Mastering the Art of Fundraising: $40 Billion Raised

WITH GUI COSTIN

Innovation and Leadership with Jess Larsen

JESS LARSEN: Welcome to Innovation and Leadership. I'm Jess Larsen. On this episode, we get to have Gui Costin. I'm really excited about this episode. My team gives me a lot of research on most of our clients, but most of them aren't so intriguing that I end up watching episode after episode of the other interviews. And Gui is one of these. Gui, I have so many questions. I hope we can squeeze them in the hour. You're probably going to have to come back on the show, but I really-- there's a couple of things I really want to talk a lot about. The first is this idea of having an incredible-- an incredible level of professionalism, and we're going to be the best and striving for performance. And then at Dakota, mixing that with kindness and compassion and the idea of living full professionalism and being a mediator of appointment settings, sales folks, as you guys have raised $30, $35 billion for these investment funds.

And then also matching that with kindness and compassion. And so often organizations aren't quite able to go-- they typically go a little deeper on one or the other in my experience. And I've got so many questions. But first, can you talk to people about what Dakota is, how you turned into the database, this evolution, the book coming out, your shows, and then I want to dive into these questions.

GUI COSTIN: Sure. No. Well, thanks for having me on. It's a real thrill. And it's pretty humbling considering all of your episodes that you've done and all the people that you've had on. So it's a real thrill to be on. We found-- I founded our firm in 2006, primarily as a third party marketer raising capital for investment firms. And we've been able to get very lucky with some incredible firms that we've been with 18 years, 15 years, 12 years, 10 years. So we bolt onto the side of their firm as their outsourced sales and marketing team, which effectively means raising capital for their funds. We operate in the world of long-only equities, mutual funds, and separate accounts. And you think large cap growth, mid-cap growth, large value, so not so much what's very much in Vogue over the past 10 years, which is private equity. We do work with a private credit firm. And we do dabble a little bit in private equity. But our expertise has been on the long-only side. And then in 2019, we took the database that we built to raise, as we were just talking in the pre-call, around $30 to $35 billion. The database that we were using and built, we commercialized it and we turned it into a product where we allow other over 1,300 investment firms subscribe, if you will, and 6,000 fundraisers use the data, which is all publicly available data that we aggregate and then display, so they can do cold outreach to book meetings with potential investors.

JESS LARSEN: I would also love to talk about this idea of-- you've obviously invested in the audiovisual world and got deep into video. And can you talk about these programs essentially, like letting your clients listen in to your sales calls and how you turn that into a private TV show and exactly what that is?

GUI COSTIN: Yeah. And I think, as I always say, being an entrepreneur day one is can you get somebody to pay you to provide a service? It's not really the inventor as much as we all marvel at that. And that's what books are written about and all that good stuff. But true entrepreneurs are just people that provide a service, you get paid for the service. And that's really how we started to code. And thank goodness somebody was willing to bet on us day one to be able to do that. And as the company has evolved, it's been no grand plan. What you're asking about is how did we take our weekly sales call and turn it into a show? Well, it was literally like we were sinking. We launched a product. We launched a platform in 2018 in June, which was a content platform. Now, it sounds logical that you have all these millennials who do a ton of research on their own on the internet before they buy anything. So our thesis was, OK. We create so much content as investment firms. What if we just created a platform where investment firms could go load up all of their quarterly content, monthly content, and eventually get into video, get into podcasting, get into all this additional content to allow due diligence analysts to be able to go in and listen to whatever they wanted to. Now, we didn't realize that for most investment firms, forget the compliance component, creating video is very challenging mentally for investment people. But let's not even-- we can talk about that later. That's not really the point. The point is we launched this with 14 paying customers in June of '18. And when I say it was dead on arrival, it was DOA. And there's no feeling-- no worse feeling than in July of '18 the customers started calling me and saying, hey, where are all the people? I never really said that people are going to come. No, we're like the people that come look at all our content that we post, you help us post and all this stuff. Like sorry, that's not happening. And so it wasn't happening. And I'm like, well, I thought you were going to send the emails to your customers-- your clients and they were going to come. And so there's this mismatch. So I looked at our team and we had such a tight sales process, which The Dakota Way, the book that's coming out, we have such a tight sales process, why don't we invite them to our weekly sales call? And of course, my team was like, that's a little weird. This is like-- I'm like, just trust me. Just if you wouldn't mind, I got to do something for these guys. They've been paying me. I feel like I owe them. So they said, fine, we'll do it. And what I did is I invited one of our best clients to come in, and I interviewed him. He ran an RA. He's a CIO. So I interview Mark, goes through the whole thing and we picked a city. We're like, let's just break down Boston for everybody that's listening. Hey, if you're going to Boston, this is everybody you want to meet with. Let's break down a key account. I think we did JP Morgan Private Bank. So look, they have six platforms, $4 trillion in assets. This is where all the wins lie. They talk about this in every meeting. This is nothing private. This is where the wins lie. Well, of course, after that call, people were freaking out because we invited our prospects for the other database on as well. And they love that. So we did it the next week at 11:00 o'clock, and then the next week and into September. And then what ended up happening is that the end of each call, we were like, OK, I need the name, phone number, and email address of every single person you mentioned on the call. Thus, in October of 2018, we made the decision to actually commercialize our database because we were like, that's our proprietary database. We've raised $25, $30 billion. And then eventually we made the decision. And we knew longer term the bet was that it would really benefit our internal sales team if we had better curated up to date sales information. The problem is, it's just very expensive to keep CRM sales data up to date. And so that's the service that we now provide to over 6,000 fundraisers.

