

# Kisher Capital — Investment Philosophy

## 1. Introduction

At Kisher Capital, our investment philosophy is grounded in time-tested market principles and aligned with our clients' values, objectives, and long-term goals. We believe that disciplined, evidence-based investing provides a reliable path to long-term financial success while helping clients connect their financial resources with their future purpose.

This document outlines the foundational beliefs, portfolio construction framework, risk management principles, and governance practices that guide every investment decision we make. It also describes our approach to Biblically Responsible Investing (BRI) for clients who wish to align their portfolios with their convictions.

By articulating our philosophy clearly, we aim to provide transparency, build trust, and reinforce our role as fiduciaries entrusted with your capital.

## 2. Core Investment Beliefs

### 2.1 Capitalism and Compounding

We believe that capitalism has historically created long-term wealth through innovation, productivity, and corporate growth. Long-term participation in global capital markets allows investors to benefit from compounding returns, which we view as one of the most powerful drivers of wealth accumulation.

Accordingly, we emphasize maintaining a long-term investment horizon and avoiding unnecessary disruptions to compounding.

### 2.2 Risk & Return Relationship

In capital markets, investors earn returns by taking on risks. These risks can come from the overall market or from specific investments. Risk is often measured by how much prices move up and down (volatility), but the bigger concern is the chance of losing money permanently.

Our investment approach seeks to allocate risk efficiently, ensuring that risks taken are intentional, compensated, and aligned with client objectives.

### 2.3 Market Inefficiencies

While capital markets are broadly efficient, inefficiencies do exist due to behavioral biases, structural constraints, and varying access to information.

## 2.4 Managing Costs

Managing costs is a critical component of long-term investment success. We prioritize investment vehicles, such as exchange-traded funds, that typically offer lower expense ratios, tax efficiency, and transparency.

By controlling costs, a greater portion of returns remains invested and compounds over time for the benefit of our clients.

# 3. Asset Allocation & Fund Selection

## 3.1 Portfolio Construction Framework

Our investment approach combines a long-term strategic allocation with disciplined, rules-based adjustments. The strategic allocation provides the foundation of the portfolio, while targeted tilts are used to refine exposures over time.

The following sections outline how this framework is implemented across asset classes, including equity factor exposure, dynamic fixed income positioning, liquid alternatives, and the ongoing focus on risk-adjusted returns and drawdown management.

## 3.2 Multi-Asset Core Construction (Equity / Fixed Income / Alternatives)

Asset Class	Core Function	Fund Selection Philosophy
Equity	Growth and Income	Broad market exposure forms the foundation, with targeted tilts to factors and strategies that seek to enhance long-term risk-adjusted returns.
Fixed Income	Income and Stability	Emphasis on high-quality, liquid strategies with active management of duration and credit risk to navigate changing rate and credit environments.
Alternative Investments	Diversification and Drawdown Protection	Use of liquid alternative strategies with low correlation to traditional assets, designed to reduce drawdowns and improve portfolio resilience during market stress.

### **3.3 Equity - Systematic Factor Investing**

We employ a factor-based framework to target historically persistent and research-supported drivers of equity returns.

These factors include:

- Value
- Size
- Low Volatility
- Yield
- Quality
- Momentum

By diversifying across these factors, we seek to better explain sources of risk and return, enhance risk-adjusted outcomes, and reduce portfolio drawdowns over time.

Our understanding of factor investing is informed by research such as MSCI's *Foundations of Factor Investing*<sup>\*</sup>.

### **3.4 Dynamic Fixed Income Management**

Our fixed income allocation utilizes actively managed strategies that adjust duration and credit exposure in response to changing interest rate and credit conditions.

These allocations are designed to balance:

- Income generation
- Capital preservation
- Portfolio stability

We select managers and strategies with disciplined, repeatable processes and a focus on risk control.

### **3.5 Liquid Alternatives (Macro Strategies)**

Alternative investments play a key role in enhancing diversification and managing downside risk.

We incorporate liquid alternative strategies that may include:

- Managed futures
- Market neutral strategies
- Long/short equity
- Real assets and commodities
- Event-driven and alternative credit strategies

These strategies are intended to provide diversification benefits, mitigate drawdowns during market stress, and improve overall portfolio resilience.

### **3.6 Optimizing Risk-Adjusted Returns**

We evaluate investments using risk-adjusted metrics alongside a focus on minimizing large drawdowns. Key measures include the Sharpe ratio, Sortino ratio, and Information ratio. Because significant drawdowns can materially impair long-term compounding, portfolio allocations are structured with an emphasis on downside risk management

## **4. Risk Management Principles**

### **4.1 Holistic Diversification**

Diversification is essential to avoid overcommitment to a single asset class or market sector where it can increase portfolio fragility and drawdown risk. A broadly diversified portfolio spreads risk across various investments within each asset class, reduces overall volatility, as different asset classes perform differently across economic cycles (e.g., fixed income may outperform when the stock market underperforms).

