



Dear Stakeholders,

“May you live in interesting times.”
– Ancient Chinese curse

I’m excited to share our third annual letter. To set the table, I’ll start with our Why.

Our mission is to *Learn, Share, and Implement the Process of Premier Investors*. We carry out that mission through a set of six shared values summarized by the motto *Compounding Knowledge and Relationships*. You can read about our values on our website, capitalallocators.com, under the subheader [About](#).

My 9th grade English teacher, Ms. Willner, advised to never use the words “interesting” or “nice” in composition when better descriptors are available. I thought of her when describing 2022 as an “interesting” year. It’s one of the few times I think she would find it appropriate. Across the volatility and uncertainty created by a hot war, a Cold War, and a shifting global macroeconomic regime, we had plenty to discuss, digest, and learn.

Hank, Morgan, and I alongside our partner Rahul experimented with new ideas, leaned into the ones that gained traction, and moved on from others.

With a tip of the cap to my mom, who always reads the last page of a book before the first, I’d like to start with our goals for the coming year, turn to the exciting new things we have in store, and then review our activities from this year. Let’s begin with our traditional closing phrase.

Onwards!

Internally, I refer to our activities as a series of experiments. We think of potentially productive ways to spend our time in line with our mission and take on each as an entrepreneurial venture.

As you’ll read, we experienced the lows of a failure to launch an asset management business and a rough market environment alongside the highs of growth in the podcast and new initiatives with Storytelling and Summits. In the coming year, we will aspire to achieve the following goals:

1. Make the Podcast better than ever and share valuable content with the institutional community.
2. Create Summits and CAU experiences that leave attendees thirsting for more
3. Engage deeply in the community with ideas and investments



I'll walk you through these developments organized by our activities: events, advisory, investing, podcast, and thought leadership.

Events (Capital Allocators University and Capital Allocators Summits)

Capital allocation requires many skills beyond investing. Capital Allocators University holistically brings all these topics together to make you a more effective allocator in an environment where you can practice your new skills and grow your network.

- Carlos Rangel, CIO, W.K. Kellogg Foundation

Last year, after the release of my second book, *Capital Allocators: How the world's elite money managers lead and invest*, we created a course to help allocators learn non-investment frameworks required to succeed at senior levels of investment organizations. We conducted our second virtual cohort of Capital Allocators University (CAU) this year and have now shared these lessons with 100 investors.

CAU attendees expressed a strong desire to get together in-person coming out of the pandemic. For our next cohort, we are transitioning CAU from a virtual series to a one-day seminar. CAU3 will take place for allocators only at the Harvard Club in New York City on March 9, 2023. We welcome allocators to join the cohort by registering at [University](#).

This clear desire for high quality, in-person, peer-to-peer interactions led us to reinvigorate Capital Allocators Summits. Rahul and I conceived of the idea to bring together small groups of allocators and managers three years ago, but the pandemic curtailed those plans.

My experience attending investment conferences for a quarter century is a common one among allocators. Events are comprised of either capital introduction speed dating or high-profile speakers. Capital introduction events serve a great purpose in the industry, directly connecting buyers and sellers. That need is well covered by our friend and advisee Ron Biscardi at iConnections, whose flagship Miami event, charitable annual Funds4 virtual event, and best-in-class technology are powering the industry. Alongside iConnections, Wall Street Prime Brokerage cap intro events for hedge funds, ILPA's gatherings for private equity, and West and East Coast industry matchmaking gatherings for venture capital do an outstanding job serving managers and investors. We see little additional value in creating a cap intro event in competition with these well-run gatherings.

On the later, I get excited ahead of time about attending an event with a great lineup of presenters, only to find my enthusiasm wanes after about an hour. No matter how good the quality of the roster, I find it hard to sit for hours, listen attentively, and learn much of value.



Covid also accelerated the availability of leading investors on-demand through videos and podcasts. It's no longer imperative to attend a conference to hear what is on the minds of great investors. As a result, the value proposition of thought leadership events has decreased, perhaps permanently. The only true value added of these events may be the conversations that take place during coffee breaks.

When conceiving of Capital Allocators Summits, we thought of putting together an event where all the attendees participate in the room where it happens from start to finish. We set a mission of fostering great conversations and connections that emphasize learning, sharing, and implementing to compound knowledge and relationships in line with our vision statement. Our concept is to thread the needle between passive thought leadership events and one-on-one capital introduction speed dating by gathering peers to actively participate in small group discussions.

We are excited to host the inaugural Capital Allocators CIO Summit in April. The event will gather 100 senior decision-makers from allocator and manager organizations to discuss topics of interest to them. Rahul and I extended invitations to allocator CIOs and were thrilled by the response. Neither of us recalls seeing a comparable All-Star list of CIOs coming together in this way. We quickly ran out of CIO slots and started a waitlist for future Summits. Working off recommendations from the CIO attendees, we have been inviting managers to join us and are nearly sold out of those seats as well.

