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SUNSTAR STRATEGIC CONFERENCE FOR BOUTIQUE MUTUAL FUNDS
THRIVING IN AN EVER-CHANGING INDUSTRY

CONFERENCE TRANSCRIPT

Distribution Essentials for Boutique Firms

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Strategic Insight

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Christopher Davis is Head of U.S Fund Research at Strategic Insight, an ISS Business. In his role, Christopher is responsible for shaping his team's research agenda, implementing best-practice research methodologies, delivering high-caliber research, and engaging clients and other stakeholders. Christopher Davis is Head of U.S Fund Research at Strategic Insight, an ISS Business. In his role, Christopher is responsible for shaping his team's research agenda, implementing best-practice research methodologies, delivering high-caliber research, and engaging clients and other stakeholders.

Prior to Strategic Insight, Christopher spent nearly two decades as an analyst and research director at Morningstar where he evaluated equity, fixed income, and multi-asset investment strategies, primarily in the U.S. Over his tenure, he introduced qualitative ratings on target-risk and exchange-traded funds and engaged investors, industry professionals, and regulators in both the U.S. and Canada while authoring numerous articles, white papers, and serving as editor of Morningstar's Fidelity Funds Newsletter. Davis also led Morningstar's Canadian manager research team from 2012 to 2016.

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Distribution Essentials for Boutique Managers

SUNSTAR STRATEGIC

Christopher Davis
Head of U.S. Investment Fund Research
Strategic Insight, an ISS Company

April 30, 2019

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Are You Ready For the Future?

Discussion themes

- The changing economics of asset management: Is it bad for the little guy?
- How has the distribution landscape evolved and what challenges do boutiques face?
- How can you set yourself apart and avoid the race to the bottom on fees?

Is The Economics of Asset Management Bad for Boutiques?

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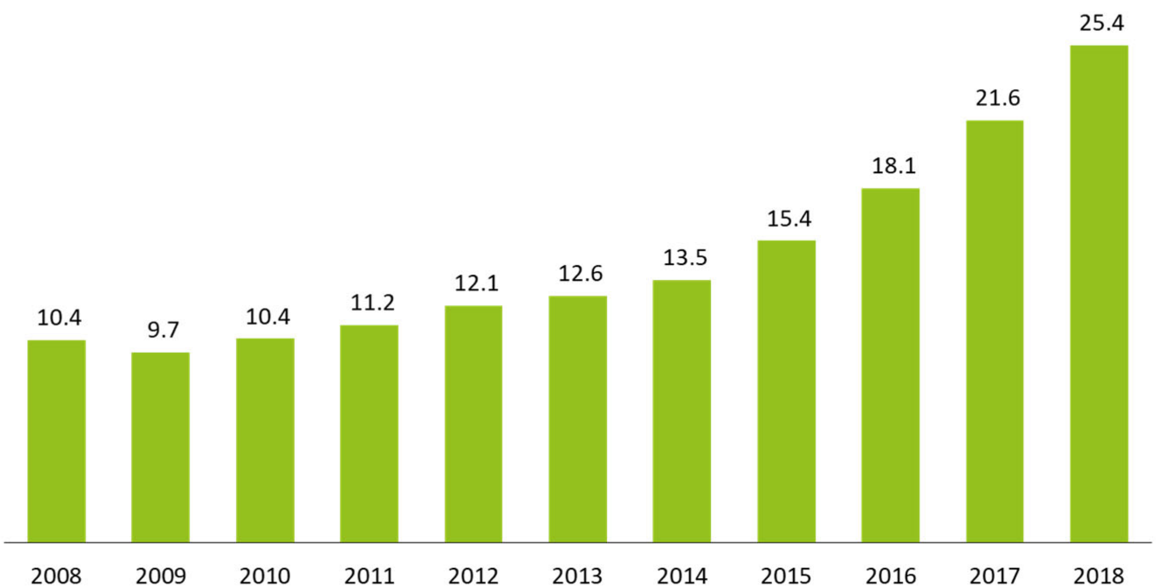
The Rich Get Richer

AUM managed by top 1% of funds relative to bottom 50% more than doubled over 10 years



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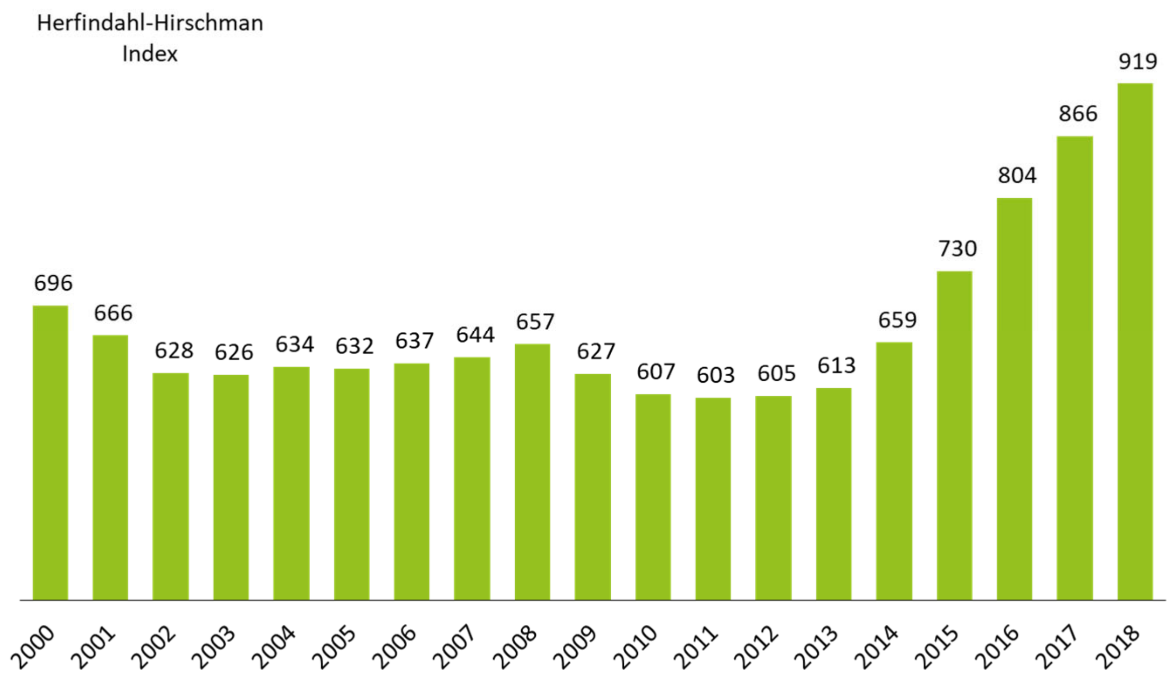
Source: Simfund, SI Calculations. 4

Consolidation, Move To Passives Drives Increasing Concentration

Levels of asset manager concentration up 40% since 2013



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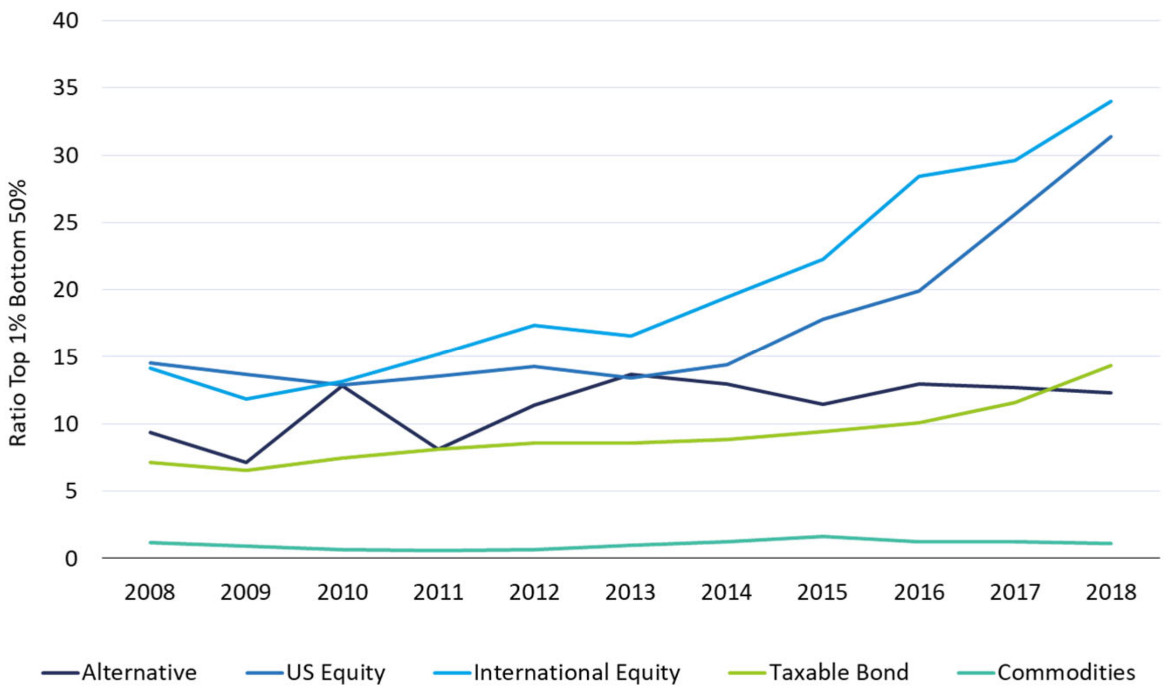
Source: Simfund. 5

