ETF Exchange Podcast

Episode 46 Rough Transcript

Announcer: Hello and welcome to the Fidelity ETF Exchange – powered by FidelityConnects –connecting you to the world of investing and helping you stay ahead.

In this episode of the Fidelity ETF Exchange host Étienne Joncas Bouchard welcomes Fidelity District Vice President Stephan Pitre to the Show. Stephane, a veteran at Fidelity, has been with the firm close to 20 years and has partnered with investment advisors across the country. Stefan highlights ETF trends in the wealth management industry, how advisors can incorporate ETFs in their portfolios, and a brief look into the ETF industry in 2024.

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Étienne Joncas-Bouchard: Hello, everyone, and welcome to the fidelity etf exchange. I'm your host Étienne Joncas-Bouchard a.k.a EJB and we're back with another episode today which i think is going to be very interesting for for our audience and listeners. And this is kind of a second adaptation, if you will, of the same concept, which is frontline perspectives with district vice presidents here at Fidelity getting their their thoughts on what they're seeing in the marketplace, especially from the advisor community, which remains obviously here at Fidelity. The large part of our business, but also on the ETF side, just the very big adoption rate of of of the vehicle among the advisor community.

So we're going to get to that in a few minutes. But as usual, just a quick recap of what we did in our last episode, which was our quarterly industry recap where we talked about trends. Got a chance to discuss kind of what we've seen so far this year and what we're expecting as we move forward into 2024 with obviously now we're out of the recording date, we're December 7th and the past month has been really, really solid performance all around from various asset classes. And we've seen that also materialize in terms of ETF flows with another 5 billion coming in for for the month, bringing the year to date total at around 35. So far this year, it's really been led by it by fixed income with a little asterisks there, which we'll get into. Actually, I don't want to steal any thunder from from our guests. So I think I think we might touch on some of those components there. But all around is a really solid year and continuing on momentum that's been built out from looking 2020 on. It's really been four record years in a row, if you will. So, you know, we'll dive into some of those trends. But all in all, just if you want to recap that last episode or you want to listen to it, it is available on Fidelity Dossier. It is available on your favorite podcast app under the Fidelity ETF exchange. So enough with that.

Our guest today joining us is Stefan Pit. Stefan has been at Fidelity for for close to 20 years now 16 years in his district vice president role. He's had the chance to work with advisors across the country and working on building portfolios, optimizing portfolios, figuring out which vehicles make sense for for certain clients, for others. So just really a wealth of knowledge. And he's also a CFA charterholder, so obviously very well versed in markets, very well versed in investments. So, Stefan, without further ado, welcome to the show and thank you so much for doing this.

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Stephane Pitre: Thank you again and thank you for inviting me. I know you've been there. You've been doing this for roughly about three years, and I heard you're that you're getting some pretty good success and traction through viewership. So thank you for having me as a guest on your podcast.

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Étienne Joncas-Bouchard: Absolutely. It's a pleasure. And like I said, so last year we actually did something a bit similar with one of our colleagues. Just Lay Yeah, So let's see where we go here. Maybe it's going to be a bit different. Maybe we're going to we're going to rhyme a little bit. But, you know, I've got a set of questions that I've kind of prepared, But, you know, we're going to make this a conversation. We want this to be, you know. Yes. Well, this still remains a bit formal, But you know something? You know, don't be afraid to to mix it up a little bit and I guess we'll get right into it.

The first thing that I mentioned earlier, I mean, it's been a really good year for the Canadian ETF industry. Like I mentioned, 35 billion in net new assets. What are some of the main trends you've seen this year from the advisor community? Because, you know, sometimes things will, you know, some direct investors, for example, will be attracted to certain things, advisors to others. And what are things that stuck out this year to you?

