ETF Exchange Podcast

Episode 40 Rough Transcript

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Announcer: Hello and welcome to the Fidelity ETF Exchange, powered by Fidelity Connects, 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 recurring guest Andrei Bruno to the show. Andrei is Director of ETFs at Fidelity Canada.

Today, our panel breaks down all the notable ETF industry trends of the past quarter. As both equity and fixed-income markets rebounded in Q1 of 2023 with some strong performance, ETF flows ensued. As of the end of March, there were $10.6B of net inflows into the Canadian ETF industry. International equities outpaced U.S. equities by more than $1.5B, while cash alternatives ETFs remained popular with another $2.7B inflows.

All of this and more today. Enjoy.

Today's podcast was recorded on April 19th, 2023.

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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. E.J.B. and I'm very happy that everybody's back listening to our episode. Thank you all for joining us.

This is our quarterly Canadian ETF industry Recap where we're going to talk about flows. We're going to talk about performance of various markets, the impact that that may have on portfolios of Canadian investors. And to do that, I have a great recurring guest joining us, Director of ETFs at Fidelity Investments Canada, Andrei Bruno. Andrei, how's it going?

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Andrei Bruno: I'm doing well, EJB Thank you for having me once again. How are you doing?

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Étienne Joncas-Bouchard: I am doing very, very, very well. Been on the road quite a bit this first quarter, meeting investors, meeting advisors, and it's really been great to get out back out on the road, if you will, on the streets and getting some insights on things that have worked and things that haven't worked over the past year. And I think I'm really excited to pick your brain on some of those topics that we'll address shortly. But first, just as we always do, a quick recap of our last couple of episodes and just to indicate to everyone that these are all available as recorded podcasts on your favorite podcast app or on fidelity.ca.

In our last episode had the chance to sit down with Fidelity portfolio strategist Cameron Chamberlin, in which we talked about asset allocation. We also talked about some of the do's and don'ts, things to potentially avoid or risks when building out model portfolios. Whether you're investor advisor, I think that could be quite an interesting episode, but definitely can catch up at a later time.

Now for today, I guess where we can start is just a little recap of what's happened in the markets over the past, let's call it three and a half months. We're April 19th as the day of recording. The S&P TSX is up. And you know, for all these numbers I'm going to be quoting is Canadian dollars, up 7.7%. The Nasdaq's up 15%, S&P 500 7.5%. If you look at small caps, the Russell 2000 1.2%. EAFE market, so international developed, at around 10.2. So, a solid rebound there also. Bonds are back in positive territory with the FTSE Canada universe bond index at 2.5. Global bonds are up, high yields up. I mean, so far, it's been a pretty, pretty good start to the year and a very nice change of pace, if you will, from a very difficult 2022.

Is there anything that stuck out to you, Andrei, with regards to some of the performance that we've seen out of financial markets or different asset classes that you found interesting so far to start this year?

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Andrei Bruno: I think one thing you left out. I think commodities are even looking somewhat positive on the year. I know energy in Q1 was down, but it's rebound in April here, which has been quite interesting. Probably not what central banks want to see from an inflation story perspective. But as people remember China's kind of comeback online. They removed a lot of their restrictions, I think late in 2020 to early in 2023 there. So certainly a demand pick-up from a commodity perspective there that I'm sure is placing some upward pressure on overall commodity prices.

But to be perfectly honest, when we're taking a look at fixed income, personally, I'm not terribly surprised by the returns. I know you and I talked about it on a podcast last year talking about the fixed income trade and how we thought that was something to look at and that's something that would probably work in 2023 given where the forecasts were for where central banks were going to go in 2023. And I think largely to contrast 2023 with 2022 is I think we're getting what we expected at central banks last year. You know, if you rewind back to 2021 and late in 2021, the amount of hikes that folks were forecasting for, whether it's the BRC or the US Fed, was a lot lower than what we actually got in 2022. So, 2023 from central bank perspective anyway is kind of playing out how we expect so far.

That being said there's still some uncertainties out there. Obviously, inflation in Canada, we got a print yesterday, 4.3%. So, we're certainly heading in the right direction. I think we're going to hit those BOC targets of I think they forecast that we're going to get somewhere around 3% by year end and then ideally back to 2% in 2024. U.S., still a little bit hotter there. You know, I think the Fed's having a bit of a tougher time there. There was some kind of hawkish talk out of, I believe, one of the FOMC members earlier this week just talking about how inflation's still too high. So still some risk there from the U.S. side, from the potential for higher interest rates.

