



An Inside Look
SUNSTAR STRATEGIC Webinar Series

Presents

“Building a Resilient Firm to Weather the Next Market Cycle”

Market Cycles Be Damned
with Warren Miller

Warren Miller

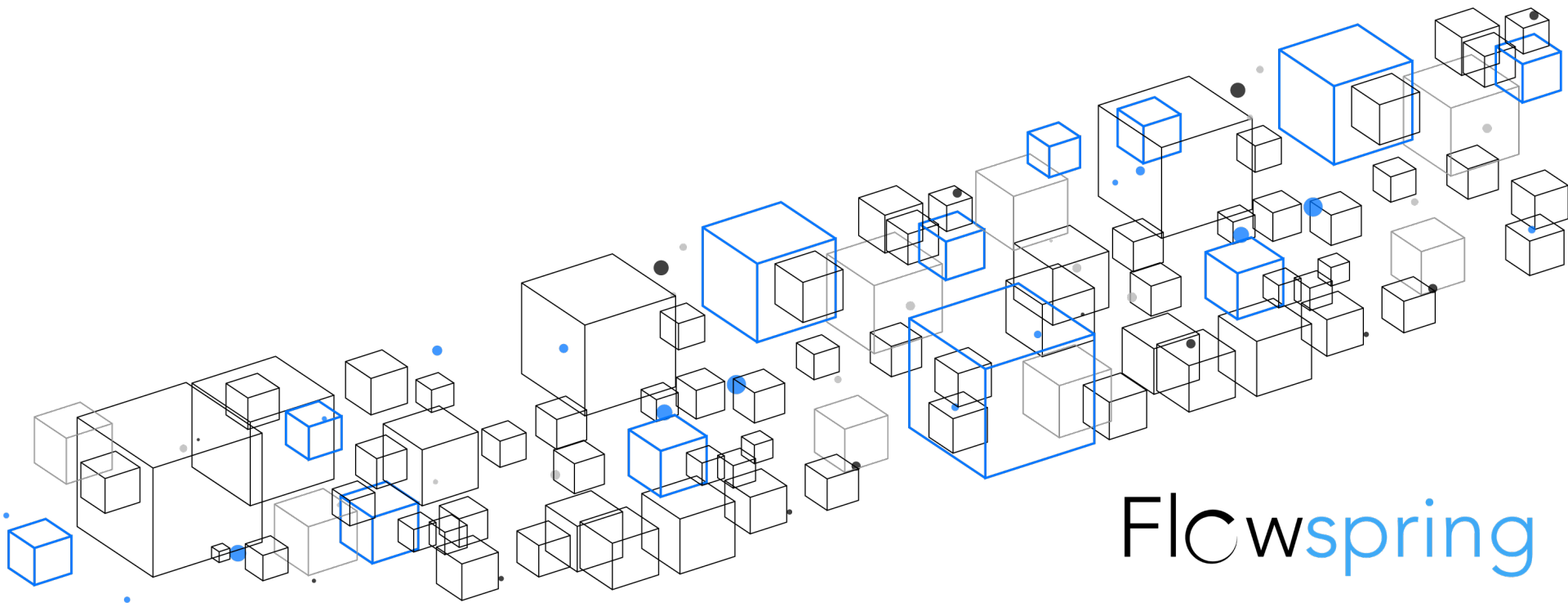
- Founder, CEO of Flowspring
- Previously, Head of Asset Management Software and Head of Quantitative Research at Morningstar
- MBA University of Chicago Booth School of Business
- CFA Charterholder



