Rules-based investing:

A "how to guide" for targeting & assessing direct investment opportunities

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In previous whitepapers[1], we have discussed how family offices and high-net worth individuals should limit their direct investments to opportunities (e.g. industry, asset class, etc.) where they exhibit a comparative advantage. In sticking to their proverbial *'sweet spot'* investors are more likely to avoid poor outcomes and ultimately generate superior returns by proactively contributing to the value creation process rather than just writing checks.

While this message has resonated with investors, our research and anecdotal experience indicates that it may be practically difficult to remain disciplined to prospective opportunities as they actually present themselves. In fact, our clients tell us that the search for the right deal can often feel a lot like the challenge of keeping a healthy diet in the face of your dessert of choice (not an easy task, indeed). In light of this opportunity to improve self-restraint, we introduce a rules-based investment selection framework to help investors keep their "eye on the prize." **Specifically, we present herein a cost effective mechanism for screening out investments outside of your sweet spot, while still preserving the flexibility to capitalize upon opportunistic deals.**

Magnets for 'false-positives'

Family office leaders and high-net worth individuals (hereafter referred to interchangeably as families or investors) have traditionally been magnets for investment pitches. Constantly bombarded with proposals at weddings, kids' soccer games, the country club, and the like, there is rarely a separation between their personal and professional lives. Often such investors simply look at what is available and hope to pick the best without putting much thought as to how these deals fit within their broader investment strategy and core capabilities.

Such deal access can be a double-edged sword, if left unfiltered. At best, it can lead to the discovery of 'diamonds in the rough' that offer the chance to benefit from returns that are an order of magnitude higher than those obtainable in comparable deals. Yet, our work with clients indicates that unqualified or under-qualified deal flow of this kind—based on an arbitrarily limited subset of sources—often invites a high

[1] "Direct Investing: A pathway to family stewardship." McCombie Group Whitepaper Series. Nov 2012 <http://www.mccombiegroup.com/direct-investing/>.
"Home Field Advantage: Leveraging Family Strengths." McCombie Group Whitepaper Series. Nov 2011 <http://www.mccombiegroup.com/home-field-advantage/>.

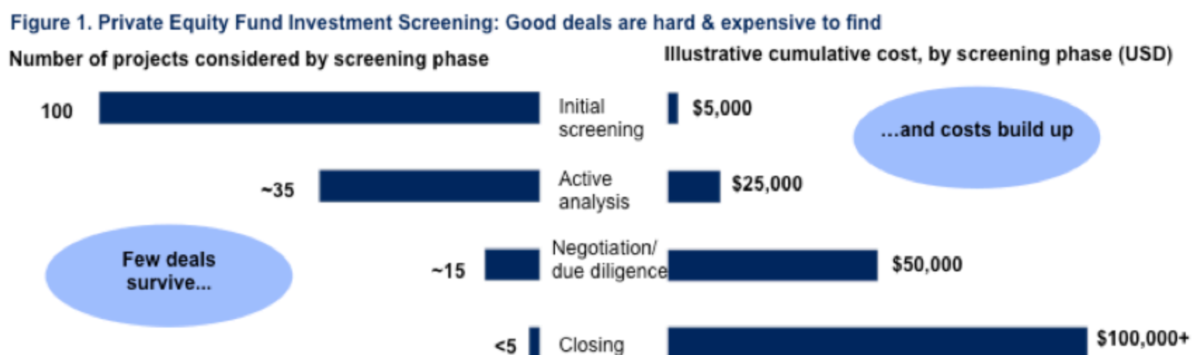
percentage of 'false-positives'— seemingly worthwhile investments that end up being "too good to be true."

False-positives can, of course, arise for a variety of reasons— the most obvious being unforeseeable negative developments. But, typically, when a 'promising' investment fails, the deviation from expectations stems from exaggerated projections or knowable risks that went undetected in the first place. The deal did not 'turn bad;' rather, it was always a dud that passed through an inadequate filter. ***The challenge, thus, is to develop a paradigm that both empowers and protects investors.***

Empowering & Protecting Investors

First, the ideal investment selection framework should put investors back in the driver's seat. It should give them greater ownership to set their investment strategy rather than having the mix of pitched deals, implicitly, dictating their decisions[2]. The inconvenient reality is that investors must be proactive in screening opportunities because good deals are hard to find. Unsolicited pitches from unknown intermediaries, in particular, are vulnerable to a selection bias skewed towards 'needy firms' that are not as attractive as advertised. All too often, a call from an investment banker, mentioning a "perfect deal for a family office," is simply code for a poor risk-adjusted investment. In fact, as indicated in Figure 1 from a survey of private equity funds, less than 5 percent of deals considered actually close[3]— effectively deploying capital is a patient process—and the involved winnowing process is not cheap.