JESS LARSEN: Wow. I want to take a step back. Tell us where and how you grew up and why you think that's been an advantage to all the success you've had even through the ups and downs of entrepreneurship.

GUI COSTIN: I grew up in Philadelphia, just a suburb of Philadelphia. Moved to Rochester, New York, from when I was seven till I was 14 because my mom got remarried. Married definitely one of the most influential person in my life, my stepfather. And then we came back to Philly for ninth grade, and I've been a Philly guy. I went to UVA, played in the golf team, and I just-- through going to-- I went to a school called Haverford School for four years, 9 through 12. And you just meet a lot of people at that school that have turned out to be very entrepreneurial in their own right and just being around those types of people that tried things. And like I said, entrepreneurism is-- there's revenue attached to being an entrepreneur. I just want to be very clear about that. No revenue doesn't mean you're an entrepreneur, even though Silicon Valley, and we get that, but that's more the exception is the rule. The reality is creating cash flow positive businesses. And I happen to just be surrounded by a lot of highly, highly motivated people that I end up going to high school with, and of course college, but I still am very close with all these high school guys. Still my best friends. I would say at the end of the day, those are the ones that have still to this day are my kitchen cabinet, that quiet board, if you will. And it was all those people just being around a lot of people at this school that were highly motivated and highly entrepreneurial to do some really cool things.

JESS LARSEN: I think it's underestimated the value of those really long-term friends. Last week, one of my very best friends in the world had his 25th wedding anniversary, and they were on a trip in the Caribbean and I sent him a text. And he wrote back and said, hey, you realize you and I have been friends as long as me and my wife. Like, it's 30 years this year we've been friends and I just want to say I appreciate that. Like wrote me a very touching note. It was like, got me all choked up. I wrote him one back about how great it's been to have him in my life. And when I was on top of the world or when I was crashing and burning and down and out, he always treated me the same. And it's interesting. I think being young and super ambitious-- I love my friends but I didn't realize as life would go on, how that would mean more than-- how much more it would mean than stuff and fancy things and the things that maybe the media tells you are important.

GUI COSTIN: Oh, there's nothing more true than that. You love long-term friendships, where you have a lot-- you share a lot of things in common, especially about growth and doing things in life. And then conversely, you asked in the beginning about kindness and culture and how you build a firm, and equally, that is that Tracy Rogers has been with us since '07. Dan DiDomenico, our president, since '08. I mean, crazy, crazy longevity. And I would say that that's another underestimated aspect of business and culture, is working with people for a long period of time. Now, in all fairness, OK, my kids love teasing me about this because I get the number-- I got the number a little bit wrong until they asked me each year. I said, yeah, I had eight jobs in my first 17 years after college. They go, OK, walk us through it. Now, all my kids are either in college or out. I have three kids. And then I got one-- went from eight to nine to 11 to 12 to 14. I was able to count 14 different W-2's that I received from 1989 to 2005. And so that is not a great way to start your career as a center 10. And so what I've tried to create in Dakota is being able to slot people in career paths where they can stay for a long time. Now, I'm not perfect. We're not perfect. It's not always going to be a fit, and that's OK. But that's been one of the clear missions of Dakota, is to slot people in and give them an opportunity to build a career for a very, very long period of time, which puts a good amount of pressure on me and the team to make sure we're always giving people career growth. But I believe in the longevity of friendships as well as your teammates. It just makes such a big difference if you can work with trusted people for a long period of time.

JESS LARSEN: Yeah. Well, listen, if you don't mind, I would love to do kind of a master sales training lesson for raising money. I mean, it's one of the most common things. All these-- even the folks who've already built multi-billion dollar companies, we turn the-- we turn the camera off and a lot of times they're saying, well, I'm thinking about doing another round or I'm going to start another company and just need to raise some money. I wonder if you have any idea. It's the topic of never-ending discussion, especially once I've stopped hitting record or at our events. Yeah. And I guess I feel like really, I'm just a sales guy deep down. I got my first sales job when I was 15 and I feel like here I am 29 years later, and basically the entire time I've always been selling something. Even when I'm like CEO of my own investment funds, I feel like I'm just top sales guy. And I've been listening to these other interviews of yours and the way you talk about consistency and the way you talk about, well, just the nature, the mindset that you have as an approach has been such a great reminder to me and I've been pulling these nuggets out. I think that there's a lot of entrepreneurs and fund managers listening today that would benefit from this. Can we just start with some of the basics that are the fundamentals everything's built on that maybe are obvious to folks, but you see a lot of them not executing?

