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EPISODE 177:

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**Inside Modern Wealth  
Management: How Top  
RIAs Build Portfolios,  
Select Managers &  
Manage Risk**



**Carter Garrison:** Welcome to the Dakota Live podcast. I'm your student host, Carter Garrison.

**Robert Morier:** And I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, and other industry leaders to help you sell in between the lines and better understand the investment ecosystem. If you're not familiar with Dakota and our Dakota Live content, please visit our website at [dakota.com](https://dakota.com). Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker who is not affiliated with Dakota. Not a solicitation, testimonial, or endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota.

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Welcome back to the Dakota Live podcast. Today's episode is a particularly interesting one. We are joined by Fulcrum Capital, an independent employee-owned wealth management and investment advisory firm based in Seattle, Washington. Today's conversation is particularly interesting because we're exploring two sides of the same advisory process, but it's also interesting because we have a very special guest host with us today. Carter Garrison, who opened up today's episode, is a student at Drexel University. He is also the son of one of our guests. His capstone assignment as part of his internship this summer was to source a guest, write the script, and then join me here on The Desk. We're very excited and very proud to introduce Kathryn H. Fisher, Chief Wealth Strategist at Fulcrum and Carter's mom. So Kathryn, welcome to the show.

**Kathryn H. Fisher:** Hello. Hi Carter, honey.

**Robert Morier:** Thank you for being here. We'll absolutely keep that in the final episode. We are also joined by Hans Krippaehne, Director of Investments with Fulcrum Capital. Hans, welcome to the show.

**Hans Krippaehne:** Thanks. Great to be here.

**Robert Morier:** Well, it's great to have you both here. Kathryn's work focuses on long-term planning, family stewardship, legacy, philanthropy, and helping clients align their wealth and the lives they want to build and the impact they want to have. Hans leads the investment side of the process, portfolio construction, market strategy, investment decision-making, risk management, and he is translating those long-term client goals into actual investment implementation. Together, their work represents a fully integrated approach to wealth management where planning and investing are deeply connected. Kathryn and Hans, welcome again to the show. Kathryn, we always like to start with the beginning. We want to get an understanding of how you came into the industry. We're here with your son now, so everybody's going to know 10 years from now exactly how he got into the industry, which was on this desk and on YouTube. That is in posterity for everyone to see. I'm assuming you did not start on a podcast.

**Kathryn H. Fisher:** I did not. I actually started in financial services marketing and decided that I wanted to be on the other end of it, actually providing the financial services to people as opposed to just telling them what to do.

**Robert Morier:** What did you study in school?

**Kathryn H. Fisher:** I was an American Studies major.

**Robert Morier:** Okay, American Studies. So history, social studies, politics?

**Kathryn H. Fisher:** Yeah, history, English — which is fantastic in terms of helping with writing and being able to communicate with clients. That has really come in handy. Understanding history, both U.S. history and global history, has come into play with what I'm doing, and the marketing aspect as well. All of my careers have sort of combined to provide great fodder for this career.

**Robert Morier:** Was it a person? Was it something you studied? Was it just that first job opportunity that took you on this career path?

**Kathryn H. Fisher:** It really started when I was working at the University of Washington in the Office of Gift Planning, doing marketing there and working with donors to help tell their stories about their giving. I really enjoyed working with the donors, and I wanted to be able to help them with their broader overall financial picture as opposed to just one small slice of it, which was giving. For some people, that was actually a very big and very generous slice, but I wanted to be able to work with them on the whole picture. That's when I really made the shift to financial planning and wealth advisory.

**Robert Morier:** We're going to talk more about Fulcrum in a few minutes. And for our audience who are less familiar with the organization — but before we do, Hans, what originally drew you to investing and portfolio management?

