Fiducient Advisors, Nonprofit Investment Stewards Podcast
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Investment Considerations, DEI, Nonprofit Leadership and More with Mellody Hobson

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from Fiducient Advisors. Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment, foundation, or retirement plan investments, this podcast exists to help stewards improve performance, reduce costs, and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:26] Now onto the show. Hello, and welcome back to the Nonprofit Investment Stewards podcast. I'm Bob DiMeo. Great as always to be joined by co-host Devon Francis. As we head into this episode, it's hard for me to express just how excited I am to have today's guest on this. Not only is she amazingly accomplished.

[00:00:47] She brings perspective and expertise on the very topics that matter most to our listeners, those nonprofit leaders and others overseeing investments. There's so much in store that I don't want to delay at all. [00:01:00] Devon. Good to be with you. Thoughts on today's show? Great to be with you, Bob. I am fangirling out here.

[00:01:06] I'm so excited that we are joined today by Mellody Hobson, co-CEO and president of Ariel Investments, which is a Chicago based investment management firm founded nearly 40 years ago. And today, managing about 18 billion in assets. In addition to Mellody's many responsibilities at Ariel, she's a nationally recognized voice on financial literacy.

[00:01:30] Her leadership has also been invaluable to corporate boardrooms across the nation. She currently serves as chair of the board of Starbucks Corporation. She is a director of JP Morgan chase, and she also held previous board roles at DreamWorks and Estee Lauder among others. Mellody's extensive community outreach includes her role as chairman of Afterschool Matters, a Chicago nonprofit that provides teens with high quality after-school programs.

[00:01:58] She is vice-chair of world [00:02:00] business, Chicago, co-chair of the Lucas Museum of narrative art, and a board member at Bloomberg philanthropy. Candidly, the list of charitable efforts and leadership goes on and on. I will simply add that Mellody is a graduate of Princeton University and the Time Magazine named her as one of the 100 most influential people in the world.

[00:02:21] So Mellody is clearly uniquely qualified to share her perspectives with nonprofit leaders. We are so thrilled that she has given us her time and her expertise. Mellody, welcome to the show. Thank you so much for having me Devon and Bob, I'm excited to be on the show. Uh, Mellody. It's great to have you here. And it's been a while since you and I have gotten together and just really wonderful to have you on this show for our listeners.

[00:02:44] We'll lay out perhaps a bit of a roadmap, and we can think of this almost as three buckets to this episode. First, we'll tackle investment considerations for those overseeing endowments, foundations, and frankly, just investments in general. Then we'll shift gears to DEI and [00:03:00] money management, and then finally tap into Mellody's thoughts on nonprofit leaders, what they should be thinking about in this environment.

[00:03:07] So why don't we start Mellody on the investment consideration side, and it's been an incredibly interesting ride so far in 2022, one that's definitely seeing bouts of strong performance for value investing. I know that resonates at Ariel, and companies with solid fundamentals doing well. What are your high level thoughts on the markets and the economy at this point?

[00:03:29] Well, that is an understatement. When you say an interesting ride so far this year, I literally joke with, joked with John Rogers recently who founded Ariel. I said, we've become firefighters in this society. We just go from one fire to another. The volatility in this market in 2022 has certainly been a remarkable, I mean, just there've been days where you could leave to get a drink of water and come back.

[00:03:52] And the market, it moved 500 points. But what I would say overall is our beliefs are [00:04:00] this: One, that a lot of this was overdue. The market corrected in a way that we think made sense. It was very frothy, particularly in areas of the market that had done very well over especially the last decade.

[00:04:15] So you saw some of those high-flying tech stocks come down. We expected some of that multiple compression, because we just have been saying, when you pump this amount of money into the economy globally, you can expect inflation. We've seen this time and time again, and we thought it was inevitable and we're seeing it.

[00:04:35] And inflation, as we said in one of our quarterly letters, is like gravity for growth stocks because the magic, the fuel that they've been running or on, which is the idea that a dollar of earnings today is more or less the same as a dollar of earnings in the future with very low interest rates, that starts to be less true.

