

**Fiducient Advisors, Nonprofit Investment Stewards Podcast  
Episode 65, October 18, 2023**

**From \$400 Million to \$15 Billion: Scott Malpass' Journey Leading Notre Dame's  
Endowment & Other Lessons for Leaders**

[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. And it's always great to be joined by co-host and my business partner, Devon Francis. I know it's an overused term, but today's guest is considered a rock star of endowment management at the very highest level.

[00:00:48] Beyond leading one of the most successful university endowments for decades, he's continued to do incredibly creative and inspiring work. Add to that the fact that he's an incredibly kind and warm-hearted guy, [00:01:00] and you'll know why I'm excited about today's guest. Devon, I hope you're doing well and ask that you please give our listeners a sense of the treat they're in for today.

[00:01:08] Well, you are definitely in for a treat. We are so very fortunate today to have Scott Malpass join us on the show. Probably most of you are familiar with Scott's name, but in case you're not, he's the former chief investment officer of the University of Notre Dame and the current managing partner and co-founder of Grafton Street Partners.

[00:01:29] Under Scott's leadership, the Notre Dame endowment grew from 400 million in 1988 to 15 billion by 2020 and over his 30 plus years of leadership, the Notre Dame endowment achieved investment performance ranking among the top 1 percent of endowments globally. Obviously, this led to a great impact at the university in all aspects of academic and student life.

[00:01:53] Scott pioneered and remains a board member at Catholic Investment Services, and among other things, he's on the board at [00:02:00] Vanguard as well as the Vatican Bank. I could go on and on, but needless to say, today we have an investment professional of icon status joining the show. Scott, welcome, and thank you so much for sharing your time with us.

[00:02:13] Thank you, Devon, and thank you, Bob. And Bob, thanks for your friendship over the years and all the great work you've done for your clients, which have, you know, very important missions. You've made a huge difference in these organizations. Oh, that's very kind of you, Scott. And I was thinking back, we probably met 10, 10 plus years ago, but I feel like we've gotten to know each other better over the past few years.

[00:02:35] And I can't tell you how refreshing it is to have someone as accomplished in the investment world as you are and also be so caring, inclusive and considerate of others. So, we're thrilled to have you, and uh, maybe we can begin with your story and you just sharing a bit about how you landed way back then in the CIO seat at Notre Dame and how the university's portfolio and the [00:03:00] marketing environment involved over time.

[00:03:03] Thank you Yeah, well, I'll tell you it's things take you different places in life. You're never sure exactly where you're going. And I didn't really know what I wanted to do for a career. When I, when I came to Notre Dame, I originally was pre-med, uh, science pre-med and, and I liked it, but I didn't really know.

[00:03:21] I decided I didn't really want to go to, you know, to a medical school. And so I ended up graduating with a biology degree and going to business school. And one of the fortuitous things that happened when I was looking to get into the, the only graduate dorm on campus at the time, there's, there's a lot more now, but, uh, the rector of the dorm was a priest from the founding order of Notre Dame, but he was also the chief investment officer.

[00:03:45] And so I got to know him very well you know, had a better understanding of the endowment and what it meant, and that summer between, uh, my two years in business school, you know, he helped me get an interview at the Irving Trust Company in New York City, which was the [00:04:00] custodian for the endowment.

[00:04:01] And I ended up getting the position and that really changed my life. I mean, I'm on Wall Street living at Hoboken which was a terrific place for a young person at the time. And, you know, I had a great boss. He taught me a lot about investing. I was on the security side of the bank, uh, which was affiliated at the time with the custody area.

[00:04:20] So I was able to, keep in touch with fathers, uh, the, uh, the priest that was the CIO. And ultimately, I ended up working for Irving full time, but then later on, he contacted me about coming back to be his assistant, which I did, but then he decided to take another position in the order about nine months later.

[00:04:39] So. I arrived in August of 88 and by April, I was the CIO at age 26. I don't think that'll ever happen again, but, uh, but it was a, it was a great start. He was a great guy, and I had a terrific support from our board and we just, we just started going. Obviously, the market environment evolved a lot over those years, [00:05:00] I mean, at the time we were about 70-30 stocks to bonds, all traditional, which, you know, the portfolio had done reasonably well, but the board really wanted us to start thinking about more alternatives, particularly venture capital and private equity.