Flowspring

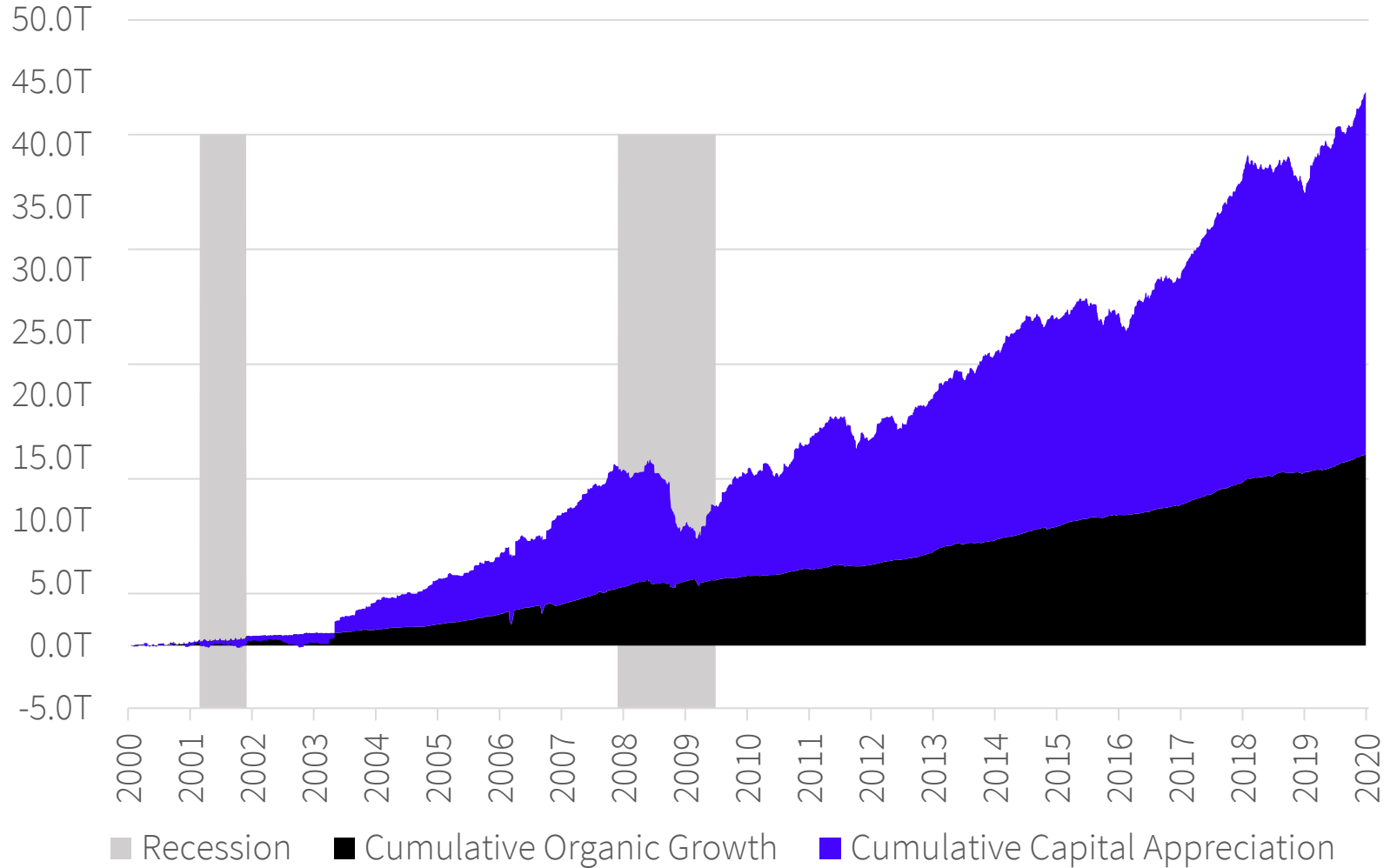
Market Cycles be Damned

How to reduce your fragility to market volatility



Flowspring

We've been riding high for a while