GUI COSTIN: Sure. So the cold, hard reality of sales is that in order to get a customer, you have to ask for something in general, unless they're coming to you. And so if you're doing the outreach and then you're in that world of sales-- now, I have a lot of great friends of mine who are unbelievable salespeople, but the people come to them. However that might be. That's not what I'm talking about. I'm not talking about that relationship building salesmanship. Now there's a whole-- The Challenger Sale book written-- he wrote the book on it. You know what I mean? If you read The Challenger Sale, there's five personalities. The king, I think, he broke it all down. But I'm talking about we need to go to acquire customers. And by the way, no one is calling anyone. The phone never rings and you're raising capital. So I've grown up in an industry where the phone does not ring. No one's calling you saying, hey, I want to give you money. It all is cold outreach. And so that's the framework for how I'm speaking. So number one, you're dealing with rejection. Number two, nothing happens until you get face to face with the potential investor. That's fundamental principle number one. And if that's the case, then how are we going to get in front of them if they're not calling you? That means you have to email them. That means you have to call them. Now you start to throw in rejection. You have to throw in your personal biases. And what I mean by that is probably one of the most important business lessons I've ever encountered that no one's told me is how much personal bias, and I don't want to go too deep on this right now because I could go the whole show, of how that can derail you or really affect your actions. But cold outreach or reaching out to-- oh, I don't want to bother people. They probably have everybody bothering. Oh, no. The stock market's down today. I don't want to call them. It's raining out. I mean, all this stuff in your head. At the end of the day, the only way you win in fundraising is you get more meetings with qualified buyers. That's the only answer. And I've tried every single way to create the shortcut, the magic bullet, as I always say to people that call me like, hey, can you help me raise money? It's pretty easy and you can do this. I'm like, no, I'll just go out in my backyard and shake the money tree and the money will come down and we'll come back in and you'll have your money. Now, there's a whole category of exceptions. The star hedge fund guy that worked for Julian Robertson then spins out, takes a bunch of people with him because he was so talented or she was so talented. That's not what I'm talking about. Clearly, there's exceptions around. But for 95% of the world, it comes down to one thing. Can you get in front of qualified buyers, people to invest in your type of investment strategy, consistently and in size? And that requires cold outreach. That requires a really good quality list of potential investors to reach out to. But the reason it's a struggle for people and the job is very pedestrian, it's probably as pedestrian-- Find me a white collar job that's more pedestrian than sending 20 emails a day requesting a meeting in Boston on January 15 at nine o'clock, 11 o'clock, one o'clock, three o'clock, where you went to college and now you're just busting out 20 emails and one person's responding to you. And then maybe two. And then you send another 20 and then maybe you get one or zero. And you're just-- but you internalize it and you feel sorry for yourself. But that's where the people get paid the big bucks, the people that can go through that. And this is why we try to create all these games to make it fun. But here's the great irony, is once you actually get the meeting and get to Boston, you actually get to that three o'clock meeting and that nine o'clock meeting, you now have to take a very complex story, investing, whatever it might be, and simplify it. So if you think about a quarter, one side of the coin is super pedestrian. I didn't go to college to send 60 emails to get three meetings. I'm like, well, as soon as you accept your fate, that's the fate of a fundraiser. But here's the deal. Once you get the meeting, well guess what? Now you go from being Mr. Pedestrian and Mrs. Pedestrian to being the most sophisticated storyteller on the planet. And why is that? Well, it's because you're never selling to the end investor. You're selling to somebody that has to retell a story to someone else, who has to retell a story to someone else. Oh, and by the way, did I mention the person you're talking to in Boston, every word that's coming out of your mouth, you're asking them to take career risk. You don't think about it that way but you're asking them to take career risk. Every single word. So every single word has to de-risk the conversation. So there's science on both sides to it. There's arts on both sides. But that's why it's such a complex job. You have to commit to being this incredible grinder and then also committing to be this unreal storyteller. And I don't mean storyteller like, hey, you know this, that. I mean, it's like-- because you're asking people to commit other people's money to your strategy. Super risky for all involved. And then they have to do a 50-page document the SEC will probably review at some point on why they made that investment recommendation to their client. So that's like the tip of the iceberg. But those are the fundamental components of why fundraising is so enthralling and fun, but also why it's so frustrating for people because I didn't go to college to be a professional meeting setter upper.

I'm like, well, that's the commitment you have to make if you want to be a successful fundraiser.

JESS LARSEN: It does remind me of some other kinds of experts we've had on the show. The show, it's not just billionaires or people who have built billion-dollar companies. It really-- I've tried to have people who are at the top of their game from multiple different fields. So I've had of the tens of thousands, hundreds of thousands of people that the government involves in the intelligence world, I get the very tippy tip, like the actual guys who go to foreign countries and recruit spies, like the case officers. Or across two million people in the military, the Pro athletes are the special ops and then the actual Michael Jordan, LeBrons, are the tier 1 classified units. And so I've been lucky enough to have quite a number of tier 1 operators on the show. And both of those guys talk about how being a spy or being a recruiter is unending boredom peaked with these times where you're risking you and your source's life literally, and maybe having his entire family killed. Or the tier 1 guys, it's a lot of work-- it's a lot of working out and planning and planning, and it's just like going to the range, shoot another 1,000 rounds today. It's waiting, waiting, waiting, waiting, every once in a while functionalized with the most intense, crazy, actual life and death situation you can imagine. These are the guys that go in the no-fail missions for what-- directly for the President of the United States. And then back to the boredom and the monotony of get up, do your push ups, go to the range, do the same thing you do every day that everybody can get sick of, everybody would get bored with. Everybody wants to go do the cool guy high speed stuff, but those daily repetitions make a difference. And so I think about this world and I feel-- I have a question for you, for myself. We've got our fund at Graystoke and our cash flow real estate fund. And I think about how lucky I was as like a

21-year-old. I got hired by Steve Shiffman's company. I don't know if the book Cold Calling Techniques that really work.