**Hans Krippaehne:** I've been interested in markets for most of my life. The genesis was really with my dad, who encouraged me to think about putting some of my savings into stocks when I was growing up. He made a generous offer to essentially match my investment in any stocks that I wanted to buy, to encourage savings and thinking about investing. So that was me at the breakfast table looking at the Northwest stock section of the Seattle Times and picking out stocks to buy and tracking them every morning. That was kind of the genesis for me in terms of getting interested in markets. I've been hooked ever since. I studied economics at Santa Clara University and came back up here to Seattle to start a career. I've been in the industry for just about 10 years now, mostly on the investment research side, but had some stints into client service and operations. Hopefully that gave me a little bit more holistic view into what we're trying to do as a business. I've been here at Fulcrum for about four and a half years now, working on the investment side solely. It's been an awesome trajectory and career thus far — no shortage of market environments to have learned the trade in and continue to hone the skills.

**Robert Morier:** Those skills that you've been honing — when you think about your investment philosophy, you're now working with families doing long-term wealth planning in conjunction with Kathryn. How has your approach to markets evolved, maybe from the beginning of your time at Fulcrum four and a half years ago? There's a lot that's been going on in the markets. When you think about the way you've approached the markets and then ultimately those conversations with Kathryn and your underlying clients

**Hans Krippaehne:** It's been a very dynamic environment since I joined. I joined in early 2022, which, as many of you may know, was a challenging year for financial markets and for traditional portfolio allocation. Your traditional 60/40 balanced portfolio— that was one of the worst years on record to be invested in that style. I think what I've learned there is that tactical allocation, really thinking about where your positioning is not just in certain parts of the stock market but also parts of the bond market, becomes more and more important in this more dynamic environment that we seem to find ourselves in these days.

**Robert Morier:** Kathryn, for our audience, as I mentioned earlier, would you mind giving us an overview of Fulcrum? For those who are less familiar with the organization?

**Kathryn H. Fisher:** We are an RIA based in Seattle, as you noted. Fulcrum was founded in 2007 by Bob Kuhn and Darcy Johnson, who had been working in more of the traditional brokerage environment at several banks — lots of mergers and acquisitions — and they really wanted to be able to serve their clients on an independent basis where they weren't being told what to sell or what to do. They wanted to just be able to do what they thought was best for their clients. So the RIA model was perfect for them. We've been around for almost 20 years. We now have over a billion dollars of assets under management. Many of our clients are or were business owners, or highly successful professionals, either in the tech industry or professional physicians and attorneys. We're their trusted partner. I like to think that I'm giving people peace of mind and confidence that they don't need to worry about their finances. We also work very closely with a lot of our clients' accountants, trying to make sure we're watching for tax efficiency without letting the tax tail wag the investment dog. One of the things that was very important to Darcy and Bob when they founded Fulcrum was that we also give back to the community. So Fulcrum gives 10% of our net profits to nonprofits. It's also important to many of our clients — I think when you do that yourself, you tend to attract people to whom that is important. We also have several nonprofits as clients, and those are some of our largest clients. When we're working with individual clients, we start with the wealth planning process. We want to understand their tolerance for risk, but bigger picture, what are their long-term plans? What's their background? Who's in their family? What do they want for their family? What do they want for themselves? And where do they see their future? And then we bring in the investment team to implement the appropriate solution. We're working with the accountants, attorneys are included in that, and we're bringing everybody together to make sure that the client's picture is really addressed from a holistic perspective.

**Robert Morier:** Kathryn, it sounds like a very integrated advisory framework. When you make that call to Hans and his team, you're presenting them, it sounds like, with a few stages of where the client has been introduced and then somewhat acclimated into the Fulcrum ecosystem, including where those profits may be going in terms of the nonprofit work that you do with certain advisory clients. Hans, how has that changed the way you think about portfolio management? When you're presented a client with very specific goals — they want to be independent, as Kathryn had mentioned — how do you think about the portfolio management approach from that perspective?