Market conditions affect fund flows

During Recessions



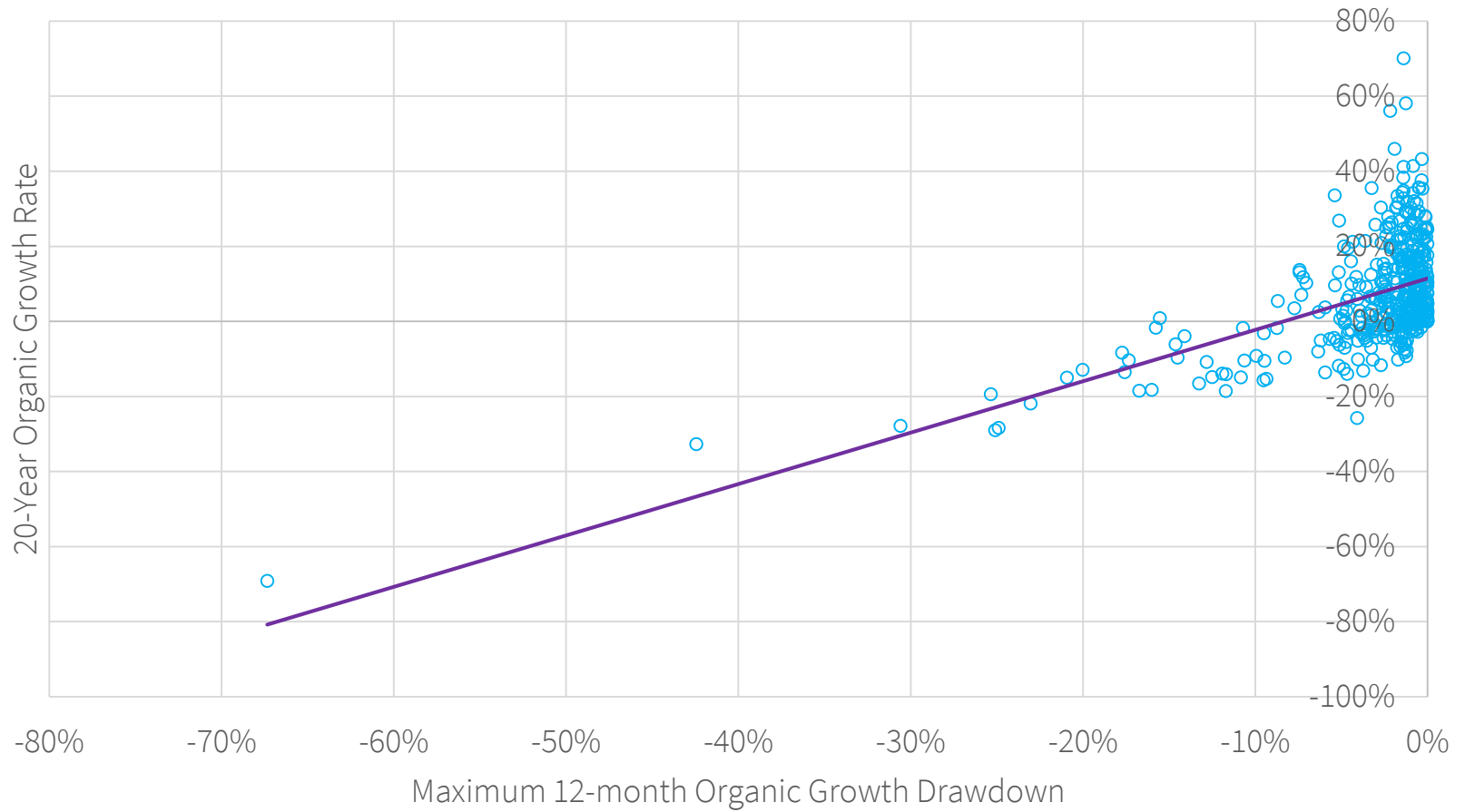
Not During Recessions



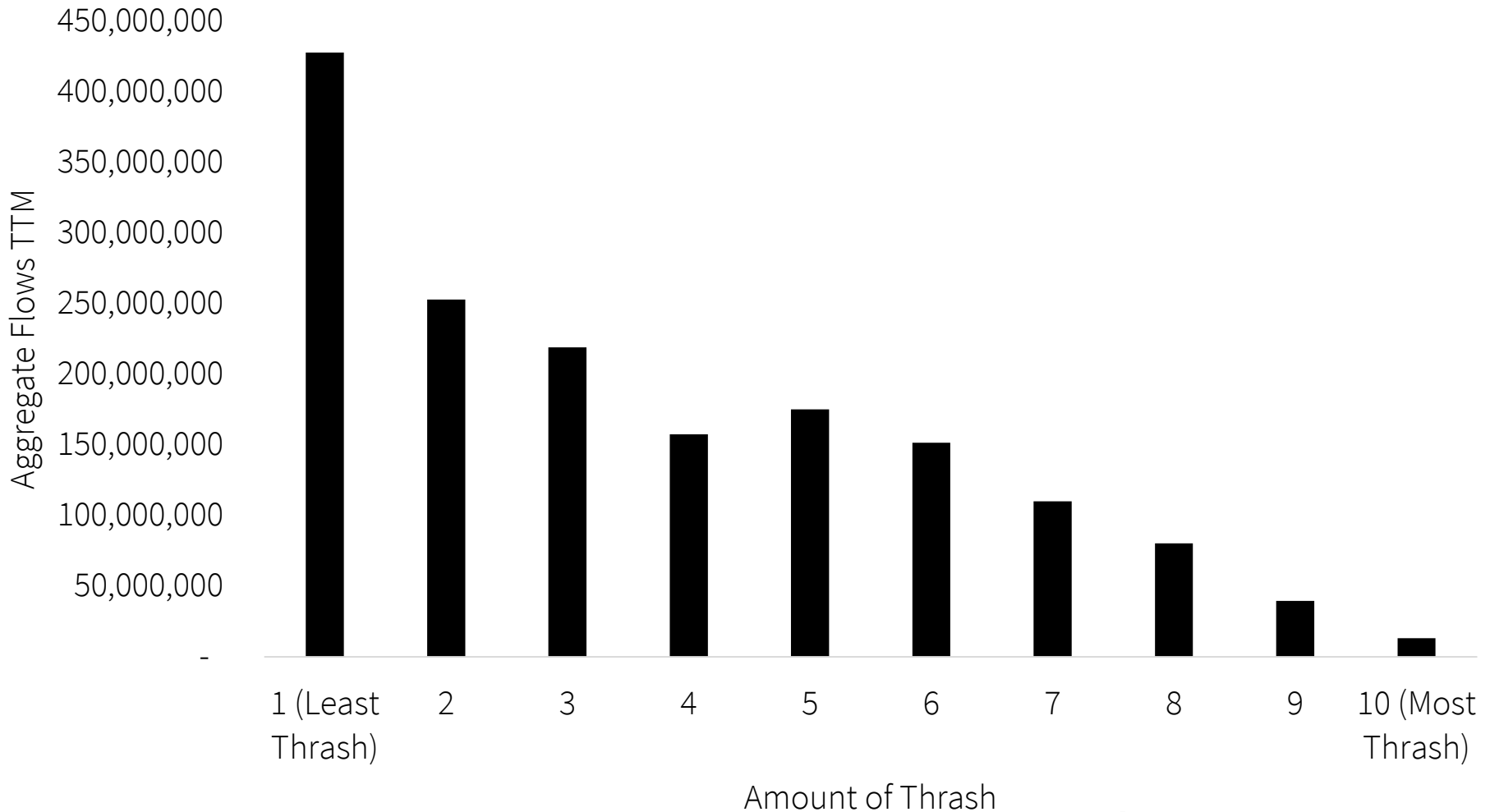
Many asset managers are fragile

- Reliance on too few products
- Undifferentiated products
- Prioritizing thrust over drag
- Charging too much for effectively passive returns
- Overreliance on performance to sell funds