GUI COSTIN: 100%. Oh, yeah. I've read it.

JESS LARSEN: Bestselling book. I think at the time had 25 million copies sold when I was working for him 20 years ago. And I had so much call reluctance.

GUI COSTIN: By the way, if I pulled that book out, OK, there's pages turned over, old school pages turned over, highlighted, copied. I used to make copies of pages in the book and give them to my team. I just want you to you're bringing back great memories.

JESS LARSEN: So I was out working in the West Coast office South of LA in Orange County, California, and Huntington Beach. And I was like, do you want me to make 100 phone calls a day? Are we like telemarketers? What's going on here? I work for a telemarketer. When I was broke in 20, I worked for-- I worked for Marriott as a telemarketer for an entire shift and a half until I said, like, oh, I don't need money this bad. I can do something else. I'm not going to bother people at dinner. OK. Then I figured, OK, this is a little more professional. I'm calling-- I'm calling a sales manager about sales training. This is not just bothering people at dinner. Well-- and it took-- it was so hard. And we had to play these games of counting the no's. Like I knew I'd get one yes for every 50. So it was like-- I was like, how quick can I get 49 no's? And like, people like apologizing for telling me no. I was like, no. Like just hurry up and say no already. Like I'm trying to get my no's. And then we quit and they moved the division back to New York. My boss and I started another company to sell them leads. And so I had to do more. So I had to get up at 5:00 AM and make 100 calls to the East Coast by 3:00 and then 50 calls to the West Coast by 5:00, and did 150 calls a day and get my three appointments. And I feel like that helped me so much in my career, and yet here I am 20 years later. We're just ramping up a new fund. I got hundreds of people off the podcast I know, all these other folks, and I find myself with call reluctance. And I haven't-- I haven't made this call enough times to get back in that mindset. What would you tell a founder for me who, whether we're starting a fund or starting a business, who's like, they're not yet in the routine of fanatical prospecting here?

GUI COSTIN: Yeah. So I mean, I love what you're getting at, is that-- so number one, in order to make it easier on everyone's brain, is you have to be convinced of the value of why you want to meet with the person or why you want to-- so whatever that value is that you know can change their life if they got engaged with you. So it just makes it so much easier to do that outreach. In 2003, I was working for this phenomenal firm in New York called Cramer Rosenthal McGlynn, and they had a great mid-cap value strategy. So they owned companies, publicly traded companies between market caps of $2 billion and $10 billion. They had a particular strategy of how they invested with them, certain criteria, and just had a tremendous track record. And I recall these folks, just like you were saying, and I would introduce myself, I'm going to say, look, I'm going to be in Richmond. Can you meet at 11 o'clock? And they'd hem and haw and I'd say, hey, look, Steve, at the end of the day, I'm going to tell you this strategy. I know you've never heard of it. It's mid-value. You can check out the track record at Morningstar. But I'm here to tell you that if I go through the next 10 minutes and just introduce you to it and you don't think it's one of the most compelling strategies just from a top level, I will never call you again. He goes, you know what? Go. It's just like that. That was my strategy because I knew the value that they brought, if you will. And so number one, you have to believe in value, that you're selling value. And we always talk about that at Dakota. You're always emphasizing the value. But most importantly, it's the consistency and the mental commitment of getting reality. So the reality is if you're in the fund management business, you're choosing to want to be in one of the most profitable businesses in the world. So you're not the only person who is doing that. Thus, there's many, many people calling these people trying to sell them investments, all these allocators. So if that's the case, then the game is, A, you have to get in front of more because it's still a numbers game. Not everybody's going to love you no matter how good you are. And so it's a strict numbers game and you have to be able to get in front of more qualified buyers. And the faster-- my uncle has a great line. My uncle is an LA-based life coach named Brett Costin. Total stud. He's in his 70s. Just one of the greatest. One of his most wonderful lines, which I love. He goes, those who get reality the fastest win. And I think of just fundraising in this component. Those who make-- if you can just commit to make your-- I'm going to Boston. All right, I can log in Dakota Marketplace. We actually-- I mean, we created the database to feed into the philosophy because a curated list makes life a lot easier. I can rifle off my 20 emails. And if I do that consistently, over time, and if I'm focused on the accounts that matter most, that's another component of this is prioritization. But if I'm focused on the right accounts and I know when I get in that meeting I can bring the story to life and connect, I'm not going to win every single one, but the 80/20 rule apply. You will end up getting one or two wins out of those 50 meetings, maybe three wins, four wins, but they're all going to be sizable. But it's that consistency because you just can't do it by having five meetings. You'll never be able to complete a fundraise. And here's the other thing. When we're doing a fund, a first time fund, if you will, we take a lot of boutiques to market. You're not always raising for fund one even though you're raising for fund one. You're really raising for fund two and three. And why is that? Because in this conversation right now, as I'm talking about my fund with you, I'm familiarizing you with it. You don't know me. You don't know the firm. We're getting to know each other. Our final close is on 6:30. And you know probably at the end of the day, you're not a fast mover, which is fine, but I got to watch you a little bit. And are you going to show up again? Are you going to show up in September, in October? Are you going to keep coming? And so if you have a long-term view of fundraising and knowing that it takes-- it's just not a one and done transactional situation, which, by the way, in the old days of fundraising, wholesaling when there were commissions and stuff like that, it was very transactional. And so the sales process was much more transactional-oriented versus right now it's very consultative and it's all about educating the potential investor. But then you have to have a long-term view. And if you do and you're good at what you do, meaning the people you work for or you yourself are a great investor, over time you're going to win. If you keep showing up and telling a great story-- I'll give you one more thing, which I love, which no one really thinks about. Eventually, the person you're calling on has to present to an investment committee. Meaning, in the very rare circumstance, do you call on the billionaire who makes their decisions. Eventually, it's with that family office, multifamily office, bank, broker dealer, foundation, endowment. They all have investment committees. So think about it. You're calling on a due diligence analyst, Joe Smith. Joe now is going to sit in front of the investment committee with two large cap growth strategies in our case. He's going to-- and he's going to pitch them both. This is what I found throughout all my work. Well, who do you recommend? Well, I like them both. OK. Well, walk me through. The group that he's more familiar with, with a deep and dark questions they're going to get. The greater familiarity, he's got-- that's who he's-- I mean, naturally, if you're more familiar with one versus the other, but if that sales person has educated you so much more deeply and look, these are the zinger questions you're going to get in front of and the best fundraisers are the ones that educate the best and try to cover all the bases so when that person goes in front of an investment committee, they're so prepared. It's kind of a no-brainer. So I hope I didn't get too much off on a tangent.