When you take a look at equities, I think generally speaking it hasn't necessarily been like great news for equities this year, but they are kind of up across the board regardless of kind of where you're looking, probably more a function of just kind of a bounce off the lows relative to last year. Obviously, earnings haven't been super positive. We've gotten lower revisions to analysts' expectations for this year. So generally speaking, that's not terribly positive. Obviously, the R-word has been looming over everyone, it feels like all year, the R-word being recession. So obviously, a lot of folks considering that risk for 2023. That being said, I'm sure folks are a lot happier with the first quarter of this year after the 2022 we just had.

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Étienne Joncas-Bouchard: No, absolutely. I think it definitely does come off a little bit as a relief. And I think January in particular, right when we started the year really was like a sigh of relief. We saw a big bounce in growth stocks, which are obviously very negatively impacted from, if you will, their equity duration last year as rates were rising and you saw certain pockets like, for example, we mentioned another one, I guess that I'd add on from a comment standpoint that that happened in the first quarter and that was pretty, I guess, bullish. Just it's kind of counterintuitive, right, because you saw things like the issues with Silicon Valley Bank, Signature Bank, you got Credit Suisse, you had Deutsche Bank. It seems maybe like some alarms going off. But in reality, what happened is you saw also saw on the flip side of that, markets adopting and basically saying, oh, maybe we expect actually rate cuts now. So almost a full flip flop, if you will, or a180, on what was originally expected, which was a few more hikes this year and then probably hold up until the end of the year. And now about 3 to 4 cuts priced in in the U.S. up until the end of the year.

So, maybe a little ahead of ourselves, like you said, given the fact if you look on the equity component, also earnings have been revised a little bit lower. But prices have moved up. So multiples haven't necessarily come down either. So, we'll talk about valuations a little bit more later and the impact on the flows of certain areas like international. But I guess as a start, before we do get into specifics it has been a really strong start to the year from a flows standpoint for the Canadian ETF industry. We're talking about as of the end of March, about $10.6 billion in net new assets.

To put that in perspective, last year total for 2022, which was actually a really solid year, right around 35 billion of net new assets. And I know I've mentioned this in the past three episodes, so bear with me, everyone, but that was the third best year I think, in history for the Canadian ETF industry, and we're already on track to surpass that now with the 10.6 we've seen so far. And it's really come in a variety of places with equities at around 4.4 billion, bonds at around 5.5, and then a little bit into multi-asset as well as some alternative stuff. So just all around a really good start to the year.

In the first place, the first question I guess I'll have for you is around the hottest category last year, I think from a relative perspective, which was cash alternatives ETFs, or HISA ETFs, basically ETFs that take an investor's money and put it into high interest savings accounts. We've seen another 2.7 billion in Q1 of 2023 with fixed income markets rebounding like you had mentioned, you would have expected maybe that to start to flow through more to traditional bond mandates, but there's still a huge appetite for those money market type strategies, right. So very little to no duration and some nice little yield pickup. So, what's your take on that category?

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Andrei Bruno: I think it's a couple of things. So, I think, number one, it's I think a lot of folks still have a bad taste in their mouth from 2021 and '22. 2021 wasn't a great year for fixed income. Obviously, relative to 2022, it looks like it was a great year. But last year was obviously double-digits down on many fixed income indices. You know, it's the first time, I think whether you're looking at the Canada ag or the U.S. ag indices was the first time they've clocked in two negative years. So that's never happened for kind of a bad data point.

So the one part is I think people just had bad taste in their mouth, got really hurt by duration. And number two is just the absolute level of yields on the short end of the curve, right. Overnight rates are super, super attractive. Folks are getting cash rates north of 4% with again, no duration risk, little to no credit risk. So again, I think it's just folks saying, "You know what, I did negative double digits on fixed income last year. I can basically guarantee myself 4 to 5% in cash. Let's just put our money there and not worry about it."

What I'll say is I think we are seeing a little bit of a rotation into duration this year. I'd say last year, for the most part, it was all let's focus on the short end of the curve. Get those short-end rates. You saw a little bit at the end of '22 where folks were rotating into kind of longer duration products. Obviously, again, with this potential recession looming over us, obviously a lot of folks, as we know in those recessionary environments, when equities are getting hit and high-yield credits are getting hit duration is your friend in those environments. And I think investors are taking note of that and are putting some insurance back into their portfolios.