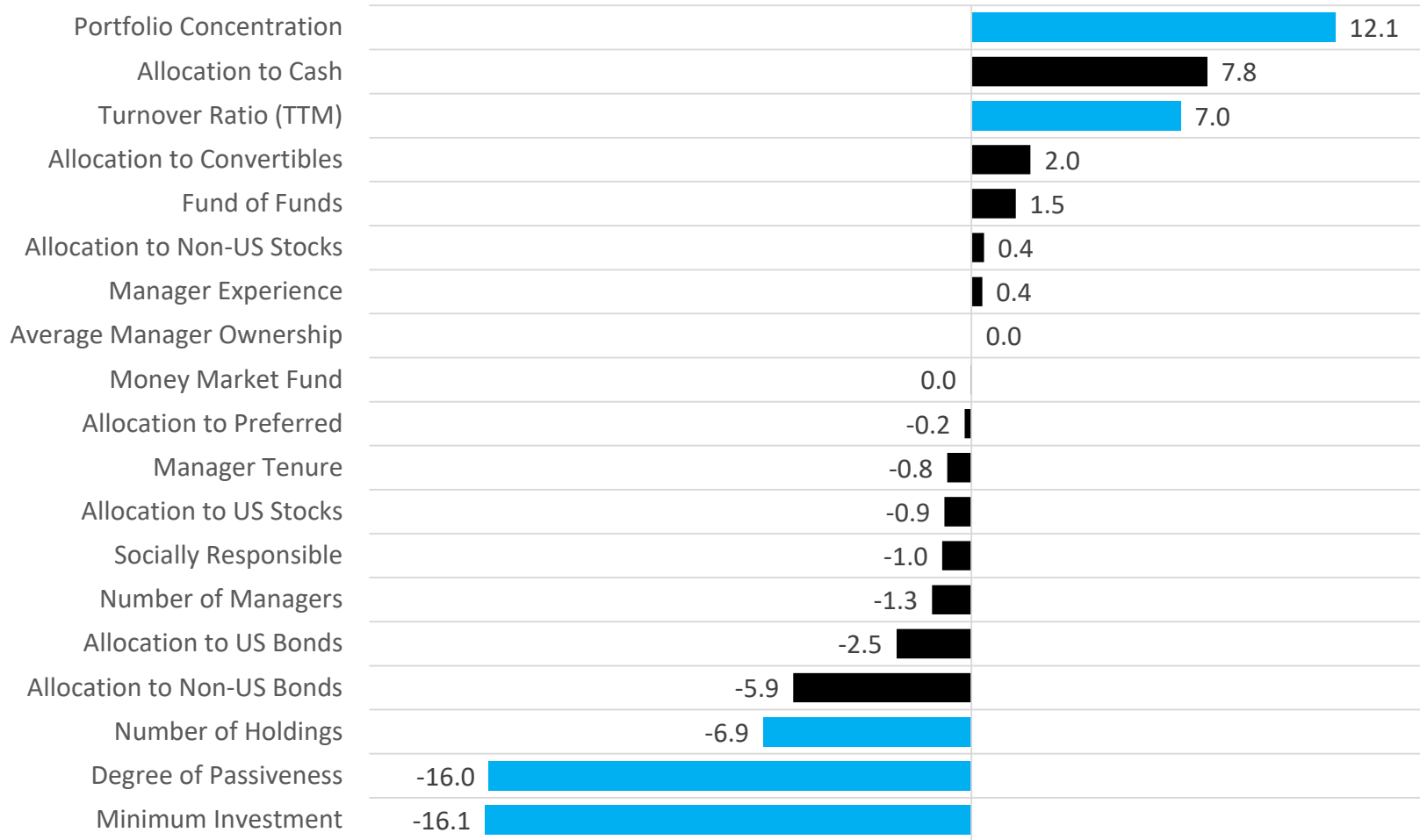
Product diversity is **NOT** a weakness



Drag >>> Thrust

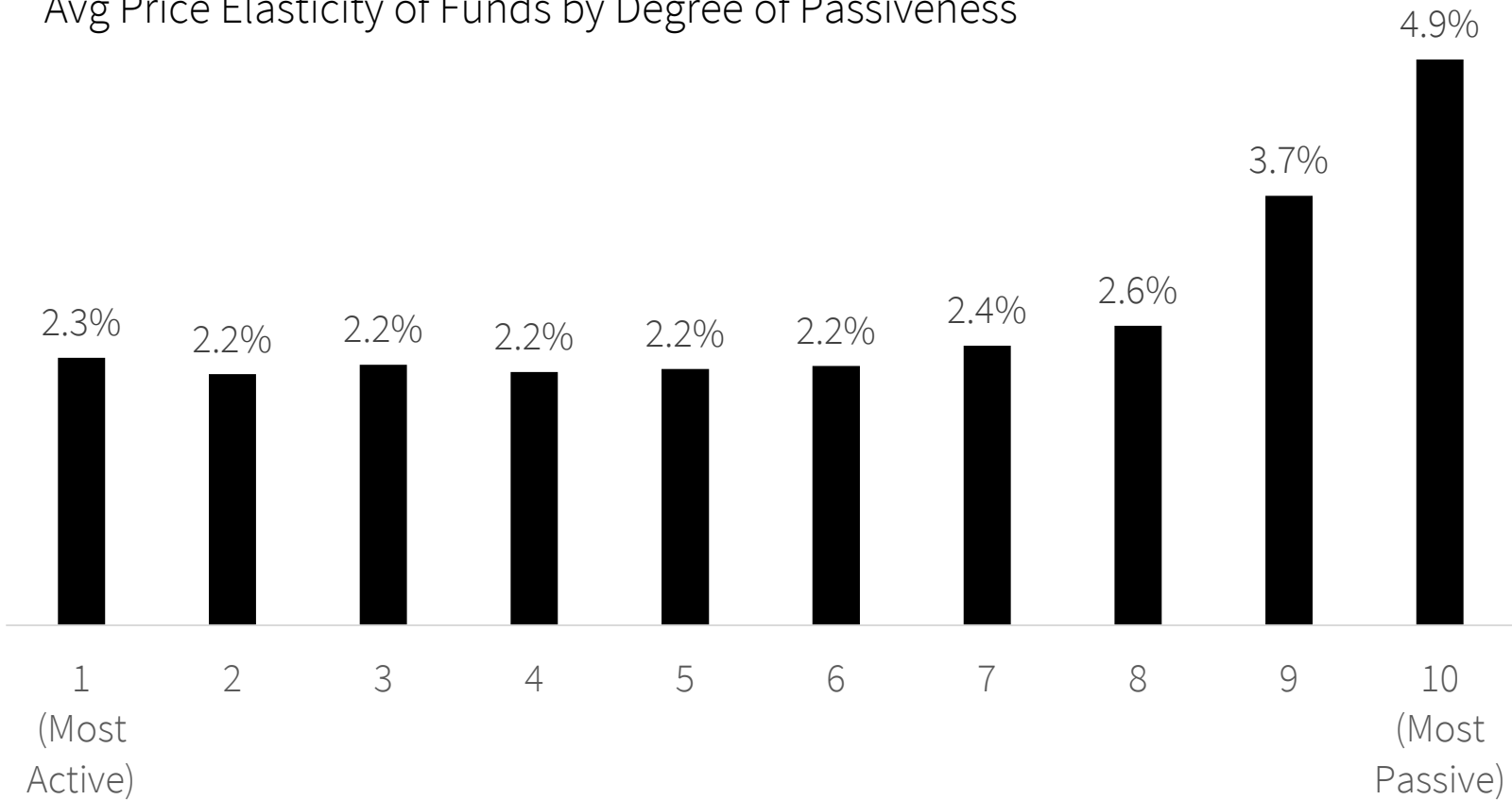


Dare to be different

