dakota

EPISODE 44

Planning for the Long-Term

with Paul Ried Financial Group

Robert Morier: Welcome to the Dakota Live! Podcast. I'm your host, Robert Morier. The goal of this podcast is to help you know the people behind the investment decisions. We introduce you to chief investment officers, manager research professionals, sales leaders, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live content, please check out dakota.com to learn more about their services. 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 an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or a recommendation of the investment advisor or its supervised persons by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. Well, I am very happy to introduce our audience to Adam Jordan, Director of Investments and Chief Compliance Officer for Paul Ried Financial Group, based in Bellevue, Washington. Welcome to Philadelphia.

Adam Jordan: Thank you. Very nice studio you got here.

Robert Morier: Thank you. We like it, as well. Always great for us to have people come in from outside of the city to sit down and speak with us about what they do and how they do it. Tim Dolan, as always, it's great to see you.

Tim Dolan: Good to see you.

Robert Morier: Thanks for being here.

Tim Dolan: Yep.

Robert Morier: So, before we get started, we have lots of questions to ask you. I'm just going to quickly let people know about Paul Ried Financial Group and your background. So, for our audience who may be new to Paul Ried Financial Group, Paul Ried Financial Group specializes in pre and postretirement planning for corporate executives, managers, and engineers. The firm integrates investment management, estate strategies, and income design for clients with total advisory assets of approximately $1 billion. As director of investments, Adam's responsibilities include developing, implementing, and monitoring client portfolios. This includes designing the overall asset allocation strategies, conducting in-depth market analysis, investment manager due diligence, as well as performing trading activities. Also, as chief compliance officer, Adam carries out supervisory and compliance responsibilities. He joined the firm in 2002. Congratulations on your tenure. Adam earned the Certified Investment Management Analyst designation, which includes an educational component administered through the Wharton School of Business here in Philadelphia. Adam earned the Accredited Asset Management Specialist designation through the College for Financial Planning. He also holds Series 7, 24, 53, 63, and 65 registrations. In addition, Adam is part of the leadership team for the Association of Professional Fund Investors. Adam is a long-time Seattle Seahawks fan and a season ticket holder. He also enjoys traveling. His wife, Tiffany, would say he loves reading boring financial stuff in his free time. Adam, thank you for being here. Congratulations on all your success. It's great to have you in Philadelphia.

Adam Jordan: Thank you. Thank you. Great to be here.

Robert Morier: Well, I'm also guilty of reading the boring financial stuff. So, what's been trying not to bore you recently?

Adam Jordan: Yeah, I'd say financial markets haven't been boring me recently. But on the way over here, I wasn't reading. I was technically listening to an Audible book. So, it was Chip War. So, it's actually very timely, I think, right now, with all the geopolitical things going on. So that's keeping me interested.

Robert Morier: Oh, interesting. Well, we'll definitely talk more about technology and how you're thinking about the markets today. I noticed your company's website had some book recommendations… just on that same theme. One of them was Daniel Kahneman's Thinking, Fast and Slow. And in the book, there were two systems that he described, the fast twitch… thinking quickly, intuitively, and then the second system, which is the deliberate, logical. So, when it comes to financial planning, you're thinking about your clients. You've been with Paul Ried now for over 20 years. Again, congratulations. How do you encourage your clients to engage more with that System 2 thinking, that slower, more deliberate pace, when making these big financial decisions?

Adam Jordan: Yeah, I think it's definitely important, and I think it comes in on… Paul and the team have done a really good job. All the advisors have done a really good job at this. I think starting off the relationship with no investments… so it's not about investments. It's more about the planning. If you start off the relationship talking about the planning, and later on you get into the investment, they'll go through probably three meetings with the new client before ever talking about the investment. So, I think that really frames the relationship going forward for the years forward that it's about the plan. So, if something's going on in the markets, two years down the line, you can always bring them back. Remember, we were talking about the plan. We knew that these were possibilities that could happen. This is shorter term, so it gets them away from that day-to-day thinking. And we can tie that into the investments, as well, realizing, when we structure our investments, we don't want to, really… we try and give more broader mandates to managers because we don't necessarily want the little sector funds or things that might be… it's more line-item risk, I guess you could say. So that triggers their level-one thinking when they're seeing something down 20%... why is energy down 20% and tech's up? We need to be in tech. It's bringing them to broader mandates so they don't see those smaller pieces.