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Stephane Pitre: Okay, so I have the privilege. So basically my territory, the region I cover, I cover some of the Greater Montreal area. I cover about $3.7 billion of assets within the Fidelity Network, but I work with roughly about 200 teams, so 200 advisor teams, they can be financial planning or they could be brokerage, whether it's a discretionary license. So I do get to see different ways of running the practice. But hands down, the biggest trend, specifically when it comes to ETFs has been moves towards interest homes savings account, right? So that he says and it's not this surprise you look at what happened in the last 18 months interest rates have risen from essentially 0 to 5%, and that's been quite punishing on an asset category, which is fixed income. So we do have as human nature, we have a recency bias to sort of move away from pain points. And so one of the biggest changes we've seen is people trying to find a way to protect capital in a different manner. And now that time savings accounts at certain parts of the year were offering above 5%, it became an attractive vehicle for people to park money.

But this is just a personal thing, and I think that trend is a as a 2023 trend, I think is a short lived trend. I think one of the most important things that people have to be aware of is the risk of reinvestment. The risk on high end savings accounts is not 5% people are getting is the risk of what rate they're going to get once that rate is no longer tracked. So other people are using gases, are using high end savings accounts as a way to protect capital instead of bonds, which didn't do the job last year. I think the moment at which those rates come down is the moment in which perhaps bonds have. I've already started their next cycle, and so I believe as much as money has moved into that asset kind of category in 2023, there's going to be a natural means reversion in the years to come. But that has been by far the biggest trend in 2023. The other trend, we're starting to see it a bit more regulation in India and advisory space has become higher and higher. Portfolio construction becomes more and more time consuming.

So the number one thing we're seeing is a lot of of simplicity being added to portfolios, at least to the foundational side of portfolio construction. And so we're seeing a lot of these ETF portfolios come and play more of an integral part, perhaps not for the totality of the account, but at least for the starting point. And then we build around with solid positions depending on the style of the advisor that we're working with. But often we're seeing those ETF portfolios playing a fundamental role.

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Étienne Joncas-Bouchard: That's really interesting. I think that the hisA one that you mentioned is it's just like more than half the flows going into fixed income this year went into that category. It's something that we had started to see last year, which I think last year. No argument could really be made that it was maybe, you know, it was the wrong choice because of where rates were going and kind of the anticipation for markets that it was going to be a challenging environment for bonds. But the reinvestment risk comment that you made I think is the most important. It's basically the opportunity cost of not owning fixed income going forward is, you know, you've seen months like you've just the past month and November, you know, various bond indices. And we're not talking about actively managed, you know, bond mandates might have done have a bit more just the bond benchmarks are between, you know, three and a half to 6% over the past month and a half. That's the entirety of your yearly return on, say, a JIC or one of these HSAs.

And as we move forward, it's not so much that we expect or we want necessarily cuts to happen, but if you're yielding five and a half, six, six and a half, in some cases 7% on an investment grade focused mandate with a duration of six, six and a half, well, that's ensuring a longevity of returns that I think can't be over or understated, if you will, because a lot of that is capital gains and that tends to get recuperated a bit faster. And I think that might be a risk as we go into next year is that a lot of people, as rates have come down, while some of those cap gains aren't going to be on the table anymore.

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Stephane Pitre: Well, I have the privilege of being invited sometimes to meet with the end user, with the actual investor that's investing with my financial advisors. And the conversation is often, well, I don't know what the future is, but right now I'm being given a very attractive rate. And so the conversation is always, well, I'll use that rate until it's no longer attractive. But as you know, it's in the markets are always forward looking. And this is this is the part of the formula that I think people forget is the bond cycle. The bond rallies typically don't begin when rates start to come down. They actually historically have proven to begin once rates stop going up. So the promise will never receive that sort of data point or that email or that communication, say, now's the time, you'll know in hindsight. But my fear is that we're going to see history repeat itself and we often will see money flows, follow the performance rather than take advantage of the opportunities.

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Étienne Joncas-Bouchard: And that's that's such an interesting point because one of the biggest surprises to us anyways, and I'm sorry to the audience, maybe I've repeated myself like four times this year already, but like one of the big surprises that U.S. equity ETFs are in outflows and U.S. equity like markets are doing very well, which is usually kind of the opposite, right? Like when things are going well, we see flows when things aren't going well, you see outflows. Is that something that's come up a little bit this year, like, you know, kind of repositioning that the US equity component or at least maybe.