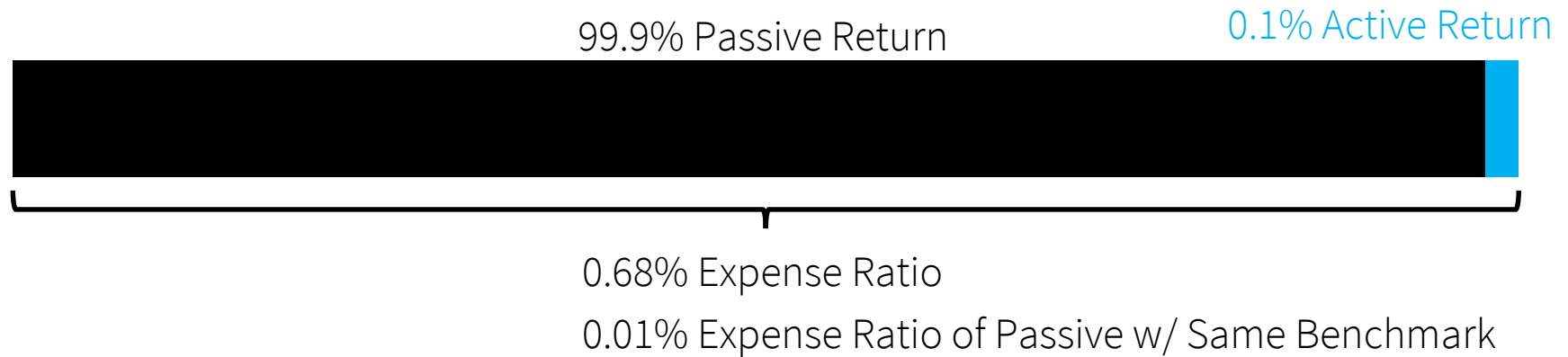


Dare to be different (continued)

Avg Price Elasticity of Funds by Degree of Passiveness



What are you actually charging??