**Hans Krippaehne:** The initial allocation decision really should tie in well with the financial plan. What I mean by that is, what is the high-level mix of the large drivers of return and risk in the portfolio? That has relation to the financial plan and to the risk tolerance of the client as well. That's really something that we're trying to match up. It also drives how we think about liquidity needs and certain types of investments that we may include in the portfolio that are potentially less liquid than others. And then on an ongoing basis, there's the portfolio management — the day-to-day management of portfolios. That's more thinking about tactical allocations, how those are going to be implemented, where we're going to draw cash from if there are cash needs in the portfolio, or where we're going to emphasize putting cash to work if there's cash coming into the portfolios. And then on a more practical basis, particularly for our individual clients, where are we placing these assets in accounts? There are tax-efficient approaches to where you may or may not want to hold different investments. So we're really thinking about that at a high level as we're implementing those clients and then managing that portfolio on an ongoing basis.

**Robert Morier:** Hans, are you beholden to a model or model delivery for your clients, or are you able to introduce more à la carte solutions for your underlying clients and their families?

**Hans Krippaehne:** We do use models to guide our portfolios. In any one of a number of instances, there can be customizations based on certain client preferences that we can account for. At a high level, we are using investment models to essentially guide where we want high-level allocations to be and roughly what sort of security weightings we want in the portfolio. That allows us to deliver a more uniform experience to our client base, while also adhering to our own principles of risk management and return-seeking investment.

**Robert Morier:** Kathryn, you mentioned holistic wealth management a few times. Would you mind defining what Fulcrum means by holistic wealth management?

**Kathryn H. Fisher:** Even if we're not managing certain assets, we want to have those investments in mind for the investments that we are managing. For example, if a client is a small business owner and the business is doing really well, but they've got a lot of their net worth outside of Fulcrum tied up in that business — that is a very aggressive investment allocation. So we may keep our portfolio a bit more conservative, a bit more stable, because they're taking the bulk of their risk in that business. The same is true for a tech CEO who has a significant level of RSUs: that's also a pretty significant level of risk. So we want to have that in mind as we're looking at what we're managing in our portfolio and manage that in tandem, even though we're not managing those assets. They're an important part of the client's wealth structure and we want to include them. From a holistic perspective — looking at more than just the investment management — this is where I think most advisors really bring value: looking at tax efficiencies. Should you be thinking about Roth conversions? Should you be doing all of your contributions to Roth IRAs? We work closely with accountants to make sure that we're all on the same page with what's going to be happening with regards to capital gains. Maybe there's a particular year in which the accountant knows that the client is selling a building and is going to have significant capital gains, and we need to offset that with any losses that we can possibly grab. And working with attorneys too, to make sure that when clients have significant changes, their estate plan and planning documents reflect that, and that we have everything titled correctly. It's everything from that very broad picture with the advisors to getting down to the investments and the real specifics in estate planning, titling, and the day-to-day implementation of things.

**Robert Morier:** Kathryn, it sounds like a relatively comprehensive education process. When you're thinking about onboarding a client and taking them through this education of all the facets that Fulcrum is going to be presenting to them, how do you balance their goals relative to the reality of risk? And then, to your world of portfolio management — what does that conversation look like in terms of education, and what does it look like in terms of managing expectations?

**Kathryn H. Fisher:** One of the things that's really helpful is the planning software that we use. We're able to show the impact of having a more aggressive portfolio with higher risk but also higher returns, and then show what happens if we take some risk off the table — corresponding lower returns but less volatility in the portfolio. That helps start the conversation. But a lot of it is really just getting to know the client — how much do they already know about investments? How much do they want to know? A lot of clients want to understand the big picture, but they want us to just manage the investments. Other clients are really in the weeds, asking about every single stock that we have. Hans has had a lot of those conversations. It very much is an education process and it looks different for every client, because every client is totally different. That includes the nonprofits as well, where we're educating board members on their fiduciary responsibility and on the investments that we're using and on their overall portfolio. A lot of the nonprofits are a good example of where we're working around other investments in addition to the ones that we're managing. Yes, there is a lot of education involved in that.

**Carter Garrison:** Hans, in light of the wave of private markets in retail portfolios, how do you think about diversification in modern markets?