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Stephane Pitre: It's.

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Étienne Joncas-Bouchard: You know, let's be honest, it's been driven heavily or almost entirely by seven stocks this year, the performance of the S&P 500. And maybe that's one of the reasons we're seeing outflows. Maybe it's because, you know, valuations are relatively basis a bit more expensive than other markets. Is that a discussion that's come up a little bit recently with with some teams on your end?

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Stephane Pitre: Yeah, it's people are looking at us. It's because it's hard to chase and really find confidence in that U.S. stock market given that it's a handful of names and Magnificent Seven that are really driving up this performance. Right. And so buying into the US stock market when it's so concentrated in terms of performance at the top of those top seven names, a lot of advisors don't necessarily feel confident deploying capital into this. So where we're seeing we're seeing more money going to what I would argue more sophisticated versions of that are more appropriate. So the passive index will clone what the market is.

So if you're buying a passive, unless you're buying a highly concentrated portfolio in the US, at least in the tech sector, whereas where I'm starting to hear conversations that people are advisors are looking towards maybe getting a little bit more US exposure, but through a more broadly diversified index. So an example would be an equally weighted S&P 500 or a multifactor approach towards the S&P 500 rather than just by the pure passive benchmark. Because don't forget, passive benchmarks are not built with any logical rationale. In the case of the S&P 500, it's based on. Market capitalization. There's no logic on why the S&P 500 should have a third of its weighting in tech. It's just the way the capitalization of the stock markets look.

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Étienne Joncas-Bouchard: It's just it's just with word, right? So it's kind of like you are you're constructing your future investment thesis on past performance. And that's you know, for for for some definitely gets you to point A to point B, But I agree with you. It's you know, when you're looking at it from a portfolio diversification standpoint, you're thinking, you know, what, if there is a leadership change, what if, you know, you're trying to run these scenarios in your head and say, okay, where can I take positions that could maybe offset some of that?

And, you know, other things that have been mentioned is, you know, small caps, you know, stuff that basically does well in an early cycle. So if what if we're kind of wrong and, you know, we kind of get through this slowdown in the economy handily, well, maybe those areas that are extremely cheap start to work. And I, I think that's going to be interesting to see also next year, if if we get to see more breadth in the index, that's good for a lot of various other parts of the market. Small caps notable because if you look at the Russell 2000, just like you're looking at to, you know, two indices Russell 2000, Russell 1000 even or S&P 500 is even more, you know, concentrated to the three sectors in particular. That's not been easy has not been easy buying the Russell 2000.

And you know obviously we're an active shop for the most part and you know, some of our managers have managed to. Ted, I guess on a relative basis, at least some add some significant value. But that's been a tough space to look at right now.

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Stephane Pitre: Correct. But I'll say I'll say this. One of the truest things in the investment business and having the privilege to work with some advisors, I've been at this 25, 30 years when the trust lines in investments is means reversion, everything typically come back to an average you. It's kind of hard to believe that 493 names out of the 500 in the S&P 500 have not really participated the same way to the rally. If we are truly going to go into a next economic cycle, we're going to have to have a breadth of participation by the market. So buying into those other other opportunities might be attractive at some point in the future. Yeah.

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Étienne Joncas-Bouchard: Exactly. We're not in the business of making calls here. You know, that's not what we're doing. But, you know, you're right. It's it's not it's not historically the average where you have such a small number of names just pulling in, That's completely so. Okay. I mean, look, we've talked quite a bit about this year. I want to take a maybe a bit longer perspective because, like, you know, we mentioned you've been here for for quite a while and you've seen this business evolve through time, where it used to be extremely heavily dominated by mutual funds and and individual stock picking.

