



**SEASON 3 EPISODE #17**

**SHANE McCARTHY**  
LAB QUANTITATIVE  
STRATEGIES

**Announcer:** Welcome to the Rainmaker Podcast, with your host, Gui Costin. The goal of this podcast is to give listeners a unique look into sales strategies from top industry executives. We introduce you to the heads of sales and heads of distribution who will help you understand the inner workings of the successful sales organizations, from philosophy to execution. This podcast is essential for sales professionals seeking wisdom from the best in the field. If you're not familiar with Dakota and their Dakota Rainmaker content, please check out [dakota.com](https://dakota.com) to learn more about their services.

**Gui Costin:** This 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, websites, form ADVs, and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit [dakota.com/dakota-marketplace](https://dakota.com/dakota-marketplace) today. What is up, everybody? It's Gui Costin, founder and CEO of Dakota. Welcome to the latest episode of the Rainmaker Podcast. I am joined by Shane McCarthy, managing director LAB Quantitative Strategies. Shane, welcome.

**Shane McCarthy:** Thank you.

**Gui Costin:** Yeah, so great to have you here.

**Shane McCarthy:** Yeah.

**Gui Costin:** Shane is a managing director at LAB Quantitative Strategies and is a member of the firm's executive committee, investment committee, and business committee. He joined LAB QS in February 2022. Shane is head of business development and also helps to oversee the firm's investment underwriting process. From 2015 until 2022, Shane worked with Trent May as chief risk officer and portfolio manager for 1888 investments. Prior to that, he worked with multiple investment teams at Koch Industries, after joining the firm in 2007. He held numerous roles in the investment industry since

1999 and has 25 years of institutional experience and portfolio management, due diligence, underwriting, and operations. Shane holds a BS in Business Administration, majoring in Finance and Economics from the University of Nebraska-Lincoln. He holds the designation of chartered financial analyst. So, tell us just a little background on yourself. Where did you grow up? Where did you go to college? And then how did you career wise make it to LAB Quantitative?

**Shane McCarthy:** So, I actually grew up in the suburbs of Chicago, a town called Wheaton, Illinois famous for Wheaton College.

**Gui Costin:** And Chicago Golf Club, right?

**Shane McCarthy:** And the Chicago golf club very close by.

**Gui Costin:** Yeah, let's go.

**Shane McCarthy:** Correct. Ended up going to the University of Nebraska in Lincoln and then found my way down to Phoenix, Arizona after school and started my 25-plus-year career in the investment industry from there.

**Gui Costin:** Oh, that's great.

**Shane McCarthy:** So, yeah.

**Gui Costin:** And how did you land-- so give us a little overview of LAB Quantitative. What do you guys do?

**Shane McCarthy:** So, we are an asset manager headquartered in Denver, Colorado. We manage a \$1.8 billion hedged equity program. And we're using a multi-strat approach. So, in our name LAB, it stands for Liquid Alpha Beta, which means that we mix in a lot of different strategies in a multi-strategy approach. And we have different components that are meant to work at-- depending on the market environment, they're meant to all work together and independently as well. And so, through that, we're basically trying to smooth the profile, be very complementary to other asset classes in an investor's portfolio. And we're a risk-first shop. So, we think a lot about return per unit of risk, cash efficiency, and liquidity, which is in our name. And so, we try to dampen volatility, dampen drawdown, and ultimately try to have the investor avoid making bad decisions at the wrong time.

**Gui Costin:** Gotcha. I love it. So, what has been your customary client base of the \$1.8 billion from a channel perspective?

**Shane McCarthy:** Yeah, it's predominantly high net-worth individuals and family offices. Candidly, we do talk to smaller E and F as well. And so, we just started raising capital pretty recently here in the last year or so. And so, we're just going, to some degree. But the fact that we are a commercial spinout from 1888 investments, which was one of the largest family offices in the US here, that's our DNA, is serving families and foundations and high net-worth individuals.

**Gui Costin:** Well, that's great. And you mentioned a two-person team right now, two-person sales team, supported by the whole organization. Could you tell me how you're all set up and where you guys focus your time and energy?

**Shane McCarthy:** Yeah. So, we're a lean team on business development. We do have two individuals. We do look for support, and we get it firmwide from all the capabilities inside the firm. So that could be client servicing from our operations team. That could be our research team putting out good market content. It could be our analytics team, who helps us with attribution and serving our clients. It could be compliance. It's really a firm-wide, supportive role. I would say it also starts with the founder, Trent May. As CIO and founder, he's been doing this for quite some time, and he's very supportive. So, it's a collective effort.