Robert Morier: That makes sense. I appreciate that. Well, you mentioned Paul Ried and Paul Ried Financial. Maybe for our audience, can you tell us more about the organization? Maybe set the stage as to what your mission is. We mentioned some of your clients, but what are the day-to-day objectives?

Adam Jordan: So, Paul started the firm in late '80s, 1987, and he had actually… prior to that, he worked for Boeing. So, he was working there and decided he just needed to start something new, went out and began advising. And since he had connections in the Boeing company already, he actually started teaching classes for Boeing on the retirement plan… how to invest your 401(k) and that sort of thing. And that snowballed into the fact that he, then, started getting clients from Boeing. So really had a specialty in the Boeing area and taught classes all the way up to, probably, 2006 or '07, when they moved their home office over to Chicago. I believe it's in DC now. Really focused on, from the start, the planning aspect of things. So, it was always about… and I said it's planning first and then investments. And so, we have a lot of Boeing engineers. Probably 70% of our clients are probably Boeing related in some way. But we also have tons of people from all the other industries. But mainly focus on more your mass affluent to high net worth. We're not necessarily working with "ultra-high net worth" clients. It's kind of your person that's been working for 20, 30 years, has built up a really good nest egg, and we're going to cater these assets for them and help them guide them through the retirement stages. So, we also work with, primarily, only retirees. I mean, we do have some younger generations in there, but it's primarily when you're within two years of retirement. We're saying that's the time to come work with us and guide you through the very complex part of the retirement. The accumulation is one thing, but the whole distribution phase is another.

Robert Morier: It sounds like a lot of education. Do you enjoy the educational component of it?

Adam Jordan: Yeah. Yeah, I do. I do. And I'm more on the investment side, so they'll bring me in when it's more investment-related questions. But being able to always bring things back to the plan and why we're doing this, what is it, what are these funds actually for helps clients stick with the plan.

Robert Morier: So, once you've gotten through the planning stage, as you think about the investment research, what are the… could you describe the core philosophy that guides the firm's investment manager research process?

Adam Jordan: Yeah, I think the motto would be, past performance is not an indicator of future results, so—

Robert Morier: Good compliance officer.

Adam Jordan: It starts from there. Because I think if you're looking at performance, you're going to be led astray, essentially. So, it's how can we narrow down this universe into a workable list that we, then, go do deep dives in. And I think the problem is, most people would start from, well, let's screen… do all these return metrics to screen it down and then work from there. But I think, generally, if you do that, you're starting from the wrong place because now you have a list of funds that are likely to underperform, and you're trying to see which ones are going to, then, work going forward. So, by making your screen… obviously, you have to use some return metrics in it. But when we narrow it down, it's… 55% of our score before we narrow it down would be non-return-related metrics, and then 45%'s the return metrics. But it's mainly, how can you quantify qualitative things? So, what is that 55%? Well, obvious things. You know, expense ratio is going to be in there. But low turnover, we think that leads to… so it's all the small things that lead. And you're also looking at things about the firm. Well, how can you quantify the firm? It's usually a qualitative thing. And so that would be more, well, what's the average turnover at the firm of managers? What's the five-year turnover ratio at manager level at the firm? Because that's going to also tell you maybe there's been… it would be nice if there was an analyst… if there's an analyst, to stat for that. But that kind of tells you if there's disruption going on at the firm. And then, also, at the firm level, how many managers invest in their own funds? It's not necessarily about how much are they investing in the fund that you're going to invest in, but it's a cultural thing, if all the managers are investing in their strategies, and it means it's a cultural thing. So, it's all these metrics or success ratio at fund companies. What percentage of the funds at that company are outperforming? Because that says, are they just making a strategy to raise funds and make money, or are they actually… this is specialty? Is it something that they're actually good at? So, all of those sorts of things make up the 55%. And then on the returns-based thing, it's all just rolling. Last 10 years, it's rolling because no one static time frame really matters. And it's all drawdowns and throwing all the metrics you can think of on a rolling measure, and that gives us a starting point.

Robert Morier: It sounds like with that 55%, you've really honed-in on the art relative to the science, so really thinking about the qualitative attributes.

Adam Jordan: Yeah. And obviously, you have to dive in much deeper after that, but at least that gives you a good starting point versus returns based.