And now ETFs are a bigger part of that whole model. How have you seen that change, say, over the past decade, like how how ETFs become a part of the game? Whereas before, you know, it felt like the ETF was historically a DIY investor type vehicle or it was more, you know, it was smaller, was a smaller industry, especially in Canada. I mean, in the US maybe, you know, yes, we're we're behind what they're doing. But all in all, you've seen a big change. And, you know, I want to touch on some of the changes that you've seen on your end.

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Stephane Pitre: Okay. Well, so I love the question I get asked a lot. So I actually go back to the history of ETFs, really, when when ETFs started to play more of a role in the advisory business, it was basically buy an ETF because it's cheap. The pure passive ETF was historically what it's all about. It's passive. But you mentioned the Slam was a colleague who was on this webcast last year. You had a great line. He's one of my mentors and he had a great line. He says, If you want to pay peanuts, you're going to get a monkey. And so essentially you get what you pay for, right? You buy a passive index. The value proposition is this You get 100% of the risk of that index with zero probability of ever beating that index. When you think about investing, it's not a winners proposition, but you go back ten years ago, ETFs were often synonymous with passive and cheap. But that's really evolved.

If you think about where the ETF market is now, now you have three basic versions of it's right of the passive buckets. Then you're going to have the smart data or rules based or factor based. If you want ETFs and you have the fully actively managed ETF, we have a portfolio manager making fundamentally driven decisions on which securities fly into it. So we have three. In my conversations with advisors, you don't hear so much about the passive exposure that you did ten years ago. Most advisors, when they're actually using the ETFs space now under practice, they're using it as a way to complement their skill set and how they're conducting their portfolios. So perhaps an advisor might be more versed in doing fundamental analysis from a value standpoint, understands balance sheet risk, understands business model value and earnings progression of a business, but maybe does not understand momentum trends or understand how the is the artificial intelligence space or the renewable energy space is going to function in the next 5 to 10 years. So they might deploy a factor based ETF to get an isolated exposure within that or delegate an active manager to complement their fundamental approach on the side.

So you've seen a lot more integration of desired outcome ETFs. What I mean by a specific factor attribution or geographical attributions that are not going to be replicated in a pure passive index. And so but that's the passive story. I think in, in the average investor, if you go back, a lot of people think ETF means passive means cheap, but it's really evolved from that. In the last ten years.

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Étienne Joncas-Bouchard: It used to be black and white pretty much, right? It was like fund active, ETF passive. So that's definitely like from an industry standpoint changed The use of passive though historically is the idea was let me use the mike lets me get beta exposure and let me do a lot of like stock picking around it and then that's where I can you know, some years add value, some years, you know, it might underperform, but it was kind of like, let's use that as a core and then maybe add some stuff around it. Is that still how you see passive being used or is it now just kind of like it's it's you know, it's an allocation for, for a certain region like you mentioned or certain sector or it could be a certain market where maybe I don't have.

So for example international, I'll use that as an example like MSCI, if you you know, I want international exposure, I want it easy, simple, but I don't necessarily want to go out and have to find the active manager that I like or find a factor that I like. How has that dynamic changed? Like the way that passive is incorporated? Because I know that it was from I haven't been around as long I've been here for. You know, I'm coming up on seven years now. That's kind of what passive was, right? It's like that core and then kind of add some stuff around it.

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Stephane Pitre: So again, I'm going to challenge you on that, I think and I love the question if you go back. So people were using passive indexes, but they'd often use the S&P 500 or they'd use the iffy. But if you think about the advisory base, most people were not using the passive Canadian index. And the reason they weren't using the passive Canadian is because there was a collective agreement that the Canadian index is it poorly diversified? And it's right. It's roughly about 50% is either in financials or energy stocks within the Canadian marketplace. And that's not a good representation of a diversified portfolio. So example X high C as a broad based Canadian index is not a properly diversified index.