[00:05:14] And so I really saw as my first goal was to develop a little bit of an alternatives portfolio and start moving us into more diversified approach, which we started and then, you know, obviously that took years to do. And ultimately, we ended up with more alternatives than traditional assets.

[00:05:32] But you know, you have to take time with the board. You have to educate, you know, I help, I brought experts in to help me, you know, educate the committee. Some of them were very knowledgeable on, on alternatives, but some were not. So, I wanted to make sure they were very comfortable, you know, really understood we're trying to do long term and I got great support from them in doing so.

[00:05:54] That's such a wonderful success story and it's not only your success story, but I think you have [00:06:00] higher ed and the importance in the university, you know, it's a broad and amplified success story. So that's just terrific. Maybe we can chat a little bit later about best practices and governance, but I'm just curious when you talked about a 70-30 portfolio kind of traditional and ultimately having more and alternatives.

[00:06:17] I'm sure it wasn't kind of a linear progression, and you talked about needing to sort of get folks on board. Wondering how challenging that was and, and wondering if there was any practice or element of that, uh, that you found particularly useful. Well, I was very fortunate, Bob, to have during my tenure, two long serving chairs of the investment committee of the board.

[00:06:42] You know, at a large university, the governance is really critical because there are various constituencies, you know, feel like they're the most important one, right? The students do, the faculty do, the board, the administration, alumni. So, it's a shared governance model in some ways, but a lot of [00:07:00] interest by various parties.

[00:07:01] So you have to have good governance. And our board had very strong committees of the board that really were responsible for oversight and advisory to those areas. I was just fortunate that Bob Wilmouth chaired the investment committee at Notre Dame. He had been a senior executive at First National Bank of Chicago, an iconic Chicago businessman at the time.

[00:07:23] And he was, he was terrific. He, he understood these areas. He was very knowledgeable on investments. He helped me introduce it, these new concepts, and sell it, if you will, to other members of the committee. So, with his strong presence and assistance, and we met a lot, we talked all the time. I really wanted to make sure we were a team and we could get this done together.

[00:07:46] And, and we did, and we had a terrific committee, uh, very knowledgeable folks and they, they were very positive on these shifts. And then after Bob, Jay Jordan, who you probably have met, uh, Jordan Company, pioneer in the private [00:08:00] equity space. Jay was equally, uh, strong as a chair, knew more about private equity, of course, which was really helpful as we continue to add assets in that category and continue to diversify.

[00:08:14] So from a governance standpoint, you know, having two very strong chairs who really were experts and terrific people committed to the mission really helped me a lot in moving this along relatively quickly. You know, yes, it took time and we were building our assets and donations were picking up and, you know, all of that.

[00:08:33] But, but I thought we were able to accomplish a lot in a relatively quick time period, considering all the other things that all the other priorities of the university. Yeah, outstanding. Just terrific lesson and expertise combined with mission-driven and how you can accomplish some great things.

[00:08:52] Share a bit about what you've done post Notre Dame. Now it's been 2-3 years and how you're spending your time professionally. [00:09:00] You know, when I stepped out of my role in in 2020, of course we had COVID then so, you know, it was a tough time for everybody, right? I mean, isolation and can't see people, can't really do much.

[00:09:12] Luckily, I'm a golfer. So at some point we were able to get outside and, and that helped occupy some of that time. But I, I was approached by some large family groups that I've known well over the years. So very terrific people, just about advising them on their, uh, uh, family office and, and strategic directions, asset allocation, those kinds of things.

[00:09:33] So I, I took that on, it was a lot of fun, it's fun to work with great people. And then, and then ultimately led to the concept of maybe creating a fund that could manage some of the money. And ultimately, I decided to do that. I made a couple of calls to former students of mine who, uh, were on board.

[00:09:58] I've hired seven people now. [00:10:00] All but one were kids I taught at Notre Dame who've gone on to terrific experiences across the asset management industry. And it's been a lot of fun. We've created this fun ecosystem of wealthy families sharing ideas, co-investing together. It's a different arena, the institutional arena, right?

[00:10:20] I know you've worked with wealthy families as well. It's a very different mindset, but a really welcome one. I mean, you get to know the people better. They have ideas there, they can be really strong, uh, in a certain industry because of their operations and what they've done over the years in their own career.

[00:10:38] And that can be very helpful in understanding investments in those sectors. So that's what I've been doing. I'm having a ball doing it. Uh, I get to use my investment experience. I get to work with a small, really excellent team and our clients are just really great people. And so, it's, it really has been a lot of fun for me.

