November 2022 Live Event-AICA Fall CEF/BDC/Interval Fund Bootcamp and Roundtable Panel #5; "Diversified Equity Income Strategies"

Wednesday, November 16, 2022

Chuck Jaffe, Host of Moneylife, moderates the fifth panel of the AICA November 16th, 2022 live event; "Diversified Equity Income Strategies". Read the transcript below to hear the discussion among Mr. Jaffe and panelists Josh Duitz, Deputy Head of Global Equities & Portfolio Manager with Aberdeen, Parth Doshi, V.P. of CEF Product Management and Development with Nuveen, and Erin Carney, CFA, Head of Strategic Development with Thornburg.


Chuck Jaffe


Josh Duitz


Parth Doshi


Erin Carney

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Chuck Jaffe: All right folks, we're going to get started. This is panel five, it's "Diversified Equity Income Strategies". My name is Chuck Jaffe, I'm a financial journalist and I'm the host of my show *Money Life with Chuck Jaffe*, I'm also the host of *The NAVigator* podcast, which is the Active Investment Company Alliance's podcast. So there's a bunch of you who I've talked to in the past on my show and probably more of you who I will talk to down the line. If you have not listened to the podcast or what have you, check it out. Again, there's not much out there for you on closed-end funds, it's us and one other. We're better. And beyond that, I would wholeheartedly encourage you, if you've got suggestions for what we can do to make *The NAVigator* better, people we should talk to and any of those other things, please don't be shy about suggesting them.

Now speaking about shy about suggesting things, I will not be shy either. I'm going to introduce very briefly my panelists. Of course you have information if you need it on them in all the prepared materials, but I will still give you just a little bit on what everyone does. I'm going to start with Josh Duitz, he's the deputy head of global equities and a portfolio manager at abrdn. And as you can tell, abrdn is now spelled without capital letters and without the letter E. Which I think Josh's parents had great foresight, it's pronounced "Deets", but it's spelled D-U-I-T-Z. Because if it were spelled the other way phonetically it would just be D-T-Z, or he couldn't work there I think.

By the way, and I'll skip to the end, we have Parth Doshi, who is closed-end fund product management and development vice president at Nuveen. And if abrdn ever takes over Nuveen then they will become Nuvn, without the Es in there. And then my third panelist is Erin Carney, she is a CFA who is the head of strategic development at Thornburg, and she leads their product and corporate development initiatives. And they use all vowels, but they don't have an E so it's not an issue. However, if ever they take it over, you might become just Rin Carny if Es are thrown out, and no one will know.

So all of that aside, a quick little talk about how I like to do panel discussions. I like as little overlap as possible, so we're going to try to make it that we direct them yet we're going to give them the leeway to say, "Yes, I agree with this person," but we're going to try to cover as much ground as we can. But if you feel like I skipped somebody, or you really want to know the take of the other panelists if they haven't given it, point it out, get my attention, do whatever, please ask.

Likewise, I would love your questions. So while they're talking I'll be paying attention to them but I'll also be paying attention to you. So we'll put in questions anywhere they are, if they're good and topical and timely, let's go, give me a signal. Give me a wink, a nod, do your best auction etiquette, et cetera.

And then the last thing you need to know about when I do panel discussions, I try to do as minimal preparation as I can so that we can keep things as organic as possible. And in this case we did a very short phone call, we prepped everything we needed, I had notes and then I had a computer crash. I don't have those notes, so whatever we prepped, yeah, I'm not sure we've got it. Their heartbeats all just went up. So now that their blood pressure's at the right level, let's get busy.

We've got to start, if we're going to talk equity income strategies, by talking about the market. Josh, you're the portfolio manager in this group, we need to get an outlook from you.