Inequality Isn't Equally Distributed

Fund-level concentration varies by type



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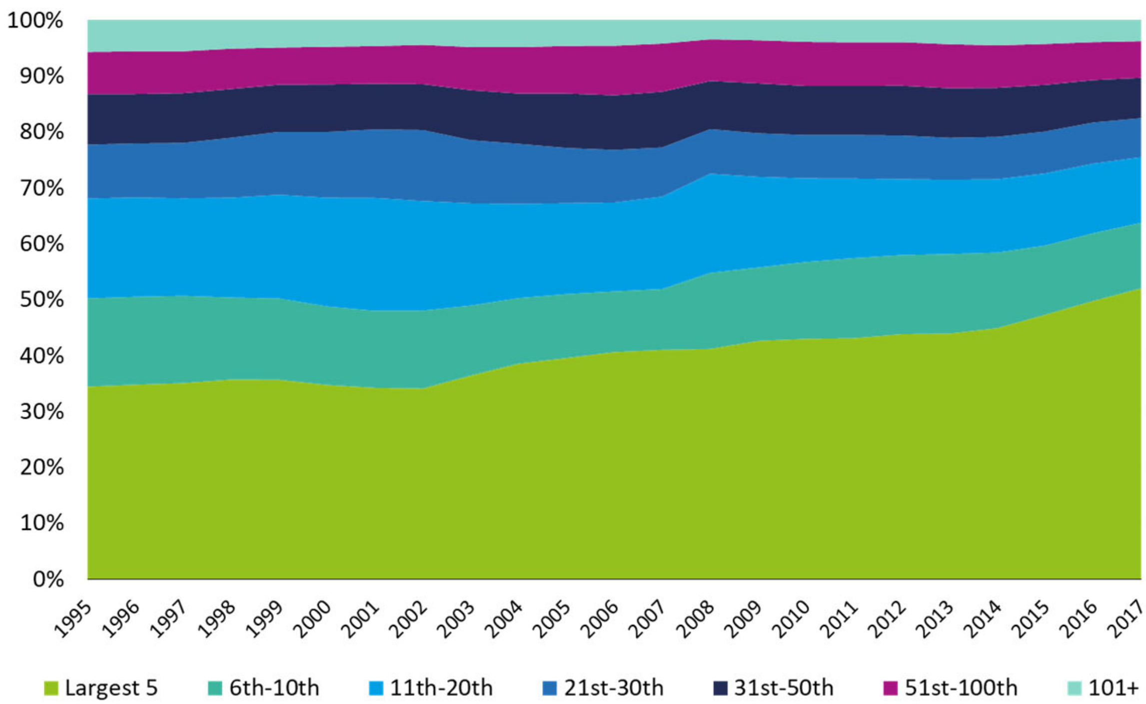
Sources: Simfund, SI Calculations. 6

The Middle Hollows Out

The big get bigger, but a long tail remains



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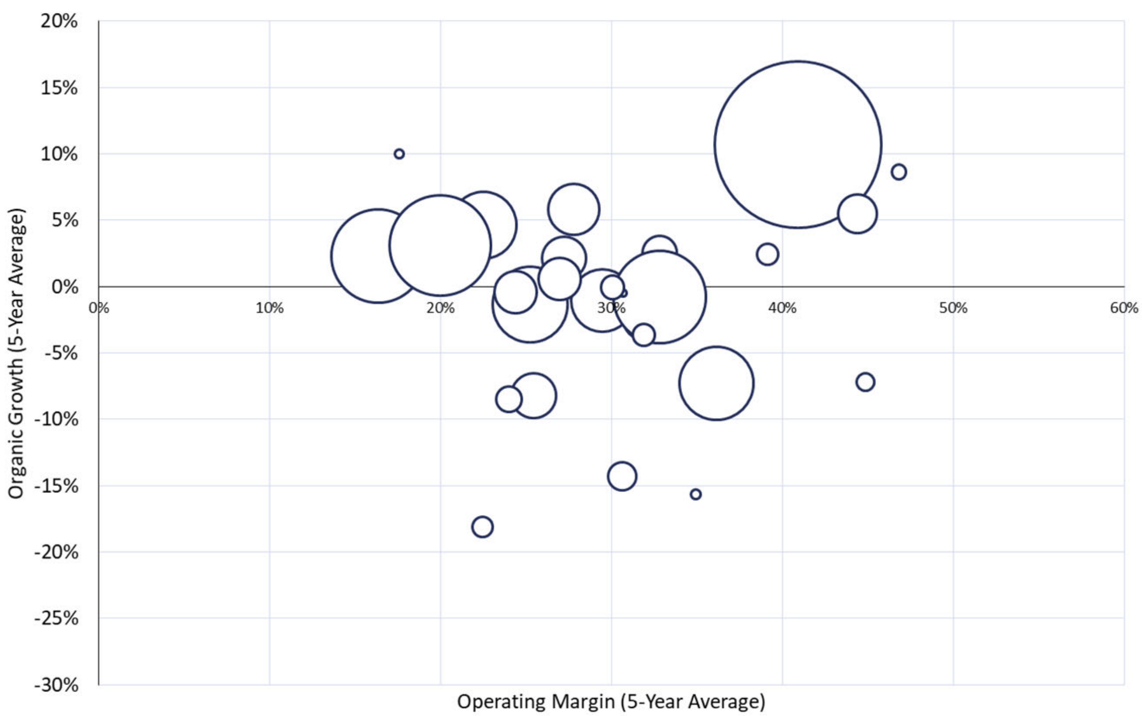
Sources: Simfund, SI Calculations. 7

Relationship Between Size and Scale Weak

Fund-level concentration varies by type



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Sources: Public filings, SI Calculations. 8

Navigating the Distribution Landscape

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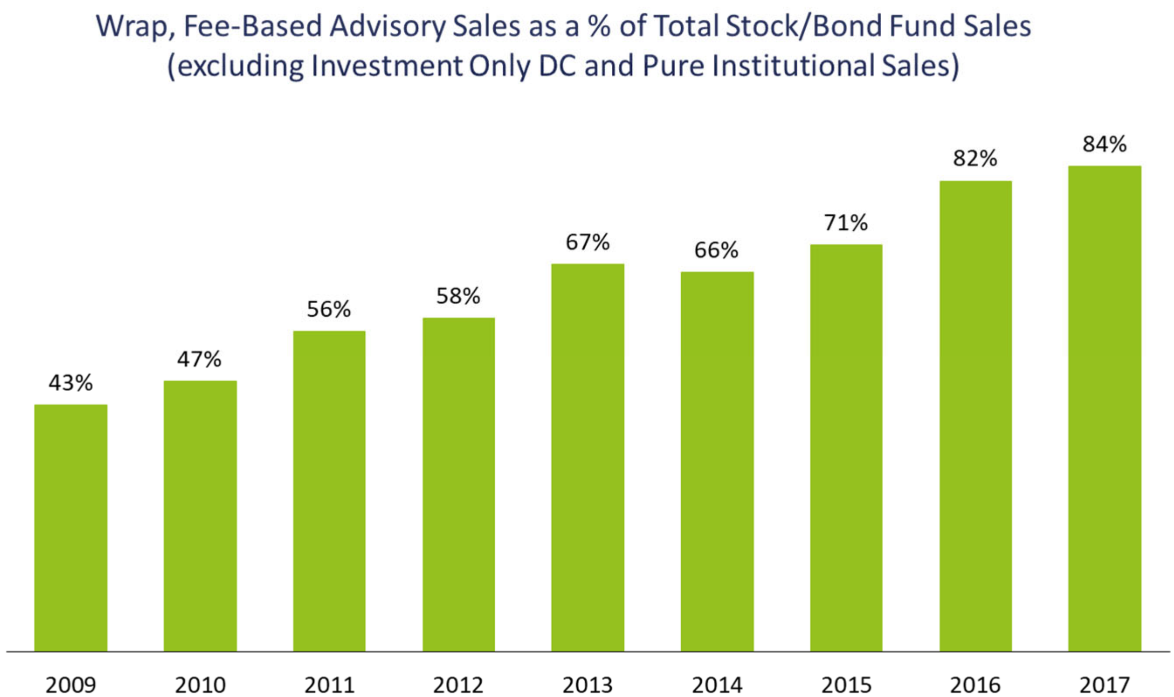
The Institutionalization of Retail