[00:04:54] And so therefore we didn't, we wouldn't have not been surprised by, again, some of the bloom being off [00:05:00] the rose of growth stocks because of the inflationary environment that we're in. Transitory or permanent? I think the wage inflation is permanent. I don't think you can take it back. I think some of the supply chain issues are certainly transitory, but we've had a new wrinkle obviously with the terrible war in Ukraine and what that will do to supply chain disruption.

[00:05:23] So I think that could be something that extends that transitory piece. And last but not least, I'd say that overall, however, with all of the things that I've said, when we're talking to individual companies and the management teams, they keep telling us in the US especially that business is risk, that they feel good about their business.

[00:05:44] And so we think the fundamentals of the US economy, it feels good to us. So, Mellody, can you share some of your thoughts on portfolio diversification, whether we're talking about domestic versus international, or we're talking about style [00:06:00] preferences? People are going to think I'm talking my book and I promise you I'm not.

[00:06:05] We look at just what has done well over the last decade. And what has done well is not likely to work in the next decade. That is just, if you believe in basic mean reversion, the math would be in favor of smaller companies versus large because the large cap stocks have dominated for the last basically 12, 13 years pretty dramatically, I mean, way over, way outperform relative to what we would expect.

[00:06:31] Obviously, the FANGs being a big driver of that. And then some, someone gave me a statistic today that I thought was pretty fascinating that if you look at tech stocks 10 years ago, there were eight tech companies with market caps over a hundred billion dollars. And today, there are 25. I mean, was just in a decade, you know, getting to a hundred billion dollar market cap is hard.

[00:06:55] And so, that was something that I found to be just really, really a staggering [00:07:00] statistic. And we know that that sector has dominated the leadership as well and represents a bigger part of the index than what we've seen in the past. So, we would just say again, basic mean reversion suggests smaller and medium sized companies should do better.

[00:07:14] The basic mean reversion suggests that value should outperform growth just because growth has outperformed in such a dramatic way. And then again, if I look at international versus US, international looks more undervalued than certainly large cap US does. So those would be the things that we would say from a portfolio diversification that we think that we would keep in mind.

[00:07:38] Obviously, private equity has been hot, hot, hot, and that one's a bit more challenging because one, the money won't be as cheap in terms of the borrowing, but we have a whole shadow banking system in private equity now. They can fund their own deals. The other thing is there you have a lot of powder dry, the amount of funds that have been raised and the amount of money that's sitting on the [00:08:00] sidelines.

[00:08:01] It could go for a while. So even though private equity has done really, really well, I'm not sure that I see an obvious crack there. Right? So, before we move on to our next topic, which is really important, I want to spend a lot of time on, do you have any quick thoughts or advice for investment committee members or other folks who are overseeing endowments or foundations given the current environment?

[00:08:27] We're value investors at Ariel. So, we always want to double down on what has not worked and buy more and lighten up on the areas that have been highly profitable. So, we do that with stocks and I do that with my own portfolio. The managers that have done really well taking profits and those that have underperformed.

[00:08:48] If you believe in who they are and what they do, I'd be buying more, but that's just, that's the basic way that I think about investing in general. I think what has happened [00:09:00] is people have piled on to the areas that have worked really well. And that has worked. Trust me. There's no question that doubling down just when you think it couldn't go up anymore, some of the thoughts or some of the managers they have, but I do think we're looking at an inflection point.

[00:09:14] This, this environment is really changing because of the, the interest rate environment and what needs to happen there globally. Thanks very much Mellody for those insights. And I think we could spend an entire episode just on your perspective of investing and so on. But as we transition to DEI or diversity, equity, inclusion and money management, our industry, money management has a long way to go on that front.