$\$31\text{Bil Assets} \times 0.001 = \$3.1\text{Mil Effectively Active Assets}$

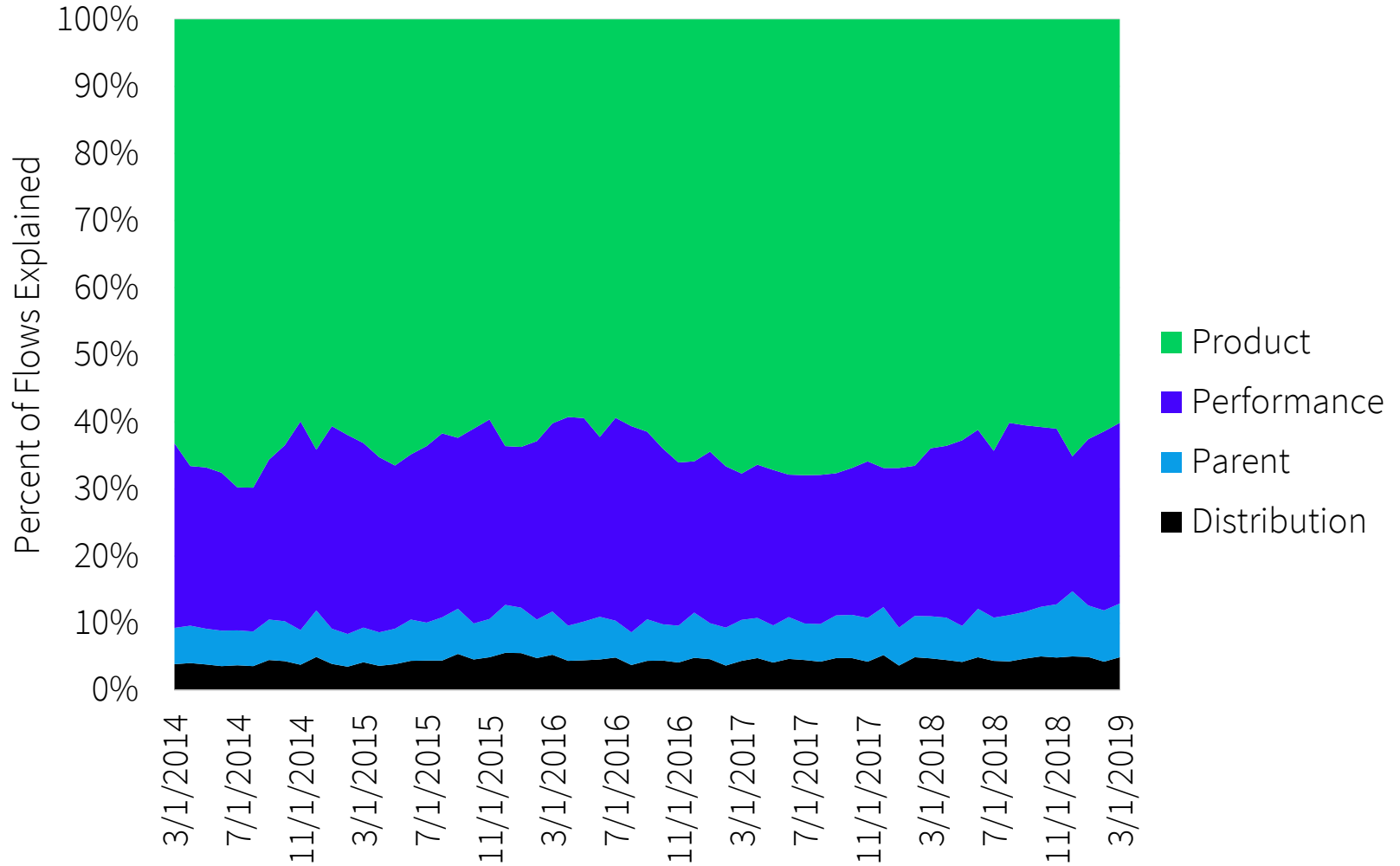
$\$31\text{Bil Assets} \times 0.68 = \215Mil Total Fees

$\$31\text{Bil Assets} \times 0.999 \times 0.001 = \$3.1\text{Mil Fees Needed to Replicate Passive Portion}$

$\$215\text{Mil} - \$3.1\text{Mil} = \$212\text{Mil Fees Paid for Effective Active}$