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Étienne Joncas-Bouchard: That's a great point, actually, because if you dig a little bit deeper into the fixed income component, you have started to see that rotation. So short-term bond mandates were negative, close to about a billion and long-term bond mandates were positive 1.4 billion. So, you're definitely slowly seeing that addition to duration in the portfolio. And like you said, that's one of the best diversifiers to that equity component in your portfolio. So, when you remove duration completely, all of a sudden there's nothing to offset those heavy loss years in recessionary periods because, I mean, last year wasn't great for equities either and bonds didn't do well. So, the correlations were all out of whack. But in a regular environment where let's say rates are a little bit less volatile, that's kind of what you should be looking for.

And to your other point with regards to high yield, that was a category that was very popular coming out of the COVID-19 pandemic because you just saw a lot of companies kind of reset their balance sheet, right. You know, pushed back their maturity wall and I guess reduced their cost of debt. But spreads stayed really tight even as we saw kind of this late-cycle approach. Now, you started to see spreads widen a little bit with everything that's happened in the financial sector.

Any comments with regards to that? Is that something that you would say is maybe a little bit of a hidden risk because the yields look attractive, right? You're getting maybe 9%, right, or approximately say, on the on the U.S. high-yield index. But could it be a little bit of a trap right now?

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Andrei Bruno: Yeah, I think so. I think from a default risk perspective obviously going to recession, default risk increases. Let's not kid ourselves. I mean, the good news when you're looking at high yield specifically around U.S., high yield is a lot of the maturities to your point when a lot of people refinanced during COVID and at low rates, a lot of the maturities, we don't see a ton of maturities in 2023 and 2024. Where you see a ton of maturities in the high-yield space come up in 2025. So, from a default risk perspective that looks good. That obviously that helps the default risk profile.

On the other hand, what you still need to appreciate is if we do get into again a recessionary environment, you would likely see spreads widen in high yields. Even though there is that bit of a cushion from defaults given the maturity walls kind of push out to 2025 there, you're still going to get hurt from a capital loss perspective in your portfolio. And we're probably somewhere late in the cycle here as most people can most likely agree. Historically speaking, the things that have worked late in the cycle with regards to fixed income is your duration. So, think your U.S. Treasuries, your Canadian federal bonds, your investment grades typically outperform in a recessionary environment relative to your high-yield names. So I think people are cognizant of that. And I think that's why you're seeing people focus a little bit more on the less risky side of the credit curve. So not to say you shouldn't have any high yields at all. And I'm not trying to scare people away from that, but just be cognizant of where we are in the credit cycle, where we are in the economic cycle and what to expect out of your fixed income. What if we do get a recessionary environment?

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Étienne Joncas-Bouchard: That's great points. And actually to echo kind of those comments is you actually see that in active managers' portfolios. If you look say based on where we are at Fidelity, some of our more popular mandates that are actively managed, our Global Core Plus Bond ETF and our Global Investment Grade Bond ETF have definitely taken a shift to I guess the two main ones would be a bit more duration and a bit higher credit quality in general with the addition of more treasuries. So, I think that definitely makes sense.

One question I get, and I guess maybe we can move on to equities after, with short-term yields being so attractive still, why not just take that and kind of run with it? And the answer that I've come up with and I just want to see iI've got the right, I guess, frame of mind here is reinvestment risk, right? So, it's great to own short term, but what happens in one year if yield curves come down? I think that the idea that a lot of investors and advisors should look at is what happens down the road. You shouldn't necessarily be planning around a very short-term reality and think I want to invest for 5, 10 years in the bond market. Is there anything you would add to that? Whereas what are some of the risks of going very short term, basically?

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Andrei Bruno: I think you make a great point. Another thing to consider as well is think about your duration. Let's just talk short-term treasuries, for example. Like let's say a two-year… buy a treasury that has a two-year duration, for example. You're yielding somewhere around 4% or wherever. Wherever it is, right? Right about now. Maybe a little bit less. You know, in that recession environment, obviously, central banks tend to cut interest rates. Let's say they cut interest rates by 100 basis points. You've got a duration of two. You're going to be up 2% on your shorter duration, fixed income.