[00:09:42] But obviously you and Ariel have operated with diversity as part of your fabric from the very inception. What thoughts and perhaps examples of how diversity and inclusion has improved outcomes and can improve outcomes and maybe other benefits related to that for the money management industry and beyond? [00:10:00]

[00:10:01] We start with this basic basis that, that a more diverse environment leads to better outcomes. We actually believe that at Ariel, that's not one of these, this do gooder right thing to do. We literally think just from a practical standpoint, it is a truth. And one of our favorite books that we all read in the firm, literally everyone, was this book called The Difference by Scott Page.

[00:10:25] Who's a professor at the University of Michigan and he developed the first mathematical formula for diversity. And it's in that formula and in the conversations that you can have with him, or when you read the book, that he talks about the power of diversity, and he gets into examples that talk about the fact that if you're trying to solve a really hard problem, which is what I think we do every single day in the investment business and in many businesses.

[00:10:50] But if you're trying to solve a really hard problem, you want to bring together diverse perspectives and he even argues diverse intellects. When he gives speeches, he talks [00:11:00] about a real-life example that parallels with the environment that we're in right now, which is the smallpox epidemic when it was red ravaging Europe. He talks about the fact that they brought the greatest scientific minds together to try to solve for the problem, which was killing lots and lots of people.

[00:11:18] Obviously, we’ve been living through a pandemic ourselves. So this is not such a force far-flung idea to try to understand. And we remember the days of trying to develop the vaccine and scientists working around the world on the vaccine for COVID-19. Well, they brought together all of these great scientific minds and they couldn't get a breakthrough.

[00:11:38] They were stopped and the story is that the breakthrough came from a dairy farmer who noticed that the milkmaids were not getting smallpox. And to this day, the smallpox vaccine is bovine based many believe because of the observations of that dairy farmer. [00:12:00] Now, my joke is maybe the dairy farmer was Mensa.

[00:12:03] We will never know. The idea was that it was just a completely different perspective and point of view that led to that breakthrough. And that's what we believe at Ariel, that if you are trying to solve hard problems, when we sit and we think about value investing and stocks that we're going to buy.

[00:12:23] Often, there's hair on the story. They're not priced for perfection. They're, they're under priced for a reason. And we're trying to understand what do we see that other people don't see? And we even make jokes inside of the firm when the entire investment committee agrees, I'm not on the investment committee, I run the firm, but John Rogers runs that process.

[00:12:41] When the entire investment committee agrees, you actually, it gives us great pause. We want dissention and that dissension leads us to think through all the things that maybe we should be considering that we might miss, that would come with agreement. And so again, we do believe [00:13:00] this idea that better outcomes from, from those, those varying opinions.

[00:13:05] Mackenzie has the saying, which I love so much I wish I had thought of it. I wish it was ours, but they say, observe your obligation to dissent. And I think that's just a brilliant concept. This obligation you have to put the other opinion on the table and to maximize that dissension, hopefully constructive.

[00:13:27] We think you maximize it with, with diversity, different backgrounds, different points of view, different growing up experiences, different geographical uh, experiences. All of that we think makes a difference. Political views. All of it. So interesting. You're making me think. Tim Keller recently, I was listening to one of his pieces and he talked about anger in sort of a positive way.

[00:13:50] And he was talking about it's an energy or an action against something that's wrong. And so, with that in mind, I'm actually going to pose a question from our director of finance, a very talented [00:14:00] professional black woman. And she said DEI has been a focus for several years and more in the money management industry, financial services in general.

[00:14:10] And why hasn't there been more progress in your opinion? I think it's our industry and a lot of other industries where there hasn't been progress. I think that there hasn't been more progress because of unconscious bias. You know, I don't say that that there's a difference between unconscious bias and outright racism.

[00:14:31] I think there's some bias in our industry that has kept us from being as good as we can be. I love our industry. I love what I do every single day. I love working at Ariel. I've stayed there for 31 years. I get excited every single day about the opportunity to make money for our clients, our shareholders, investors.