**Gui Costin:** That's great.

**Shane McCarthy:** Yeah.

**Gui Costin:** And so how would you characterize the way that you go to market with the strategy on a day-to-day basis? Clearly, managing \$1.8 is pretty impressive, right? So how do you guys go about growing that asset base?

**Shane McCarthy:** Yeah, we continually try to talk to certain specific channels that we think this will resonate with. We clearly know our value proposition, having done this for many years inside of the family office prior to LAB being formed in 2019. And so, we try to clearly communicate how do we position the portfolio, how do we complement the rest of the stuff that's in your portfolio. And for

investors who are looking for that good risk-adjusted return profile, it caters well to them.

**Gui Costin:** It seems like this would also be a great RIA strategy, pairing up with-- your very complementary to a lot of RIA holdings.

**Shane McCarthy:** Yeah, absolutely. And we have conversations. We actually have some investors with their institutional-type RIA platforms, and they have a lot of underlying investors in there. And so, we view that in a very gatekeeper kind of manner, if you will. And we try to establish it institutionally.

**Gui Costin:** Oh, that's great. Talk to me about your communication style. So just your two-person team, which, by the way, a lot of people listening to this are one-person teams, which is good. That's really the majority of-- if you look at the 13,000, 14,000 investment firms globally, for the most part it's one- and two-person teams. It's the anomaly, if you will, even though there's about 400 investment firms above \$50 billion in AUM out of 13,000. So, you can see there's a lot. And that's what I was day one. So, a lot of groups like you, myself, the whole thing.

**Shane McCarthy:** You get it.

**Gui Costin:** Yeah, totally get it. But talk about just you still have to communicate amongst your team, progress against your plan. How do you think about communication around your go-to market, your distribution approach.

**Shane McCarthy:** It's an important question I think there, because we're lean, we try to be highly effective and efficient. We start with the executive committee. It starts there, very strategic and collaborative, which I'm a member of. So, we discuss there. We meet frequently. We talk about our sales plan. We talk about the vision. We always talk about building capability for the long haul. We talk about resource allocation. And we try to develop a strong, clear framework on our sales plan and trying to meet that. And then that can translate into all the capabilities that I mentioned earlier, where they help from the firm wide to meet those goals. And so, it's comprehensive, and we try to start at the top and bring it through the organization and make sure everybody is clear on what we're discussing and what our vision is.

**Gui Costin:** Could you unpack for me something that you mentioned about resource allocation? Because I really think that we work in a people business, truly. The assets are coming in and out of the office every day. So, talk to me when you say resource allocation, how do you think about that?

**Shane McCarthy:** We have a thing called roles, responsibilities, and expectations. And so, each individual at the firm has effectively an area that they cover, right? And part of that is supporting business development. And so, we try to be conscious about that as far as helping us to meet our strategic vision about raising capital, diversifying our investor base. But while also, if we have technology involved or we have research involved, they have jobs on a day-to-day basis that are very important as well. And so, we just try to manage that and try to balance the two. And we frequently have team meetings and firmwide stuff, where, again, whether it's Trent, me, or others on the executive committee, we try to communicate that and ensure that everybody on the team understands what's talking about and how we're all in this together.

**Gui Costin:** Yeah. What's really coming through in your answers is just how important it is to have the technically non-salespeople basically have a culture of being willing to get involved in the sales process at any given time. And that's kind of what I'm hearing because I think that getting the buy, in where everyone's like, where and when, when you need me, it feels like what you guys have created. And that's really pretty special.

**Shane McCarthy:** It is. It's hugely important. And it's been something that we only spun out a couple of years ago, not even two years ago, right? We were founded in 2019, but the commercial mindset of only a couple of years now and really having everybody embrace that and understand this is a firmwide mission, I think, is hugely important. And so, we continue to focus on that. And look, I get it. I've been in the business 25 years plus. I've been on different investment teams. I was an operation, product development, risk management. And I've been an investment professional for many years as well. I understand the challenges of day to day and managing in those different types of roles. And now I'm focused on business development, working with our partners and our investor base. And now that we're part of a commercial entity, everybody needs to embrace that. And that's what they've been doing. And it's been great.