**Hans Krippaehne:** Yeah, it's a really interesting question, actually, with the way that the industry has evolved over recent years. The education aspect is really important because many times clients I've talked to about private markets kind of have the idea of, "How do I buy the next Google? How do I buy the next SpaceX? How do I buy the next Facebook?" —whatever individual, higher-risk investment can I get allocated to? When we're thinking about building those sorts of allocations, diversification and risk are first and foremost to our framework. I think it often gets lost that private markets are way larger than just venture capital or early-stage growth equity investing. There's everything from that equity side to other types of equity such as buyout. You have the whole credit side — things like private credit or other alternative credit strategies. You have real assets, you have real estate. The opportunity set is a lot larger than most people think. And to achieve adequate diversification in that space is a bigger hurdle than people generally tend to think of at first. As this relates to your question, the availability of new types of structures that have more built-in diversification have really given an increased amount of access to those markets to retail investors. Now we could probably have a whole podcast on whether or not that's a good thing or a bad thing for retail investors, and the caliber of those investments that may be in those types of solutions. But that has given both investors and folks like ourselves the ability to have different sets of tools to construct those allocations. There is utility in those, and we do kind of use them in certain areas of our portfolios as well. But at the end of the day, there's always an element of education around these things, because they tend to be less liquid, they tend to be more opaque, they tend to be higher fee. There's several elements that really require an elevated degree of investor education on the front end. And I think you're kind of seeing some of that playing out in markets right now. There's been private credit in the headlines about elevated redemption requests within more retail-oriented products — that's a small segment of the private credit market, and you don't see some of the more institutional players seeking that liquidity. That could be an element of investor education maybe it wasn't fully disclosed to the client exactly how liquid these investments were, and maybe they needed money and now they're facing that illiquidity mismatch. So those elements of investor education are certainly very important on the front end before we start making allocations to things that may be more difficult to unwind.

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**Robert orier** Hans, if you wouldn't mind, put that into practice for us. So how do you manage those short-term market narratives from disrupting your clients' long-term portfolio discipline? When you're thinking about sitting down at the table with one of these clients and they are reading about Space and they are reading about AI and they are reading about real estate opportunities with data centers — whatever the headline is that day — how do you manage it in practice to keep them on track for those long-term goals that Cathryn and the team set out for them when they were onboarded originally?

**Hans Krippaehne** A lot of it is just providing the right context. Investor education — some of these things may not be needed to get to the goals that we've set forth. So you need the complexity so you need the illiquidity to get to your goals. That, I think, is step one. Step two would probably be talking through position sizing. A lot of times when you start sweating about an investment, it might mean that you've sized it incorrectly in some ways. We do tend to keep that illiquid or less liquid portion of our allocations reasonably small — big enough to be meaningful to the risk and return of the portfolio, but also small enough that we can point to clients and say, hey, this element of your portfolio,

while we do expect it to generate the long-term returns that are necessary for your plan, it also represents a smallish piece of your portfolio that you don't need to draw on for liquidity. We have other things in the portfolio to satisfy that." In a lot of conversations, whether it's what you're bringing up or other things, it's about contextualizing in the whole portfolio sense — about how everything fits together and the roles of different investments in the portfolio.

**Robert Morier:** Hans, how would you describe Fulcrum's approach to active management?

**Hans Krippaehne:** We do use a fair amount of active management in our portfolios, and that is not intended to be a dig against passive management at all. In fact, I think it is one of the wonders of investment and financial innovation to be able to get exposure to different risk factors or different asset classes at very reasonable costs. That also comes with its own set of risks. We like to evaluate the different parts of the investment landscape for active management, really understand at a root level what we think drives active management performance, what drives manager returns. That could be different obviously in bond markets than in stock markets. As we pull apart the research and try to figure out what's really driving returns, that will lead us in different directions. I'll give an example from some recent research we've done in the emerging markets space, which is topical given that emerging markets have been a hot area of global markets as of late, kind of related to the AI trade. What we're really trying to understand there is, there are a lot of different levers to pull as an active manager within the emerging markets space. How do you think about country allocation How do you think about sector allocation with such a broad universe of stocks to pick from How do you think about individual security selection when you have , stocks to choose from What we're really trying to do is use fund research databases to test different theories we have about what does or doesn't matter. We could be looking at things like fund costs, the active elements of a fund in terms of number of holdings or concentration, or how they're thinking about country allocation — do they differ from the index We can take all of those theories and test them in a research environment, then use that to interview different managers that we think could provide value in that space. In addition to that internal research and reading external research such as white papers, we're also looking for alignment with our general philosophy on what adds value in equities.

