



SEASON 3 EPISODE #4

J. ALLEN GRAY
SILVERCREST

Gui Costin: What is up, everybody? It's Gui Costin, Founder and CEO of Dakota. And welcome to our latest episode of The Rainmaker Podcast. I am joined by my old friend, Allen Gray.

Allen Gray: Gui, pleasure to be here. It's been... been a while, but I'm really happy to have a chance to sit down with you and talk to your audience and, you know, talk a little bit sales and marketing.

Gui Costin: Allen Gray is a Managing Director and is responsible for Silvercrest Institutional Business, including consultant and client relations. He serves on the firm's Executive Committee and Management Committee. Prior to Silvercrest, Mr. Gray served as managing partner and a member of the management committee of Osprey Partners Investment Management LLC, and as president of the Osprey Concentrated large cap... sorry. And as president of the Osprey Concentrated Large Cap Value Equity Fund at Osprey, he was responsible for sales, marketing and client relations. Prior to Osprey Partners, Mr. Gray served as a managing director with Radnor Capital Management, a startup investment firm where he was responsible for the firm's sales, marketing and client relations activities. Mr. Gray began his career with Kidder, Peabody and company as a financial advisor before accepting a position with Wheat, First Securities as Vice President for Institutional Equity Sales, as well as continuing to work as a financial advisor to families and individuals. Mr. Gray remained with Wheat, First Securities until the founding of Ragnar Capital Management. Mr. Gray received his B.A. in political science from Randolph-Macon College. So excited about this interview, having known you for so long. And what you've been doing at Silvercrest is really impressive. So why don't you just kick it off and give us a little background on you? Kind of go back to the early days and go through your career?

Allen Gray: Sure. Well, it's been, in my opinion, a fun and exciting career. A lot of different challenges. I started right out of college, believe it or not, never having had a business class and got hired to work for Kidder, Peabody and Company in Philadelphia. By the way, Jerry Kling, who's on your board, was working at Kidder Peabody when I was a young guy. They put me through a year's worth of accounting at Drexel and a management training program and got a really good start on the investment side of the business there. I left there after about three years. They got acquired by General Electric, and I was still interested in figuring out how to become a partner in a private firm. So, I went with two other people from Kidder Peabody

and started the Philadelphia office for a southern firm called Wheat, First Securities.

Gui Costin: Right on. That's great.

Allen Gray: We built that in a space about as big as you and I are sitting in, with blueprints and nothing else. And in three years, we were their second largest office. And, you know, doing... doing really good business. Lived through the crash of 1987, which probably a lot of people in your audience don't remember or didn't live through, but I did. I used to fortunately know a guy named Jay Sherrod from Miller, Anderson and Sherrod. I used to play some tennis with him. And one day he said to me, you know, Allen, you need to be in a business where you get paid to know when it's time to do nothing, not have to move people's money around like you do in the broker business.

Gui Costin: Right.

Allen Gray: So not long after that, I helped two other people who came out of WH Neubold's to start a firm called Radnor Capital Management. We had a great, interesting board, a marketing consultant by the name of Frank Frey, who was sort of the originator of the flip book, if you will—

Gui Costin: Right.

Allen Gray: For a lot of different firms. He and some Chestnut Hill classmates had formed and started what's now Brandywine Global, Brandywine Asset Management. So Tony Hitschler was a legend in the business. And he was on the board of our original firm at Radnor. We started out with five people, three of us and two staff, and about 10 million under management. And six years later we grew it to \$1.6 billion and eventually sold it to US Trust Company in New York.

Gui Costin: That's great.

Allen Gray: Spent a little time doing what my wife was not fond of, which was, you know, for better or worse, but not for lunch. So, you know, I had a non-compete for a little bit because I didn't stay with Radnor when they were acquired. And then eventually joined another startup firm in New Jersey called Osprey Partners. A group that had left Fox Asset Management took about \$800 million with them out of \$16 billion or so and kind of stalled. So, the consulting firm, marketing

consulting firm introduced us. I went there. It was a great challenge. That was institutional only. Radnor Capital, we had an ultra-high net worth business, a broker-dealer business through Shearson and Smith Barney. And then we built an institutional business as well. There it was strictly institutional business, and I took over the distribution responsibility. And in 2 and 1/2 years, we grew from 800 million to 4.2 billion.