Josh Duitz: Perfect. Thank you, Chuck. Thanks for that introduction, and the pronunciation of my name, it is "Deets". So let's start with the global macroeconomic outlook, and I will say first that as Chuck said, I'm portfolio manager, I'm not a macroeconomist, but we'd be remiss if we ignored the macro, so we always really want to know where we are in the cycle. And if we look back over the past two and a half years there's been numerous shocks both on the supply and demand side to the economy, and we've seen that in the US where we've had certain quarters above 6% growth, certain quarters negative growth. And really policy makers have had a very difficult time matching supply and demand which we all know, and that's why we've seen higher inflation.

What does that mean? We've seen central banks globally starting to raise interest rates, or maybe getting close to being done raising interest rates. We've also had an energy crisis in Europe, we've had zero Covid in China, and this has really led to economic conditions weakening overall. And we've seen it, we're seeing that in layoffs now in the US. It is interesting though in Europe, we are still seeing strong job data.

Another thing that I find extremely interesting is really the dichotomy of monetary versus fiscal policy, especially in Europe, we saw that come to head in the UK last month. But even last week in Germany, or maybe it was two weeks ago now, they announced a €200 million euro fiscal stimulus package to support the energy prices because of the energy crisis, or I should say to ease the pain of the energy prices.

But what does this mean? Again, I'm an equity portfolio manager, I want to know how this affects the market and what's going to happen further. So we looked back over the last 50 years, there's been eight cycles where the Fed was raising interest rates. Now how long did it take for the market to bottom after the Fed started hiking interest rates? And really, it's taken between one and 26 months. And what I find interesting though, it's very wide, over the past four rate tightening cycles it's taken between one and four months, the first four were between 12 and 26 months.

So what does that tell me? It means everything's happening faster, and that really makes sense to me. We all have our news at our fingertips now, whether it's on the internet or Bloombergs, we sit at a desk. Back 50 years ago you were reading about it a day, two days later, three days later, so everything is happening faster. Does that the mean the market bottomed in October? I'm not saying it did, but quite possible did because we've had all this information.

Now how quickly do those rate hikes really tamper and stop inflation? We saw the good CPI and PPI prints over the past week and that really led to the market. And what's interesting about this cycle that's different than others is that we now have QT along with it. So it's not just the fact that we're raising rates, but we're also we're stopping that constant flow of buying bonds. And that may make it even faster and that's why we've seen inflation. And again, what I care about is companies.

So how has this affected earnings? We're not quite through third quarter earnings, but if you look at third quarter earnings up to this point, what have we seen in the US? Revenues are up about 11%, which is interesting because it's extremely important to us to look at that point. What companies, which sectors have the ability to raise their prices greater than inflation? And earnings are up roughly 5%. And in the [inaudible] it's even greater, revenue's up about 17% and earnings are up about 11%. And what's interesting in the US, S&P companies that are global are growing earnings twice as fast as domestically focused companies. So really being global at this point is a good thing.

But third quarter's now backwards looking, let's look at 4th quarter. We've seen earnings estimates starting to come down quite a bit since September 30th, similar to the third quarter, at a faster pace than normal, but we still expect earnings to grow in the 4th quarter about 4%. And if earnings keeps coming done, probably about 3% and then you'll bead and it'll be roughly 4%. And why does that matter? What's interesting about that, if you look at past inflationary periods, in 1973, 1980, 1981, earnings peaked two months before recession. So if we're still having earnings grow in the fourth quarter, we're probably not at the point where we're going to have a recession right away.

So earnings are still looking good, economy's looking good, but what kind of stocks do you want to own in this environment? So as we believe inflation's coming down, we still believe we're going to have higher inflation than we've had over the past several decades. So generally in an inflationary environment you want to own companies that are producing cash, have good cash flows, and are paying dividends. So we really like dividend-paying names, and now to us it's not about value or growth, it's about whether companies are producing that cash and paying their dividends.