Tim Dolan: So, you're basically building a mosaic on the underlying manager qualitative, quantitative. You wear a few hats as compliance officer, as well as head of investments. Who else is supporting you on the investment side from a research standpoint?

Adam Jordan: Well, it is… we are a smaller firm, so a lot of it does fall on me, but we do have two others that work on executing the portfolios in our firm. So, we got two different departments. We have the advisory side and then the investment side. So, there's three of us on the investment side. But again, smaller firm, so we're mainly… I'll do most of the top-level screening.

Tim Dolan: Got it. So, you shared a good amount of the underwriting process already, the 55%, that qualitative and typical screens, but maybe give our listeners a better understanding. What does your process look like from a cold outreach, a manager you've never spoken to, and maybe the sense of timing around things? We understand the RIA market is very dynamic. You all have the discretion to either move fast or move as slow as you would like. Give us an expectation of… you start the research process from implementation at the end of the day.

Adam Jordan: Probably, for a lot of firms, it's amazingly long, they probably think. But sometimes, it can happen quicker, and the market conditions would kind of dictate that. But we do try and have funds on… we know that these are the funds we would use if something happened, if a manager changes on one of the strategies, for example. But we've taken as long as, I think… a couple of years ago, we moved to a fund that we had been looking at for six years. And we finally decided, OK, we think now is the time for that. But we've also been probably as short as three months. It really varies and coming to… ideas coming to us, I would say. Don't be scared to email. You might not hear back all the time. I do try and say, oh, thanks, or something like that, and know people got it, but those emails are probably being seen, unless it's not a… if it was an automated one, it might get caught in your junk, or something like that. But it's probably coming through. I am seeing it, just… if I'm not reaching out, then it probably… we're not needed right now, essentially.

Tim Dolan: So, you touched a little bit on it. If you don't mind expanding the answer to the question of what does a win look like… so you have different types of clients, whether it's those corporate plans or those individuals in the retirement stage. Is there an approval list or a select list, or do you have models that… or client ABC… aggressive to conservative? They just plug into the model. What is that ultimate… that win for the manager at Paul Ried?

Adam Jordan: Yeah, we do have loose models, I would say. It's more asset-class based. So, we'll generally… in each category, we'll generally be using two to three funds at any time, but only one's going in an individual's portfolio. The win would be, yeah, you're generally going to be replacing somebody that's probably… is probably in 50% of that model, or something like that. It's definitely very individualized to the client, so we don't have models, necessarily, as far as they're stuck in those. It's more someone might have two different funds.

Tim Dolan: Can you touch on vehicles? You touched on funds. Is that mutual funds, exchange-traded funds? And then we can get into alternatives. Is there any more illiquid or liquid alternatives in the portfolio?

Adam Jordan: Yeah, we are primarily mutual funds and ETFs. Again, we have… our client base is very retirement-focused and not necessarily ultra-high net worth, so liquidity is number one for us. So, we're primarily mutual funds and ETFs. Primarily, the ETFs are on the equity side and the taxable accounts, just for the tax benefits there. We're very much for active management. But we realized… systematic active, I guess you could say, also, on the ETF side, so we'll be more multifactor. So, it's systematic. But anything that's not capweighted, I guess you could say, is active.

Robert Morier: Going back to Kahneman, he introduced prospect theory in the book, which suggests that people evaluate potential losses and gains differently. Arguably, people also evaluate liquidity differently and risk management. So how do you integrate that understanding as it relates to losses and gains liquidity when you are assessing your clients' tolerance for these things, particularly in the context of the manager research process?

Adam Jordan: I'd say we're definitely focused on the more defensive side of things. Again, it's how the portfolio works together, so it's not like every piece has to be on the downside, protection side of things. But again, it comes back to the idea I was saying before, is we look for broad mandates. If we're going to use active management, we think we should use them to their full extent. I think one of the big knocks against active management is mainly because you're tying one hand behind an active manager's back, and they can't pull all the levers of being active, whether that's saying, oh, you can't step out of your market cap range, you're going too much value. What is value? You can't buy this international company, even though…

because they're a competitor with US, but you're a US-only strategy. By allowing the manager to be more flexible, I think that naturally, also, gives downside protection just through flexibility you're giving the manager. You're allowing them to get out of areas they think might be a little bit—

Robert Morier: Are you doing the same thing in fixed income?

