podcast platform. Finally, we are available on YouTube if you prefer to watch while you listen. Thank you all for being here. And we look forward to seeing you again soon.