Gui Costin: Wow.

Allen Gray: So, it was very successful. It was right in a great value cycle. They were a value manager.

Gui Costin: Yeah.

Allen Gray: Those were the days where you had to visit every consultant in every office. Which, in hindsight, was a tremendous exercise. Because as you know, access today is much more difficult. But back then you knew everybody everywhere in every city and every geography. And those relationships through my career have been incredibly important. Not just for obtaining business, but for obtaining market information, being able to talk about what I was trying to do and use senior people that I grew up with when we were younger into senior positions and talk to them about what they're seeing in the market. You know, what's working and that kind of stuff. So that early stint was very important. We were looking to monetize that business as well at one point. And so, we... one of the firms we talked to is where I'm at now, Silvercrest Asset Management Group. Silvercrest is a firm that used to be DLJ Asset Management in New York. Moffett Cochran and Marty Jaffe were the co-founders of it. They were the Chairman and CEO and President and COO of DLJ Asset Management. And then a short stint at Credit Suisse. Culture's a huge thing in our business, as you know. You have a culture here at Dakota that's exciting and people love it. And you treat everybody well. DLJ was a very entrepreneurial firm. You know, hire experienced people, give them the tools to do their job, keep bureaucracy low and just get out of the way and let them do what they're really good at.

Gui Costin: Yeah, that's great.

Allen Gray: With accountability, obviously. So came to Silvercrest on June 30th of 2008 to build a brand-new business. Think about the timing of that, right before the downslide. They had a US Value

Equity team, small through large, and only about 100 million in institutional assets. They had about \$6, \$6.5 billion in ultra-high net worth assets here in the US, Latin America, Europe and Asia. Today, we have \$15 billion in fully discretionary, ultra-high net worth assets. Our top 50 clients average a little north of \$400 million each with us. So, it's not your typical wealth business. And over that time, since '08, we built out our Us Value team. We added a growth capability through the acquisition of Cortina in the... in Milwaukee. We made a small acquisition in southern California of a group called Neosho, which is an international team. And then we most recently added a large cap, highly diversified global value team in New York that just started in May. Just launched a strategy in December with a seed investment from one of the big Australian superannuation funds. \$1.3 billion, which is not a bad way to get started.

Gui Costin: That's amazing. So, you've had a lot of success raising capital at Silvercrest. Walk us through how. I know you said it's not a massive team.

Allen Gray: Right.

Gui Costin: But you don't need a massive team to have outsized success. Walk us through your team structure.

Allen Gray: Sure. So, I agree with you. I think if you've got a solid process that you adhere to and stay disciplined and treat your contacts like partners and not, you know, people that should just be giving you money all the time, you tend to build really solid relationships, people that will help you out with things when you need it, particularly if you're launching a new strategy, for example. So, all of our teams have been siloed at Silvercrest. So generally, other than legal and compliance and operations, they run their investment team. They run their investment process. We in management do nothing to interfere with that. They generally have had their own trading capability, their own... I've made sure each team has their own internal and external client service capability. So, it's generally a three person staff per team.

Gui Costin: OK.

Allen Gray: And then we used to have a business development person per silo. You know, the world's changed a lot since then. There's been a ton of consulting firm consolidation. Consultants, everybody's in everybody's business, frankly, these days. So, you

know, we have to treat them more like accounts than we do as somebody that covers our asset class anymore. So, we needed fewer people. So, we just reverted people back into the internal client service mode and then reduced the number of external consultant and client relations folks we have. We don't have mutual funds. We don't have ETFs. So, we're not really involved in the retail market. But we have some significant subadvisory relationships whose distribution teams we leverage very, very well.

Gui Costin: That's great.

Allen Gray: Into places where we wouldn't normally be focused. So, we've got a couple of, you know, multi \$100 million dollar relationships, where they're gathering assets and we're either in the sole subadvisor of a fund or in a multi-manager fund where we reap the benefits of our reputation through their distribution system. So, leverage, obviously, is a key ingredient. I know that's really important for you guys as well.

Gui Costin: So how do you... tell us, how do you think about sales process with your distribution team?