Figure 1. Private Equity Fund Investment Screening: Good deals are hard & expensive to find



Source: McKinsey & Company; Teten, David "Best Practices of Private Equity Funds in Originating Investments July 2011; Internal team analysis

[2] For an insightful exploration of the importance of strategy to a family's investments, please see Chapter 5 of Lowenhaupt, Charles & Trone, Donald, "Freedom from Wealth" (2012)

[3] Ratio of number of investments that were closed relative to initial meetings ranged from 1 to 5%; Teten, David "Best Practices of Private Equity Funds in Originating Investments" July 2011

Second, an ideal framework should protect investors from wasting time and money by identifying 'deal breakers' upfront that are not aligned with preferences and risk tolerances. Since good deals are hard to find, it can be emotionally taxing for an individual investor or family office to say no to so many opportunities. The greatest pitfall, particularly when casting a wide net, is concluding that you are being overly conservative in turning down nearly every deal. As a result of this weariness from walking away from so many opportunities, investors may fall into the trap of filtering deals not based on logic, but based upon an emotional expectation that they should be saying yes to something; this exponentially increases the probability of a costly mistake. This challenge intensifies as you proceed further along into a deal, since the sunk time, energy, and money can result in attachment and confirmation bias. Thus, it is always easier to develop upfront a set of potential 'deal breakers' that can help screen out an ill-fitting investment before any time or resources are spent in assessing the opportunity[4]. Some may consider this methodology to be overly harsh, dismissing deals that result in successful ventures. Nevertheless, it is our recommendation that investors err on the side of skipping some potentially good deals, than increase their exposure to the risk of investing in a bad deal. Aggregate returns are, on average, most impacted by poor performers, particularly total failures—hence the sage investment adage, "the easiest money to earn is the money you don't lose."

Taken all together, *this then prompts the question of how can you most quickly and efficiently empower and protect yourself to get down to the '5 percent' of worthy deals?*

Don't try to imitate financial investors …

The more deals you consider, the greater the costs incurred and scale necessary to protect against false-positives. Institutional financial investors are a case in point. They can cast a wide net when considering deals because they have the capacity and strategy to do so. First, the resources at their disposal allow them to analyze and dissect hundreds of potential opportunities before they invest. Annual overhead for a typical institutional private equity firm ranges from $5 to $10 million, paying for 10 or more in-house professionals[5] (each generally an expert in a particular industry) and access to support from top-notch law and accounting firms. In addition, their primary goal is to achieve diversification, so gains from "winners" can offset the lackluster returns or

[4] Note that this is not to say that you cannot have "passion investments." Nevertheless, investors should objectively acknowledge their intentions and honestly gauge realistic return expectations beforehand. We recommend that investors consider setting aside a small, fixed allocation for such deals in order to maintain discipline to true investments (akin to a gambling budget).

[5] Metrick, Andrew & Yasuda, Ayako, "The Economics of Private Equity Funds" Oxford University, Society for Financial Studies (April 2010)

losses from "duds." This average institutional fund manages over $500 million of assets under management[6] spread over numerous deals and each investment is largely independent from the other, minimizing risks if a false-positive were to slip through the 'cracks'.

Family offices are unlikely to match, let alone beat, these financial investors at their own game. A family's private equity allocation is typically insufficient to achieve the scale necessary to absorb the professional fees and generate the diversification that can protect them from a poor investment. As a result, a more targeted approach that can accommodate lower search costs and deal bandwidth would be more appropriate. But, even if these structural limits did not exist (i.e., a family chooses to allocate a sufficiently large amount to a focused strategy—e.g., $250+mm), it still may not be in a family's interest to emulate the fund approach. For families with a distinct comparative advantage, diversifying away from investments that benefit from the family's pre-existing expertise, holdings, and relationships can leave "money on the table."[7] While, clearly, this implies concentrating risk within your area of expertise—be it an industry, geography, etc.—this risk can be confined and mitigated. Diversification can still be accomplished at the broader portfolio level by purposely allocating around this exposure (e.g., an active real estate developer should avoid investing in REITs and real estate private funds, particularly if they have similar geographic or asset class exposures).