Shift to fee-based advice nearly complete



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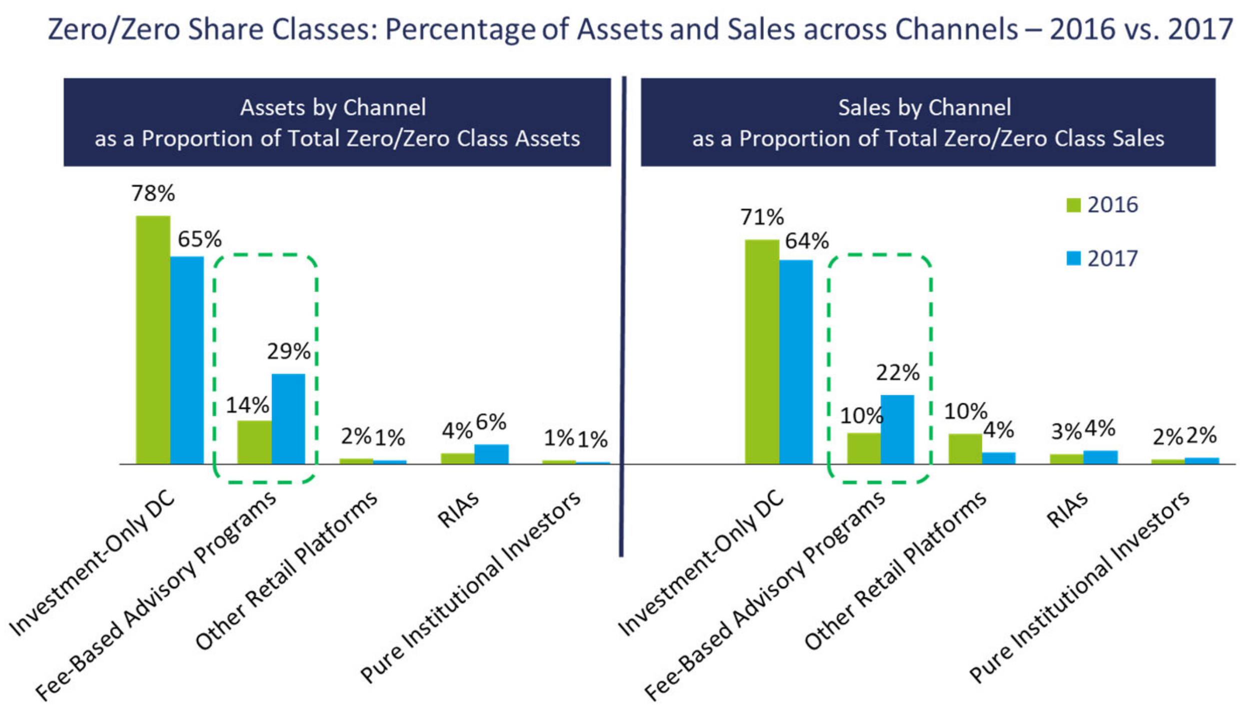
Source: Strategic Insight Fund Sales Survey. 10

The Institutionalization of Retail

Fee-based advisors drive unbundled fee arrangements



*Among the 20 survey firms providing details on Zero/Zero share class activity.

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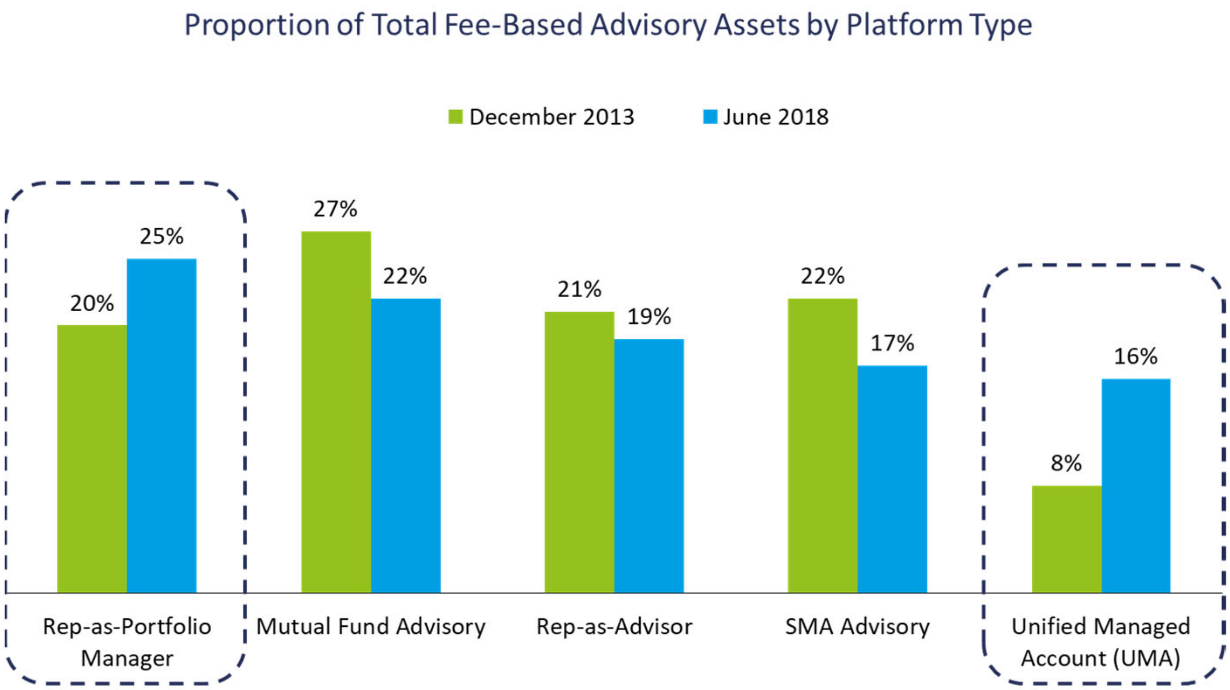
Source: Strategic Insight Fund Sales Benchmarking study. 11