[00:10:57] So Scott, one of the things I'm most curious about is [00:11:00] that Notre Dame invested according to Catholic principles, yet it was in the top percentile of best performing endowments. So how do you respond to folks who say that investing responsibly, whatever that happens to mean to a particular investor, necessitates, um, sacrificing returns?

[00:11:18] Yeah, I just don't think it does. I mean, yes, you have to be, you have to be creative. You have to have good advisors and managers. Uh, you, you know, they have to buy into the, this vision and mission you have. And, and of course, we had some natural advantages at Notre Dame, being the brand, our size, you know, we could leverage that into getting more separate accounts, maybe a share class.

[00:11:42] Uh, we could drive avoidance harder, so a number of tools which helped us put together a portfolio that, you know, really did reflect Catholic social teaching and the bishop's guidelines. I know that's not easy for everybody. It takes staff resources, but there are substitutes.

[00:11:59] A lot of those [00:12:00] businesses that are avoiding are not particularly good businesses anyways, to be honest. So, there's a whole segment of those that none of the managers were going to invest in anyways. And also, today, there is a lot more screened product, Catholic screened product for Catholic social principles than there used to be.

[00:12:18] I mean, we didn't really have anything back when I started, and there were no sort of people putting out Catholic screened ETFs or various funds, you know, and so forth, but now there's a lot. So that, that does help as well. And along the same lines, do you think that investing responsibly needs to be kind of an all or nothing endeavor?

[00:12:42] I don't. I've done it all. I think, I mean, certain, the new Catholic social guidelines from the Vatican. Uh, I think the spirit of that is very much let's work together. Let's share ideas of best practices, do the best you can, start somewhere and then do the best you [00:13:00] can. And as you evolve, you'll be able to do more.

[00:13:03] So no, I don't think, I don't think it has to be all or nothing at all. And then it's rare that most organizations are going to be all or nothing. Yeah, I think that's such an important message. A lot of times when we're talking about the concept of investing responsibly with our clients, um, they do get kind of hamstrung by the, what seems like an overwhelming task.

[00:13:24] Well, how can we possibly make the entire portfolio, uh, responsible? And like you said, start somewhere, do the best you can and then make improvements over time. And, and, you know, Devon, you have to have priorities. I mean, we know that the sanctity of life principles from the guidelines, you know, are the most important.

[00:13:42] There are other areas where maybe you can handle some de minimis exposure, so a lot of it's priorities and focusing on the things that are most important. And then being maybe more flexible on some of the others until you can really get to a size or a place where you can, you can do that more [00:14:00] thoroughly.

[00:14:00] I think that's a great start. And actually, I think that leads directly into my next question, because one of the things that I think is really interesting about the most recent iteration of the USCCB guidelines, um, United States Conference of Catholic Bishops, which obviously, Scott, you know, but maybe not all the listeners know.

[00:14:19] So in that most recent update, there seems to be a much greater emphasis on, um, the, the environmental aspect. So environmentally friendly practices than, you know, was present in the prior set of guidelines. So, can you share some of your thoughts on that? And, in terms of context, historically, there seems to have been a divergence between ESG investing.

[00:14:43] And then socially responsible investing followed by faith-based institutions. And, and the most recent set of USCCB guidelines kind of seems to blur the lines a bit. And do you expect to see increased blurring of lines going forward? Well, [00:15:00] I look at it from high level and I think, you know, they both serve the common good, which is the main point.

[00:15:06] Okay. And so there, there is sort of a natural integration of Catholic social teaching and some principles of ESG. There are differences but there is a natural integration of some of them. Uh, my concern with ESG is that a lot of the metrics being used, you know, are really not fully developed and they aren't really getting at the core issues.

[00:15:29] I'd love to see an evolution of how we measure ESG and then how that can be incorporated into portfolios, uh, I think, more responsibly. Of course, I mentioned earlier, the USCCB really focuses heavily on sanctity of life issues, which is chief for the most part does not address. But no, I think there's some blurring the lines.

[00:15:51] I think they both can be, they can both be part of the approach done the right way. But again, at the high level, they're [00:16:00] serving the common good. And I think there's a natural meshing there that's important. By the way, we also had impact investing as a new principle a few years ago that got traction.