Adam Jordan: Yeah, fixed income is definitely a different story there. But yeah, I think you mainly… you need to know what you're using fixed income for. And I know a lot of people… because high-quality bonds have gotten so hurt in these rising interest rate environments, people are losing sight of that because lower quality has relatively outperformed. But we are putting bonds in to be bonds, but we also give all of our managers flexibility. When we're talking about flexibility, we also don't like constraining those managers. So, we may, at some point, say… two years ago, we might say, well, we want to limit your duration you can put on the portfolio, but we want to give you flexibility on all the types of bonds that you can buy so you can go high quality. You can go to bank loans. You can go to high yield. You can be a multi-sector manager. We just don't… we just want you to limit that. So sometimes, we'll make broad-based limits on their flexibility. But for the most part, we try and give each manager broad flexibility.

Robert Morier: We don't curse on the podcast, but we do use four-letter words, and one of them is fees. So, when you're thinking about that balance between active and passive that you were mentioning before, arguably, the big challenge is fees, right? So, you want to give the active manager the discretion to go where they want. Maybe that one hand is behind the back. But on the other side, with your clients, they're looking at that total expense ratio. So how do you strike that balance as it relates to fees?

Adam Jordan: Yeah, that is… it's interesting. Even though it probably doesn't take all that much more work for some of the flexibility these managers are getting, sometimes they want to charge extra for that, even if it's not taking them more work to necessarily do so. Yeah, the more-broad mandates get, sometimes the expense ratios can creep up, so that's definitely on the radar and is why, also, we do use, in some places, more ETF-based multifactor, if we think… because we think you can somewhat replicate that active idea with some of these multifactor strategies. So, fees are the biggest predictor of future returns, so that's basically why. When I talk about that 55% of this initial screening score, it's on the fees because that goes to the bottom line. And so that's always a, I guess you could say, a weighing factor when we're integrating these.

Robert Morier: OK, so fees are the canary in the coal mine?

Adam Jordan: Yes. Yes. Which is why when you get into the private area… and maybe we'll talk about this later… is why some of the hesitation, I guess you could say.

Robert Morier: That makes sense. And actually, that leads you in—

Tim Dolan: We can go right into that. I was going to segue from fees into the private markets. It's a little bit of a higher fee. There is some justification around in certain asset classes. But take a step back. Just broadly speaking, private market exposure, is that an area you all are investing in? And if so, are you doing it directly yourself, or do you use an outside platform?

Adam Jordan: Yeah. So currently, we have no privates in our strategies. But I am… it is something we're watching closely, and I do like the developments that are happening as far as interval structures. It's that bridge between the two. It's really been good to see real estate move that way. It's probably the ideal… more ideal structure for it. So, it's something that we're looking at, and I think… the next five years, I think we're going to see a lot of innovation in what people are doing with the interval structure. But at this point, that innovation hasn't quite came there. And I think the one other lever… we'll go back to fees… I think, especially in the interval structure, because a fund-to-fund, most of the time, structure, unless you're a private credit, or something like that, is coming back to how is that first layer fee. I think… again… management companies were trying to extract a little bit too much from some of those interval funds, so I think… but I do think fees will come down a little bit on that layer, and innovation will come through the next five years.

Robert Morier: Interesting. So, moving, maybe, back from private market, since there's no exposure today… so as you think about the opportunities that you're seeing today in the public market side, specifically with equities, maybe to start, what are some of the areas that you're spending a little bit more time from a research perspective?

Adam Jordan: In the global space, definitely focusing, maybe, global value. So, manager… again, we don't constrain managers, but a natural… naturally, as a manager, you're either a growth manager or a value manager. It's like your mentality. So, we are looking for more global managers. And this is one of my pet peeves, though, is the industry, the way that they make funds, especially in the US. It's we got US, we got developed international, we got emerging. We're going to give you our style, but we're only going to give it to you in these little silos. And I don't know what the hesitation is of everyone just releasing your fund in a global strategy in the US. In the US, particularly, I mean… and this is… every manager I go to, I say this, so I'm saying it here to get it out to… hopefully to everyone… is your competition, also, is much higher when you do it in the silos because everyone launches a US-only fund. Everyone launches a developed-only fund. And there's actually more emerging-market-only ETFs than there are global ETFs on the marketplace. So definitely, if you look at developed-markets-only ETFs versus global ETFs, they do say it's the RIAs' faults because they say that we allocate that way. But I think it's also about education. So, you need to educate about the tax event. You need to want to talk about tax advantages of ETFs and things like that. But if you have the pieces, you have to rebalance the individual pieces causing tax problems. Whereas, if you put it in a global strategy, it's all happening within the wrapper, and so it's actually the most tax-efficient way that you could offer a strategy.