One other interesting point about dividends, if you look back since 1930, decade by decade, dividends make up that roughly 60% of the total return. Since QE started, it's only been about 26%. So it's really trailed, and we think we'll have some mean reversion at this point. And companies still have the ability, everyone asks me, "Can companies still raise their dividends?" We're expecting the MSCI dividends grow 16% in the third quarter, 7% for 2022, and still high single digits, low double digits next year. And companies have the ability to raise their dividends, the payout ratio is about 52% historically, now it's about 35%, so a lot of room to raise those dividends.

So we do think, just to sum it up, clearly we're seeing some economic conditions weakening, but what does that mean for the market? The market could still go up during this time period. But we think that historically it's showed you want to own dividend paying stocks, companies that are growing their dividends, and those are the type of companies we look to invest in now.

Chuck Jaffe: Thank you, Josh. We're going to turn this over to Erin. So Erin, we got the big picture on the market and the economy outlook but we're here talking about equity income strategies. And we can say, "Oh, we're looking for income," et cetera, this is basic vanilla, this is the oatmeal of peoples portfolios, and yet right now for a lot of investors it has been oatmeal that hasn't had enough sugar on it, et cetera.

So let's talk about equity income strategies and how they're responding to these conditions. And what you think, as you're trying to develop and create products and all the rest, this is a space that it's crowded outside of the closed-end fund space, it's not so crowded in the closed-end fund space, but what you think is coming and what the consumer and advisors are going to want.

Erin Carney: Sure. Look, I think we're in an interesting spot right now where you can, with what we'll call organic ingredients, create a lot of income in portfolios, and especially in the closed-end fund space. So in addition to having the dividend, which as we look at both new product development but our existing closed-end fund as well, I think we're earning dividends that are somewhere around in the fives. So that gets you quite a long way to earning your distribution, earning your income over time.

We tend to also put a little bit of fixed income in there as well, and with that, looking at something like 8-9% yields, we'll say 7-9% yields, I think is pretty compelling as an additional tool in the toolbox. It allows you to lean less into an option strategy if you will, so that allows the fund to have more upside in addition to the dividend income. So you have a total return play as well where we'll say 12-18 months ago that was a lot harder and valuations were very extended.

Now if you look at some of the companies that Josh was referencing, especially in Europe as an example where you have a very high dividend paying culture, valuations are looking, they're kind of high single digits to low double digits on a PE basis. So I think there's a lot that's priced in, and I think that's pretty interesting from a product development and a timing perspective right now.

Obviously with 60% of returns over time having been from the income stream and that got as low as I think maybe there was one year where it was 17% or 13% or somewhere in there, we track those statistics as well, you can see that mean reversion where income dampens volatility in your clients' portfolios. So there's a lot that's interesting about that. If you're worried about terminal value risk, pulling forward that cash payment, if you think about it as almost like a credit, you're shortening your duration, and I think that also helps with the volatility over time.

Chuck Jaffe: Thank you, Erin. Let's move this over to Parth. I don't want to quite summarize Erin this way, but I very clearly heard mixed in there that while we had all been flirting with Tina on stocks, "There Is No Alternative", we're now flirting with Patty, which is "Pay Attention To The Yield".

So that's where we have gone. What does that do for you as you're looking at both the stable of funds that Nuveen has and the things that you're trying to develop? And we're at a time where the consumer and the advisor, well, the advisors were worried about sequence of return risk, but the consumer wasn't and now they're terrified of it. And this is a product that they could use for that but they still have to be convinced. What does that do for you in this environment in terms of the products you've got and the products you're developing?

Parth Doshi: Yeah, so in terms of the products we have, really we tend not to react dramatically to this sort of market environment. Our funds have been around for almost two decades now, a number of them in our equity lineup, and so we're really staying the course, and I think our approach is actually quite a bit different than some of my counterparts on the panel. Our funds are really designed to be equity portfolios that are sourcing some cash flow from option strategies, and then paying out what we call managed distributions, and so we're really just trying to manufacturer that cash flow.