JESS LARSEN: No, I love it. And then I would love to talk about it in the other scenario. And think about all these principles from your career, marketing to the RA, the multifamily office, the large endowment or pension fund. And I want to hear your thoughts about applying those same principles if you're not yet at the IRA level. You're down at the high net worth or ultra high net worth where you actually are pitching the principal who it is their money, and they're writing the check. And I would love to hear any advice for that investor client.

GUI COSTIN: So that's critical to be able to just tell a cogent story, because for the most part, they're going to be betting on you. And for the most part, they're not going to dig too deeply. They're going to ask questions, but they're to be like, hey, listen, this is a trust thing. But it's also being able to tell a very logical story. What I try to explain to everybody is that if you take any portfolio manager and it doesn't matter what it is, long-only equities, hedge fund, private equity, private credit, private real estate, whatever it might be, doesn't matter what type of real estate. If you ask them simply, what gets you excited to come to work in the morning? You're an investor. What gets you excited? Their response is going to be 90% of what you wrap your story around. And every investment strategy is an investment. It's typically pretty simple. You're buying low and hopefully selling higher, or whatever that might be. And there's always a common sense approach to it. I mean, everyone thinks this private equity is some black box magical thing. There's no difference. They're going in and buying a business, hopefully in an attractive price. They feel like they can bring a level of expertise to it that the current owner couldn't or would need some assistance, and then they can triple it in value from their prior experiences and their team, or what have you. And then they can exit three to five years later at a 3 to 5x multiple. I mean, it's very similar to the public markets, if not identical. And so I think when you're selling going to a rich person, a billionaire, or however you want to-- you want to say that, you just have to tell a story that's connected that makes sense. And by the way, I advise strongly, don't start your storytelling and making it up in the meeting. Preparation is everything. And I always found writing out the investment story yourself, in your own words, is the smartest thing you can do. Even if you're just calling on, not even at the RA level yet, write out your story. And that's what I always used to do. I still do it today. You write it out and you'd be blown away by how many people don't do that and they think they know the story. They hear it once from the firm and they want to go tell it. Write it out and then write out what makes it different. What is the unique value proposition? And when you do that, I mean, for the most part, individual investors don't get pitched that much. You tell a compelling story. It's like, wow, man. Like if you're good at that, like you had me at hello. Because they're not professional due diligence analysts. They're not going to be in there hammering you with questions. If you tell a compelling story that really is connected and makes sense and has a natural outcome and shows why you're different and what your edge is, they're like, jeez, sounds good to me. Let's go. Where do I sign?

JESS LARSEN: Yeah. Yeah. In Canada, they didn't have the same securities laws that came in after the Great Depression. And so it wasn't illegal to sell private deals to regular citizens. And in fact, you could pay anybody a commission in the exempt market up until 2012. So for 80 years, that was illegal in the US. And then with the JOBS Act, more of this is becoming legal in the US. And as Canada is shutting it down, the US is opening it up. So I went home to Canada in my late 20s and ran a retail fund. And I had-- we had 80 reps on for us and 1,200 investors we brought in. And I really got to a place where I could train a rep fast, helping them closing these all sorts of things when it's like this whole team and we've done this stuff for a while. And yet every time somebody starting a new business or a new fund or something over again, there's this idea of like, I was just thinking about what you said about-- And I'm not going to use the right words, but I would sum it up as like, get to a place of massive self-belief and then start taking massive action. And I think about this because as you were saying it, I can list in my head everything that is not as impressive about us as let alone Blackstone. I've got-- I've got a different friend. He's got a $600 million real estate fund, a little similar, a little different than us. He has so many things that we don't have as we're starting the new one. And so it's so easy as the owner to like, I knew about every problem in the business. I know about everything we're worried about, and yet I'm comparing my chapter 1 versus his chapter 100 and Blackstone's chapter 850. When you think about helping a founder who's getting those first-- who's making those first calls and the mental game of like, do you truly believe you have something special? It's being honest about the things that are not perfect and you don't have this giant organization with every staff member you ever want, all those things. Do you still really believe and how to get in this place of being able to make that call and with a straight face mean it when you say, no, you don't want to miss this call. Like I've got something you don't have elsewhere. And maybe you don't have the size and stability, but I've got an information edge. I've got something that those big guys don't or-- give me any advice on that. Tell me if you disagree or anything like that.