A Shifting Balance of Power

As rep-as-PM, UMA models gain ground, advisors take control



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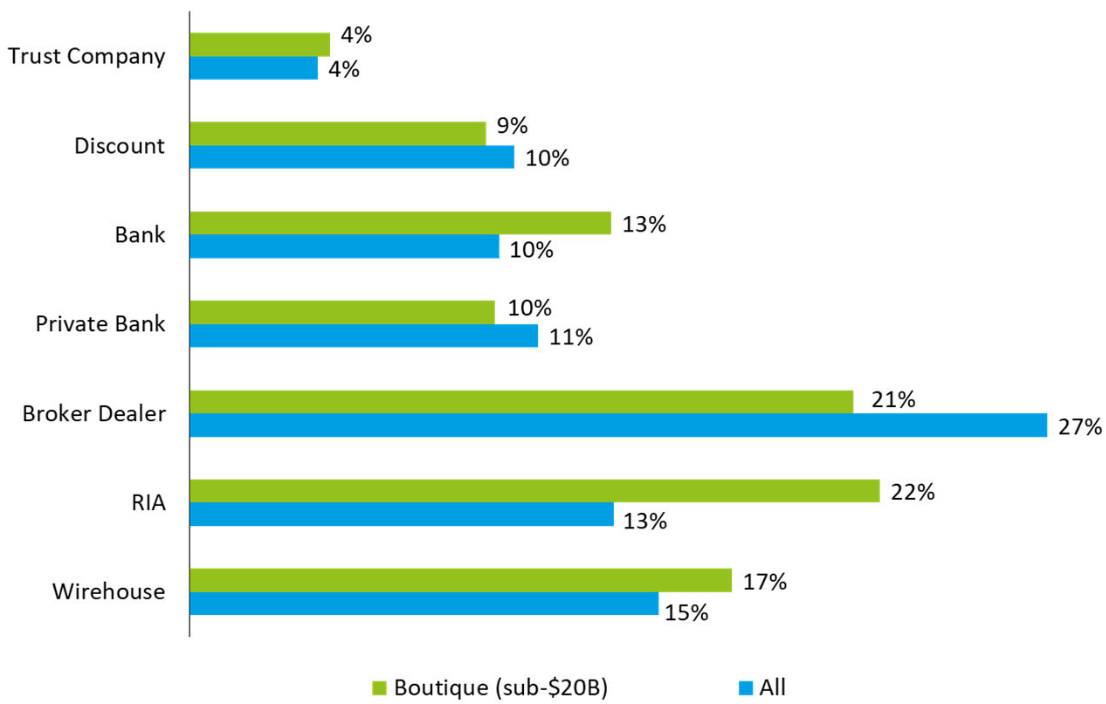
Sources: Money Management Institute, Strategic Insight analysis. 12

Which Distribution Channels Embrace Boutiques?

RIAs most hospitable to funds from smaller asset managers



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Sources: Simfund, Access, a Broadridge Company

Where Will Growth Come From?

Regional BD, Independent, Direct Channels Likely to Grow Fastest

Channel type	Channel	2023P Assets	Projected 5-Year CAGR
Intermediary	Wirehouse	1,662	4.6%
	Regional	1,550	7.0%
	Independent	1,721	6.4%
	Bank	561	3.9%
	Insurance	290	0.2%
	RIA	2,240	4.4%
Direct	Direct-to-Investor	8,223	5.1%
Retirement	Retirement/Institutional	7,122	4.1%
	Total	**19,054**	**5.2%**

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Sources: Investment Company Institute, Strategic Insight Simfund, Strategic Insight. U.S. Asset Management Industry Market-sizing Report 2018-2023.

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Rising to the Challenge

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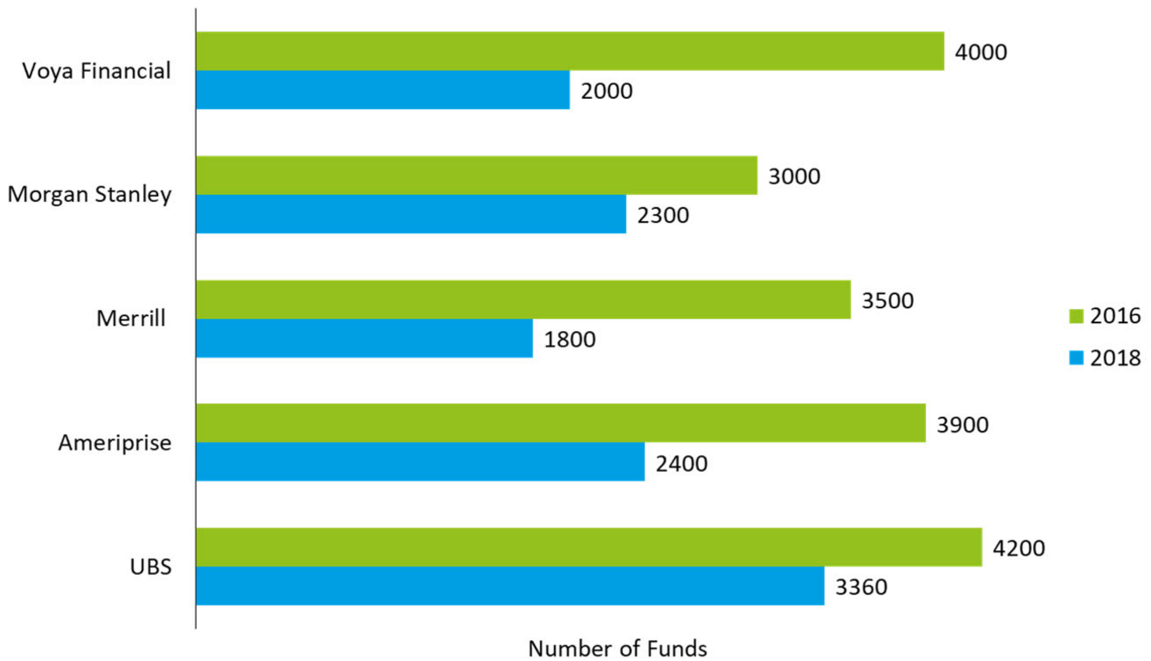
Gatekeepers Flex Muscles…

Fund platforms shrink 20%-50% amid regulatory pressures, investor demands



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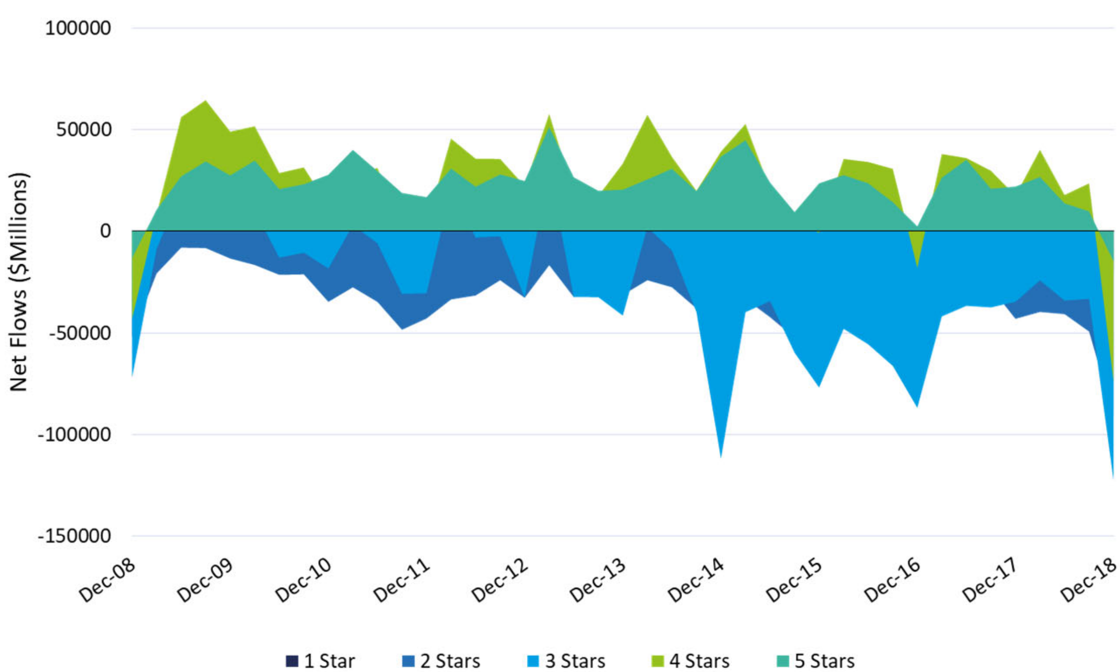
Source: Ignites. 16

…And Performance Standards Are High

Active fund flows by Morningstar rating, 2009-18



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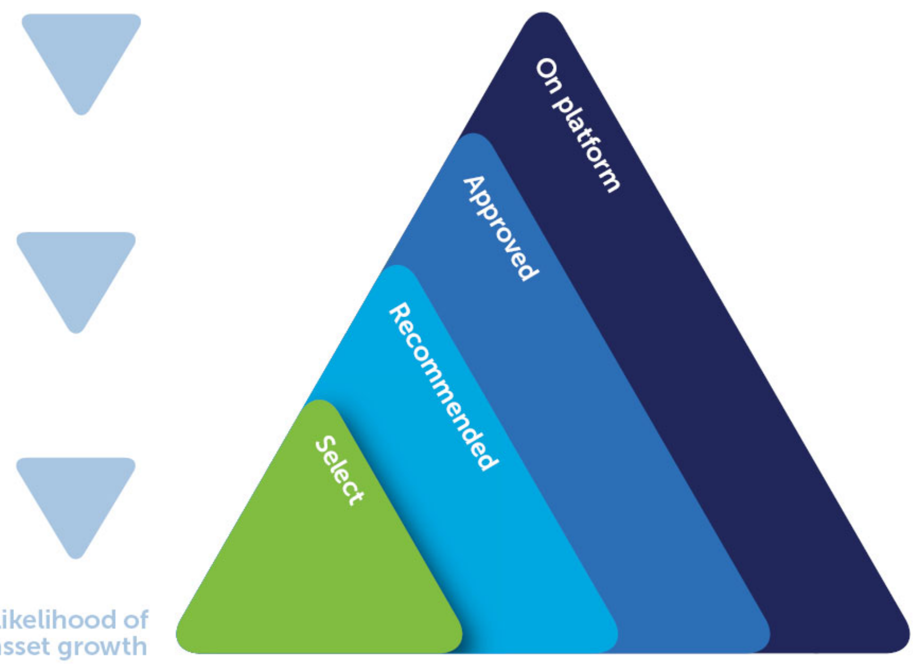
Source: Simfund. Data includes all active funds excluding money markets and fund of funds. 17