So we'd see advisors typically either picked on securities or use a different type of ETF to get that exposure. But the U.S., they always said it was a market that was hard to beat. It's a broadly diversified market and that was true ten years ago. But look at the progression in the last five years of the tech sector within the S&P 500. Now a third of the index is in one single sector. I don't need an opinion on where the US stock market is going to be. I just need an opinion of where the technology sector is going to be and I'll know where the S&P 500 is going to be going. And so the argument now and I'm high, I'm having this more and more with advisors is, is the S&P pure passive in this truly a smart way to invest when it comes to portfolio construction? And so it doesn't have evolved and you talked about it international just being the broad based index.

You do end up getting a basket of securities with a note that are quote unquote referred to as zombie companies that have been surviving with the fact that rich red zero for so long, but they weren't really fundamentally viable businesses that you'd like to invest in when you looked at them fundamentally. And so passive indexing has become less and less popular. And now you're seeing exactly what you described, advisors trying to get specific exposures, that specific style exposures within those geographies to complement the portfolio construction.

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Étienne Joncas-Bouchard: But that's a that's a really good point, right? I mean, index has changed over time and that's kind of the reality of passive is, like we said, is relying on what worked and, you know, in the past and what's what's gotten bigger, what's gotten smaller. And, you know, S&P 500 might have been extremely hard to beat over the past ten years. But you also saw a really strong growth tech market and a heavily tilted index towards their end. And you mentioned tech, but the reality is com services and consumer discretionary, you've got a lot of tech names in there, too. So you look at this year's performance, it's those three sectors and that's it.

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Stephane Pitre: Even names like Berkshire that have heavily invested positions within the tech space, right? So it's like that the index, the S&P 500 is really not as diversified as it once was. So that's why it's probably going to become less and less used within portfolio construction.

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Étienne Joncas-Bouchard: And how would you so so that's like now we've talked quite a bit about equities and kind of the active versus passive. One of the areas where we've seen a lot of growth on the active side because you mentioned, you know, some of the trends is that, you know, it used to be, well, even when I started it was about 78% of assets that were invested in passive ETFs in Canada. Now it's down below 70%. So it's not like it's still the majority, but it's not as big of a majority as it was. And a lot of that is due to the fixed income space, which is a much more fragmented market. It's less efficient because it's still OTC.

You know, it's it's and that's over the counter for those listening. Maybe haven't heard that abbreviation. It's there's more friction trading costs are higher you're more dependent on issuance patterns because they changed a lot more than than like you know an S&P 500 like yes there's inclusion and exclusions, but it's fairly much the same basket of stocks over time. Bonds can it can change drastically from one cycle to another. Is that an area where you've seen because passive is still being used? I think quite a bit on like some equity parts and that's that's a reality. But on the fixed income side, it seems like that's changing rapidly.

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Stephane Pitre: As in I've had this conversation with you beforehand. In my conversation with advisors, I ask and I'm always saw to know how little passive exposure they have in a fixed income space where you really see a lot of active managers and there's there's quite a few out there and industry right fidelity has a wrong with Jeff Moore and but the industry has quite a few actively managed fixed income ETFs and that's where you see when when I deal with a lot of discretionary portfolio managers and brokerage firms, they will typically have a certain basket securities they select on their own on the equity side. Then they'll build it around with ETFs and active managed satellites. And then but on the fixed income side, it's actually historically been very actively managed. And so they're going to use fixed anyway. And there's a logic behind that is that and you talked about the indexing, if you take the Canadian benchmark, for example, is highly skewed towards government issuance. Therefore in the it is highly skewed towards governments, right? So you got about 70% of the index.

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Étienne Joncas-Bouchard: And rates and you have that that means you have no control over interest rate and credit risk is.

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Stephane Pitre: Exactly. Well, it's not an optimized solution. So active managers can actually find better opportunities within the fixed income space. But also put yourself in the brokers community inventories that they have access to in terms of selecting individual securities. Back in the nineties, they were a lot more accessible but given how institutional. Players play now and how the market is structured. They're having less and less access to individual security, so they have to deflect and use active managers, which are quote unquote, institutional strategies to get access to those bonds. And so they use us due to lack of accessibility to inventories. They use us due to the fact that the passive indexes are just poorly constructed. And in the industry that has been my biggest segment in my personal practice within my business as an ETF or at least has been towards a fixed income.