**Gui Costin:** As a third-party marketer, we get a lot of questions. And one of the questions when they're interviewing us is, well, how much are you going to need me to travel? And the firms that we've had the most success with in 20 years, they've never asked that question. Where and when-- just you tell me, and tell me what to-- tell me where you want me--

**Shane McCarthy:** It's the mindset to have.

**Gui Costin:** Yeah, and I'm like, look, you're asking for people's money. This is a trust game, right? And getting face to face is the most important thing. And by the way, Zoom is fine. It can be efficient and everything. Nothing beats the face to face. Do you know what I mean?

**Shane McCarthy:** Yep.

**Gui Costin:** And you've seen it, right? You bring a PM or yourself into a meeting and you sit across from someone, you just develop-- it's a different experience. And being willing to get on the road and do those meetings with investors is huge.

**Shane McCarthy:** I think it's really important. And as an investment professional previously, I understand that, and I cherish that, being able to sit at a table, talk to somebody, look them in the eye, really understand what they're bringing to the table. And if they take the time to understand the challenges I'm facing as an investment professional, it's hugely important and it's part of that in-person setting. Now, I'm only one person. I'm the person facing investors and the investor base. And so, I can only be so many places at any given time. So, Zoom does come in to some degree. But I think having that mentality that this is a big deal-- it's money, and it's part of a portfolio, and it takes time and patience and meeting people in person and building that relationship. There's a personality side to it as well.

**Gui Costin:** Yeah, I talk a lot about in The Dakota Way book, that you have to accept your fate as a fundraiser, that you're a professional meeting setter-upper, right? And you just have-- no matter where--

**Shane McCarthy:** I look forward to reading that, yeah.



**Gui Costin:** No matter where you went to college or whatever. But as I said, no one signed up for this job, being a professional meeting setter-upper. But that's what you are. And then I say, when you get in the meeting, you have to go from being this professional meeting-setter, which is totally pedestrian, to then being this exceptional storyteller and can take in this complex story and simplifying it so they can understand it very quickly and get it, right? And it's an art form to me. But you have to accept the fate of the first part because you can't get into the meetings face to face if you're not doing the first part in size every single day. That's why we emphasize the cold outreach and emails.

**Shane McCarthy:** This is the hardest job, honestly, I've probably ever done. And so, I've been there. I've been there through the challenges, the ups, the downs. So, I can talk to it more personally because I've actually been there, and I've seen it, and I was part of that. And it's great. It's been a great run, and we're just getting going here at LAB. Like I said, we've been around five years. We were founded in 2019. And we're just taking raising capital here the last year or so.

**Gui Costin:** Now, talk to me. What technology do you personally use to create efficiencies as a fundraiser?

**Shane McCarthy:** CRM is first and foremost. We use Salesforce.

**Gui Costin:** OK. Good.

**Shane McCarthy:** We have API connectivity to Dakota.

**Gui Costin:** That's great.

**Shane McCarthy:** It makes my life a lot easier. A seamless integration between the two, it's huge. We have a 10-person tech team. So, we have a lot of proprietary software, where they build customized analytics specifically for client feedback that I'm getting about what they're looking for. We can keep stuff in the portal. I can use it for other kind of content distribution. And so, we have other partner firms that we use third-party software for different reasons. We have external providers that help us with keeping the content clean, helping to draft different things. Because again, we're a small team, so we just need these external arrangements to help with that. So, it's a mix of external and proprietary.



**Gui Costin:** Sure. But your use of Salesforce for yourself to just manage all the information is-- because remember, this group listening might not be an advocate of a CRM. And I always try to say, I haven't met a great distribution leader that doesn't use a CRM. And probably in all likelihood--

**Shane McCarthy:** The foundation of everything we do. Without it, it makes that job even that much more difficult. And so, we found out that it requires time. You need to spend the time to organize it, to use it, to establish a reporting process around it, to use it for these executive committee meetings that I mentioned earlier, to have a sales funnel to understand where each individual prospect or investor is, their challenges. And then again, this connectivity back to Dakota, it just makes it more seamless to continue the capital raising effort.

**Gui Costin:** Yeah, I love that, yes. I always felt it's the one tool that can 10x the leverage of an individual salesperson. Because if you just enter your meetings, then you can run past activity reports, and you can see everybody you've met with, trigger sales actions, and you're doing one or two clicks. It's really great. Then you run your pipeline reports.

**Shane McCarthy:** Exactly. And it allows to prospectively reach out. And you can tag different communication pretty much instantaneously.

**Gui Costin:** Yeah, it's great.

**Shane McCarthy:** It's an amazing program to have that API.

**Gui Costin:** So, with all of your history in the investment business, what advice would you give to a young salesperson coming into our industry today?