Now, let's contrast that on the absolute opposite end of the yield curve and look at a 30-year treasury. Or a 30-year bond, rather, government bond. Those have a duration around 21. Let's say rates go down. Even if rates go down 25 basis points there, you're still going to outperform that short end. And historically, in those recessionary environments, that's where you do see folks investing in that long end of the Treasury curve because it does provide that insulation and you do get that large windfall from a capital appreciation perspective when rates would likely move low in a recessionary environment. So that's something else to consider and that's why folks do flock to that long end of the yield curve in times of distress.

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Étienne Joncas-Bouchard: So that makes a lot of sense, actually. That's great. Great tidbits there.

Let's move to equities. One of the things that I've found is the most not necessarily surprising because I think there's a few things that go into this, but international equities. So that's even including emerging markets or excluding emerging markets, I'd say the more developed side has actually received – so, Europe, Japan, Australia, for example, those areas – have received a lot of flows year to date from an ETF standpoint around 1.4 billion. Big resurgence following last year. And on the flip side, U.S. equities for the first time in a very long time, actually in outflows of around 800 million so far year to date. And that's really also surprising given it's about the latter the U.S. side is 34% of all AUM.

So, what's your take on that? I mean, is it were we buying the dip here? Are we adding in a region that's historically been a massive underweight in portfolios? And you've worked also with advisors and investors across the country, it is underweight for the most part. If you compare it to, say, an MSCI World allocation for those regions. What would be your take with regard to that switch?

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Andrei Bruno: Yeah, I think it's primarily like a relative valuation play. You're just taking a look at valuations in the United States and even Canada relative to kind of those developed markets, whether you're looking at Asia, Europe from a relative valuation perspective, they're cheap relative to North America. So, I think it's primarily been driven by that. I mean, if you take a look at the European economy, I don't think it's necessarily faring better or necessarily worse than North America. So my take is, again, that that relative valuation is kind of probably the leading reason why we're seeing the flows go that way. Also and again, those flows are showing up in the returns as well as people allocate some more international equity exposure. In terms of where we are in the business cycle, I'd say Europe is potentially a little bit behind us where we are, but not too far along. Obviously Switzerland had some concerns with their banking systems around the Credit Suisse.

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Étienne Joncas-Bouchard: Little bit.

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Andrei Bruno: Credit Suisse UBS merger there. But that seems to have sorted itself out more or less with the merger. So that seems to have assuaged any investor concerns with regards to banking sector contagion in Europe. But again, it'll be interesting to see. It'll be interesting to see moving forward.

Again, I think the big question circulating is around that recession. You know, is it going to be a global recession? Is it going to be a soft landing here? And then six months later, it's going to be a soft landing in Europe? So, I think that's kind of the big bogey there in terms of returns of North America relative to Europe.

One kind of a little bit of an aside, but something interesting about the U.K. is they still have tremendously high inflation. I think they're still, I think they're in double to I think it was 10 or 10.1% that the U.K. printed recently. So, bit of an issue there. Europe still under a bit of inflation certainly running a little hotter there. So, another risk for European equities is the potential for the for the ECB to have to react a little bit more and continue to hike rates.

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Étienne Joncas-Bouchard: Yeah, those are all very good points. And the valuation one definitely is one that I think has been echoed for a little while. And maybe now it's just gotten to a point where the gap is so high/wide that there should be some reversion to the mean. I think right now, if you look at the EAFE index is at about a 5 PE discount to the U.S., while the average historically over the past 15 years, call it a little bit more than that, actually going back to 2000 almost 20 years ago, the data that I had is about 2.4. So, it's about double the size of the average discount, albeit it's been cheap for a little while.

So, what is it going to take for it to outperform? Maybe this is a short-term rebound, but there's some indications that we saw, I think last year that a lot more bad things were priced in. Like everything that's gone on in obviously in Ukraine with the Russia invasion, that was a big negative. Obviously big revisions to certain companies, earnings and things like that. And then maybe it wasn't as bad as some expected because if you look at the forward expected growth in EPS, so looking out 12 months, what the EPS growth is expected is actually higher in Europe right now than it is in the U.S., which is a little bit surprising. And I think that's just because it was revised down more last year.

Now, once again, we'll see how all this plays out. But it'd be interesting to see if this appetite, if you will, from investors and advisors continues throughout the year because we've seen these little pockets in the past, but it hasn't really been sustained really since there's been a lot of assets in ETFs in Canada because the last time international developed markets outperformed the U.S. was pre-2008, 2009 pretty much with very few exceptions like a couple of years in 2016, for example, things like that. But anyways, interesting to follow as we go through this year.