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Étienne Joncas-Bouchard: Seems interesting. That's really interesting.

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Stephane Pitre: What we had that's and you have another statistic, but isn't Fidelity's fixed income strategies one of the most used active strategies in the marketplace when it comes to Canadian actively managed. Yes.

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Étienne Joncas-Bouchard: Yeah we're definitely we're definitely up there. I mean there's a few other players that, you know. Yeah, there's definitely some big players there, but we're right up there. And I think the idea has always been just kind of like you said, is that we unlike an S&P 500, which you can't you get it. You get you understand Texas has done really well. That's what you get. And if you think that's going to continue, well, you know, by all means but with bonds is, you know, if you have 70% in your your Canadian target bond index, 70% is government's. Is that really what you want long term like?

You know, so it really just depends on kind of what you're looking for. An active manager can be tactical also in managing duration, which has been extremely important over the past couple of years. I mean, I don't think there's been a better time to see active management in bonds, albeit every mandates down from a performance standpoint 2022 on a relative basis, which I know some investors don't, you know, don't really care about relative because they're just worried about, you know, how can I get from point A to point B with I need six, 7% return. Yeah. What Get it however you want. You know, from an asset management standpoint, if we do minus three versus minus nine, that's a really good year. So that's when we've seen a lot of I think. But I want to move on to another thing that you mentioned earlier and trends. And, you know, we didn't quite get back to it, which is the most multiasset ETFs, and that's basically like ETF portfolios. You get, you know, anywhere from space, you know, a basket of like 10 to 15, 20 ETFs packaged together in one simple solution. And that's, you know, historically was very popular among retail direct retail investors because it was a way to, you know, for for smaller accounts, you open up your TFSA, you got a couple thousand bucks instead of buying, you know, going down and buying ten different ETFs and trading all of them.

You just buy this and kind of use that as a core and then maybe pick some stuff around it. Is that something that's now and you mentioned you didn't mention it, so I guess I'm asking a question because you did mention that those were becoming more popular, but to what extent has that changed? And I want comments also because historically ETFs have been reserved to the IROC side of the business for for advisors. Are you now seeing also with firms like Fidelity providing fund versions of these products, the FDA side now, you know, chugging along and using these to help in some cases, lower fees in some cases just offer a different way of investing, basically like pairing that with with, you know, typically active on long only type of.

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Stephane Pitre: Yeah. I'll come back to the question on do we see advisors funds available? And I want to bring up the broader the broader question though in terms of of where we see chance think of it this way, the last three or four years of the stock market have been a very punishing market. If you're trying to make calls and you find yourself on the wrong side of a call. So 2020 was dictated by the technology sector. 2021. Most investors didn't believe in the rebound of the rally, and it was a really hard market to keep up with. 2022 was a completely whipsawed version of 2020. Technology stocks got punished, value stocks did very well, and now in 2023 we're seeing an opposite cycle of 2022.

So it's been a really seesaw version of market in the last three or four years. But the number one tool advisors always have at their disposal the power of rebalancing the problem involved in the investment business in general, investors and advisors is the time to do. The rebalancing is very hard to know when and also to find a time to rebalance every investor equally. And so that's exactly what we've seen since last year. If value did tremendously well and growth did significantly less well, the call was you should rebalance and go back to sort of a balanced version of the two and you would have participated quicker to the rebound this year on the technology sector. All these ETF portfolios and his managed solutions, they do that for you automatically. So that's where you're seen because of time constraints in our society and because of regulatory pressure to make sure we're always doing what's right for investors.

You're seeing more and more advisors use those all in one strategies as all one portfolios of ETFs. This entry number one, where you come to your question on the other side from on the mutual fund side of here you can see not the IRA but the financial planning side of our business, the FDA licensed advisors. You're also seeing more and more use of that. And that comes in part with pressure on fees. We're trying to find what is the best solution with the right or the appropriate level of cost. And sometimes that means combining some active with some ETF portfolios to have that happy medium. So one of the trends that we've been encouraging within our business that we've been seeing get a lot of traction and some of our colleagues, which are the same thing is combining, have a fully active managed portfolio and have an all in one ETF portfolio go 5050, you get the best of both worlds and you average out to cost over overall expense for the investor. And that's that seems to be resonating while in the investment space.