[00:14:48] I really, really do and have them understand what we do and why we do it. And I believe our work, I remember once reading that Charles Schwab, Chuck Schwab says around Schwab, they feel like they're [00:15:00] curing cancer. I feel exactly the same way that our work is very, very noble, but I don't think that our industry has always recognized that the input of all these voices does lead to the better outcomes based upon the criteria that we've had for so many years to be successful in our industry.

[00:15:17] There's been a type. And in bringing diversity into the industry, we go against type, that could be women, you know, where the statistics are only 7% of global portfolio managers are women, to clearly uh, people of color. Black and Latino firms like Ariel, we're still in the relative. I mean, we're, it's anemic, the number of firms and the amount of assets we manage versus the industry.

[00:15:44] So we still have a long way to go, but I am hopeful, especially after the George Floyd horrific murder that people have gotten some religion around this and recognize that not only it's the right thing to do, but I think they might be seeing what they're [00:16:00] missing. It's interesting. One other thing, the investment management industry is different than a lot of other industries.

[00:16:05] Again, I think it's because of subconscious bias that a lot of other industries actually developed a way to reach different audiences, you know, it’s been probably 30 or 40 years that companies like McDonald's and Coca-Cola and Pepsi, and all of these companies had multicultural advertising where you'd see them advertising to a Spanish speaking community or the black community or whomever because they wanted the customers.

[00:16:32] But interestingly, in the investment management business, you don't see that. And I think that's an outgrowth of the people that work inside of the organization, even though I think there's the opportunity built tremendously on the diversity of our society by speaking directly to those individuals, which means you need individuals in your company who understand the unique needs and preferences of those audiences. Where we are now seeing that is in some of the FinTech space.

[00:17:00] Where they are breaking through by making investing very, very accessible and democratizing some of this in a way that has brought new people in. I think that's a benefit and that will continue to lead to more diversification in the industry because I think people will get excited about it and think, well, maybe I can have a career there.

[00:17:24] Hmm. Yeah, that's a really good point. I think most money management firms have adopted the Why of DEI. I think most folks thankfully recognize that there is a benefit to a diverse workforce, but oftentimes, it's the How that trips them up. How can we level or change the investment management field for women and people of color?

[00:17:47] How can we address those unconscious biases? Do you have any words of advice? Yes, I do actually, because I think a lot of times the HOW starts with, in a lot of firms, with a discussion about the [00:18:00] pipeline. I hear it over and over and over again. We need to bring people out of schools, et cetera. And I am not saying that's not a good idea, but it's not the only idea.

[00:18:11] And I keep pushing that if people can't be what they can't see. So, it's not, it's a bottom up and top down perspective that needs to reign. If you want to actually truly address this issue, there need to be senior leaders, people of color, women in these organizations, so that, that young black graduate from whatever school looks up and says, I see someone like myself, I think that's been the power and magic of Ariel.

[00:18:39] I was an intern literally, and that they could see that I could move from an intern to being president for all those years and ultimately becoming co-CEO in 2019. And they could see that I'm black and a woman. So, I think that does help us with our recruitment. I think we get lots of young, ambitious, black and brown [00:19:00] students who want to come to Ariel because they see people like themselves.

[00:19:04] You know, we have a Latino CFO or a black woman general counsel or Rupal Bhansali, an Indian woman who's chief investment officer of international global equities, or John Rogers as founder and chief investment officer of the firm as a black male. And I could just go on and on and on. When you see all of that talent, our head of technology is a white woman, our head trader on the domestic side.

[00:19:30] I mean, I could just go on and on. That gives people a sense of what can be. So, I often thought that the conversation is a two-prong approach, but it often stops at that first one. We're going to work on growing the talent. And I keep saying, you know, yes. Okay. Maybe you can't find a black or brown leader to run your technology fund, but we go to law school, we do, a lot of, um, black and, and, and Latino people have graduated [00:20:00] from law degrees and come work in senior positions in the legal department or in marketing or in technology.