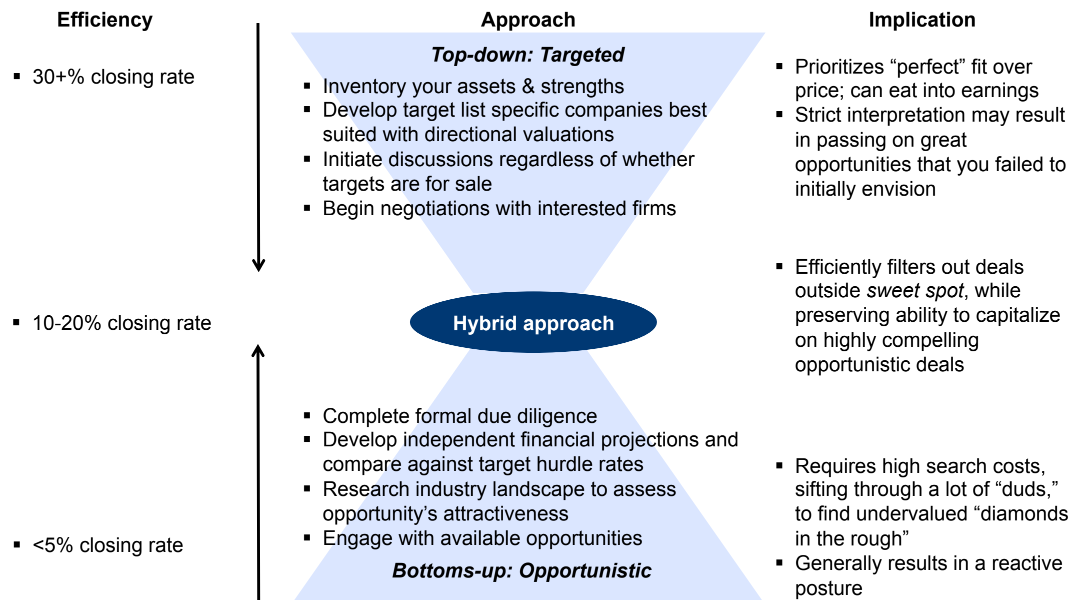
…be a strategic investor

Instead, families should consider becoming strategic investors. Unlike a financial investor whose primary objective is to achieve diversification, strategic investors seek to achieve strategic coherence (i.e. synergies) across their portfolio, where the whole is greater than the sum of the parts. Just as corporations selectively use M&A to make synergistic additions, investors should identify and pursue a list of ideal investment targets that can benefit from their unique comparative advantages. This is not meant to suggest that you should hold out indefinitely for the "perfect fit"—the real world rarely presents itself in such a manner. In fact, such a strict top-down approach can reduce returns because it prioritizes fit at the expense of purchase price. At the same time, while we want to maintain flexibility to consider great opportunities that may not have been initially envisioned, we want to maintain discipline to a structured process. Figure 2 is meant to highlight a practical approach for addressing this tension—casting a narrow, yet flexible net, tailored to your unique advantages.

[6] New York Times Dealbook (Jan 2010)

[7] For fuller treatment of this topic see: "Direct Investing: A pathway to family stewardship." McCombie Group Whitepaper Series. Nov 2012 <http://www.mccombiegroup.com/direct-investing/>.

Figure 2. A hybrid approach emphasizes discipline and strategic focus, while still preserving the flexibility to capitalize upon opportunistic deals



Developing an 'internal investment policy'

Potential deals should be vetted through an internal investment policy that requires meeting increasingly robust safeguards, the further you deviate from pre-established guidelines.

Non-institutional investors rarely sit down to articulate the elements of their sweet spot in a structured, systematic way. They typically rely on their gut to determine whether a deal merits further consideration. While well refined instincts are often invaluable, relying exclusively on intuition can at times be troublesome, particularly when you (perhaps unwittingly) veer off and examine deals in foreign industries under tight time constraints. The siren calls of "rare and exciting" opportunities can sway investor emotions, precisely when objective logic and robust analytics are needed most. Investors need to perform an objective self-assessment of their sweet spot, while honestly acknowledging their weaknesses. Engaging in such an exercise empowers and protects investors by helping them:

1. *Become more proactive and strategic with their investment selection.* A solid investment policy is a roadmap that prioritizes your strengths and interests. And while it does not prohibit opportunities outside this scope, it, at least, prompts the questions of ***why*** are you entertaining such a deal and ***what*** safeguards need to be in place to mitigate the higher levels of uncertainty and