Allen Gray: Sure. So, you know, we need to have a plan, obviously. But our plan isn't a how many calls did you make? You know, how many people have you met? Ours is more strategic. We focus on business development rather than sales. So, one of the things we've done with every team is make sure that they all have a small cap strategy. Because that's always in demand.

Gui Costin: Right.

Allen Gray: We make sure we are vertically integrated. So, the Cortina acquisition in Milwaukee had two versions, a small and a smid strategy, but they didn't have a multi-cap or a large cap strategy. So, we hired talent, and we incubated those strategies. Same thing in California. They didn't have a small cap international strategy, which has its own issues with trading and custody outside the US. So, we incubated a strategy. After five years, we released it and set up also a fund that solves the custody and trading issues for clients. So, we developed the tools and the opportunities for outside people to see what we do well and then try to capitalize on those interests and relationships to garner not only seed capital but continue to grow and be a part of people's asset allocation models as they're going forward. But it's not the, take all the notes and tell me once a week

how many people you talk to or who you met. They're all very experienced people.

Gui Costin: Right.

Allen Gray: The one thing we have done, which I think is supportive of the way we're doing our sales processes, all of our investment teams go through media and sales training. So, they represent themselves extremely well. There's a real good yin and yang between, you know, the person who's doing the business development, setting the meetings. But at the end of the day, our policy is the investment person is always in the room and the only person that asks for the order is the investment person at the end of the meeting or at the end of the pitch. You know, hey, we'd really love to work with you. I hope you really understand what we're doing. If not, we're happy to spend more time with you. But we would really love to have you as a client from the investment person's perspective. So it's been highly effective.

Gui Costin: Yeah, that's one. It sounds like it. So, talk to me about communication. So, everyone at the boutique level versus the much more structured... the larger companies, in terms of the communication.

Allen Gray: Yeah. We talked about this off air, but we're putting in our first CRM at the firm. Typically people were doing... you track of their own.

Gui Costin: Yeah.

Allen Gray: If I knew stuff was going on, I'd ask people, hey, send me your pipeline. Send me what you've got going on.

Gui Costin: Right.

Allen Gray: What searches you're working on. Once a quarter, I do get all of that. We're a public company, so we keep track of what we characterize as our actionable pipeline. And we do disclose that on our earnings call. And just for definition purposes, an actionable pipeline is any invitational search that we're in, whether it's an invite for an RFP, it's a semi-final or a final presentation. Anything we're working on that a decision is imminent, that we're competitive and will be determined within six months, that's our actionable pipeline. So that keeps all the noise on the side. There's still plenty of stuff

people are working on, but what we care about is what's actionable. What was the last touch? What's your follow up? You know, how are we going to continue to work both sides of the relationship if now we're talking to the potential client and the consultant that we're working with or whoever referred it to us? So that actionable pipeline is pretty important for us. And it goes up and down. Because if you win a few, it goes down. You lose a few, it goes down.

Gui Costin: Right.

Allen Gray: Some of them come in and you realize, you know, it's not really as actionable as you thought. So the communication with my team is really along those lines. And it's formal once a quarter, in terms of that reporting.

Gui Costin: OK. And how do you walk us through your communication? Because a lot of people care about this, is how do you report up to the executive committee at the company?

Allen Gray: Sure. So, I'm on the executive committee, which is helpful. So, I share with our executive committee and our Chief Executive Officer Rieckhoff. Who, I'll just digress for a minute and say that he took over as CEO when Moffett Cochran had passed away.

Gui Costin: OK.

Allen Gray: And that Silvercrest DLJ culture, he has done a fantastic job of maintaining that culture while having not worked at DLJ. But been there since the beginning at Silvercrest. And he's incredibly supportive of the institutional business as well as the ultra-high net worth business. But we don't allow bureaucracy to get in the way. So, I provide him with an overview every quarter of what's happening in the business. We talk about what's... important things weekly at our executive committee meetings as well. So, my CFO, my general counsel, we have a representative from the ultra-high net worth side of the business that's on the executive committee as well, along with Rick.

Gui Costin: Yeah.

Allen Gray: So, we're constantly dialoguing and communicating about—

Gui Costin: So, communication is at a very high level. I mean, meaning it's very important. Your level of communication progress against your fundraising plan is really critical to... and I say this because I just want to make sure we make the point. Coming from where if you didn't have the ability or weren't communicating up to the executive committee exact progress, it can kind of leave them a little doubt. As a public company, it's going to be even more important, right?