Robert Morier: So, will you go as far, then, as multi-asset class solutions?

Adam Jordan: Yep, we do… I think as far as… I mean, multi-asset class would be very tax-efficient in an ETF wrapper. Not that many are necessarily out there.

Robert Morier: That's what I was thinking. You're talking about a small universe to dip into.

Adam Jordan: Yeah. Yeah, exactly. So, it's a little bit more complex, just, also, because one firm isn't usually a specialist in each of those areas, so then they're like, well, whose other competitors' product are we going to buy to put in there? And that comes in. So, we don't really use those, but we do use multi-asset class funds. And we know they can be a little bit less tax efficient. But again, we like providing flexibility. So, when we talk about alternatives, a lot of times, people will talk about whether it's futures, or something like that. We have an area we call dynamic alternative, which can include things like that. But most of it's actually just giving a manager full flexibility… because we set the tactical… I mean, the structural, long-term allocation. But getting those deviations and over-weights, we find managers that have full flexibility on the asset classes, and they're… essentially, two different managers that we have in that place. And together, they're giving the big over-weights and underweights, whether it's US, international bonds, or they can add alternatives as well. So that's how we look at that.

Tim Dolan: You touched on the public markets, global, and global value. What about on the fixed-income side? Any areas of interest or needs, if you will?

Adam Jordan: Yeah, that's the most interesting part. We've been staying. We're not going ultra-short or anything like that, but we have shorter duration of, probably, three to four or so right now. The biggest thing on our radar would be at what point… which everyone's probably talking about right now… what point do you extend that. You know you can't be short forever. But with the yield curve this inverted, it's definitely not tempting to really extend it all that much longer, I think. I think the upside of meaning, if things hit the fan, the yield's going down, I don't think you're getting that much of a boost versus the risk that you're taking, so we're fine staying short now. But we're queuing up a fund for when we want to extend that duration.

Tim Dolan: Just from a research standpoint, obviously, being at your desk, whether it's working from home or in the office, getting inbounds from managers, maybe flip it. What do you do from an outbound standpoint? Are you attending conferences? Are you meeting with other colleagues or other peers within the Seattle area? What does that look like from a travel standpoint, going out there to go find and meet with managers?

Adam Jordan: Yeah, I think conferences are underrated. I think people always say, oh, I go to conferences. But I think you really are… and it's the in-person one. That's what it is. It's like, if you just attend a virtual thing, you're just literally watching that session, and there's no conversations after. But it's about those conversations in between, getting ideas from whether it be peers or people that… sponsors that are at the conferences. You definitely might get exposed to something you might not otherwise see, so I would say it's… I would say conferences, primarily, is… and peers that you know—

Tim Dolan: Are you going on site to meet with managers ever?

Adam Jordan: Yeah. Yeah, we do. It's, obviously, been less. We haven't really gotten back into the full flow of that. I'll hopefully meet with some, actually, after this. When you travel, you try and find out who's in what area and be able to fit in some meetings there. So definitely do it, but less than we have.

Robert Morier: Well, it sounds like, for managers, it's a very good reason to get out to Washington. So, thank you for sharing all that. It's helpful. I can't help myself… because I know this is going to be an easy edit for me because you are a chief compliance officer, as well, so I know you're very careful with your words. You've passed a lot of series registrations, so it makes it easy for us. But would you mind, just for our audience, because I'm curious… and I know our audience, particularly those who work on the operations side… can you tell us a bit about your responsibilities as it relates to your CCO?