Alright, let's move on to two sectors. You know, with everything that we saw from the mini banking crisis, if you will, it actually saw force. But we saw a lot of buying the dip, financials, ETFs. So those ETFs that are focused on that sector saw massive inflows in March – 1.4 billion for that month alone. So, I'm not even talking the whole quarter, which in reality is pretty much everything that was there. Because it was negative to start the year in January, February, massive buying there. We saw that in the U.S. We saw that in Canada. ETF investors just trying to buy the dip here. Is that pretty much the story or is there a long-term thesis on financials that I don't really know about?

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Andrei Bruno: Well II think in the initial news started coming up that Silicon Valley Bank was potentially going to go under and then obviously people started drawing lines to other potential banks that could go down as well. I think there's probably a lot of folks who got flashbacks to 2008. So, there was probably an initial reaction as a just sell financials across the board. I think those probably went down. The initial reaction is that they traded lower, obviously. But I think once the dust settled and people started thinking about it a little bit, they said there's some banks here that have solid balance sheets. Balance sheets are way better than they are in 2008. The regulators are jumping in to kind of contain the situation.

So, I think it created a buying opportunity for some folks. And it's evidenced by kind of the flows that we've seen go into the banking sector ETFs there. What's interesting moving forward is obviously it'll be interesting to see how the financials shake out. Historically, higher interest rates led to an increase in net interest margin for the banks. Obviously some of the other concerns is obviously interest rates are moving higher, the Fed is taking liquidity out of the market. So, there's a question around loan books moving forward. There's some talks about how banks are de-risking their loan books a little bit, potentially not extending as much credit as they might have otherwise been doing going back several months. So obviously, there's some questions about profitability moving forward. I'm sure a lot of these banks and financials are also cognizant of the potential of recession over the horizon as well. So that's certainly factoring in as well.

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Étienne Joncas-Bouchard: That makes a lot of sense for sure. And I think like you said, the initial reaction was kind of just a broad-based sell off. And then I think a lot of market participants like, wait a sec, this isn't necessarily systemic. Maybe not all these banks deserve to get sold off. So let me buy a big basket that doesn't include maybe some of those more at risk. And let's move from there. And with regards to, like you mentioned, profitability in/and generally speaking, for financials, higher rates tend to be good, except when, if you think about it, the curves inverted, right? Because they are borrowing the short term to lend to the long term, not ideal concept with time value of money. So, we'll see how I'll see how that shakes out. But interesting to see also, definitely.

And sector ETFs in general have actually been positive as a whole. So, you actually saw the only one being negative is technology, which is about 10% of the total, while financials is about 40%. So, it's the biggest category. Also, we're seeing more flows. So, it could just be a function of, once again, kind of just buying that also. But it seems like they've spiked, obviously, in March.

Another tidbit that I had highlighted here, dividend strategies. And we often end up talking about factor ETFs on the show just because our lineup here at Fidelity is definitely, if you will, more focused on that. And we saw dividend strategies continue to do well in this environment, albeit it's maybe a strategy that does better when bonds aren't paying as much. It seems like historically when bonds are offering say the Canadian ag bond index is giving us close to 4% and a high-dividend strategist giving you five, why would you be taking on that much more risk, having equity like risk, if you will, owning that it's up 709 million year to date. Is there something else under the hood here that could be driving those flows?

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Andrei Bruno: Yeah.

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Étienne Joncas-Bouchard: Other than that we love dividends in Canada.

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Andrei Bruno: I think it's probably,I was just going to say we love our yields here in Canada for sure. I think it's also could be a function of folks having a mild some amount of trepidation with regards to markets. Obviously, there's still a lot of uncertainty out there. So, I think people certainly like the stability of a dividend yield and at least getting some sort of return on their equities. I again, I think it's more of folks just kind of taking a defensive stance. Obviously, those dividend paying companies are typically your larger cap companies. There's certainly some overlap of quality there as well. So again, I think it's more just folks being a little bit defensive with their equity.

And again you're making a point between equity and fixed income. Again, I think this is why would you just buy more fixed income? I mean, again, if you think about the 60/40 and they're looking at their 60 and they're favoring the dividends there. So, they're probably not making that conscious comparison between fixed income, although I totally understand your argument. But again, I think it's just folks just being a little bit defensive in their equity sleeves.