Platform Placement Necessary But Not Sufficient

A small number of funds likely will accumulate most of the assets



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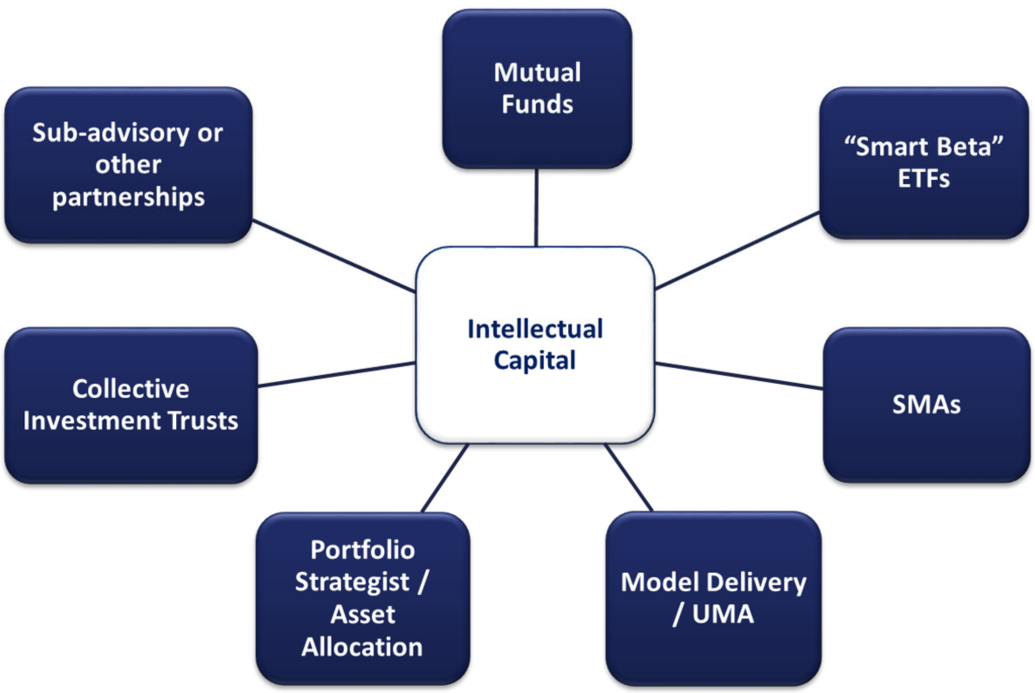
Source: Simfund. Data includes all active funds excluding money markets and fund of funds. 18

Effective Distribution Requires Dexterity

Demand for agile execution across delivery mechanisms rising



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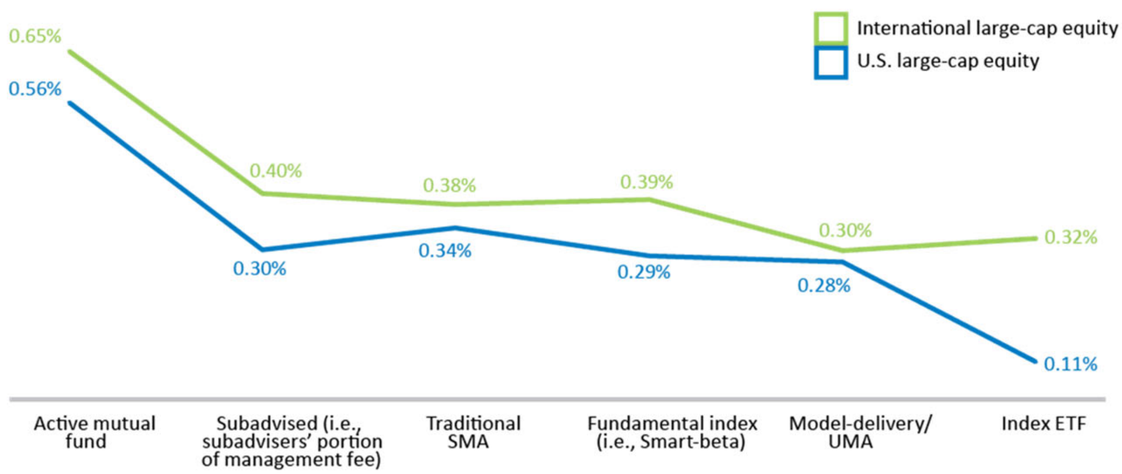
Effective Distribution Requires Flexible Pricing Strategies

Median management fees across vehicles/delivery models



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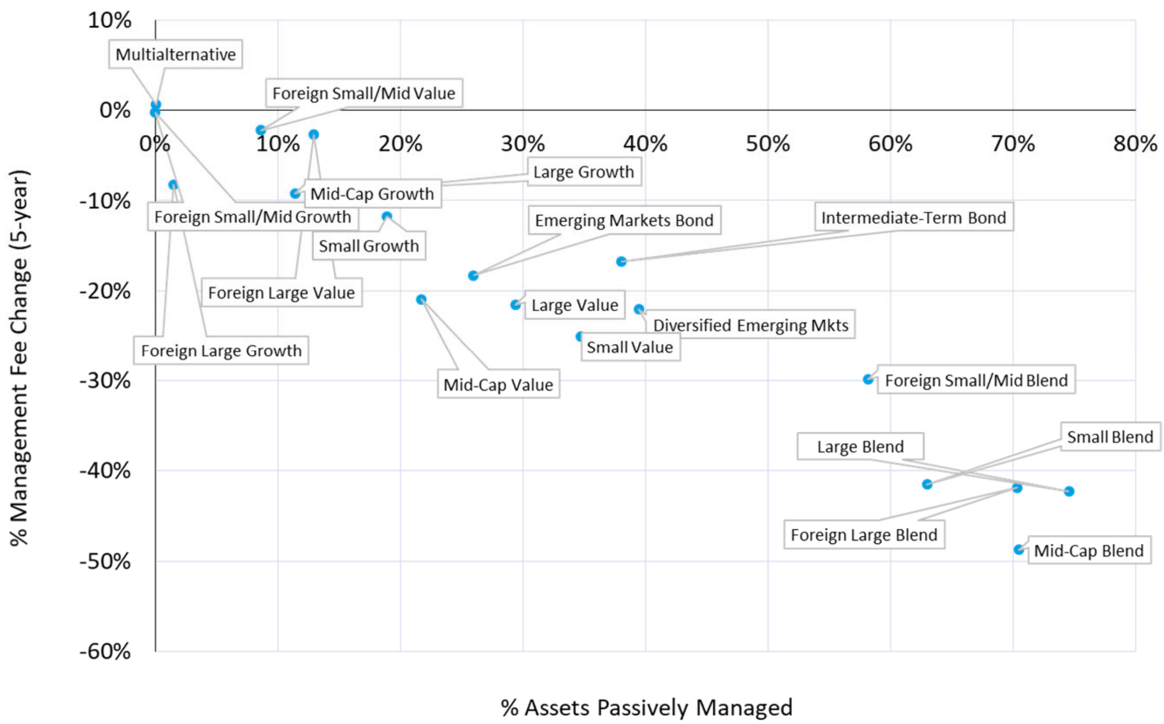
Source: Strategic Insight Simfund, company filings.
U.S. Asset Management Industry Market-sizing Report 2018-2023. 20

