The Skorina Letter

● Retained Executive Search ●

Our clients: visionary families, transformative nonprofits, Wall Street trailblazers
Our vision: build investment preeminence, create opportunity, enrich lives
Our work: provide talent, access, relationships, and insights

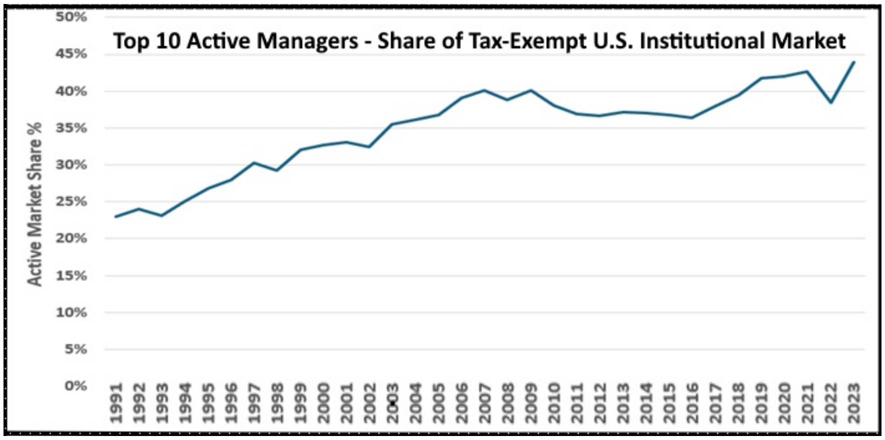
Why take a chance?

"If I had asked my customers what they wanted they would have said a faster horse." —Henry Ford

If you were sitting on a college board today, would you take a chance and hire a young David Swensen or Paula Volent to manage the money? Radical thinkers cut from uncommon cloth?

Let's reframe the question. If institutional investing is all about finding alpha and maintaining an edge, why are so many tax-exempt institutions investing and hiring alike?

Almost forty-five percent of U.S. tax-exempt money is invested with just ten active managers, nearly double the amount two decades ago. To quote one reader's response to our recent query, "everyone's in the same funds and there's leverage everywhere."



Data from P&I, chart by Robert Snigaroff, President & CIO, Denali Advisors

In theory, pensions, endowments, foundations, and the like seek active managers to obtain above-market returns. In practice, that doesn't seem to be how it works.

A former large endowment CIO mentioned recently that his team would scour the globe for unique opportunities, but the first thing his trustees would ask when told of any rare find was "what other endowments have invested in this?"

Safety in numbers

Most trustees accept the position because they love their institution, and often pay for the privilege, but the reputational risks of sitting on a nonprofit board outweigh the rewards. Media assassinations felled some well-meaning board members recently.

Let's be honest. If the David Swenson of 1985 applied for a CIO position at Yale today, he would not survive the first round of interviews — a young untested Wall Street banker, working on something called interest rate swaps? No way.

And how about Paula Volent, for twenty years the preeminent CIO at Bowdoin College, currently at Rockefeller University? Year after year she has crushed our endowment rankings.

But she was an art history major running a West Coast fine arts conservation business before her swing to a Yale MBA and money management. Would any college board dare hire someone with that background and mid-career makeover today?

The horns of our dilemma

Here's our challenge. If boards want a "faster horse" they may not appreciate being shown EVs.

Our pool of investment talent includes hundreds of tax-exempt endowments, foundations, public and private pensions, health systems, associations, and charities, and thousands of for-profit analysts and managers at funds, family offices, OCIOs, RIAs, Wall Street banks, and asset managers.

Yet roughly sixty-five percent of endowment hires come from other endowments, a safe and like-minded cadre of about a hundred candidates.

But that's not the only bottleneck. In the E&F world, men are twice as likely to land a chief investment officer position as women despite a near fifty-fifty split in staff roles. Our women in finance report focused on the time it took the double X cohort to reach CIO positions.

We counted heads and reviewed backgrounds and what did we find? Most female chief investment officers had an additional five to ten years of work history on their resumes compared to the men. In other words, the men were younger than the women when hired for CIO roles – ten years on average – with less experience.

And forget that hackneyed trope about taking a break for babies. Most served hard time at Morgan Stanley, Montgomery Securities, Goldman Sachs, and other financial firms while raising a family.

The gist is that board members seem more inclined to take a chance on younger men than younger women, which leaves fifty percent of the talent pool out to dry. We who recruit investment talent for industry-leading firms, funds, and families have learned that gender has no bearing on investment performance.

Words worth repeating

For those of us that hunt talent for a living, character, compatibility, and content are key. Character embodies the qualities that define the individual, compatibility – that elusive emotional IQ that Daniel Goldman writes about – builds trust, and content is knowledge and experience accumulated over a lifetime.

We asked Joe Dowling a few years back, global head of Blackstone's Multi-Asset Investing and former Brown University CIO, what he looked for in exceptional investment talent and his comments are worth repeating.

• Great investors have the ability to step away from the crowd and have a variant perception and then act with conviction. They have different experiences that add up to cumulative investment knowledge. They develop a diverse lens to evaluate markets and managers and opportunities.

• They see patterns. CIOs meet with a lot of managers. Successful investors need to develop pattern recognition. A CIO probably needs to have met and evaluated at least four hundred managers before they begin to really know what they are doing.

• They have intellectual curiosity and a strong work ethic. Nobody works harder than Paula [Volent] and Jane [Dietze] – they grind it out. And the work is intellectually interesting to them. They are not tourists.

• Dynamic and social. They are relentless networkers. Fund managers like them so there is a fly-wheel effect. Their networks expand and, as a result, they are fed more and more opportunities.

• Humility. They have made a ton of mistakes but view them as learning experiences. They know and appreciate how difficult the business is. This filters through to the managers.

• Politics. They know how to engage, manage, and benefit from their investment committees. This allows them to rebalance into dislocations, pioneer new models like, for example, staking managers or investing in crypto before the herd took notice.

Final thoughts

As search consultants we get it. With cultural rage and political pogroms roiling the campus ethers, why risk attacks from special interest hit squads? As for chief investment officers, why make waves?

We have worked with for-profit and tax-exempt asset managers and family offices for decades, recruiting, consulting, and honing capabilities. But in the end, we build a team, select an OCIO, or advise on a merger and move on. Boards, CIOs, and owners take the arrows and reap the rewards as investments run their course.

For those intrepid investors, unconventional financiers, and different-thinkers running ahead of the pack, we leave you with a trenchant observation from the pioneering Mr. Swensen:

"Establishing and maintaining an unconventional investment profile requires acceptance of uncomfortably idiosyncratic portfolios, which frequently appear downright imprudent in the eyes of conventional wisdom."

—Charles Skorina
skorina@charlesskorina.com
https://charlesskorina.com/
www.linkedin.com/in/charlesskorina

What We Do

We recruit preeminent investment talent, facilitate OCIO selection, and advise on growth and acquisitions.

If you have a retained search assignment in mind or know of someone who does, we would like to hear from you.

If you are considering an outsourced chief investment officer, we have done the homework.

If growth is your gospel, we bring forty years of insights.