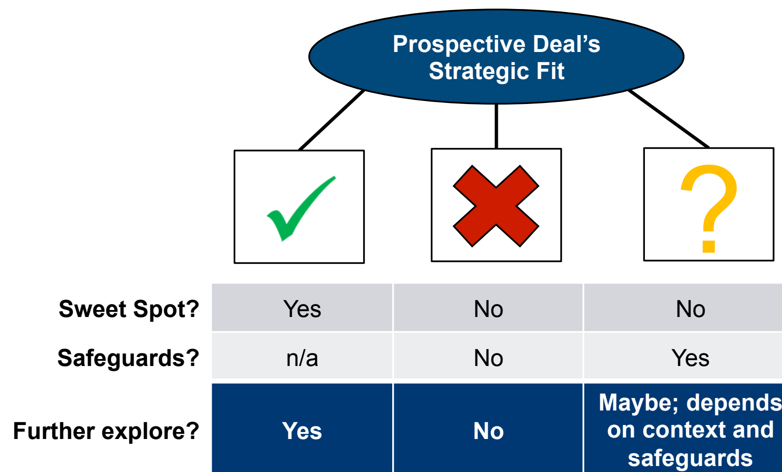
risk.

2. *Secure proprietary deal flow*. The more the market knows what you are looking for, the greater the likelihood that you will receive priority access to focused opportunities that are tailored to your specific needs. Conversely, communicating vague investment preferences will result in being pitched a wide array of 'spam' deals that are blasted to a mass audience—the antithesis of proprietary deal flow.

3. *Converge upon family consensus on investment decisions more easily*. Deals often present themselves through a variety of different family members that may be emotionally attached to their investment ideas. Allowing the family to collectively create and "own" the internal investment policy is a valuable tool to standardize the decision making process and to enforce compliance.

As depicted in Figure 3, the goal of an internal investment policy is to ultimately categorize potential opportunities across three buckets: deals that are in your *sweet spot* that should be further explored, ill-fitting deals that should be rejected outright, and those outside your *sweet spot* that under the right conditions warrant further analysis.

Figure 3. Deal's strategic fit determines further consideration



Sweet Spot?	Yes	No	No
Safeguards?	n/a	No	Yes
Further explore?	**Yes**	**No**	**Maybe; depends on context and safeguards**

You should begin by developing such a policy by asking three fundamental questions:

1. Does this deal offer the opportunity to capitalize upon my comparative advantages?

2. Does this deal fit within my structural strategy— e.g. preferred size and time commitment relative to my availability?
3. What are the terms and origins— i.e. context—of this deal?

Answering the first two questions requires advance planning to articulate your comparative advantages and structural preferences. If a deal survives these benchmarks, it is likely in your *sweet spot;* strategic fit has been achieved. If a deal fails to pass the first two, then the third question must take upon a greater strategic emphasis that explains why this deal is too good to pass up, despite its deviation from our established framework. We further unpack each question in turn.

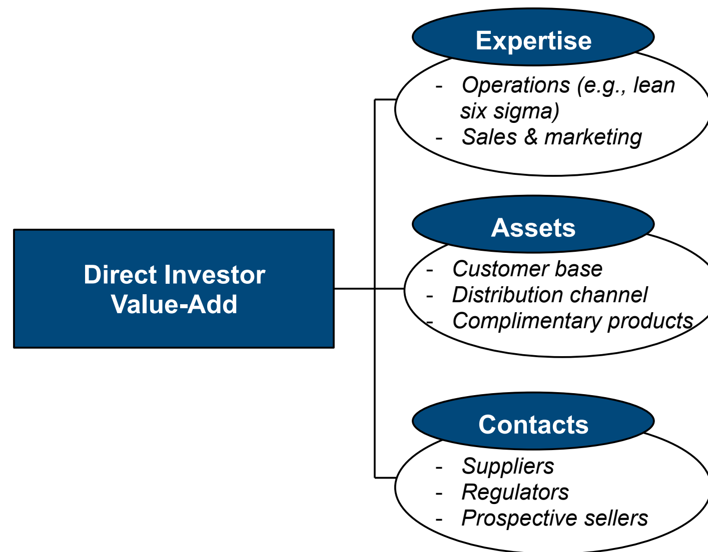
Alignment with your comparative advantage

The first step in discovering whether a deal is in your *sweet spot* is identifying whether you can achieve a sustainable comparative advantage relative to "competitor" investors. Such an advantage is derived from one of two fundamental sources: (1) securing a preferred entry price and (2) increasing an enterprise's scale and/or profitability.[8]

The ideal direct investment should be in an industry you understand and are comfortable with. Each sector speaks its own language and you should at least be proficient, if not fluent, in those you invest in. Relevant experiences will assist you in validating financial projections and as well as assessing the dynamics and attractiveness of the industry landscape. Moreover, pre-existing holdings, expertise, and contacts can directly add value, as illustrated in Figure 4 below. In-kind "value-adds" (like cross-selling to an existing customer base) are particularly effective. In addition to increasing the profits of both of your holdings, they can also, in some circumstances, be used as an effective lever for negotiating additional equity at little to no financial cost.