### **4.2 Disciplined Position Sizing**

Each position is sized according to risk capacity and alignment with long-term objectives of a portfolio or model. Position sizing seeks to avoid unnecessary idiosyncratic risk. Each client's individual risk tolerance is considered when allocating to a specific model.

### **4.3 Rebalancing**

Rebalancing is an essential component of long-term portfolio management. Over time, market movements cause asset allocations to drift from their targets, potentially increasing risk beyond intended levels. Portfolios are rebalanced on a regular basis, at least annually, with some strategies requiring more frequent adjustments. This process helps maintain alignment with target allocations and support disciplined risk management.

### **4.4 Behavioral Coaching**

We encourage clients to focus on what they can control, such as their reactions to volatility and global events, rather than succumbing to speculation, media noise, or "hot tips" for individual stock picking. Our role is to help clients stay on course and avoid common mistakes driven by emotions, like over-trading, chasing returns, or panicking during market declines.

### **4.5 Derivatives**

Derivatives (options, futures, forwards, ect.) are a valuable tool for modifying client's risk and return. Derivatives can be used for speculation, income, and hedging. We implement derivative strategies in alignment with client objectives and risk tolerance, with a focus on downside risk management and cost efficiency.

## **5. Portfolio Management Governance**

### **5.1 Investment Process and Model Reviews**

We follow a consistent and transparent investment framework with limited reliance on frequent discretionary investment selections. All investment models undergo allocation reviews, risk monitoring, and performance attribution—providing insight into what drives returns.

### **5.2 Investment Philosophy Document**

This document serves as a guide for clients, ensuring they understand our investment philosophy and the basis for how portfolios are constructed. It functions as a foundational statement to which we adhere.

### **5.3 Fee Only**

Kisher Capital is a fee-only investment advisory firm. No investment advisor representatives, portfolio managers, or employees of Kisher Capital receive compensation for selling specific investment products. This reduces the implicit conflict of interest when selling commissioned products to clients. As a fee-only firm, clients can clearly see what they are paying for and how we are compensated.

### **5.4 Code of Ethics**

All investment advisor representatives, portfolio managers, and employees of Kisher Capital are required to sign and adhere to the Kisher Capital code of ethics. This document includes our general principles, guidelines for professional standards, personal trading policies, and prohibited investment activities. Our duties as fiduciaries require us to put our clients first. The code of ethics specifies how we accomplish that requirement. The code of ethics can be provided upon request.

### **5.5 Goals-Based Framework**

The client's investment portfolios are designed to support client-defined financial milestones. This includes but is not limited to retirement, education, philanthropy, and legacy goals. Our client's investment success is measured by their ability to meet their financial goals rather than just general benchmark outperformance.

## 6. Biblically Responsible Investing (BRI)

### 6.1 Purposeful Screening

Biblically Responsible Investing (BRI) involves the screening of a fund or stock before investing. This screening removes funds and stocks that would violate biblical values through their corporate actions. At the request of Client, KC recommends BRI ETFs that avoid funds and stocks that would violate biblical values.

The funds KC utilizes screen out companies involved in abortion products and activism, LGBT activism, sexually explicit content or services, gambling, tobacco, alcohol, and THC products. KC relies upon third-party services to determine if a fund or stock is in violation.

Due to lack of corporate transparency and quickly evolving businesses, KC cannot guarantee that BRI portfolios or ETFs are completely and at all times aligned with BRI values.

### 6.2 Value Screening Trade-Offs

Screening may lead to underperformance when excluded sectors or securities outperform. By integrating BRI into a diversified and factor-focused portfolio, we aim to balance conviction with disciplined pursuit of return.

## 7. Conclusion

This investment philosophy reflects our commitment to disciplined execution, transparency, and alignment with our clients' goals and values.

We recognize that each portfolio represents more than financial assets. These portfolios represent a plan, a purpose, and the people who depend on it. Our role is to provide sound counsel, a consistent process, and steady guidance to help clients navigate uncertainty and pursue long-term success.

As stated in Proverbs 15:22, *"Without counsel plans fail, but with many advisers they succeed."* We are committed to serving as a trusted advisor, helping you grow, protect, and steward your resources with wisdom and integrity.

## References

\*[msci.com/documents/1296102/1336482/Foundations\\_of\\_Factor\\_Investing.pdf](https://msci.com/documents/1296102/1336482/Foundations_of_Factor_Investing.pdf)



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