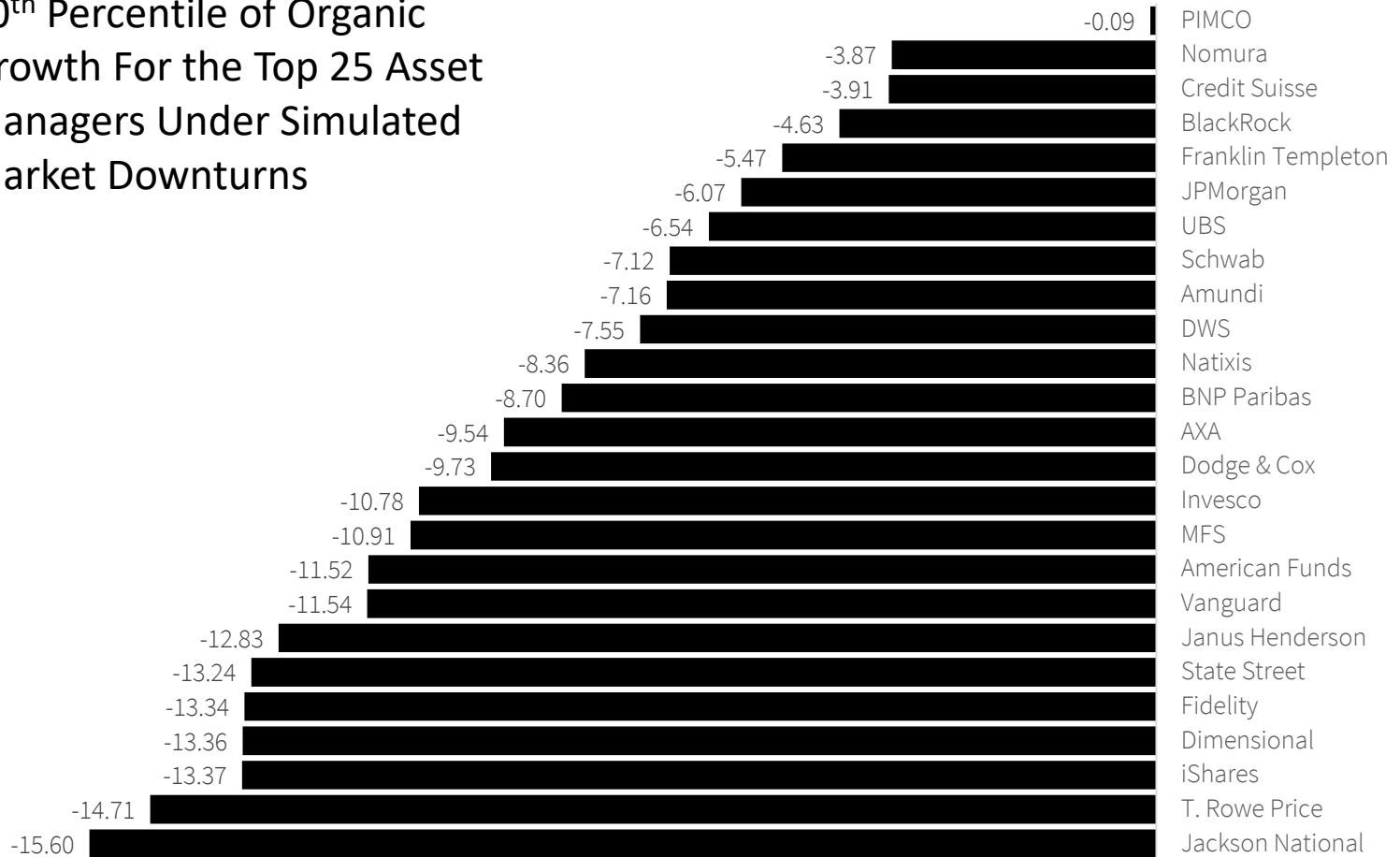
$\$212\text{Mil} / \$3.1\text{Mil} = \mathbf{6700\% \text{ Effective Net Expense Ratio on Active}}$

Product is paramount



How the biggest stack up

10th Percentile of Organic Growth For the Top 25 Asset Managers Under Simulated Market Downturns



Discussion

Flowspring

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