[00:20:06] There are all sorts of ways to show diversity in talent. So, if we're thinking about DEI in terms of portfolio construction, and we at Fiducient want to identify diverse managers to, to be added to our, our list of recommended funds. And a lot of our clients are coming to us and saying, we want to express our adherence to DEI.

[00:20:31] We want to express the importance of DEI in our portfolio. How should we think about evaluating managers through a DEI lens? And are there any ways in which we might want to be evaluating firms with a different lens when it comes to that DEI analysis? Wow. That's a really great question. So thank you for that.

[00:20:54] Cause I've thought a lot about it. First and foremost is I have just a very simple [00:21:00] statement that I say when I sit on investment committees or sometimes even with those where we're pitching an Ariel. It's just a super simple statement. Same rules should apply. Whatever the rules are for one should be the rules for others.

[00:21:13] And a number of times, we have people with great intentions who create new rules. The new rules become their own barrier. For example, we've presented to so many organizations that will tell us, especially on the endowment and foundation side, we want to find the next John Rogers. We want to find a small fledgling firm and be able to put them on the map.

[00:21:35] And we think Ariel is an example of a firm that's successful. And so, one, that decides how big we should be. And I don't say, I'm not disgruntled, so don't hear anger in this. It's just curious. And then secondly, it's this idea that, you know, they'll, it's almost like this firm team approach, right? So. I say, okay, that's fine.

[00:21:58] But then every majority [00:22:00] firm you hire, I want this, they have to be, have the same rules. So you have to find the next, you know, whomever it is, Mario Gabelli or the next, you know, Steve Schwarzman or whomever. And so it should be, the process should be identical. The minority firms should not have a different standard in that regard, because then it creates its own new barrier to entry, which is not, you know, we're where people are not actually treated the same.

[00:22:29] And if the, the, the emerging manager, and that's not a term that I like at all, because I think it's, it is, it creates a sense of second-class citizenry. And the way that I would say that, just so you know, to be super clear, I have an eight year old and I would not hire an emerging doctor.

[00:22:48] You know, just like that, if she were sick, that language suggests not tested, not as good. If I was building my dream house, am I hiring an emerging architect? It just, I wonder if we have [00:23:00] language there that, that undermines the credibility of the, the, the, the professional. And so, it's not to be catty about it.

[00:23:11] It just really is, just subconsciously does it create a sense, you know, of not, you know, well then you haven't emerged. So, does that mean you're not as good? I just, it's a question, which is why I've always challenged the language and we've challenged that language at Ariel.

[00:23:28] But back to your point about this concept of same rules apply, then we've had everything from, we don't do first-time funds. So, I'm like, okay. obviously Ariel has been around for a long time, so that has nothing to do with us, but I'm like, but have you done first time funds before? And then they'll give you criteria of why they've been able to make an exception in a first time fund with a majority, while they worked at this firm for 20 years, they demonstrated a track record there.

[00:23:55] So then when they went out on their own, we knew them and we're willing to [00:24:00] invest with them. These are the kinds of things that I just, I just want the same rules. And so, we have the same rules apply. I think it just takes some of the, the, my word, gerrymandering that can not on purpose, but inadvertently happen in trying to create a marketplace and an opportunity for minority firms.

[00:24:25] Thanks for those insights, Mellody. So, I want to share with you and approach that our client's, investment committees and such, will typically use. And I want your take to see if it aligns with what you just mentioned, uh, or if you have a different perspective. So, many investment committees, many nonprofits, they want more diverse portfolios.

[00:24:43] If you will, I don't mean from an investment perspective, I mean, from a diversity and inclusion perspective. And so, they, they often do not want to disrupt a portfolio and say, let's can, uh, a good manager just because they're not diverse. So, so they won't [00:25:00] disrupt in that fashion, but they will say if we add asset classes or if we have to replace a manager, we absolutely want to make sure that we're considering diverse candidates in terms of adding or replacing any investment managers.