[8] Ibid.

Figure 4. Value-add can take on several manifestations



In addition to focusing on a familiar industry, you should also be comfortable with the direct investment's asset class. Direct investments can be categorized across six general sub-strategies: venture capital, growth capital, mezzanine financing, buyouts, distressed investments, and real estate.[9] The first five correspond to the progressive stages of a business' natural lifecycle, while the latter— real estate —is subject to its own set of development stages. It is valuable to understand these strategies and invest in a coherent set of them in order to (1) align your skillsets and preferences and (2) avoid losses stemming from a misalignment of risk perspectives.

First, you should pursue direct investments within sub-strategies that you enjoy and that require skillsets that you are good at. Broadly speaking, each direct investment strategy is distinguished by core value drivers that have corresponding skillset implications related to functional expertise, financial proficiency, and negotiation strategy, among other factors. Before you jump into any particular strategy, it is important to understand their nuances and how they match with your personality and abilities.[10] Second, it is best to consistently invest in a coherent set of strategies in order to avoid misapplying lessons from previous experiences. Often it is difficult to mentally recalibrate when assessing opportunities across different strategies because of the particular mindsets required by each to succeed. For example, risk tolerances for individual deals generally decline as you progress through the business lifecycle, from

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[9] For fuller treatment of these topics see: "Unpacking Private Equity: Characteristics & Implications by Asset Class." McCombie Group Whitepaper Series. Feb 2013 <http://www.mccombiegroup.com/direct-investing/>.
[10] Ibid.

highly speculative earlier stage deals (i.e. venture capital) toward more mature companies, with stable financial histories. If you apply the same liberal risk perspective from venture capital— where success is predicated on hitting a few homeruns and tolerating a majority of failed deals—to buyouts of established companies, you're likely to do poorly given the much smaller margin for error in this space.

Finally, in a world of global financial markets, geography is often overlooked as a limiting factor. But in the context of direct investments, geography can affect an investment decision in two material ways. First, some investments require active on-the-ground management and supervision (particularly at the onset) and, thus, your team's geographic proximity can be critical. Second, knowledge of regional dynamics and local relationships can provide a valuable edge that can translate into preferred deal sourcing as well as operational value add. Given their opaque nature, these "geographic skills" tend to have greater relative importance in emerging market investments.

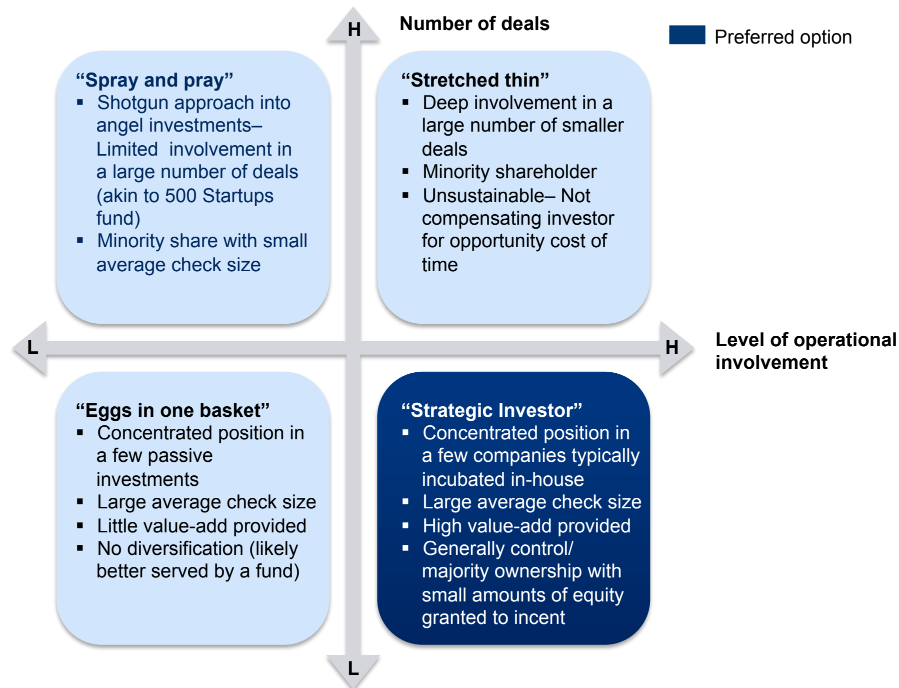
Alignment with your portfolio strategy

Vetting a deal for comparative advantage is only half of the battle in determining whether a prospective investment is consistent with your *sweet spot*. In parallel, you should also analyze whether a deal is compatible with your intended portfolio strategy. For example, are you seeking to do many small deals or just a few large ones?