Choosing Fertile Ground

Low passive penetration, price sensitivity point to less-competitive arenas



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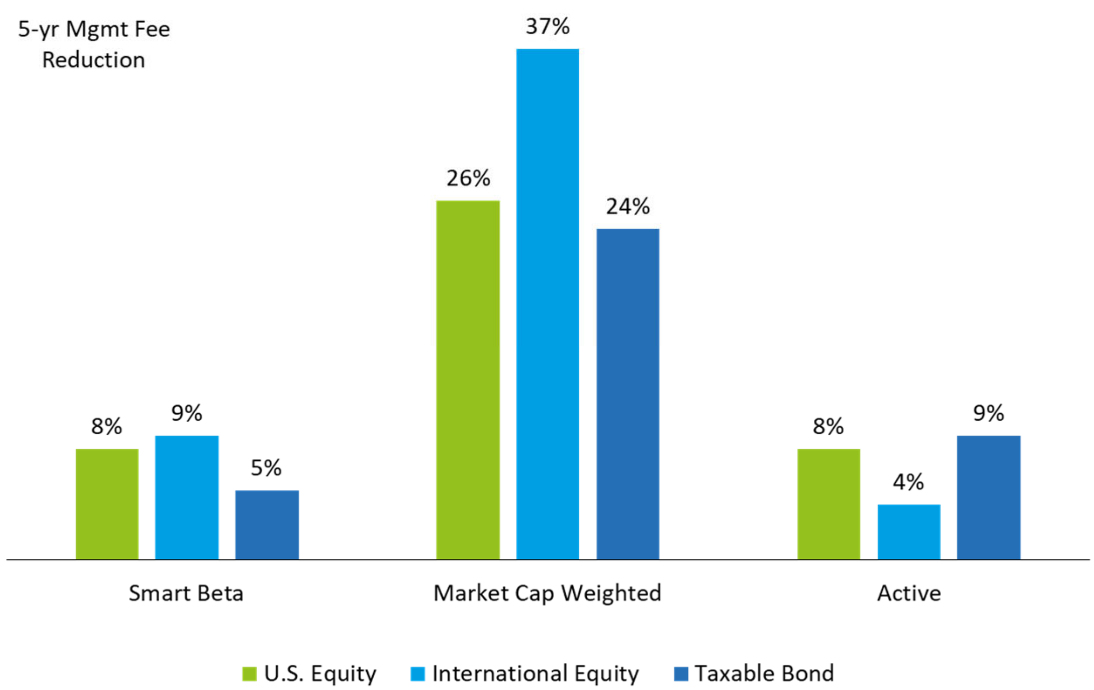
Source: Simfund. 21

You Can Afford Price Discipline

Race to bottom on fees largely confined to market-cap weighted indexes



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Source: Simfund. 22

Differentiate With Difference

Be yourself, everyone else is taken

- What makes your story different than everyone else's?
- Can you articulate your competitive advantage?
- How can you strengthen relationships with your clients?
- Burnish your brand as a fiduciary:
  - Trust
  - Alignment of interests
  - Continuity of management
  - Distinctive investment style
  - Transparency
  - Fair pricing

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I just want to first set the backdrop and talk about the evolving economics of our industry and just consider the question whether the economics of the industry are really hostile to the little guy or not. On the surface, it does appear to be the case. Second, I hope to look at some, you know, changes - look at some of the changes and just give an overview of the distribution landscape. And then third, I hope to address some ways that I think maybe you can thrive in a changing distribution landscape and I hope there'll be plenty of time for questions at the end and also, I'll be here at least through lunch, so glad to speak with any of you afterwards.

So, with that, let's get started. First, I wanted to talk about a theme that seems to be true everywhere in our society, the rich are getting richer in many different contexts. The economic gains through many sectors of our economy, whether it be in technology or our industry are accruing to the very largest, the already wealthy. In our industry a few years ago or five years ago, the already wealthy were Black Rock, Vanguard, Fidelity. They're even wealthier today. And, you know, so if you look at what the assets in the top 1% of all funds and, you know, compare it to smaller funds, the level of concentration, you know, has more than doubled in the past 10 years. And you'll see, it's really become increasingly concentrated since 2014-2015. If we take a look at the industry from a similar perspective, the numbers here on the chart refer to the Herfindahl Hirschman index which not to get too wonky here, although I guess Washington, D.C. is the place to do so, you know, this is a traditional indicator that regulators in particular use to judge the concentration of an industry and based on a company's market share. And so, you know, these numbers represent the asset concentration and, you know, this methodology really heavily weights the role that the largest companies in the industry, in this case the largest asset managers, the level of control they have over assets.

And you'll see again, since 2014-2015, the level of concentration has increased considerably. The level that anti-trust folks tend to get concerned, the level of concentration that is concerning is when the Herfindahl index reaches 1000 and we're almost there. I'm not saying that regulators are going to all of a sudden intrude and break up the industry. Our industry is different than the Standard Oil type monopoly of the late 1800s. In fact, I was thinking this morning, there's probably not an industry in America outside of technology that has probably seen these kinds of exponential market share gains by the largest players this quickly. So, I think that's quite extraordinary. But the folks that make up the very, you know, the very largest asset managers. One of them, as we know, Vanguard, is a not-for-profit entity and I think that does shape things in a way that, you know, maybe you wouldn't see in other industries.

And this pattern isn't driven solely by consolidation. I would say that it's been a secondary driver of concentration. It really has been just the rise of indexing in recent years and that's a scale game, right, where you really need to be big in order to offer your index funds at zero or near zero cost to the investor.

But like the story in economics, you know, it's not just as simple as the rich are getting richer, the top 1% is getting all of the gains. When you look underneath the hood, you'll see that the level of inequality isn't equally distributed. And so, obviously, in U.S. equity funds, there you'll see lots of concentration and that makes sense. That's where the S&P 500 index and all of the market cap weighted index funds have gained so much steam. But in alternatives, in commodities, these are more nascent areas of our industry, you see less concentration. And you know, that to me implies that you know, there's a more, potentially more competitive lower barrier to entry environment in those asset classes.

Also, I wanted to make the point that the big getting bigger, the big have gained share not at really so much the expense of the little guy, it's been at the expense of that middle tier. Being in the muddy middle has been a place where you don’t want to be in our industry. Nearly all of the gains that the largest five, largest ten asset managers have gotten have been at the expense of that middle group of asset managers. And if you notice, you know, at the very top of the graph, the light blue, the purple, those represent, you know, the smallest asset managers in our industry and their share of the market really hasn't changed very much since the late 1990s.

So that to me suggests, you know, that this, you know, bunching of distribution up at the top with the long tail following behind, kind of a phenomenon we see in a lot of industries in our economy really is not something, you know, that has changed in recent years despite the fact the industry economics seem to tell us, you know, that we have an economy or we have a market structure that is hostile to the small player. So, you should feel good about that.

And we often do hear that, you know, the only way you can succeed in this business is by giving scale, which is true, but scale and asset size are not necessarily the same thing and I think we're making a big mistake if we assume that the biggest firms are necessarily the best managed or they have the best scale.

And this chart is from our coming corporate profitability report. It's a report primarily used by corporate fund boards to assess the profitability of asset managers. And, you know, these are public asset managers that we track in our report. The size of the bubble indicates the level of assets under management. And as you can imagine, the biggest bubble up there is Black Rock. At the bottom you'll see operating margin. And then on the Y axis you'll see organic growth. This is growth not propelled by capital appreciation. And you know, Vanguard or Black Rock really has kind of hit the sweet spot. You know, they've had organic growth and relatively high operating margins. But there really isn't much of a correlation, you know, practically no correlation at all between size and operating margin and size and ability to, you know, grow organically. So, I think really the question that asset managers need to think about isn't how could we be bigger but what's the appropriate scale that we need to succeed. And in some respects, scale is probably detrimental to your prospects in terms of if you manage too many assets on the investment side of the house, that could impede your ability to be successful, whereas being asset light makes it inefficient to run your business operationally, you know, as many of you know. So, thinking about where you need scale, not just whether you need scale I think is an important consideration.

So that's it for industry economics.

Let's talk a little bit about the changing distribution landscape. Just a confession here. I joined Strategic Insight earlier this year. As Jake mentioned, I was with Morningstar previously. My experience has been rating investments, now I'm learning about how they actually get sold. So, I've been going up quite a learning curve here and hope to share what I've learned with you thus far.