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Étienne Joncas-Bouchard: Getting paid to wait basically a little bit to see how this thing shakes out because as much as you know, it seems like there's a lot of bullish tailwinds for bonds, equities is kind of a maybe a stock pickers market a little bit more, right, where there's some stuff that's been doing well and some things that just haven't really picked back up. And given where valuations are, not everything's very attractive per se. So definitely interesting to see that.

Andrei, I see we're already at around a bit more than 25 minutes. I got one last question for you and then we can have a final takeaways, if you will. But the last category that caught my eye was the crypto space. So mostly composed of, in Canada anyways: Spot Bitcoin, Spot Etherium, ETFs. Both prices of those cryptocurrencies have rebounded substantially year to date, albeit it was a very big bear market last year, but flows are down about 300 million. So basically, nobody's really buying more of this stuff. So, they actually held tight last year because we actually saw no outflows last year, which was also a surprise. But you haven't seen the flip either where people are buying this stuff again. Have investors lost their interest? You know, what would it take to see a new leg up in terms of flows to that category?

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Andrei Bruno: Yeah, I think it's a couple of things. So, I think there's the true believers that stuck with it and then there's probably the folks who were more in the kind of the riding-the-wave camp, so to speak. So, I think a lot of the riding-the-wave camp probably sold sometime last year. And again, to your point this year, we're up, the flows are kind of flat with regards to the space. So, I think, again, the people, the true believers are still in it. It's certainly been a good year for the cryptos. I think they certainly did rather well specifically around when we were concerned about the banking sector. You did see a bit of a bid for crypto there, which was kind of interesting. So obviously a lot of folks are true believers.

Always mention that if anyone gets concerned about the banking system, the cryptos are going to be a proper hedge for that type of scenario. So, it did play out to some degree. So again, some of the true believers are probably happy to have seen that. But with regards to the returns, I mean they're kind of in line with gold returns as well, not on a percentage basis. Obviously, crypto has been up much more, but gold has been up this year as well. So probably also just a reflection of somewhat of how people are concerned about the market moving current, concerned about the economy moving forward. But it's certainly, for me, what the most interesting thing and kind of the question you were asking is will people dip back into crypto and when will they dip back into crypto? And I think that's the million-dollar question, and I don't really have a good answer for that, to be perfectly honest.

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Étienne Joncas-Bouchard: So we don't really know what it's going to take for people to get really excited about crypto again. Maybe it's something breaking, right? Like you said. Like maybe it's. But anyways, we'll see. Maybe if it's a prolonged bull market, well maybe it's just going to get people comfortable again and that there's another wave to ride because it definitely is a volatile asset class. It's not for everyone, albeit you do have those true believers out there that have stuck tight.

Andrei, this has been really awesome. Just as we wrap up, is there any category that sticks out to you that you think could see an uptick from now until the end of the year that we didn't really mention or maybe one that we mentioned that's going to accelerate even more? Anything that you want to leave us with?

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Andrei Bruno: Yeah, I think fixed income is going to continue to work this year. I think some indices up anywhere between 3.5 to 5%, somewhere around that range, depending on what area of the fixed income market you're looking at. So I know we had a lot of conversations last year about GICs versus fixed income. And as far as the first quarter's concerned, they're kind of getting close to outpacing GICs already in the first quarter. I think that trade's going to continue to work.

I think on a balance of probabilities, interest rates will stay probably flat to maybe sometime in 2024 . And like you mentioned, some cuts are starting to get priced in there as well. So, again, I still think that trade is going to work. Again, given all the uncertainty around as well, it's good to have that insurance in there in your portfolio. I know last year did not act as insurance. But again, in that recessionary environment, I would expect it to perform that insurance function. So certainly don't be scared of it. Certainly if you don't have much fixed income there or if you're in kind of only cash alternatives, again, I still think it's a good time to start taking a look at fixing again. And I know I think I've mentioned this trade on like the last two or three podcast you had me on. But I still believe in it.

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Étienne Joncas-Bouchard: No, absolutely. You know, it has played out, and I think that's really good words of wisdom. You know, if you did go overweight equities over the past couple of years, it does seem like it's definitely not too late to rebalance towards that asset class. And we'll likely see flows continue to go there.

Great points. Andrei, it's always a pleasure to have you on. You're always welcome to come back on. But you're a very busy man, so I'm going to let you go. And I just want to thank everyone for listening in again. We'll see you next time.

[00:34:24]

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