Allen Gray: Yes.

Gui Costin: Leave them a little bit in the dark. Let's their mind wander. And so, we always encourage everyone to have a plan and then have a consistent reporting cadence against the plan.

Allen Gray: Sure. And we keep doing that. You know, every week on Wednesday, I go through the four teams that I've got and what people are working on. And that can just be more about what's happening with the team and people, in addition to what's happening with business development. But yeah, you're right. Communication is very important. Open door that way. Certainly, open door for me with all the folks that I work with. And we spend a good bit of time together, social as well. And so, everyone knows what we're trying to do. But I can't emphasize enough, they're all very experienced people. So, I trust them to do what they need to do. But yeah, you got to have accountability.

Gui Costin: That really dovetails into my next question on leadership. So how would you characterize your leadership style?

Allen Gray: Sure. You know, I think my leadership style is, you all know what you need to do. I want to know what you're doing. Don't hold anything back. And we're going to formally discuss what you're doing at least once a quarter, probably more often. But tell me what it is you need to do your job. Is there anything new? Is there anything happening with your team that I need to know about so that I can work on that? Both on the investment side with the rest of my management team, or if there's something that we need on the other side. So having Dakota is one of those things, to be honest. A lot of the guys were using the money market directory, which was antiquated. And so, through Jerry, I took a look at Dakota and realized that it was such a much better opportunity to do what we were doing. So that's what we did. We do Salesforce for a little bit, and I found it very unwieldy for my team. People were spending way

too much time working on that. So, Dakota is much better for us, in terms of getting to the contacts. And now our new CRM actually has the capability to track the pipeline for us, which will make communication and reporting much easier in terms of reporting up and also working with my team. But my style is to, you know, you know what to do. Go get it. Let me know if I can help. I'm happy to be there with you if it can be helpful. We all know a lot of times, a top-down presence can be helpful when you're trying to close something that's really important to someone on the other side of the table.

Gui Costin: Well, you've obviously had great longevity, both yourself and your team. So, when you think about... so when I listen to your characterization of your leadership style, I think of the word trust. And I think that's what everyone wants, right? They want to feel like they're treated like an adult, and the leadership trusts them to do their job. Maybe just because that's really what I hear.

Allen Gray: Well, and that's our culture at Silvercrest. Again, you know, get people in the room that culturally think the way you do. It's a partnership culture. You know, we're a public company, but we still own north of 30% of the business. We've got close to 40 employees that are partners in our limited partnership. It was our general partner that went public. So that's the way we work. It's a very collegial working environment. Everyone on the team pulls together for other people. So, trust is a huge thing because you trust everyone to do the right thing at the right time. But you're also trusting that they're active, that they're doing what they need to do. But I don't feel the need that every week, I've got to sit down with people who are in their mid-40s or early 50s who have had 25, 30 years of experience doing what they're doing and finding out how many calls you made this week.

Gui Costin: Right.

Allen Gray: I think it would be different if we had different distribution channels, different products that required more touch. Because the pieces coming in are smaller. I think, yeah, you would have to spend a lot more time trying to keep track of what everyone's doing.

Gui Costin: Yeah, no, I mean, I love that leadership style. So, tell me, what would you tell a young salesperson getting into the business today, into the fundraising business? What advice would you give them?

Allen Gray: My first bit of advice is getting product knowledge. And I don't mean product about how something is structured. Get investment knowledge. You need to know investments. I grew up that way. I managed money before I came into the business development side for people. Real portfolios, stocks, bonds, you know, that kind of stuff. You need to understand the realm that you're working in. You need to understand not just what somebody sticks in front of you as a piece of paper to tell the world, because this is what our guys think. You should know how to analyze a stock. You should know how to analyze a bond and how it works if those are the areas you're working. If it's real estate, if it's alternative investments, you should know exactly what the investments are that you're talking to people about. I used to, every quarter for all our value equity strategies, I'd have a separate file for everyone. And I'd pull down the performance attribution. And I would just keep track quarterly of what were the three best sectors, what were the three worst? What were the three best stocks? What were the three worst? I'd go to the analysts. I'd find out everything I could know about them. And then I would have my notes in the folder, so I could talk to any client or consultant about anything we were doing. And I would know all the way down to the details, generally, of what drove performance, at least enough to get to the point where you'd say, look, why don't I just get the investment professional on there. Most of the time they'd say, no, no, I got it. Yeah, I see what's going on with this portfolio. Thank you. So, I think that investment education to start... now, you often have to get that while you're out there running around. I tried to do the CFA once. And I was on an airplane so much trying to study all kinds of hours. I got through level one, and I realized, one, I didn't want to be an analyst sitting in the office. And two, it wasn't my greatest calling. So, I didn't follow through with the rest of it. But the knowledge I got from doing all of that was critically important.