The optimal direct investing approach is to be involved in a manageable number of deals, as depicted in Figure 5. As Warren Buffett articulated in his 1992 Berkshire Hathaway Chairman's Letter, "we believe that a policy of portfolio concentration may well decrease risk if it raises, as it should, both the intensity with which an investor thinks about a business and the comfort-level he must feel with its economic characteristics before buying into it." More specifically, the goal should be *active involvement* to the extent that value can be added to an investment (whether through superior sourcing, due diligence, or operations); otherwise, a concentrated position in a few passive interests is likely to be better served by a fund that provides highly specialized professionals who are experts at selecting and overseeing investments.

Active participation, however, has its limits. Too many direct deals can stretch you thin preventing value to be added on a sustainable basis. It is unrealistic to assume that you can consistently create value in a multitude of ventures. But even if you could, such a strategy is still likely to be suboptimal. Given your limited involvement, investing in many small deals necessarily implies a portfolio of minority equity positions, meaning that for every dollar of value generated the disproportionate share (typically 70+ percent) accretes to other shareholders, primarily management.

Figure 5. Optimal approach is to be actively involved in a manageable set of deals



While instructive, this framework, of course, raises the questions of: what is a manageable number of deals and their corresponding size? Answering this requires a keen understanding of (1) the cost involved in screening and monitoring an investment and, more importantly, (2) your and your team's availability.

First, you should only pursue opportunities that are large enough to absorb the requisite professional fees needed to perform proper due diligence. In the absence of doing the necessary homework, deals should simply be viewed as "passion investments," whose primary purpose is independent of financial returns. Even when some of these activities may be performed oneself, it is valuable to impute an opportunity cost of your time, since you could have chosen to allocate it to other value creating opportunities. Finally, the vexing reality is that deals have to be large enough to cover not only the fees involved in selecting it, but also the fees incurred in deals 'killed' along the way. There is no escaping budgeting for bad deals; all we can strive for is reducing their frequency.

Taking an investment across the selection gauntlet requires a number of progressive tactical steps: strategic analysis, tactical due diligence, active negotiations, managing the closing process, and, ultimately, continued monitoring. Clearly, not all deals make it to the end. Even best practices to efficiently select and deploy

investments close on one-third of transactions considered, at-best. Institutional investors typically cap related professional fees at 2 percent of a fund's total value. Considering that family offices lack similar economies of scale[11], as a general rule of thumb, deals should only be pursued if the anticipated out-of-pocket expenses, including professional fees, can be performed for less than 5 percent of the invested amount. Anything greater will threaten to substantially erode your earnings. Investing in your *sweet spot* often has the added benefit of helping reduce requisite out-of-pocket expenses since you will have relevant benchmarks and experience to intuitively assess an opportunity's attractiveness. Similarly, leveraging the expertise of aligned strategic partners to supplement your efforts can help maximize your due diligence efficacy. From our practical experience, a potential investment should have a minimum size of $500,000 to $2 million (depending on context) in order to be efficient.

Ultimately, the number of direct deals you can conceivably do is generally limited by the minutes, not the dollars, you can spare. While closing deals is time intensive, the ongoing monitoring of investments represents a far greater commitment in aggregate. The most determined investors alone may be able to stretch themselves for a time and juggle multiple closings. But, this is not possible to sustain on a long-term basis. That said, hiring professional management can reduce, but not substitute your ongoing responsibilities. After all, staff will need continued access to your relationships and expertise to generate significant value. As a rule of thumb, man hours[12] vary along a continuum of a deal's operational intensity that can roughly be divided into three segments. First, deals that require day-to-day participation by an on-the-ground executive typically demand 20 or more hours of work a week. Second, deals that require more targeted strategic advice and direction usually require approximately 10 hours on average. And, finally, more hands-off monitoring roles (e.g. Board participation) can generally be performed with less than 5. For the individual investor, these time commitments may be minimized by delegating to trusted lieutenants.