GUI COSTIN: No, you've asked a super, super loaded question, but I'll give it to you from the top-down of how I know exactly what you're asking is, number one, it requires a lot of thinking before acting. And then people say it takes preparation, thinking. It really takes thinking. And I was told that by Alan Breed. There's a guy I think Steve Ross, CEO of Time Warner, told Alan that he spends two hours a day thinking. And what I mean by that is, if you think about a lot of self-help people, which I think is very, very important, they talked about gratitude and they talk about each morning just writing out why you're grateful. Well, in the same way, you want to write out no matter what size you are or where you are because you have things that BlackRock doesn't have, that people actually want. And it's not if everybody wanted BlackRock, then there wouldn't be any other investors. So you have to write out-- you have to sit down and think through for yourself despite being in the mud, if you will, all the time and you're like, well, I see all the problems. What makes you different? What makes the strategy unique, and why? And then the greatest-- it's the greatest three-letter word in business, is to ask the question why. And if you do-- I think if you do it seven times, the technique is if you do it seven times and you look at the answers and then ask why, based upon the prior answer, you'll get to the crown jewel. So the reason I say that is you do have to prepare for exactly what makes you different and why. Because then what's going to end up happening is you're then going to realize you're like, wow, I never even thought of that. I'm so in it. I'm not really appreciating what I bring to the table. So if you and I offline had a discussion about your fund and you pitched me on it, and then I started asking you questions, it's a lot easier for me because I'm the outsider looking in. I could easily come up with the things that I think are extremely way more compelling than investing with anyone else and the edge that you have. Because the reason I went back five minutes ago and said, if you ask the PM when they get out of bed, why do they go to work, they're going to give you the goods. They're going to tell you exactly, exactly what makes them different. But then you put them in front of a client, they're never going to say those words, which is why I always say as a salesman, a lot of times, I can do more in meetings without the PM because I can say stuff about the PM and the firm that they can't say in the meeting. I can talk about culture, I can talk about things that are behind the scenes that are not compliant or anything. It's just I can say things that really bring out who they are and what they do. And eventually, that comes out in the long-term due diligence process. I like to get that out faster so we can get to a point where someone's like, OK, that really sounds interesting to me and different and I really see-- what you walk through very quickly in the beginning, I think when we did our-- we did our pre-call discussion, you were talking about your real estate strategy. It's very, very different. To me, it sounded extremely interesting. It seems like you have a really interesting edge. So I mean, right now as you said, I'm like, well, that sounds interesting. So you're already there.

JESS LARSEN: Yeah, that's helpful. As soon as you say that, I think-- and I also think it's about investor selection as you're saying that because, look, I don't know, a little over a trillion and a half in REITs right now. And last-- I just looked yesterday or two days ago and they were averaging a 3.8% yield. And Blackstone's BREITs is 4.7. I mean, it's like it's like a 25% greater yield. And if you need to have something so diversified and so bulletproof that you can get it through an investment committee at a large pension fund or something, that 25% difference is huge for Blackstone selling against the average REIT out there. And for me, selling in the ultra high net worth category, I don't have to get this stuff-- this isn't somebody who's then going to have to go pitch it to invest community. Like I am talking to the investment committee. It doesn't have to have all that. And so I'm doing a 506-- I'm not doing a 506(c) raise so I'm not going to say what we're targeting for our returns, but I'll just say it's a lot, lot higher, not like a marginal note higher. And it's because we don't half sizes and anchor. Warren Buffett at Berkshire Hathaway is always telling them like, hey, your expectations need to be lowered sizes and anchor on returns. Yes, you get stability and diversification, but it's an anchor on return on investment. And as Berkshire has gone on, that's shown. And so I should not try to sell RAs and pension funds when I'm not going to have the kind of story that can get through their investment committee. And then I should-- anyways, it was helpful for you just saying that. Me going like, oh yeah, that is-- I'm missing this, but I am killing them on this other thing. And so I just need to find the investor that cares about the other thing.