**Robert Morier:** Hans, that's very helpful and interesting because you've given us a tangible example to work with. Usually at this point in the conversation — and we've been doing this for years now — we'll talk about where that underwriting process starts. It sounds like what you've effectively done is taken a top-down view as to where you want to be deploying your time. Emerging market equities is an area that has been doing well recently, but I'm sure that process for you started before the recent upswing in performance. When you think about the underwriting process and where it begins — you had mentioned fund databases — is it a quantitative screen Is that initially what you're doing Are you relying on your network, talking to other allocators who have exposure to emerging markets Would you mind taking us through, top-down to bottom-up, what that underwriting process looks like

**Hans Krippaehne:** Any and all of the above, really. You never know exactly where these ideas will come from. As you might imagine, we get a lot of external managers sending us emails, giving us phone calls, trying to book meetings. And we love taking meetings because we like to talk with people about markets and truly try to understand all these different approaches to allocating capital. But at the end of the day, we are also using our own internal tools to try and narrow that universe. In the example of emerging markets, yes, we do use some screening-esque capabilities. I think you have to be careful with screens because you have to establish a certain cutoff on something, and sometimes there are gray areas you don't want to miss out on. I've generally taken the approach of research broadly, create some scoring methodologies based on characteristics that you've honed in on in prior research, and then that scoring methodology kind of leads you to a group of managers that rises to the top. And then you can go from there and start to reach out. Maybe the manager sitting at the top — you say, hey, I just talked to them two weeks ago. Great, now they're at the top of our list. That's not always how it works out, but that's the importance of maintaining contact with outside managers and understanding the landscape. But really, it tends more to be driven by our internal research and us reaching out to those external managers than them coming in for a meeting, telling us their story, and then us handing over a check. That's generally not how it tends to work out from our perspective.

**Robert Morier:** And when you think about your emerging market exposure, are you going to reflect that exposure with one manager— one generalist that's going to get you exposure to both emerging and frontier markets, the growing middle-class consumer, as well as maybe something more sector or industry-specific? Or will you build a portfolio of specialists?

**Hans Krippaehne:** We definitely lean towards the fewer managers camp on this. I think what you have to be really careful about in any space — not just emerging markets — is that if you're really trying to cover all of your bases so that you always have something good to talk about and there's always something bad happening, you've kind of maybe diversified away any sort of long-term value add, maybe aside from some sort of rebalancing alpha that you might experience along the way of trading between those. We haven't typically taken the approach of needing a value manager, a growth manager, a small cap manager — all of these different areas to express a view. We've more tried to take that top-down view of what we think drives returns here and how we can get the most of that. The challenge in that space is tracking error. We want to be cognizant of the client experience with that tracking error — it can be a challenging thing to sit through. It always feels great on the upside, but not so much on the downside. If you take that approach of filling all your buckets, so to speak, you may end up just recreating the index at a higher fee. And that's not something that we're necessarily interested in doing just for the sake of always having something to point to that's going well in the portfolio.

**Robert Morier:** Is a registered mutual fund the only vehicle in which you'll be able to accept an emerging market equity mandate, or do you have flexibility to look at other commingled pooled vehicles?

**Hans Krippaehne:** Oh yeah, we have flexibility. And maybe I'll plug a little bit for our independence here. Being an independent RIA, we do have that flexibility to use what we deem appropriate in our client allocations. That being said, right now, primarily our active management is expressed through mutual fund vehicles. But there's been a lot of evolution in the types of investments and investment vehicles that you can use — emerging markets as an example. The proliferation of active ETFs is a very interesting development that allows us as allocators to potentially deliver a similar type of experience with lower fee and potentially better tax efficiency than a mutual fund. It's still kind of a nascent environment. A lot of the active ETFs that you might consider — truly active, on a spectrum from passive to systematic to truly active — the truly active side maybe hasn't quite gained the same momentum as passive has. So you haven't seen the trading volumes on those ETFs necessarily reach what you'd want to see to efficiently allocate to those spaces. But I think that's probably coming over time as people think about the tax efficiency and lower cost of those. That's just one example. But I think our independence allows us to consider really anything that we believe is best for the client. That can dovetail to various transitions where, for example, there's some sort of separately managed account or tax-managed account approach to help a client transition out of a concentrated position or a high-gains position. Being able to pull those levers is really useful for us and, I think, also demonstrates the cohesiveness of our ability to work together between our investment team and advisory team.