With these benchmarks in mind, the average size of a direct investment you should consider assuming is a function of your allocated capital relative to the number of deals you can do. For example, if your allocation is $100 million, your optimal deal set could be two intensive $50 million deals, four $25 million deals, eight $12.5 million deals, or a permutation thereof that sums to a time commitment of 40+ hours a week.

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[11] While screening costs do rise with deal size, the relationship is not linear since a bare minimum of expenses are incurred regardless of the amount. Additionally, larger deals benefit from economies of scale involved in monitoring investments, as demonstrated by their ability to more easily absorb the cost of professional managers to oversee ongoing operations.

[12] These time commitments are approximate and can vary widely due to the many factors that characterize a investment's operational intensity, including size, performance relative to expectations, etc.

For some, even eight $12.5 million deals may be a hyper-concentrated position. In such a context, in which you have more capital than time, hiring additional resources may be preferable to eschewing the asset class. Moreover, outside advisors and team members provide the added comfort of knowing duplicativeness and continuity will protect your heir's interests in the unlikely event of death or incapacitation.

Discerning a deal's context

Lastly, after analyzing a deal's strategic fit, your focus should shift to tactically understanding a deal's context. This last phase is sequential, rather than instep, because knowing whether a deal is in your *sweet spot* or not determines the burden of proof a prospective investment must pass when deciding whether to further proceed. While deals in your *sweet spot* should always require a thorough due diligence, deals outside it, should demand an even more rigorous filter to address the increased risk. Specifically, a deal should be closely scrutinized across four factors:
(1) origins, (2) timing, (3) returns, and (4) structure.

First, context matters in a world where good deals are hard to find. Maintaining a healthy dose of skepticism is vital to determining the true narrative of an opportunity. The more exclusive a deal's origins are the more likely that it will be an attractive opportunity, all other things equal. For example, it is one thing to receive an unsolicited pitch from an intermediary who appears to be employing a shotgun approach to obtain maximum visibility, and quite another to proactively pursue a target company that has yet to consider the benefits of an investment from a potentially strategic source. (Stay tuned for our upcoming whitepaper on best practices to source proprietary deal flow.) Thus, before even considering term sheets for a prospective investment, you should ask yourself a series of fundamental questions—"Why was I pitched this? Do I trust the source? What financial incentives do they have in proposing this deal? Am I the last in line because all of the 'smart money' has passed?" If the deal is in your sweet spot typically you should be able to readily answer these questions. In this context, you are often the 'smart money' that learned about a given deal through your deep industry ties. And even if you are engaging in an arm's length transaction, chances are you know someone that can validate whether the deal you are analyzing has been 'around the block' and whether your counterparty is a legitimate player.

Second, the difficulty of this assessment is compounded if you are under substantial time pressure. In such an environment, you should be highly wary of compressed time frames that limit the amount and depth of due diligence you can conduct. Here again is the virtue of the *sweet spot*. When you already have familiarity with these opportunities beforehand, it is a lot easier to opportunistically execute with confidence, even if you are under the gun.

Third, only pursue deals that meet internal hurdle rates under conservative assumptions.[13] While a target opportunity may be structurally sound, its price point may be sufficiently high that any upside is already baked-in, making the risk-return dynamics unattractive.

Outside your *sweet spot,* you should only consider opportunities with potential returns that are an order of magnitude above your typical hurdles—typically, at least 50% higher than your standard benchmark. In other words, if you expect 30% IRR from a growth capital investment in an industry you know, you should shoot for 45+% IRR in other sectors. If you are going to engage in a probable “wild goose chase” that has a low likelihood of closing, might as well demand a high premium. Furthermore, this provides a sufficient buffer against the ‘unknown unknowns’ you are getting yourself into.

Finally, astronomical projections should not be enough to entertain a deal outside your *sweet spot*. As the Spanish saying goes “just because it is written does not mean it’s true.”[14] An aligned partner and deal structure is an important vehicle to validate these forecasts. In such contexts, as depicted in Figure 6, you should seek to participate in a co-investment or club deal structure that pairs you with trusted ‘smart money’ partners who allocate a significant amount of time and capital to the deal. Ideally, they will contribute a meaningful amount relative to their net worth and will assume a ‘lead investor’ role, actively conducting due diligence and monitoring the investment, which you can benefit from. On the other hand, for deals within your *sweet spot,* directly pursuing investments as a solo investor may be optimal, since it allows you to retain all of the value that you add. [15]

Your goal should always be to align yourself with managers who participate as owners and whose financial gains are predicated upon your returns. Any reluctance be a general partner or sponsor to contribute material “skin in the game” can be highly informative regarding their level of confidence in achieving their stated projections.