We are looking forward to putting on a first-rate event in April and are excited to organize more events going forward. Please reach out if you have an interest in attending one of our future Summits.

Advisory

Since leaving day-to-day asset management, I have advised a small number of allocators on their investment strategy and managers on their business and communications strategy. A list of my advisees is available at [Advisory](#). Each relationship has been in place for several years with people I have known for as short as a few years, with Jonathan Tepper at Prevatt Capital, to as long as over a quarter-century, with Richard Lawrence and his team at Overlook Investments. This year, I started new engagements with Fund Evaluation Group (FEG), 10 East, and Marblegate Asset Management.

FEG is a former client from my Protégé days and the most thoughtful, investment-driven, independent consultant I encountered from that time. I was tickled when Greg Dowling invited me to join their advisory board alongside highly regarded CIOs. 10 East is a start-up investment platform that arose out of Michael Leffell's family office. Michael was a partner at Davidson Kempner for many years who retired a while back. He has been investing his capital and sharing ideas with a club of similarly experienced investors ever since. The 10 East platform shares co-investment ideas more broadly than Michael's existing inner circle. Lastly, my longtime friend,



Andrew Milgram, welcomed me to sit in Marblegate’s Connecticut office space, and I agreed to advise them in exchange.¹

Investing

Annie Duke published *Quit* in October. It is a phenomenal expose on the value of learning when to quit a direction that no longer has positive expected value. In last year’s annual letter, I hinted at a new venture to start an investment fund. In January, I sent out a letter to the many of you who checked the box as an accredited investor that described a flexible vehicle to expand my personal investing.

Shortly after sending out the letter, I woke up with an empty feeling in my stomach. I anticipated that the reception to the fund would be binary – either sufficient capital would come in to allow us to build a small investment team or we would face a slog to get to critical mass. My gut told me that our non-institutional investment approach and structure did not have a natural audience in the institutional community, and we would not easily gather assets from individuals either. More importantly, I lacked the time and desire to push that boulder up the steep hill required to make it work. The activities around the podcast, events, advising, and thought leadership give me great energy. Investing does as well. Raising capital? Not so much.

I made a quick decision to set aside raising capital and see what happened. It became readily apparent that creating a fund wasn’t in the cards this time around. I considered a single strategy SPV, but again, my heart wasn’t in it enough to dedicate the time and resources required to extend my investing beyond what I do personally. So, as Annie would say, I quit.

The decision-making lessons from quitting the pursuit of an investment fund come right out of Annie’s book. First, I made an unforced error in building a pedestal before tackling the monkey. (See Chapter 6 of *Quit*, Monkeys and Pedestals). I spent time and resources putting together an institutional infrastructure for the fund (the pedestal) without gathering sufficient information about the receptivity of capital (the monkey). Second, and fortunately in retrospect, I quit before it was apparent to anyone else that the project would not be successful (see Chapter 2, *Quitting On Time Usually Feels Like Quitting Too Early*). I can’t know for sure that fund raising wouldn’t have been successful, which is the problem with quitting ‘on time,’ but I do know that shifting my focus away from the fund led to the ideas for Private Equity Deals, Summits, and LPTV (see Section 4, Opportunity Cost).

Additionally, the more time I had to focus elsewhere, the more I heard about the resonance the podcast is having in the community. It struck me that the podcast creates far more value than

¹ My office is above our garage, which my wife and I affectionately call Rapunzel’s Castle from my tendency to hole up for extended periods of time. Marblegate’s office provides a wonderful local option for me to descend from the castle on occasion.



what I could deliver in incremental investment returns. If my sense wasn't enough, in October I received With Intelligence's Citizen of the Year award at its inaugural Allocator Prizes. I imagine that unexpected honor would not have happened had I spent most of my time managing a fund.

After quitting the fund launch, I put the two most important intrinsic aspects of the fund into practice in other ways. Underneath my interest in launching a fund laid my desire to stay engaged as an investor and to share my investment ideas so I could benefit my managers and like-minded allocators. On the former, I added the new advisory relationships with FEG, 10 East, and Marblegate, each of which provides active engagement with investing. On the later, our quarterly transparency report for Premium members gets the ball rolling, and our CIO Summit and future events will supercharge connecting industry leaders and investment ideas.

Podcast

The hub of our ecosystem is the Capital Allocators podcast, which passed its fifth anniversary in April. We shared 80 conversations this year that canvassed CIOs, managers across asset classes, and interdisciplinary thought leaders and included two mini-series, ten Manager Meetings, and season one of Private Equity Deals.

Private Equity Deals is a new show where leading managers in private capital strategies describe a portfolio company or recent exit. The conversations resemble those GPs typically hold with LPs behind closed doors. Each episode describes a company and deal, revealing how each GP practices their craft. If you haven't already subscribed, search for Private Equity Deals on your favorite podcast player to listen and learn.