**Robert Morier:** The barriers to entry to launch an active ETF have become lower and lower, meaning it's getting easier and easier for a provider to launch an active ETF. I was talking around with someone recently — before too long, there's going to be an active ETF of neighborhood lemonade stands. Obviously it's more challenging than that and more dynamic and sophisticated, but it begs a lot of questions around how your due diligence process is evolving in this landscape of something that, as you said, is relatively nascent but growing very quickly. We're seeing more and more active ETFs for everything — fund-of-fund active ETFs, active ETFs for very specific sectors and industries that have done very well and are gaining a lot of assets as a result of education, or maybe in some cases a lack thereof. So how is your due diligence process evolving?

**Hans Krippaehne:** I think I saw a stat that there are now more ETFs traded than individual stocks at this point. That just goes to demonstrate the proliferation in the marketplace. It's a similar process to due-diligencing any sort of external manager. In market environments like what we're experiencing right now, where there are highly thematic, perhaps high-momentum or high-beta-driven types of strategies, that's where you do see a lot of people coming to market with certain thematics that may be too concentrated an exposure on their own. They might be an interesting building block, but you really need to understand them in the portfolio context — how those underlying risk factors interact with other elements of the portfolio already owned. So in some ways, what's changing is really the wrapper, the expense ratio, the underlying vehicle. There's still a similar amount of due diligence, a similar caliber of due diligence that needs to be done — both for the strategy itself and for how it fits into the portfolio.

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Robert orier athryn, coming back to you. So now it's time to educate your clients. They have their long-term goals. You've sat down with them on a regular basis. We're going to add emerging market equities to the portfolio. That conversation involves risk, macro, and thematic considerations. Getting back to the way I asked it to Hans — how does that conversation happen in practice

**athryn . Fisher** Well, we've had emerging market equities in the portfolio for quite a while. What we're usually doing is introducing a style of investment or a particular investment manager. It's really about helping clients understand what are the risks involved, what's the likely return, what do historic returns look like, what do we think returns are going to be going forward, what's the general reason we're going with this fund, what are the top two or three things that we really like about it. Most clients don't want to get into the weeds on that — that's why they've hired us. But as an advisor, I want to make sure they understand what they have. For example, with mutual funds, the wrapper is really easy. But if we're doing something that has quarterly liquidity, or that accumulates value with interest payments and pays them out once a quarter or once a year so that the value of the fund drops momentarily but you've got a big payment that just came in — I want them to understand how that works so there's not an unpleasant surprise later. Transparency is really the word. We want to be very transparent with clients about why we're investing in specific investments, what advantage we see to that investment, what the drawbacks are, and why we're willing to take on the negatives. What are the positives that offset that. We're being completely transparent right from the beginning. I'll have the conversation with them in person and then follow up with an email outlining and bullet-pointing it so that we have it later. It's great to be able to pull that up later and say, Remember, we talked about this. Here's the email I sent. Here are the bullet points. It really is about transparency and setting expectations for the client.