[00:25:14] And I'm just curious if that approach makes sense to you and if it aligns with, with what you just articulated. That's one that's so nuanced. This is, wow. This is tricky. Okay. So here's why it's tricky. It's tricky because you know, I've talked to, over the years, lots and lots of CIOs, they have phenomenal results.

[00:25:37] And so the first thing they feel like is that these criteria or this way of thinking will change outcomes for them. And so, they don't want to disrupt what they've done already. At the same time, they'll say, and I think a lot of people have gotten to this point that we know we need to, it's sort of the Rooney rule.

[00:25:55] We're now going to look every time we do a search and make sure we have a diverse slate. [00:26:00] So I have two perspectives about that. The one is that in that diverse slate way of thinking, first and foremost, I want to keep score because I've, I've seen a lot of times a diverse slate, but the diverse new manager not get picked.

[00:26:18] And so you want to ask yourself about outcomes, not just the input there. Cause I think people will feel good about the fact, I've been considering diverse managers regularly, but if they're not getting the job, I think that's something to understand. The other thing is that when you do give them the job and this is where it does get tricky.

[00:26:36] Because maybe there isn't the same comfort or familiarity. And I get this from an investing perspective on the Ariel domestic equity side, we start by building a position at one and a half percent. And when John and the team love it, they'll go to five and it could go up to six, presented the portfolio before they start paring back.

[00:26:56] So you're getting your sea legs, but what happens [00:27:00] oftentimes in this situation when there are new managers, the manager gets hired, they start really small. And so just making sure that somehow, they don't get disadvantaged with the allocation so that they're not, they're just making sure, again, that they're being treated equally and fairly versus other managers that they might hire.

[00:27:20] And the other thing about it, which I find a lot, is just making sure that because the, I saw some data on, um, African-American investment firms' fees in the public equity space and their fees were so much lower because so excited, the small firm is so excited to get the client, they'll cut their fee in a way that undermines the long-term viability of their business.

[00:27:46] And so just making sure in those negotiations, especially give the smaller amount that you don't then lean in really hard on the fee negotiation, which I get as a fiduciary you think is in the best interest of your plan, but is really [00:28:00] repricing that manager, especially if they're going to concede to a smaller amount of money.

[00:28:05] So I hope that all makes sense in terms of, okay, yes. You know, if you're going to do it that way, watch the outcomes, you know, are you the, you know, are you giving the allocations in a similar way that you would give at a majority firm? Are you over, um, if you are giving a smaller amount, are you pushing on the fee in a way that makes that firm viable or less viable over time?

[00:28:31] Because the firm wants the business so badly, they'll agree. Not really thinking through the long-term of their business. And I've told some of our competitors, we've been in searches with them, and I'll say, listen, I'm not, you know, I'm not doing anything that's inappropriate. There's no collusion here or anything like that.

[00:28:50] Just for this amount of money, keep in mind, you have to build a whole business over the longterm, and you're about to reset your fees for $10 million. [00:29:00] Very, very helpful. And it's complex. I hear you saying it takes a lot of intentionality. It's not, it's not a task. It's a journey. It's ongoing, it's measurement, it's progress.

[00:29:12] So, so thank you for sharing that. The one last thing about that, Bob, which I think is important is that, on the, you know, if you're only going to do new managers, just asking yourself realistically how long it'll take you to have a representative portfolio in terms of diversity, because I've talked to some uh, funds where the funds are huge.

[00:29:33] And so going this, going this path of new managers with smaller allocations, you know, it'll be a couple decades before those managers become meaningful. It's a very fair point. Thank you. Mellody, let's move on and finish up by, uh, talking about your advice for nonprofit leaders. How did you, or do you continue to push for systematic change around ideas [00:30:00] that perhaps are not popular or are new and a little bit scary?

[00:30:04] Do you have kind of, uh, some words of advice? Well, my very first day at Ariel, when I was 22 years old, it was August 2nd, 2000, I mean, 1991, which is weird cause that, that, that date means a lot to me for other reasons. The day August 2nd, that John Rogers took me to lunch. Ariel was, I don't know, managing a billion dollars, something like that.