Podcast engagement continues to accelerate. Capital Allocators reached 13.5 million downloads at year-end, of which 5.5 million came in 2022. Our library receives approximately 100,000 downloads each week, an increase of 50% from a year ago. Apple created a new metric this year called Followers, and our show counts 47,000 at year-end. Apple's platform comprises approximately 75% of our downloads, so we extrapolate that our community is 60,000 strong. According to Spotify, Capital Allocators spans 98 countries and is in the top 1% of podcasts followed and shared globally.

Sponsors

The podcast business is a media asset supported by both sides of the platform – sponsors and listeners. Sponsors share their message at a scale unmatched in the institutional investing industry. We believe the value proposition of building brands through affiliation with Capital Allocators is second to none. Eleven sponsors advertised on the show this year led by anchors Northern Trust and Janus Henderson Investors.



We changed the way we deliver sponsor messages in Q4. Previously when a sponsor advertised on an episode, their spot remained with that recording indefinitely. Our conversations have unusually long shelf lives. For example, the very first conversations we released five years ago still receive a few hundred downloads each month. In fact, new shows receive only 15% of total weekly downloads. As a result, we previously offered new sponsors a fraction of the listening audience's attention. Using dynamic ad insertion, we now put new ads in the entire historical library, allowing five times the number of listeners to hear our sponsor's message.²

Listeners

Listeners support the podcast through Individual and Corporate Premium membership. For the price of a cup of coffee a week (or less after inflation), Individual Premium members can access transcripts, our weekly email, previews of my blog, and an assortment of other goodies.

Our latest addition to Premium content is a quarterly report of my personal fund investments and advisory relationships. Most are with niche funds or direct investments in asset management-related businesses. We encourage our Premium members to reach out, stir conversation, and connect with managers in my portfolio.

Individual membership was roughly flat in 2022 from the prior year. Our data shows that 6% of listeners become Premium members, so we are experimenting with ways to expand the top of the funnel. Our latest initiative is a fun segment of the show called "Spread the Word" in between the introduction and interview. We hope you get a chuckle from our suggestions about how to tell others about the show.

We are especially appreciative of our fifteen Corporate Premium members. The list of these investment organizations is available at [Corporate Members](#). This group quietly and generously supports the show without asking for much in return beyond sharing the benefits of individual membership with their team. They deserve our deepest gratitude.

Manager Storytelling

We continue to iterate on ways to help managers share their insights with the community. We receive incredible feedback on the value created for managers who appear on the show and allocators who find them. Many managers reach out to be guests on the show, but we have a limited number of slots, and I source all guests internally.

We conducted five sponsored episodes this year among those inbound requests. In each case, I prescreened and interviewed a manager that paid to appear on the show. Average downloads for sponsored episodes exceeded average downloads of non-sponsored episodes, confirming our

² New ad spots remain on the platform for three months.



belief that a good conversation would not suffer audience dilution solely because of sponsorship. We will expand that offering next year, focusing on maintaining a high bar for inclusion.

Our latest foray in manager storytelling is a joint venture with Jen Prosek's Prosek Partners and Ron Biscardi's iConnections. The three of us came together to create LPTV, a forum where I conduct video interviews with managers about their strategies and topical insights, and we distribute the video across the iConnections platform, our website, and each of our social media channels. Our first session was a conversation with Robert F. Smith, Monti Saroya, and Michael Fosnaugh from Vista Equity Partners about the dealmaking and operating environment for private enterprise software companies after the significant public market drawdown in the sector. We are excited to bring together our respective networks to share great conversations with the community next year. Interested managers can reach out to any of us to learn more.

Thought Leadership - Writing and Speaking

I poked my head out of the office this year as the world re-opened. Engaging in-person with great allocators and managers provides a rich source of topical investment insights. At times, a light bulb goes off in my head, and I put pen to paper³ to write a blog post. I wrote seven posts this year, with my takes on Melvin Capital, ESG, and LBOs getting a lot of attention and positive, unexpected responses.⁴ The posts are available at [Blog](#).

I increasingly have been asked to speak at industry events, sometimes as an interviewer and other times as a keynote on the other side of the microphone. I've found both energizing and am looking forward to speaking more in the coming year.

Onwards! (Revisited)

None of this would be possible without the support of an unparalleled community of listeners, fans, and supporters. We have you to thank for our continued pursuit of compounding knowledge and relationships.

I hope to see you in the coming year.

Ted

³ Technically, fingers to keyboard.

⁴ Including a long conversation with Gabe Plotkin while in the mix of his dilemma, a promotion of the ESG paper by the Washington Speaker's Bureau, and an email from a private equity legend agreeing with the LBO thesis.