**Robert orier** In my experience speaking with RIAs, multifamily offices, and family offices, the thing that seems to change the most over the longer-term nature of the relationship is liquidity needs. Liquidity needs change month to month, year to year, generation to generation. When you think about liquidity needs in the context of increasing private market exposure — maybe a two-part question — how are you discussing liquidity and transparency in the context of increased private market exposure. And then maybe more for you, Hans, how is that private market exposure generally being reflected in your clients' portfolios

**Kathryn H. Fisher:** That's part of our overall planning process. These are the assets that you're going to need to generate your income and living expenses. We're going to have X amount of dollars left in 20 years, 30 years — how much of that can you afford to have tied up? How much do you want to have tied up? That is part of the planning process too: understanding what those liquidity needs are. How much are you going to want to gift? For a lot of our clients, issues around liquidity come up when they either want to make a large gift and it's difficult to sell, or when they pass away. And it's really not fun to have a lot of illiquid assets in a client's estate. It just depends on the client. Some clients are not comfortable with illiquidity at all — they want to know that they can sell their assets whenever they want and have access to them in any scenario. Others love it. They love thinking that they have access to something that not everybody has access to, and they're absolutely willing to make that investment and not touch that money. And we make sure that they're not going to need that money. We're not going to put half of somebody's portfolio into an illiquid investment. We're going to make sure that whatever amount is in there is an amount we're not going to need to touch. That's true of any asset class that we're investing in. We don't ever want to be forced to sell something when it's down. So we're always making sure that we have plenty of cash on hand, bonds or Treasuries coming due, and things like that. That does free us up to have more illiquid investments, because we're managing the liquid investments to provide that liquidity.

**Robert orier** So then, when you do have a client who is interested in private market exposure — as Kathryn had mentioned, it's not going to be half their portfolio, but let's say it's some percentage of the overall asset allocation model — how are you generally reflecting that exposure

**ans rippaehne** You're looking at manager dispersion in some of these different illiquid categories. You tend to find that as you move out the risk spectrum, that dispersion gets fairly wide — and much wider generally than in public markets. So we've historically kind of viewed that less liquid allocation as kind of an extension of our fixed income philosophy, as a way to generate additional yield in portfolios that, over time, should turn into total return. For us, it's been more of a return driver relative to a specific segment of the portfolio — specifically our core bonds — as opposed to a stated diversifier relative to the whole portfolio or an extension of our stock portfolio where you're getting into the arena of high manager dispersion. That also tends to mean being cautious of high-fee and complex strategies. We should have a very good understanding of the drivers of return in these areas — things that maybe aren't necessarily related to a certain trading style or a type of edge that's esoteric in nature or not as repeatable. We are looking for things that we can allocate to for the long term that we think can provide value relative to core fixed income.

**Robert orier** Do hedge funds have a place in your client portfolios

**ans rippaehne** Not at the moment. I'm a fan of the never-say-never approach. I think it's interesting because, as with many things in markets, things go through cycles. The 2008-2009 period was a particularly challenging period for a lot of different types of hedge fund strategies. As we've seen the investment and geopolitical landscape shift over the past five or six years, we have seen that performance cycle kind of change. Generally speaking, our answer would be too high a fee, too complex, and we don't need it because we can get our returns elsewhere. But there may be certain environments where a type of strategy is really complementary to a typical asset allocation portfolio. So it's not out of the question for us, but we don't have any of it currently.

**Robert orier** Kathryn, a little advice. I usually ask our guests, as one of the standard questions, to give advice to the students who are listening in. Your son is on the podcast with us, so why don't you give Carter some advice as it relates to his career

**Kathryn H. Fisher:** Can you ask Hans and let me think about that for a minute?

**Robert Morier:** I will. How about this — I'll let you think about it. What was the last piece of advice you gave him?

**Kathryn H. Fisher:** Probably make good choices.

**Hans Krippaehne:** That's good.

**Robert Morier:** I think he's doing well so far.

**Kathryn H. Fisher:** And the last directive I gave him was for the two nights that we're out of town when he's here no parties.

**Hans Krippaehne:** o parties.

**Robert Morier:** kay, ans — is that your office that you're in

**Hans Krippaehne:** eah.

**Robert Morier:** ou've got some books behind you. If you had to point to one of those books and recommend it to our audience, which one would you say is a must-read

**Hans Krippaehne:** ne of the top ones that I think gives a really good overview of the investment landscape and the different strategies that have been used and have worked in markets is from a practitioner at A R Capital. The book is called fficiently Inefficient. It's a copy that I've frequently recommended to peers and to incoming unior folks on our team — I think it gives a pretty good lay of the land.