[00:30:32] I'm not exactly sure. So, in that area, we were really small, there were 19 people inside the firm, and he said to me, you're going to be in rooms with people who make a lot of money and who have very big titles. It doesn't mean they have better ideas. I want to hear your ideas, your ideas matter. That was 31 years ago.

[00:30:55] And that is the definition of inclusion. I was [00:31:00] included. My voice mattered. And, to this day, I tell that story. I also tell young people in our firm who are, who come to our firm, to speak their truth. And if you saw me visually, I do something with my hands and I show there's truth with a capital T.

[00:31:18] And then there's your truth, your opinion, which is a small T truth. And if you understand that, that doesn't mean you're right. That is your opinion. And we need to make sure that we understand that. So, one, it was your voice matters. Two, understand your truth is truth was a small T. There may be some truth with a capital T, but all, not all truth is with a capital T, and then last but not least, I tell people, and there are moments even myself.

[00:31:46] I had to sit there and tell myself, be brave. That if you believe strongly in what you say or where you think the outcome will benefit the team, that could be the team of the client, the team of [00:32:00] my colleagues at Ariel, the team of the nonprofit where I sit on the investment committee. If I believe that, then I must speak up and I must be brave even in the face of weathering criticism or disagreement or the possibility that someone will not agree with me.

[00:32:18] And so, I think that's how we have tried to go through the world inside of Ariel. It's certainly what I've, we're respectful, we're constructive, but we are going to, just like in this conversation, hopefully I don't sound strident. These opinions are based upon years of experience. They are my truth.

[00:32:41] And some of those truths are with a capital T. Very helpful, very powerful. As we wrap up on the nonprofit leader bucket, if you will, and any advice for them, there are big challenges out there. What would you say to a non-profit leader they should guard against over the next few years and

[00:33:00] what should they perhaps be optimistic or what are some of the opportunities that exist for nonprofit leaders in your view?

[00:33:06] On any subject or specifically as it relates to diversity, equity and inclusion? I would say more broadly. And I remember you and I over lunch one day. I had asked that we were talking about your charity that I'm involved with. And you were talking about your conversation with George about scale and, and, and how you do what you can do, but, but scale matters.

[00:33:26] And I'm not, I'm not saying that matters in response to this question, but we'd love to have you just comment on maybe meaningful challenges that non-profit leaders should be on guard for right here and now in this environment. And if you have a thought on opportunities as well. It's something, actually, I heard this quote from someone I cannot remember where I heard it, but it's been staying with me for a lot, for, for a while in terms of Ariel, in terms, a lot of work that I do.

[00:33:54] Non-profits, my board work, et cetera. I started off by saying we've become firefighters. [00:34:00] And that we're gone from fire to fire, you know, that we, you know, first financial crisis of 08-09, you know, some big institutions that don't even exist anymore. Then you have a global pandemic. Ha, you know, like I, there are just no words for it.

[00:34:16] And now we have this horrific situation that is playing out in Europe and Ukraine. And it's just, you know, you're watching it on TV and you almost have to turn away and points of just so much sadness and pain and anguish. There's so much sad and being in anguish and obviously the ripple effects in the world around that.

[00:34:36] Everything from supply chain to oil, you know, there's so much, and I read this quote a few months ago when it said, respond, don't react. And I think that that's a really good guiding principle for us right now. And that there is a difference. Reacting is knee jerk and it is, it is not often strategic [00:35:00] and it doesn't necessarily involve vision. And responding is, this is the situation that I am in.

[00:35:06] And how do I then think about what it is that I do? And sometimes, that is doing nothing. And just staying on your course. And certainly, there's a lot of staying on the course that we have, have had as our playbook at Ariel. I, going into a lot of meetings right now. I think there are so many conversations, especially in investment committees of 40 year highs for inflation and all these things.