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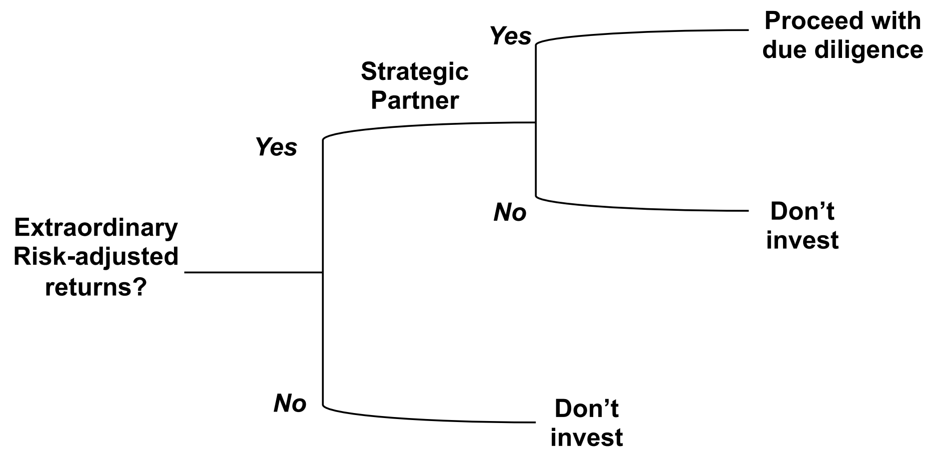
[13] Internal hurdle rates should be informed by the industry, investment strategy, and geography of an investment, as well as, individual risk tolerances. For fuller treatment of these topics see: “Unpacking Private Equity: Characteristics & Implications by Asset Class.” McCombie Group Whitepaper Series. Feb 2013 <http://www.mccombiegroup.com/direct-investing/>.

[14] ‘El papel aguanta todo’

[15] Please see our previous whitepaper for a fuller discussion on the relationship between deal structure and value captured. “Direct Investing: A pathway to family stewardship.” McCombie Group Whitepaper Series. Nov 2012 <http://www.mccombiegroup.com/direct-investing/>.

Figure 6. Decision tree for opportunities outside '*sweet spot*'



Conclusion

Good deals are hard to find. And finding good deals that present an opportunity to capture additional value by emphasizing your comparative advantage is even harder.

Families who are still actively involved in operating businesses should not imitate institutional financial investors in carrying out this approach. Such a strategy is, in short, too expensive and leaves money on the table by ignoring your family's unique ability to add value to an investment. Instead, you should seek to be a strategic investor, a paradigm that casts a narrower net, tailored to capitalize upon your specific advantages.

To equip yourself, you need to establish an internal investment policy that enforces discipline, while still providing the flexibility to react opportunistically. Such a framework should prioritize opportunities within your *sweet spot,* while demanding greater scrutiny whenever deviations are entertained.

About the author:

David McCombie is Founder and President of McCombie Group, LLC— an innovative advisory firm supporting family offices and ultra- high net worth individuals across their direct private investments and closely-held operating businesses. Its professionals serve as transparent fiduciaries, objectively representing clients' interests from A to Z—from initially selecting, analyzing, and consummating an investment, all the way through continued monitoring and performance improvements. A thought leader on private equity, he has been a featured speaker at international investment conferences, and teaches a course at the University of Miami School of Business based upon his upcoming book on the subject: "The Family Office Practitioner's Guide to Direct Investments."

David is a former McKinsey & Company management consultant—A specialist in corporate strategy, he managed multiple client teams across a variety of industries to quickly develop strategic recommendations within complex, uncertain environments. In 2009, he was selected as a McKinsey Global Institute Fellow to further develop the firm's regulatory capabilities (approximately 10 of 10,000 McKinsey consultants selected/ year). Prior to joining McKinsey, he briefly worked as an associate within the financial institution group at Citigroup Global Banking in New York.

David graduated from Harvard Law School where he focused on corporate law & negotiation strategy, and also did extensive coursework in corporate finance at the Harvard Business School. His thesis, "Hispanic Private Equity: A Cultural Approach to Achieving Superior Investment Returns" was published in the Harvard Latino Law Review. He graduated Phi Beta Kappa from the University of Miami with a degree in Economics/Finance, where he was a Cuban American National Foundation Mas Scholar. A committed member of the South Florida community, David currently serves as Chairman of the Advisory Board of HistoryMiami. He is a licensed Florida attorney.