**Shane McCarthy:** It's a good question. It's a long game. It's not always quick wins. I'd say that expect the unexpected. Be resilient. Be adaptable. It just takes time, and you have to know your customer. Again, as an allocator, I appreciate it when people would come in and really understand the portfolio that we are managing and how we could interact and possibly fit that strategy in. And so be personable. Go in there, understand it, and just try to make it more of a relationship over time. But you're going to hear a lot of no's along the way. And sometimes those turn into yeses. So just stay patient and stay resilient.

**Gui Costin:** If you had to characterize the culture of LAB, what word comes to mind when you guys think about leadership and culture?

**Shane McCarthy:** Humility, respect. I'd say knowledge sharing, a collaborative environment. We're relatively flat. We allow everybody to-- we have a thing called challenge process, where we allow individuals to interact. And we're ultimately trying to find the right answer to everything.

**Gui Costin:** Unpack that for us. So, say that one more time, challenge?

**Shane McCarthy:** We have a challenge process, which means that we want to encourage everybody, irrespective of the team that they're on or how long they've been at the firm, if they have good ideas, bring them to the table. And so that could be picking up a piece of information and sharing that knowledge. That could be coming into a conversation with humility and understanding that if you bring an idea, it could be great. It could be challenged, to some degree. And that's what we want to encourage, right? Because that's where the best ideas emerge. And so, we're very focused on that type of thing, where it's an open forum. And we try to have people interact in different ways.

**Gui Costin:** That's amazing. So, the way that we do that is instead of having monthly off sites like we used to, we do monthly W days. So, each division does--

**Shane McCarthy:** What's W?

**Gui Costin:** I'll tell you. So, you come in and sit down. You have the seven of us executive committee that's just there to listen. What's working? What's not working?

**Shane McCarthy:** OK. Makes sense now. Yeah.

**Gui Costin:** Its very consistent, yes.

**Shane McCarthy:** It is. And it takes a certain type of person to go into those types of situations and be open to challenge and defend maybe a point of view or how a vision or an idea. But it's all for the benefit of the company, right? And so, if we set egos aside and we work together, it can actually be very mutually beneficial.

**Gui Costin:** Yeah, I love that.

**Shane McCarthy:** And so, we just try to instill that in our culture-- humility, again, and respect and an open dialogue.

**Gui Costin:** Great. Last question, biggest challenge you're facing in today's current market environment?

**Shane McCarthy:** I'd say there is a plethora of investment options for investors to look at. And so, it's a continued focus to be an effective communicator, to figure out how you differentiate yourselves, which isn't only good risk-adjusted returns. It can be a lot more than that. How do you help that investor face different challenges they may have or networking or knowledge sharing? There's a lot of different ways to help investors more than just a line item. And so, I think that the investment options and the technology today, I think investors and allocators see so much content. And so, staying in front of them, communicating effectively, and really just building that relationship, those are the biggest challenges that we see.

**Gui Costin:** Well, Shane, I can't tell you how much I've enjoyed this conversation. It's not a surprise that you guys have been as successful as you've been. So, congrats.

**Shane McCarthy:** Yeah, I appreciate it. Appreciate your time.

**Gui Costin:** Sure.

**Shane McCarthy:** This is great.

**Gui Costin:** Yeah, thanks for being on the show.

**Shane McCarthy:** Yeah, thank you.

**Gui Costin:** You got it. All right, everyone, that is a wrap of another Rainmaker Podcast. Thanks so much for joining, and I can't wait to see you on the next Rainmaker Podcast.

**Announcer:** You can find this episode and others on [Spotify](#), [Apple](#), or your favorite podcast platform. We are also available on [YouTube](#) if you prefer to watch while you listen. If you would like to check up on past episodes, check out our website, [dakota.com](#). Finally, if you like what you're hearing and seeing, please be sure to like, follow, and

share these episodes. We welcome all your feedback as well. Thank you for investing your time with Dakota.

**Gui Costin:** Hey, thanks so much for joining Rainmaker Podcast. Hope you enjoyed the show, enjoyed the interview. I loved it. And hey, if you wake up in the morning and you raise money for an investment firm, you do cold outreach, whether you're a sales leader or salesperson, and you don't know about Dakota Marketplace, we would love to show it to you. It's world class. It's used by over 880 investment firms and over 3,600 individual salespeople. To learn more, go to [dakota.com](https://dakota.com) and click on a free trial.