Adam Jordan: Yeah. So, this is a role that I took on when we converted to full on RIA about five years ago. The firm had been working through a broker dealer on their RIA side for the advisory accounts. I was really pushing for, one, for flexibility of the types of investments, whether it be shared classes or whatnot, as well as just the whole client experience and the technology you're offering. Because, again, sticking with a portfolio is more than just the portfolio itself. It's the way they can access information. It's the information you can provide, how you provide it. So, flexibility on technology was really important, so I really pushed for us making the transition to that. And so, he said, OK, we're on board with that, but you have to lead the charge and do the research for breaking away. And it's obviously… we do work with another firm, NRS, to help with the compliance side of things, but you need someone in-house to actually…someone actually has to take on the full-on responsibility. You can't outsource responsibility. So, I decided I'd definitely be willing to take that on, and it's definitely been a busy, regulatory, changing environment. Lots of changes. But it's the necessary part of the business to keep it going, so… and I definitely have another fellow in the office that really helps me with all the compliance legwork that goes into that.

Robert Morier: So, from what you've seen, what do you see as some of the bigger challenges that RIAs face from a regulatory or compliance perspective?

Adam Jordan: I really think it's just the pace that they're coming out with all these regulations and changes. It's keeping on top of them. And they roll it out so fast, and there's so many ways to interpret what they're saying, you then have to wait for them to come out and say… come out with FAQ of clarifying what they actually meant by that. And so, I think the biggest challenge is just keeping up with it. And then after it's interpreted, how do you implement that to your specific business? Because that's a whole other story. If you're smaller, it helps because you know exactly how everyone's doing it. If you're a bigger organization, you have to realize every advisor does things differently, and you might have to have different sorts of policies to cover that.

Robert Morier: Well, one area that regulators have been thinking about and investors had been looking at for many years is ESG… environmental, social, and governance investing. So, from your perspective, from your clients' perspective, has ESG been part of your thought process as it relates to manager research, or even just as an input into how you're thinking about opportunities?

Adam Jordan: Yeah, it's not necessarily… we're not necessarily ESG investors at all. But, also, the pushback on it recently, I think, has been somewhat surprising in a way, not necessarily… I see the points being made, but at the same time, the way we look at it, the way we always thought about ESG is, how does it integrate with the financial side of things? So, the factors, the ESG factors that are actually financially relevant. But I think managers have always been looking at it like that. But when ESG came… became more popular, every manager had to say something that they had been doing already… and are basically now calling that, it's ESG. So, I bring it back to when clients, maybe, talk about, bring it up… I also mention, well, you do want your manager to take into account that a deep-sea driller is exposed to the financial risk of an oil spill. Or the companies that might work with forever chemicals, that's obviously become a financial. So, if you don't, at least, price in that risk, you don't need to avoid the company. But if your manager is not at least pricing in that risk, then wouldn't you want that? If you're investing your dollars with them, I think that would be a factor you would want. Whether you agree with all the ESG factors or maybe some of the non-financially relevant ESG factors, then that's another story.

Robert Morier: It makes sense. Thoughtful.

Tim Dolan: It's totally separate, but unfortunately, it's sometimes lumped together… ESG and then diversity, equity, inclusion in some emerging managers. For our listeners and ourselves at Dakota, we do have smaller, newer funds that we're out there raising capital for. Can you touch on the use of emerging managers, maybe some of those smaller, newer funds? Is there an opportunity? Because you did touch, on the top of the call, rolling returns and being able to screen some performance metrics. But what about a manager that's… I don't know… maybe a couple-hundred-million dollars, three, five-year performance? What does that look like from a utilization standpoint?

Adam Jordan: Yeah. So yeah. And so, when we have the longer screens, again, if someone doesn't meet that, all that it really does on that score is just move the weight of everything else higher, so all the nonreturn-related things become more important. But again, that's just a tool. But we obviously look at funds that don't… that aren't meeting that, and are new, and have something innovative. So, I think the bigger challenge would be emerging managers in areas that are already well defined and heavily populated with other managers. But if you're coming out with a truly distinct strategy that's differentiated enough, then we are going to consider them. If they're filling that need that you have, we're not going to disregard it because that's maybe what we're looking for. And it used to be something, even, in… think about… I'm thinking, maybe, 10, 15 years ago. Just think, looking for a multisector, short-term bond fund was actually harder than it is now, and so you needed less of a track record to come out with that. That would be more appealing, and we're going to look at it without a long track record.

Robert Morier: Well, you shared some of the areas that you're focused on. We were talking about equities and fixed income. But just curious… I'm sure you get this question from a lot of your clients. Just how do you see the global economy over the next few years?

Adam Jordan: Bringing out the crystal ball. No.

Robert Morier: I saved this till the end to give you plenty of time.

