

5 Questions With Strategic Investment Group CEO

Nikki Kraus

By COLIN RAJALA

Nikki Kraus serves as CEO of **Strategic Investment Group** and is tasked with overseeing the Arlington, Va.-based outsourced cio's client development, operations, finance and human resource functions, while interfacing with clients to ensure the firm is delivering tailored approaches to meet their needs.

She was promoted to the position from her role as president and chief client officer [this summer](#).

Kraus also serves as a member of Strategic's board of managers and on the firm's executive committee, charged with setting firm strategy and overseeing the management of day-to-day operations.

She was [promoted to the president and chief client officer role in early 2023](#) and joined the firm as global head of business development in [June 2014](#) from outsourced cio **Hirtle, Callaghan & Co.**, where she served as director of institutional business.

Kraus took the time to answer five questions, plus a few extra, with FIN News.

1) Considering you are so well versed in investment committee governance, what aspect of governance should institutions be more cognizant of and why?

Over nearly 37 years of working with various investment committees as an outsourced cio for our clients, we have learned that effective governance is not about boards getting one big thing right. Instead, it is about a series of important decisions that weave together to form a solid governance foundation. At its simplest, we agree with the Association of Governing Boards' (AGB) framework which emphasizes:

1. Get the right people,
2. Focused on the right things, and
3. Doing so in the right way (e.g., respectfully, coming prepared, etc.).

Additionally, we have observed that boards are turning over their board membership too quickly, which results in a loss of institutional memory. This constant turnover disrupts the time horizon needed for managing the long-term or infinite horizon portfolios they oversee. **Charley Ellis**, former chair of the **Yale University** investment committee, has suggested that if you take the tenure of each committee member and then average those, that average ends up highly correlated to the investment time horizon of the committee. The takeaway: excessive turnover shortens investment time horizons, which is detrimental to the nature of the pools committees oversee. We cover these and other aspects of governance best practices in two books that we wrote and published in collaboration with AGB – *Endowment Management for Higher Education* and *Endowment Governance for Foundations and Nonprofits*.

2) What is the biggest investment concern you have when looking at the current marketplace and how is Strategic looking to address it?

Our biggest "investment concern" is consistently generating the absolute returns our clients need to achieve their objectives. This requires clear and mutual understanding of these objectives and the organization's ability to take risk. Once these are established, our role is to add value through strategic portfolio positioning, selecting investment managers and effective portfolio construction or how we put the managers together.

Since March of 2009, investment markets have generated very high absolute returns on average, allowing us to meet return objectives through beta alone. However, looking ahead, we believe that active management alpha will be crucial in achieving these goals. To address this, we plan to engage with committees to revisit objectives and risk tolerance, while continuously seeking ways to add value to client portfolios.

3) What changes would you like to see in the institutional investment universe?

I would like to see clear standards for outsourced cios regarding both performance and investment fees. Without these standards, the market remains too much of a “buyer beware” environment. This lack of clarity is one of the reasons Strategic Investment Group created ocio.org — to help institutions navigate this complex landscape.

4) You have mentioned before that ‘being a mentor is one of the greatest gifts we can give others.’ What have you been doing lately to counsel and guide colleagues at Strategic or other organizations/initiatives you are involved in?

I have been fortunate to mentor a number of people and continue to do so. Often, people lack the confidence to take the next step in their careers and focus on all the reasons why they are not qualified for the next role rather than all the reasons why they are. Understanding this, I have enjoyed engaging with colleagues and others to help them reach the next level. It is wonderful to see them finally recognize their potential and become comfortable with being uncomfortable. These opportunities are where exciting personal growth happens.

5) What was your dream job when you were just starting your career? How has that dream evolved?

I should start by saying that I grew up on a farm in Ohio in a town of 7,000 people two hours from any major city. So, I was not exposed to the investment industry at all. I did not know anything other than I wanted to feel good about what I was doing when I looked at myself in the mirror each night. I wanted to continue to learn. I wanted to work in a nice environment and after growing up witnessing the challenges of depending on the weather for your income, I wanted to find something where we would be financially comfortable or at least have a little control on how much you made based on the effort. Those four things have always guided my choices. I did not think someone could be so lucky to have all four things, yet I have found all four at Strategic.

6) What is the best advice you have been given and by whom?

To be coachable. My dad would always remind me that if the coach was giving me tips, to take it as a gift that they saw I could get better. He would always remind me that coaches did not provide these tips to kids they did not think could get better. Nearly every boss and mentor I have ever had reinforced this idea, but it was my dad who set this standard early.

7) Who in the financial world would you like to have lunch with and why?

I serve on the investment advisory sub-committee for the **John Templeton Foundation**. I would have loved to have met Sir John before he passed away, given all I have learned about his investment acumen, leadership, strength, curiosity, faithfulness and many other qualities, which the foundation embodies through their work. Having dedicated my 30-year career to the outsourced cio business, I am keen for Strategic to be as close as possible to the best-resourced, high returning internal investment teams. With that in mind, I would enjoy having lunch with **Paula Volent**, **Seth Alexander** and **Matt Mendelsohn** to discuss their success and gain insights into their investment philosophies, strategies and experiences. I am fortunate to have active dialogues with many other “greats” in this space, but these individuals stand out for their exceptional contributions and leadership in the investment management field.

8) What was your last big purchase?

Does college tuition count? If so, tuition for **Colby College**, for our oldest daughter, Olivia.