**Robert orier** This has been a wonderful conversation. As we know, and as our audience knows very well, the RIA landscape has been changing very quickly. It's been consolidating, it's been growing. And I think most importantly, the scope of the investments that RIAs like Fulcrum are making are growing in sophistication — illiquidity and interest as it relates to our audience of asset managers as well as your fellow LPs. So thank you so much for sharing your insights, your experiences, and more about Fulcrum. It was very interesting for me, and I'm sure for our audience as well. Before we go, we are going to do some rapid-fire round questions. We've been closing our episodes with these, and my student co-host Carter Garrison is going to lead the charge.

**Carter Garrison** om, we'll start the lightning round off with you. What is the most underrated financial habit

**athryn . Fisher** Regular savings and putting money into a retirement account. That should be first and foremost for folks. It's a really good habit to be in. If you start when you're young, right out of school, putting money into retirement accounts — or even while you're still in school, contributing to a Roth IRA — that savings really adds up over time.

**Carter Garrison:** What do you think might be the biggest misconception about wealth?

**Kathryn H. Fisher:** That it brings happiness. It can bring stability. It can bring a certain degree of peace of mind. But it also can carry a lot of complications.

**Carter Garrison:** What is one lesson you think every family should teach their children about money — or what's one lesson that you hope I've learned?

**Kathryn H. Fisher:** Avoid debt. Taking on debt for something like a mortgage makes a lot of sense — you've got an asset behind it. But stay away from credit card debt, debt with high interest rates. That is a trap that can very quickly spiral downward. So stay away from debt as much as possible, with the exception of something like a mortgage. And save.

**Carter Garrison:** To dovetail on that — there's an Albert Einstein quote about compound interest being the eighth wonder of the world: "Those who understand it, earn it; those who don't, pay it." I was searching the Fulcrum website and I found a Søren Kierkegaard quote in your bio. I was curious — did that Danish philosopher, or maybe any other philosophers, have a significant influence on your investment philosophy?

**Kathryn H. Fisher:** I don't know. There's probably some in the classics, but it's been so long since any classics classes — I think maybe you guys would be closer to those quotes than I am at this point.

**Robert Morier:** Hans, what's a philosophy from Eagle Scouts that you've carried with you over the years?

**Hans Krippaehne:** Well, if you look at the 12 points of the Scout Law, trustworthiness is number one. In this industry, that is an essential element — whether towards your clients, your peers, or really anyone. How you carry yourself in society and in business is meaningful and you should always keep that in mind. I'm frequently reminded of that given that the Seattle area business scene is not incredibly large — everyone knows each other. So that element is truly important.

**Hans Krippaehne:** And for a book recommendation along those lines — one that I think is probably a good first book about money to give your kids, or for grandparents looking to give something to their grandchildren — *The Psychology of Money*. It takes a lot of concepts related to money, wealth, and probabilities and weaves them into a very readable story.

**Carter Garrison:** Hans, what do you think is the most underrated investing principle?

**Hans Krippaehne:** I think Kathryn kind of mentioned it earlier, and it's a fundamental driver of portfolio management broadly: don't sell what you don't want to at the wrong time. You really want to plan for the liquidity you need in portfolios and not be forced to sell something you don't want to at an inopportune time.

**Robert Morier:** Kathryn, thank you so much. Hans, thank you so much for being here and joining us on the Dakota Live podcast. If our audience wants to learn more about Fulcrum Capital and Kathryn and Hans's work, please visit their website at [fulcrumcapllc.com](http://fulcrumcapllc.com). If you want to watch this episode and past episodes, please visit our website at [dakota.com](http://dakota.com). You can also find us on your favorite podcast platform, or if you prefer to watch while you listen, please visit our YouTube channel at [Dakota Live Podcast](https://www.youtube.com/channel/UC...). Again, Kathryn and Hans, thank you for being here today. To my student co-host Carter, thank you for being here today and arranging all of this. And to our audience, thank you for investing your time with Dakota.