[00:16:11] You know, it was when I was CIO of Notre Dame, I was dealing with student groups thinking about ESG, thinking about impact investing. And, you know, I think we were able to show that we already integrate some of those principles. People define them differently or they have new labels, but we were already implementing a lot of those principles in our portfolio.

[00:16:30] And I think they got a lot of confidence from that.

[00:16:32] Super helpful, Scott. It's interesting when we work with maybe newer clients or, or even longer-term clients, and they're talking about mission-aligned investing. And, you know, for us, it could be, it's a, it's a vast continuum from education, ultimately maybe through impact, but oftentimes we'll review an investment lineup.

[00:16:52] You know, the various managers and funds that are in place. And even though they're not tagged, you know, ESG or mission aligned in any way, [00:17:00] to your earlier point, often we're seeing that the managers in fact are applying many of these screens because it often leads to purchasing better organizations, companies, that sort of thing.

[00:17:10] Absolutely. And you've been right in the middle of this, Bob, as well. It's, it's an evolving landscape. It's important. But I think it's all the intentions are all very good. And so, we'll continue to work on that. That's great. So here we are. This episode will be released in October of 2023. And so, we're heading towards year end, uh, in what's been an interesting year on top of, uh, 2022, which was a very interesting year.

[00:17:36] And, uh, we'll want to ask you about, uh, sort of what excites you, but, but before that, uh, um, and looking at the current market environment and such, what's concerning you today, Scott? Well, there's a lot to be concerned about. But, but, you know, Bob, but we've been around. I mean, when I started it at Irving Trust, we had the 20 percent drop in the down one day in October. [00:18:00]

[00:18:00] I think it was October 17th back in the late eighties, and that was a crisis, although it reached new highs by year end, uh, and then we had the SNL crisis. We had the, the tequila crisis for the Asian currency crisis or the telecom bust, obviously the global financial crisis, then a pandemic.

[00:18:19] So investors are always dealing with some crisis, but there's bigger ones happen every few years, but there's smaller ones feels like every two or three years, you know, so it's part of investing. I do worry about higher inflation resulting in higher interest rates for longer, which does create some



downstream effects for the consumer in terms of, you know, more expensive loans for businesses, having less credit.

[00:18:48] So higher inflation for longer, higher interest rates. The geopolitical risk in the world today is at a very high point. Risk with China and Russia, of course, the war in Ukraine. You [00:19:00] know, you're dealing with a set of factors today that's, that's a little unique, right? I mean, you have a war, you have a hostile major country who's competing with the United States.

[00:19:09] You're, you're dealing with inflation, you know, labor market, labor markets are tight. It's a lot of good things, but there's a lot to be worried about today. Hey, yeah. And you didn't even get to some of the largest bank failures and commercial real estate, right? We can go on and on. It's funny when we're talking to clients, uh, we'll often say, uh, and more so recently.

[00:19:30] That you always want to be broadly, thoughtfully diversified, but now may be as important to be broadly, thoughtfully diversified as ever. What about the flip side? I was talking to Kenny Abrams from Wellington, uh, you know, just a wonderful portfolio manager over the years. And, and it's funny, he's, he's sort of a perma bull, but he had said, gosh, things are concerning on the downside.

[00:19:50] But then you could perhaps, uh, have perspective of things really ripping to the upside, if you will. I'm just wondering what excites you in this market environment and what you're positive [00:20:00] about. You know, the, the one thing I could always count on in all my years as CIO was innovation.

[00:20:07] We're lucky to be in a country there's a very strong culture of innovation and the world has pockets of that as well now. If you look in Europe, you're finally seeing more of that. Certainly China is very entrepreneurial and some, some really great companies and technology have emerged from China, but it's, it's really continuing for me to back kind of the right side of change businesses in both public and private markets, think about generative AI, think about biotech, um, not, not all of that is investable today due to valuations, but I think we're going to continue to see the birth and growth of amazing companies.

[00:20:45] That will shape the American economy for years to come. So I think about innovation and all the various, uh, industries that will be, you know, be able to take advantage of these new technologies, whether it's health care,[00:21:00] or other sectors, um, financials, of course, so a lot of good there and you can be expressed a lot of different ways.

[00:21:08] I'm also excited about, look, there's some great large cap quality companies with low leverage fortress balance sheets trading at reasonable multiples. You know, that will allow investors to go on the offense in a recession. And these companies will steal market share, you know, for smaller competition.