You know, one of the themes that we notice and really it actually wasn't news to me, is that in many ways the retail investor is experiencing an institutional, they're experiencing institutional level standards of service and the retail investor is also expecting institutional style pricing. And one of the big reasons for that is this emergence of the fee-based advisor. This is a long-standing trend. Fee-based advisors have been gaining market share for quite a long time. The DOL rule, which of course as everybody knows didn't end up going into effect, but that turbocharged this shift that I think was inevitable anyway and, you know, now nearly all of the advised assets are sold in a fee-based wrapper. Ultimately, I think, you know, that may be good for boutique asset providers, investment providers, you know, because it allows for a more open architecture framework, but it's not without its challenges. You know, because although shifting to a fee-based frame makes expense ratios lower and disentangles distribution costs from investment expenses, those costs haven't disappeared. And so now instead of asset managers paying advisors to sell their funds, asset managers are now establishing relationships with large wealth platforms. And so instead of this being a business to advisor type of relationship, it's a business to business type of relationship and I think that, you know, makes it harder for a smaller firm with less of a marketing message to get through.

Just to further make this point of the institutionalization of retail, you know, here we look at 00 share classes. These are primarily so retirement share classes. It's pure management fee. You know, there are no shareholder servicing costs embedded in them and you'll see increasing at option, you know, in the wrap-based programs. We increasingly see these types of share classes being offered outside of the retirement channel, although the penetration outside the retirement channel has been relatively weak. We haven't seen a big acceleration thus far and I think that probably does relate to the regulatory environment. You know, after the stampede to adapt following the proposal of the DOL rule, I think asset managers now are a little wary to, you know, run ahead based on the possibility that the SEC might, you know, do what the DOL didn't and implement a best interest type standard, which I think would really accelerate, you know, these types of share classes.

You know, again we see along with the institutionalization of retail we have seen a shifting balance of power again away from the asset manager and in favor of intermediaries and advisors. And, you know, these, you know, this chart is an illustration and this is from our sales survey. We're working on a new one now. You know, over the summer we should have some updated numbers. And, you know, if you look at sales and distribution channels for advisors where the advisor has full control over the investor portfolio, you know, that's where you've seen they're the strongest areas of growth. Yeah, the rep is a portfolio manager where the unified management or UMA structure are really the fastest growing areas in the intermediary market. And this is where advisors have full discretion over their portfolios, over their clients' portfolios.

I was able to parse our data to find out where intermediary channels, which intermediary channels are strongest for boutiques. And by boutique, I limited it to firms with $20 billion in assets or less. And not surprisingly, boutiques have above average penetration among RIAs. You know, these are the most I think independent minded advisors of the bunch. They are much less wedded to captive distribution channels. The level of active penetration is still relatively high and not surprisingly, broker dealer channels tend to be less hospitable to the boutique. And I think, you know, the reason for that, well, part of it is to be on a broker-dealer platform, it's kind of a you're paying to play, you're paying for shelf space. Not as hospitable, therefore, to boutiques. And I think broker, and I'll get a little bit more into this later, but a lot of the broker-dealer and wire house type platforms are narrowing their relationships, not expanding them. And, you know, that tends to be relatively hostile to a single style boutique manager.

These are our estimates from our market sizing report. The most recent one came out in December. We expect the 2019 one to come out again in December of 2019. You know, overall, we expect intermediated assets over the next five years to grow 5% annually. And, you know, we expect regional broker-dealers to grow most quickly. We also expect some relatively robust growth in the direct investor channel. That seems likely that it will be a lot different than the direct to investor type scenario that we saw in the late 1990s where the individual investor opened up an account at Schwab or Fidelity or Vanguard and, you know, just bought quite often just the strongest performing, you know, fund over the past year or the past quarter. Back then, individual investors were buying individual funds. Now I think investors will embrace more solutions-oriented products. If not necessarily automated advice type platforms, you know, they might be model portfolio type solutions that, you know, lots of asset managers are offering. And, you know, that's the asset manager counter attack to the growing power of loss of the intermediary - loss of the growing power of the intermediary distribution channel. You know, they don't want to, you know, have assets being housed within Merrill Lynch or Morgan Stanley. Of course, they want to keep it in house. And so, you know, that often firms like Black Rock, Fidelity, Vanguard, Schwab are doing all they can to keep customers within their orbit.

So on to the third piece of my talk, how boutique managers can rise to the challenge and also, I'll discuss, you know, some of the challenges, you know, that you'll face along the way. Here you'll see, you know, many of the very largest fund platforms amongst, you know, some of the largest wealth managers in the world. And, you know, on average, the typical wealth manager has cut the size of their platform by around 40%. Merrill Lynch cut it by 50% and I know a little bit about that because when I was at Morningstar, Morningstar became the in-house research arm for Merrill Lynch, started covering hundreds now thousands of Merrill Lynch funds. And, you know, Merrill Lynch is dependent upon Morningstar's research to determine what make sits platform. And so, I was part of that process in determining, in helping Merrill to determine which funds they were going to keep and which ones they weren't. The first cut was simply getting rid of really small funds and funds that had really poor performance. And I think by small they meant, you know, sub $20 million in assets and, you know, by poor performance, one- or two-star ratings. And, you know, from there I think they got more specific as to the actual underlying fundamentals of the fund and, you know, form all of it I've read and understand other platforms followed a similar methodology. Their performance standards had become increasingly high. It's always been true that flows have concentrated themselves in funds with four- or five-star ratings. It remains true but the selling for funds that aren't four or five stars has been really intense in recent years and blew those, that blue in the chart represents the assets flowing out of lower rated funds. It really hasn't been any mercy based on performance. And I'm certainly not making the argument that the Morningstar rating alone is he performance measure that gatekeepers are using, but it's a good proxy and it's certainly something that investors use to judge the quality of a fund.

Oh. I was pressing the wrong button. So just being on the platform, though, isn't good enough. You know, it raises the possibility or it raises the likelihood that you may be able to raise assets but it's hardly no guarantee. Form just getting on the platform, you know, getting on the platform alone is no guarantee as I was mentioning. It means you've met the minimally accepted standards. Your fund might not even be covered by, you know, one of the in-house analysts or a Morningstar analyst or whoever, you know, any external party that is doing work for the platform, they winnow things down to an approved list. The approved list is based on a narrower criterion. And then there's a recommended list, you know, and these are funds that may have, you know, positive Morningstar ratings. You know, these funds have made it through a more rigorous process. Your likelihood of getting assets goes up a lot when you make a recommended list. But kind of the place everybody wants to be and it's a very narrow gate, you know, is being on the select list. You know, this might be fewer than 100 funds out of a 2,000 strong platform. And that is where your assets are virtually guaranteed. You know, these are the funds that make it on the model platform and within model portfolios. And I think the way a boutique can petition themselves, you know, to make these select lists is to, you know, demonstrate that your funds can be really a key instrumental part of a diversified portfolio. I was at a subadvisor conference a few weeks back and a gentleman from a large insurance firm, you know, said that within the context of a solution product, boutique asset managers are a lot more appealing, you know, because they're a lot less risky to the fund sponsor, Idiosyncratic performance doesn't need to be explained away because it's in the context of this, you know, larger framework.

We like to say that asset managers need to demonstrate intellectual agility. And by that we mean asset managers need to be able to be able to offer their intellectual capital across a range of product types and distribution channels and, you know, that ranges from the traditional material fund to the actively managed ETF, the UMA structure, CITs and so on. And I think the important thing to think about is not, you know, can I check all of these boxes and have a product that, you know, meets every single need, but reconciling what you have and what you can conceivably offer, you know, practically speaking, you know, within this framework. So, you know, if you can't, for example, offer a sufficiently diversified portfolio in your investment strategy in SMAs, you probably shouldn't offer one.

One thing that you need to keep in mind, as we move from the, you know, traditional actively managed mutual fund down to a model portfolio or an index ETF, we have increasing price sensitivity. What the market is willing to give you is a lot less, you know, than what is, you know, a typical actively managed management fee. And so, you need to be confident that you'll be able to offer your services at a much lower price point.

Now what you can do to identify fertile ground is to, and this is kind of what I try to do here, is marry the level of, you know, price competitiveness with the level of passive competition. You know, a lot of passive competition means that active managers are kind of being muscled out of the category. Competition could be increasing conceivably. Active managers that get pushed out because of passive managers, you know, tend to be the less talented, less capable ones. So, you're moving on to ground where active managers face more competition. And, you know, when you look at also pricing competition, that's a gauge of how competitive the landscape is. And not surprisingly, when we look at where the highest levels of passive penetration are is where we've seen, you know, the greatest price competition. At the lower right-hand corner of the graph, all of the U.S. blend categories have been where competition has strongest in indexing and that's where the level of management fee declines has been the strongest.