GUI COSTIN: Yeah, we always talk about product structure equals channel fit. So you're saying the exact right things. A lot of people like calling on big names, like public pension fund names and Harvard and Yale and all these big names, and they're enamored with the names. Money is green all over. But if you're going to win based upon your particular strategy and the characteristics, and there's a lot that goes into the bucket of characteristics: track record, product structure, length of time in the market, how long the team's been together, AUM, there's all these things, length of track record that go into the bucket. And then what ends up happening is over time you qualify for different channels. But in the beginning, you have to understand where you fit. For instance, if you're marketing a highly concentrated long-only equity portfolio of small cap stocks, there's big buyers of that in the foundation and endowment market. That's been traditionally where what they've liked to do, is they like to assemble three, four, or five managers together that are all highly concentrated, know what they own. Charge 1 and 10, and that's OK. But you're not going to go sell that to an RA. That's not what an RA buys off the shelf. They don't want to take that kind of risk or put those portfolios together. But if you have a bigger investment staff, you can do that kind of work. So you know what I mean? So each strategy, like you're getting at, you really have to focus. That's the book. We talk about it right in the beginning. It's core principle number two, is you have to focus on your TAM and where the most natural buyers are. Because naturally, if you have a type of strategy, you want to find the channel that buys your invest in your type of strategy in size already and focus on the biggest consumers of your strategy first, then go to the second, then the third. And that's the-- so it's exactly what you're saying.

JESS LARSEN: This is so helpful for me. I'm just going to re-listen to this episode five times and take notes. I want to talk about the book. For people who don't know about The Dakota Way, why don't you give us the overview, and then why don't you start with one of your favorite stories in the book?

GUI COSTIN: Sure. So the book is-- so I'd say my favorite story is how this all came about. So I've been selling-- raising capital since '97, started a company in 2006, and had success in the first five years making a little money. Then we started hiring people. And that's really where the key story is, and this is what comes down to how not to scale the business is. And a lot of fundraisers like to do this when they want to hire other fundraisers. They apply, as I call, the read my mind philosophy, where you're just going to watch me and learn, and I'm not going to tell you basically anything or just watch what I do and do it. And listen, I'm not to say it doesn't work. I'm just saying that's not a great scalable solution. And so it costs me a lot of money. I burned through a bunch of salespeople. It wasn't good for them. It wasn't good for me. So I found a guy. I found a book guy based in Portland. I had a call center. He was stressed out, working 24/7, and he just wrote down everything that he did on how he did each particular activity of his business. Well, in my case, it's simple because it was how do I-- what's my approach to selling A to Z? And I wrote down every single thing that I did. And over the course of time, it codified into four core principles. And because in fundraising, and I'm speaking specifically-- the book is tailored to a human being, man or woman, who's working at an investment firm to raise capital for their funds. That means you have a boss. So number one is setting expectations day one and then having a clear plan of attack of what success looks like, and then how you're going to report to your boss against the plan. So it's four core principles. Number one is setting expectations. Number two is knowing who to call on that we just spoke about. And so this is our codified sales process. You just have to get channel market-- you have to take your product structure to get channel fit. And so then-- and then you have a-- we call it city scheduling. And then you have a process for executing against that channel. And then I'm skipping through it, but then three is know what to say. So when you actually book all your meetings based upon core principle number two, you know that you're prepared to say what's in the meeting because you have that one shot to get in there and hopefully get to the next step. But if they don't understand what you do and how you do it and they can't repeat it, they're not-- you're not going to get to the next step.

And then four, that ties it all together, is you need some level of technology to get 10x leverage out of your process. And that's generally a CRM. You could use an Excel spreadsheet. It's fine. It's not going to be as effective. A CRM gives you the maximum leverage because if you just get your meetings you scheduled into the database, you then can run past activity reports. Thus, if you're good at setting up meetings, your biggest next problem is going to be following up on all the meetings and doing all that work. And then it just comes back to number one, back to setting expectations, reporting progress to your boss. Because everybody doesn't know this day one but they're on the clock. And everyone's watching and every investment firm looks at every individual they hire as a sunk cost. Am I ever going to get a return on hiring Gui Costin based upon what I'm paying them? And if they know every week what you're doing and you agreed upon it up front, you have a much longer than 18 months. If you don't, they're going to think you're playing golf every single day and not doing anything if there's not clear expectations and then reporting against those expectations. So it's really a book to help my comrades, if you will, and colleagues in the industry. And think of this as the rocks and the stones in the jar, as Steve Covey would say, and not the sand. You can put in the sand at your own personal approach to it. I'm giving you the rocks and the pebbles, key fundamentals. We really haven't seen people it not work, unless you have a horrible investment strategy. But for the most part, people don't have horrible investment strategies. Otherwise, they wouldn't be in the investment business. So yeah. And so it's been great. It's been a long time coming. We finally did it. If you've ever written a book, just getting these things completed and getting through all the stuff mentally is tough. But it's finished. It's now going to publication in print. It'll be on Amazon, so we're really excited about it.

JESS LARSEN: So speaking of that, if people want to get on a waiting list for it or things like that, should they go to your website? Is there a mailing list? Is there email or something?

GUI COSTIN: Yeah, the website is guicostin.com and you can get write on the-- write on the waiting list. We're right now uploading it to Amazon as well as to others. And so yeah, guicostin.com. You can sign up for the waiting list, and then it'll be available. We're going to be sending it out to all of our clients if you will. And it'll be in soft copy. So couldn't be more excited about it.

JESS LARSEN: And audio.

GUI COSTIN: And audio.

JESS LARSEN: And then for people who are not watching us today but are listening on their phone, will you spell your name? Spell the website.

GUI COSTIN: Sure. It's G-U-I-C-O-S-T-I-N.com

JESS LARSEN: Yeah. Winding down here, what's one of the most exciting, biggest business accomplishments you've had, and then what's one of the worst times you've had?