[00:21:25] So there's, there's, there's, there's a lot to be positive about innovation for me as sort of the foundation of that and really always has been, and we were able to take advantage of that and the emerging technologies, emerging technologies during each phase of the cycle. That's something I can really count on.

[00:21:44] So Scott, you've been involved with a lot of organizations, both on the business side and from a volunteer perspective. What consistent themes do you see within successful organizations? Well, first of all, you have very strong [00:22:00] leadership and vision. Somebody has to set the tone, somebody has to, you know, share that vision and where we're all headed together, get everybody on the bus.

[00:22:10] You know, and get the bus point in the right direction. And that's just critical. Having a strong governance structure and clear lines of authority is another feature that's really important. I know one of the things that we did with the investment office of Notre Dame was, as we evolved, you know, we made sure we had very clear principles on what the investment authority I had was, what the reporting

requirements were, what kind of memos the committee needed, what was our process for approval, you know, all of those kinds of things were very clearly laid out.

[00:22:44] So that, that's another one that's just critical. Emphasis on talent. You know, I'm just huge on talent. I just really feel, you know, you have to get the best people and people better than you and smarter than you. I never understood managers and [00:23:00] leaders who were intimidated or afraid to hire people more talented than them.

[00:23:05] And would dumb things down. And of course, the organization wouldn't do well, you know, because of that. And, uh, I never understood that concept, but talent's critical. Look, integrity, accountability, having a good culture. I mean, those are some of the really key features of strong organizations, whether it's for profit or not for profit.

[00:23:33] Scott, you have shared so many interesting and helpful insights. Just curious, whether it be on the investment-related side, governance or some other front, if there's anything you'd like to share with our listeners who are non profit leaders at absolutely wonderful mission-driven organizations, what advice would you have for them? Well, they really are, and you know, I've had a chance through catholic investment services to meet so many wonderful organizations and the people that are serving them. They're wonderful people.

[00:23:54] We had a workshop, CIS had a workshop this spring, and you know, we [00:24:00] brought together just an amazing group of mission-oriented folks who are trying to solve some of these problems. And we had some conversations, some panelists, some talks to try to help them, you know, do what they need to do, you know, to advance their organizations.

[00:24:17] It's hard, you know, they sometimes don't know who to rely on for advice. You know, they may not have as established governance principles. I just think many of them on the investment side often had real strong, there were a lot of conflicts of interest with some of the folks on their committees, you know, who are really trying to manage the money themselves.

[00:24:39] Maybe there are investment people and, you know, some of them could be very good, but some were really not, not the level that you would want managing money for your organization. So, I just, I just feel like avoiding those conflicts of interest is really important. So, Scott, of course, we wanted you on the show for your investment expertise and your [00:25:00] wealth of experience, but we'd also love listeners to have a chance to get to know you on a more personal level.

[00:25:06] So as you, uh, think about Scott Malpass, the person, um, you know, outside of your professional hats that you wear, what's a great day for you outside of the office? Well, I love golf. I love, uh, the people who around golf. You know, so golfing with friends is a great day for me. I'm a huge, obviously Notre Dame football fan.

[00:25:28] So going to a game on Saturday in the fall is, is a lot of fun. And then just spending time with family, you know, as you get older. I have four siblings, and my mom turned 85 this week. And just, just spending time with them and my nieces and nephews. It's, it's so much fun. They're great people.

[00:25:46] And I'm looking forward this weekend, actually seeing everybody on campus for the Notre Dame Ohio State game. Oh, that's wonderful. And happy birthday to your mom. Thank you. So, this was excellent. Again, we really [00:26:00] appreciate the time that you've shared with us and, um, your investment expertise and your great comments about governance, and thank you so much for joining the show.

[00:26:09] Well, it's my pleasure and all the best to you. And I look forward to seeing you soon. Uh, thanks so much, Scott. You are a kind, caring, and, and wise man. We're so appreciative. And as always, many thanks to our listeners for all your support. A simple reminder to visit [fiducient.com](http://fiducient.com) for a

variety of resources, not only some of the mission-aligned topics that Scott touched on, but many other topics that we touched on today as well.

[00:26:34] So to all you good stewards, thanks for investing time to help your nonprofits prosper. We'll connect with you soon on the next episode. Thank you for listening to the Nonprofit Investment Stewards podcast. Click the subscribe button below to be notified of new episodes and visit [fiducientadvisors.com](https://fiducientadvisors.com) for more information.

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