Now we often hear that you know if you ready the, you know, in the press, all their - You know, all the press is talking about is this march to zero, the race to bottom in fees. And that certainly exists in the index market cap weighted index realm. But when you take a look at management fees among active managers, even among the smart beta ETFs, fee declines over the past five years have been a lot more modest. And, you know what it says and it's true when you look at this in a more granular level at the category level, you see the same kind of thing where active manages haven't really changed their management fees much. And you know, when you see the chart, especially from the ICI, you know, where you see this wonderful declining expense rate, asset weighted expense ratio, you know, over the past 20 years, you know, investors really are paying less in fees. In part, that is because investors have chosen cheaper funds, they've chosen index funds. And then the conclusion is, well, active managers need to follow that trend and I don't think active managers really have been doing so outside of really select categories. The fee pressures are more modest. Much of the decline in expenses that you see is the distant result of the disentanglement of distribution fees from the expense ratio. You know, that's been a bigger driver of expense declines than actual declines in management fees among active funds.

So, the bottom line here is that I think you don't necessarily have to race to the bottom, you know, to be successful. Now I don't have the chart here. You certainly don't want to be in the most expensive quintile or quartile of your category. I think you'll probably be screened out of a lot of manager screens among consultants or folks at Morningstar.

So I think, and this is my closing slide and I'd be glad to answer questions and it looks like I'll have a little bit of time, I think the most important piece of advice that I could leave you with, and this is really informed by my experience at Morningstar is, you know, to not, as I would urge you to not be afraid to be different. Be yourself; everyone else is taken. That's something I heard in college and, you know, it's something that's stuck with me. I can remember so many asset managers, you know, that came and visited us at

Morningstar that were boutiques and they wanted to get Morningstar coverage and they came in and presented as if, you know, they were a large asset manager, you know, replete with all of these resources. And, you know, first of all, everybody knows that really can't be true. You just don't have the scale to pull it off. And the worst part about it was we didn't really find out who they were. And I was listening to the panel earlier. I think one of the values of having a podcast and it's maybe tough to quantify, but people who listen to those podcasts really learn who you are and it really establishes that great level of, you know, a really deep relationship with a client or a potential client because they know how you think about the world. You know, it gives the investor or the consultant or the analyst a level of confidence that they can't get by looking at your performance numbers, you know, because your performance is not going to be good all the time. But if you as an analyst or a consultant or whatnot have confidence in that investment strategy and the way that that manager thinks, I think that goes a really long way.

I think being able to articulate what makes you different, articulating your competitive advantage, you know, is just really crucial. As an analyst, I think that was my first question for any asset manager, tell me why you're different. Every trade has, you know, two parties. You know, both of you probably can't be right or both of you are looking for something different and so how are you - what are you doing to distinguish yourself from the guy on the other side of the table?

And I think the major advantage that a boutique has over a large investment firm is A, an ability to tell a really cohesive story. It's a lot easier when you have a handful of funds and one investment style or a handful of investment styles. And, you know, when we go, when I was at Morningstar and we would visit an asset manager, you know, onsite, we would have a lot of different meetings with the CO, CIO, all the way down to the analyst. And what was important to me is to be able to see that the analyst was speaking from the same or signing from the same hymnal as the CEO and that's a lot easier to pull off when you have kind of a uniform culture and a, you know, a more intimate environment you're naturally going to have that in a boutique investment firm.

And its key for every asset manager, but I think it's something that you probably could pull off, you know, very well is to position yourself and market yourself as a true fiduciary. Whether we have the best interest standard in place form the SEC, you know, the world is becoming fiduciary - I can't even say it - it's becoming a more fiduciary-driven environment and you can really offer yourself, you know, a greater level of engagement in helping the client understand what you can deliver and that will frame their expectations of what, you know, they can expect from you.

And I think the thing that you do need to articulate from a fiduciary perspective is, you know, despite being a small firm you've thought about continuity of management. I would say the major thing that did change in my Morningstar career is the importance of the quality of the asset manager behind the fund. Funds that, you know, had a spectacular process proven repeatable, but were from asset managers that didn't have good succession planning, it was unclear what was going to happen when the founder left, you know, those firms had, you know, just weaker ratings. So, you know, being able to articulate to people how you expect to endure and be able to maintain a long-term relationship with the investor and the advisor is, you know, really, really critical.

And, you know, being transparent and open. It gets back to what I said about the podcast. It really builds trust. And although I said, you know, you can afford not to race to the bottom on fees, I just think, you know, the pricing, your pricing strategy needs to be aligned. It needs to be fair, aligned with, you know, what kind of alpha you can expect to deliver.

So, with that, I think a few minutes to answer questions. In the back?

Questions & Answers

Male 1:	In your slides early on, you talk about the concentration of that based on assets or revenue?
Christopher Davis:	Based on assets.
Male 1:	Do you have any sense what that would be if you focused *[inaudible]*?
Christopher Davis:	I, you know, I did - I did do some of that work and it was based on the estimate of revenues, because we can only know what the industry revenues are based just on retail assets, because we can see in their shareholder reports, you know, what their average assets are and we know what their average expense ratio is and

you could just tally it up for the whole industry. And you do see a similar pattern. It's not as stark, and among active managers, you haven't seen among actively managed funds, I would say, you haven't seen, you know, that level of concentration. So, I think it's really an index-driven phenomenon just because, you know, so much in the way of assets have moved away from active funds. You're not seeing the same the same levels of concentration. So that's a potential, whether I struggle, so whether that's a potential source of opportunity. If you're not getting as much concentration and interest in active managers, you know, maybe it's more of a blue-sky type of environment. But I don't I don't have enough conviction to say that.

In the light shirt in the back.

Male 2: So, you talk about lowering fees, management fees. But we never talk about super market fees, the Schwab's and Fidelities. That's 40 basis points in funds.

Christopher Davis: Yeah.

Male 2: That hasn't budged one basis point. So how do we change that?

Christopher Davis: [Laughs] I don't know. You know, ask Elizabeth Warren. [Laughs] She might have some ideas as to how to break things up. I think it's really difficult and might even become harder, you know, given the fact that wealth management platforms are becoming more powerful, not less powerful. And, you know, they themselves are also doing more to vacuum up the assets for themselves. So, Schwab imposes this 20-basis point fee that you mentioned. Well, they're also offering in their own suite of funds and their own suite of ETFs, you know, for next to nothing. So, you know, I think the competitive environment there is probably in pricing environment is probably more difficult, not, you know, it's not going to become easier.

Anyone else?

Male 3: Do you have any perspective on what the future holds for the Vantage ETFs?

Christopher Davis: Well, that's something that we've started thinking about a lot. It does seem like, you know, SEC's recent approval of Presidian's actively managed structure is kind of a game changer. You know, we hear that from a lot of different asset managers. I think you know it was on Ignites the other day that T. Rowe Price, you know, thinks it's really significant, it's a really big deal. You know, and they've not been one of those firms, had to race out and, you know, created a lot of ETFs. So, you know, and they're very deliberate thinkers. So, I think when they come out and say it, you know, you can bet it's a big deal.

But I am kind of struck, though, is, you know, no active ETFs haven't been a very big deal thus far. I actually have some roots in the Canadian market. You know, before joining Strategic Insight, I was our lead manager research, manager-researcher in Canada, where active ETFs have been a thing for a while. The regulatory environment allowed for non-transparent ETFs way earlier before the U.S. And even there, they haven't gained a lot of steam. And this is an environment, mind you, where distribution is captive. It's quite easy or it's much easier for active managers to push product and active ETFs even in that case, you know, really haven't taken off. I think it'll be primarily, though, a U.S. thing. There probably isn't as much opportunity globally in that structure, you know, just given the fact that ETFs. One of their big advantages is the tax structure, and the U.S. tax structure is uniquely unfavorable to the, you know, 1948 Open End - 1940 Act Open End Mutual Fund Structure.

Well, I think that's it. I'm happy to address or answer any questions or thoughts or things you're thinking about at the break or at lunch. So, thank you very much for your time. I really appreciate it.