We're invested in high liquid portfolios and we can generate income, or really a cash flow for investors, by selling securities and paying them a very consistent distribution instead of just targeting a subset of the equity market that is dividend payers or dividend growers. We certainly like those strategies too and we offer those in other wrappers, but in terms of our closed-end funds suite, we're really trying to monetize the long-term total return potential of equities into a consistent distribution.

When we think about how does that work in a closed-end fund and why would you want that? Well, most of the closed-end fund universe is composed of fixed-income strategies. I think people look to closed-end funds for high, consistent distributions that the can rely upon to replace paychecks in retirement or construct a steady stream of monthly or quarterly cash flows. So we think having a closed-end fund that sources its returns from equities is actually a really powerful diversifier in a portfolio. So for that reason I would say we're in some ways agnostic to the dividend-paying characteristics of the stock itself, but really try to deliver that through the power of the closed-end fund wrapper.

Chuck Jaffe: Josh, you shot me a look?

Josh Duitz: I think it's interesting what you're saying because we happen to agree with you. We actually believe in the equity markets, and the equity markets grow over time and we want to be involved with it. So anytime we're looking at a company for our dividend funds, we're looking for the total return. We like companies that pay dividend because it's proven over the long term that companies that have paid dividends and grow their dividends outperform over the long term.

But the reason we don't do covered-call options is because we don't want to limit our upside, so we don't want to sell it away. So we do something called dividend capture, and that allows us to buy companies that pay in dividends for a short period of time, and buy those companies and harvest that dividend. Now the fund's been around longer, I've been manager for about 10 years now, over that 10-year period we've been able to outperform our peer group because we're not capping our upside with that. And anytime we're looking to invest, we're looking for a total return over the long term. And we've done that in both AOD and AGD. AGD does have the qualified dividend aspect to it as well, so the QDI, at least 50% of the dividends are qualified dividend income.

Another thing we don't do, because we're invested in equities, we also recognize that our shareholders are basically looking for somewhat of a conservative approach to a portfolio because they are looking for dividends. So were not highly levered portfolios, in general we don't lever up our portfolios. Maybe they'll have 1 or 2% leverage during dividend capture season, but in general we don't run with leverage because again we're trying to take advantage of the equity markets but without that additional risk to it. So that's how we do it, so a little bit different than others.

Chuck Jaffe: Just one quick recap for audience members because Josh threw out a couple of ticker symbols. AOD is the Abrdn Total Dynamic Dividend closed-end fund, AGD is the Abrdn Global Dynamic Dividend Fund. He also runs ASGI, which is the Abrdn Global Infrastructure Fund , and I think when you were talking about the longer track record, that's a fund that has an open-end version that has a long track record and the closed-end fund has about a year, year and a half, two years.

Josh Duitz: So just to clarify, ASGI has little over two years now, and AOD and AGD both have very long track records. And the open-end fund from ASGI is AIFRX which has a 14 year track record. So thank you for that, Chuck.

Chuck Jaffe: Again, if you want to follow along or check those out as we're talking here, given the technology we've got today.

So the question then becomes for Erin and for Parth, if we're sticking with what has worked, is there anything new under the sun? Because we are talking about strategies that if you want to put pressure on investors, it's not just inflation and everything else. There's a study out two weeks ago from Northwestern Mutual that says that the average American now believes they're going to need 1.25 million to retire. It was just over a million a year ago. And while you'd like to believe that most of that was inflation, let's couple that with the new study that came out from the professors at Arizona and Missouri who are looking at the 4% Rule.

And if you judge from their research, they didn't pin a number on it, I'll just point out. If you ever go check this research out, and I've written about, Mark Hulbert has written about it, et cetera, they didn't say, "Oh, this is the rule," and there's one number. They talked about how much risk you're going to have to take. But when they said if you want to do the right risk the way Bill Bengen did the risk when he created the 4% Rule, their number was 1.9%. That changes everyone's math.