GUI COSTIN: Well, it's all tied to the same thing. It's all people. Every business is a people business. And it wasn't this way day one, where we are today and the ambitions of the past 10 to 15 years, but it's all about people and helping people get what they want out of life. That, to me, is-- and that's my mission every single day. The team knows it. It's a culture that we've created where when you come to work, I want this to be the best place anyone's ever worked and I want everyone to treat everyone just like I treat them. Just like we spoke about with kindness, there's a big difference between kind and nice. Nice is evil because then you're not saying what you need to be saying or treating people in the right way. Being kind is treating people with respect. But at the same time, sometimes you have to have tough conversations and be straight with people and not beat around the bush, and that's in their best interest. And so conversely, the worst times are all people-related issues. Most of the business stuff you can overcome, it's the people-related issues, and it's the tough conversations. And generally, I've made those mistakes. Or in the early days when I wasn't a good leader, when I wasn't probably acting in the way that I wish I should have, that's why I'm writing book three, which is called Be Kind. And it's all about leadership and it's really just a personal journey and a story of lessons learned, stuff that I'm embarrassed about, that I'm not proud of, that has allowed us to grow to where we are today. But it wasn't always this way the past five, 10, 12 years. And in the early days of Dakota, there's some pretty classic funny stories of Gui canners and frustration, and you're trying to get stuff done and...

JESS LARSEN: Yeah, can you tell-- yeah, tell us one of those.

GUI COSTIN: Well, the most embarrassing one is when we're in our Bryn Mawr office and one of my favorite people in the world still today is Cole Berman. I've known him since he's been in seventh grade. I coached him in the golf team from ninth grade to 12th grade. And then he worked for us and we were just a communication thing. So we have things we call the code-isms. There are core principles. And I recommend every company has their own core principles that they come up with their own names for them because that's your guiding light. And we've just been in a situation and Cole wasn't copying somebody on something and I had introduced him to somebody and I asked how it was going. And he, in front of everyone, he's like, no, no, we're good. It's all going. It's fine. It's fine. It's fine. And it was just one of those moments where I started calm and then it just got higher and higher and higher. And Nick Butz, who's still on our team today, happened to be next to Cole. And it was infuriating me because the more and more I talk to Cole about it, but there were people around, the more I raised my voice and I was-- because I was just because-- one of the core issues that I have in a business is communication amongst the team. And people hiding or somehow corralling information, not communicating is really insidious. And no one wants to work in an environment like that. I don't care who you are. And if you're trying to build an environment that people want to come to every single day and become the best version of themselves, communicating and feeling like they have protection, if you will, to communicate anything they want to and they're not going to-- all of a sudden someone's going to take that information and turn it against them. The classic office politics you can imagine. We wanted to blow all that up. And so this was one of those moments. And I had my Bobby Knight moment. And it just went active and I had to sit down. And of course, I apologized over time and everything. But then I realized as the company was growing, that behavior can't exist. I can't give myself permission to behave ever in that way. And so it's in those moments where-- Cole stayed with us for a long time. He's now thriving at a private equity firm. Nick is still with us, killing it. So everything's worked out. But it was a great lesson learned but painful at the time. And now where we are today is only trying to create an environment where people can be the best versions of themselves, but it's with serious lessons learned.

JESS LARSEN: Yeah, that's great. Thank you for sharing. Thanks to the rest of us less ashamed of being human as well. But also inspirational of you can be in a hard-charging environment, and some people consider a cutthroat industry, and still be polite. You can be kind. You can give truthful, hard information from a compassionate place and you can hold people to high standards without being a jerk doing it. And I think that's one of the things I've really enjoyed as I've listened to your other episodes as well as talking today.

GUI COSTIN: And I would say that I'm glad that you brought that up, because I really do believe as a leader you're always playing with fire, with people. And what I mean by that is how you treat anyone at work or how anyone is treated-- and I don't really care if you're working at the local garage and you have a four-person team doing oil changes, you know what I mean? You have a person there who is leading that team. And those four people are going home to their family. Could be their husbands, their wives, their kids, their dogs or cats, whatever it might be. And they're going to bring with them what happened at work. And if they're constantly treated in a bad way, whatever that bad way might be, I mean, it's affecting their lives. And so if you think about it from that perspective, it's not-- like one guy said to me, he's like, well, some of the best coaches I had in high school were the ones that yelled and screamed at me. I'm like, I mean, I guess. I don't think that's great, but you can get away with that in high school and maybe some college coaching. But it's like in the real world, in life, I mean, you do that, it's like maybe for a short period of time people will tolerate that. But you also, as a human being, you have a responsibility, I believe. And also as a leader, you have a responsibility to be a little more introspective and actually caring about the other person. Now, no one's perfect, including myself. Like I said, I wrote the book, the next book just because, I mean, it's lessons learned of so many bad experiences that I did myself. So yeah, I'm really, really happy that you brought that up.

JESS LARSEN: Well, I'm really happy you came on the show today. Thanks again for doing this. And congrats on all the success.

GUI COSTIN: Great. Same to you. And thanks for having me on. I really enjoyed it.

JESS LARSEN: You bet. Bye, everyone.