[00:35:31] And there's this need to pivot fast. And again, you might respond, but doing so in a multi-year, with a multi-year perspective and, and a long-term view, as opposed to, again, knee-jerk reactions. And that's, I can again, even see it in our business. So, that's, I hope that makes sense, but that there is a difference in those two words for me.

[00:35:56] And they've been, those words have been the difference between them is how [00:36:00] I've been thinking about how I've been leading in recent years. It makes great sense, Mellody. Thank you. So, we've covered a lot in the three buckets and even beyond. Anything you'd like to share on money brave or the extensive financial education efforts at Ariel or anything else for that matter?

[00:36:19] Oh, my gosh, there's so much, but I would just say that you know, we think that we'll have a better society if we're financially illiterate and we need financial literacy in school in America, and we've been trying to do our part by developing a saving and investment curriculum for elementary school students, we're happy to give it to anyone who wants it.

[00:36:38] It's called financial futures. And if we worked on it for 20 years to develop it, and we had the supportive organizations like ING along the way and Nuveen, but we think it’s pretty profound. I didn't grow up in a home where the stock market was discussed. I had to learn by doing, and, um, most of our money habits are, are inherited from our [00:37:00] parents.

[00:37:00] If we've been in a situation that's tough or the best money decisions haven't been made, we tend to be imprinted with those, that way of doing things. And, and because we haven't been taught any differently. So financial literacy is something we're really passionate about and we think will make our work better and easier.

[00:37:17] In terms of having informed, uh, customers, but also in terms of having a society that makes the right financial decisions from Congress, all the way down to that person picking the options in their 401(k) plan. So, Mellody, before we let you go, we have to ask if you were to be given a free Saturday, probably doesn't exist in your world, but let's say you wake up.

[00:37:41] You've got nothing to do all day long. What is your idea of the perfect day? Perfect. Perfect. Perfect. I would do a really great run, um, outside. Perfect, perfect, perfect day. I would watch movies with my husband almost the entire day, or we would binge a [00:38:00] show. And my daughter, we would play UNO and Rummy cubes.

[00:38:06] And we would watch shows that she would want to see too. It was a Saturday once where she wanted to watch Home Alone and we watched all four. It was like, it was a struggle. I mean, after two, it's the same movie, but it's been really fun to show her, you know, we've watched sister act and sister act two, one day.

[00:38:26] It's really, really fun. So that's, very rare, but that's, those are fun days. Yes, I love it. And I've got a nine-year-old and a 12 year old, and I too love showing them the movies from my youth. And, um, it's great fun. Well, we are so appreciative of your time and your expertise. I know that you are very in demand, is an understatement.

[00:38:49] So thank you for sharing your time with me. You provided such great insight. How can listeners learn more or perhaps access resources at Ariel if they [00:39:00] want some more information? Gosh, we'd loved that. On the Ariel website, which is Arielinvestments.com and, uh, you know, we're right there. There's a, there's a question box that you can, if you want us to follow up with you directly, we'd be happy to do that.

[00:39:14] Um, we've got some really great professionals inside of our firm that live for the opportunity to engage. Well, Mellody, thanks so much. It's been too long. I look forward to getting together with you in person now that hopefully we're on the back end of all this craziness. And I can't tell you, uh, just with a heartfelt thanks how much I appreciate you being on the show.

[00:39:35] Okay. Well, thank you so much for having me. Good luck and take good care. Thank you. And as always, thanks to our listeners, we know many of you oversee portfolios for your nonprofit organizations. You're absolutely encouraged to check out the insights section on Fiducient.com and to reach out to Devon or myself, if we can help in any way.

[00:39:55] So to all you good stewards, thanks for investing time to help your nonprofits prosper. [00:40:00] We'll connect with you soon on the next episode. Thank you for listening to the Nonprofit Investment Stewards podcast. Click on the subscribe button below to be notified of new episodes and visit Fiducientadvisors.com for more information.

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[00:40:28] Always seek the advice of qualified professionals familiar with your unique circumstances.