I'm of the opinion that next year that's going to really take off there's there's been a trend that's been developing and use of the trend is different and so I'm of the belief that that will take a lot of traction in 2024 as well.

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Étienne Joncas-Bouchard: Perfect. So actually that's what I was looking at the time and we're already at 26 minutes, so we're going to go ahead and wrap this up. But I'm gonna ask you one last question, and you started to answer it in terms of what you expect for 2024. And my my my last question was going to be, what are some of the things you're looking out for from an asset allocation perspective in 2020 for some changes that might be done in portfolios that are maybe not to predict kind of what, you know, the advisor community could be doing is that's not at all what, you know, everybody's doing different things that realistically. But what are some of the trends that you think will be popular in 2024 that that we'll see come through? Like if we do this again next year at this time? Like what are some of the areas where flows are going to be that might have been this year or might not have been? And so just kind of your perspectives for next year and what what what do you expect?

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Stephane Pitre: So I guess to not to repeat myself on ETF portfolio side, I do believe they'll be a trend. But the number one trend you I said it earlier I'm a firm believer behinds mean reversion and so look at how much money flowed out of fixed income ETFs and went into these high interest savings account. That reinvestment risk is going to be a realization that investors are facing in the upcoming 12 months and you're going to see a significant shift come back. My only fear is that it's not done too late. I think November was a perfect example of how quickly trends can change direction.

My, view would be that next year you're going to see a massive amount of money come out of these high interest savings accounts and flow back into fixed income strategies. Now that you're starting to see the trend in rates, I don't know if we've hit peak rates yet by central banks, but if that is truly the case that we've hit, that's usually a good starting point to start looking at fixed income strategy going forward. So that would be the number one trend I think you're going to see in 2021.

[00:29:34]

Étienne Joncas-Bouchard: Interesting. Oh, I like that. I actually tend to agree with that quite a bit. And I've been talking about it is those hits and cash alternatives. The reality is, is I don't think anybody would make an argument that that's where you want to be in long term investing for capital appreciation. So it's somewhat of a flow through. Maybe it takes time, maybe it's going to go fast. I don't know. But I think you're right. I think that's going to be an area of focus. And I think we're also going to see a return to us because everybody's going to look right now. Well, look, as we're talking, it's still I think we're down 800 million.

It's not like it's not like we're blowing out US equities. But, you know, we're still on a relative basis, much lower than Canada International. I think maybe we see that make a slight comeback with how investors notice the performance, you know, albeit the US or the US markets a bit expensive on a relative basis because of the top heavy stuff. There's opportunities still there and the American consumers anyways for now showing a lot of resilience in this higher rate environment given they're less sensitive and kind of chugging along on a relative basis where in places like Canada, you know, where we are slowing down quite a bit.

[00:30:39]

Stephane Pitre: So if I could add a comment on that, that trend, I think we'll go to the U.S., I can say recency bias. You see that performance money typically flows. My hunch would be that they're not going to go into the broad base passive versions because of reluctance to focus on those types of names. I would assume that people are going to be looking at more sophisticated ways to buy that US market exposure, but in more of more of a sophisticated construction matter.

[00:31:02]

Étienne Joncas-Bouchard: Perfect. Well, that would be great for us. So let's leave it on that. Stefan, thank you so much for doing this. This is very appreciated and I want to wish you happy holidays. This is the last episode we'll be recording between now and the end of the year. So to all our listeners, same thing. Happy holidays. Thank you so much for supporting us and we look very much forward to continuing the series in the New Year. Thank you everyone. Have a great day.

[00:31:23]

Stephane Pitre: Thank you. Thanks for having me.

[00:31:26]

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