Adam Jordan: No. The consensus has been changing to the no recession, it seems like. Very, very quickly moved to that. But it's interesting because I think it's moving to that even though I think the data is pointing to it actually getting closer. My whole counter to the recession was just employment was way too strong to ever… when we had two negative quarters of GDP last year, I was like, well, you can't really call it a recession, though, because employment is way too strong to call that a recession. But now, I don't think that's necessarily the case, so we might have… I definitely think jobs are weakening and… but we might… maybe we don't… maybe we get something that's the opposite of last year, where we get poor jobs with actually positive GDP, and then you call that a recession. I think you could. You could have, maybe, a recession that doesn't get two negative quarters of GDP, or something like that. If you look at the Fed forecast, for instance, you have big divergence. You have one saying… I think it's the Atlanta Feds that's at 5% or 4.9% for this quarter. And then you have… I believe it's the New York Fed or one of the others that's actually at 0%, or something like it. Might have been revised up since then. But from 5% to 0%? Even the Fed's own forecasters can't get this right. So definitely, I wouldn't necessarily listen to my… projection for the next year. But I think we're definitely going to have some slowing.

Robert Morier: That's helpful. Thank you so much. Looking forward… it's another question I'm sure you get… the main challenges and opportunities that you foresee in the investment management industry. So, another way that we hear, often, is, what keeps you up at night? Besides boring financial books.

Adam Jordan: Yeah. Yeah. What keeps me up at night? I think it's mainly clients' interpretation of returns, maybe because I do think, too, it's about sticking to the plan and knowing… again, it's always about sticking to the plan. But you can get really worn down when you have negative bond returns this year. Rates have been rising again. You're like, well, remember, it's going to mature. Bonds have a set maturity date. You're going to get… but it's kind of educating on how these asset classes work and expectations. Because I also think it's interesting that a lot of times you get… what you hear from clients is, bonds are confusing, but stocks aren't. And I don't… even though, to me, it seems like it should be the other way around because bonds are defined. You know what you're going to get. You know what date you're going to get it.

Robert Morier: Yeah, it's a contract.

Adam Jordan: Yeah, yeah, yeah. Whereas, stocks are more, well, we feel like paying 20 times earnings this year, and now we feel like paying 15 times earnings. So, what keeps me up at night is mainly clients' views of returns. Because also, you look at S&P 500, cap weighted up, double digits, even though the equal weighted, I think, just went negative a couple of days ago, so a huge divergence. And so, it's just education about returns, about long-term returns. But if you're talking about marketwise, it's mainly, yeah, the things that affect those returns are keeping me up at night.

Robert Morier: We always like to end the show by asking our guests the people who really helped you along the way, who's influenced your career in terms of mentors. It can be a person. It could be an event. It could be, maybe, a person who wasn't so helpful, and you learned a lot from that. So, we'd love to hear from you.

Adam Jordan: Yeah. Well, I would say… yeah, well, one thing we haven't really talked about… so I'd say Paul Ried has definitely been a huge mentor, and the best financial advisor I know, and… have not mentioned… also my dad. So, he has been a great mentor. And obviously, different last names. He's my stepdad. But came into my life later elementary years, so I don't necessarily use the term Dad for him. Still, it's kind of Paul. But he truly is… truly has been that father figure and truly taught me a lot about putting clients first, about growing up. Before he got into the financial industry, you might think of the other side of "Wolf of Wall Street side" of finance. And he's been showing you that there's truly another side that's the true polar opposite of that and putting clients first. And so, I would say he's definitely been my mentor.

Robert Morier: Well, we're grateful to the two Pauls.

Adam Jordan: Yeah.

Robert Morier: Thank you for being here. Congratulations on all your success. This was a very interesting conversation for us, so thank you for coming to Philadelphia.

Adam Jordan: Thanks for having me. Thank you both.

Tim Dolan: Thank you.

Robert Morier: If you want to learn more about Adam and Paul Ried Financial, please visit their website at paulried.com. You can find this episode and past episodes on Apple, Spotify, Google, or your favorite podcast platform. We are also available on YouTube, if you prefer to watch while you listen. If you'd like to catch up on past episodes, check out our website at dakota.com. Finally, if you like what you're seeing and hearing, please be sure to like, follow, and share these episodes. We welcome your feedback, as well. Adam, thank you for joining us. Tim, as always, it's a pleasure. And thank you to our audience for joining us at Dakota.