Gui Costin: Yeah, that's great advice. Because it's also knowing the knowables.

Allen Gray: Yes.

Gui Costin: Right? When you're young in your career in the investment business, there's things that you can know just by studying and paying attention and researching versus there are other things just take experience.

Allen Gray: Right.

Gui Costin: So, you're really referencing you got to know the knowables.

Allen Gray: Yeah. And so, the second part of it, though, is being honest with your audience. And what that means is, be the first call when things aren't going well.

Gui Costin: Right.

Allen Gray: The very first call. It could be the whole market's going down. It doesn't matter. If you know your strategies well, and you have somebody looking at it or invested in it, you need to know why it's not working. And then you need to make the call immediately and make sure that you're out front and honest at all times. Because performance is fleeting. And it's way down the list of why people want to work with you. It's very well-documented that performance is, like, number 6 or 7. But what's high up there is, how come something went wrong and you didn't call me right away? Or, you know, how come you didn't tell me about this or that? Or I asked for something and it's a week late. You know, those are the things that ruin relationships or keep good ones from getting started. Performance will take care of itself over time if you have defensible process and you are out there honestly talking to people.

Gui Costin: So, communication is just so critical.

Allen Gray: You just can't.

Gui Costin: Especially when it's bad news.

Allen Gray: But communication is a lot easier when you're not relying for the basics of what you're working with on an investment team that's too busy doing other things. You have to be able to have that knowledge yourself if you're a young person.

Gui Costin: So, as a ridiculously successful distribution leader, right, tell me, what are the biggest challenges right now? Just give me one challenge that you're really faced with.

Allen Gray: Sure. For us, the challenge is that our referral sources, which were all the consulting firms, intermediate size and large ones around the world, are now all in our business. They all manage multi-

manager funds. So, their basic mode of operation is that, like us, we have an industry or a sector in our portfolio and something's not working. And so, the analysts say, OK, we need to problem-solve for this area of healthcare where we need to have exposure and it's not working. We want to sell this. Let's find something new. Well, they're doing the same thing now. They're looking at a multi-manager, 15-20 manager, \$10 billion fund, let's say, in value. And their diversified, large cap value manager isn't working.

Well, they don't want to talk to the concentrated guy. Or, you know, maybe they want relative versus concentrated deep value. So, they're solving a problem now, instead of having people whose job it is to answer the phone when you call because you're in the asset class that they cover. Now, they only cover that asset class when there's a need. And that happens this time of year, every year, these big concerns. Think of all of them that you know. They generally are setting their priorities for the year, and then they'll research what it is they need to work on. And that may or may not include what it is that you have. Now, that doesn't mean they're not still in the regular consulting business, and there aren't opportunities. You have to continue to nurture those relationships. But that's the biggest issue we face. Because we have not historically done direct calling. And again, we're not in the mutual fund ETF. You know, we don't call on the RAA space. We're strictly institutional managers.

Gui Costin: Right. Well, I can't tell you how impressed I am with what you've built. Right? And you keep growing. And I can't tell you how much I've enjoyed this conversation.

Allen Gray: Well, Gui, it's always a pleasure. And, you know, I'm happy you guys invited me in. And always great to talk shop with you, for sure.

Gui Costin: Yeah, this has been great. So that is a wrap. Another edition of The Rainmaker Podcast. Allen Gray, thanks so much for joining.

Allen Gray: Thanks, everybody.

Gui Costin: And can't wait to see you on the next edition of The Rainmaker Podcast.