Now I'm not a big fan of the 4% Rule, that's its own story, we won't get into that here. But I will say that there is some stuff that's going to scare consumers and scare investors, and it's going to have advisors going, "Maybe I need to change things." Is there anything new that we can offer them in the equity income space? As you're talking about product developments, is there anything new under the sun?

Erin Carney: So there are a couple different ways I can think about answering this question, and certainly I'd love to have Parth weigh in as well. We tend to not want to over-engineer what is otherwise achievable. So to your point with inflation, and we tend to think inflation is coming down but it's going to level out at a place that is higher than it has been, so it's going to be a different consideration than it has been the last 20-30 years. Because for a variety of reasons, but certainly globalization, ESG is inflationary, you have a whole host of things that are leading to that phenomenon.

So in that context, if you're thinking about retirement and needing income in retirement, you need to have higher levels of income that are available. I think the closed-end fund wrapper, certainly interval funds and BDCs offer that in ways that are very interesting, especially right now. We haven't really gotten into the interval fund on this panel, but being able to deliver less liquid investment options to folks in ways that are consumable.

I think the prior panel talked about the liquidity rule and the impact that that might have, I think that makes closed-end funds, pick your version of that, a very interesting tool to be able to provide differentiated return streams for clients. Obviously you guys all know, if you have something that everything acts the same, you end up with a lot of volatility. If you have things that move differently, that can smooth out the return stream over time, and I think that ultimately is interesting.

Are there hugely innovative things that go into those wrappers? Look, I think a closed-end fund can own lots of stuff. Parth is talking about basically returning total return in a closed-end fund distribution stream, you can put a lot of different things that don't have an actual yield that can create that total return. Now there's other challenges around that mechanically, striking a NAV being a big one.

Chuck Jaffe: Can you give us a for instance? Not everybody may know. When you say, "There are a lot of things that we can do," give us a for instance.

Erin Carney: You could have a private equity strategy in a closed-end fund. Certainly people are looking at and starting to put private assets into these as a basket, and so long as you can value it and that passes the sniff test with the SEC, there's no reason why it can't be in there. You then just have to figure out how to make a payment on that or distribute that total return over time. Now with a managed distribution that becomes a lot easier, but ultimately you're going to have realizations and it'll be easier to have a track record that isn't just marks.

Parth Doshi: Yeah, I think Erin beat me to quite a few of the things I wanted to touch on.

Erin Carney: Sorry, Parth.

Parth Doshi: But a few things I would add, so in terms of our suite of equity products, I think they're designed to be somewhat simple and understandable. We have four core covered-call strategies, they talk the NASDAQ 100, the Dow or the S&P 500. And then for a few of them we have varying levels of overwrite, so if you want to full buy-write strategy where you're selling off 100% of your upside, that's available. Then we have a suite of product that are more selling covered-calls over about half of the portfolio, and so we kind of have a few different permutations.

But in terms of when I think about what are we trying to deliver in a closed-end fund? It's really high, consistent, attractive, use whatever adjective you want, but really distributions to shareholders. And we're not trying to hit homeruns of 15-20% returns, and so while me being in product development at Nuveen could conceive of some great idea that's all private equity closed-end fund, I don't know how I would be able to deliver a consistent distribution to shareholders, I wouldn't be able to liquidate the private equity to pay the distribution.

Do I think there's still room for innovation in equity income closed-end funds? Yes. Do I think we're going to move to a market where we're heavily invested in private companies and listing that in a closed-end fund? I'm a little bit skeptical of that. I do think the interval fund wrapper, as Erin mentioned, is actually really interesting mechanism for that because the interval fund doesn't trade on the exchange and that market has not to date demanded that consistent high distribution. There are some more total return strategies in the interval fund market that aren't always paying a distribution. So those are maybe some thoughts on what we offer and how we might see product innovation and development in listed funds and interval funds.

Erin Carney: I would agree. I would agree with Parth, I don't think we're going to have an all-equity private closed-end fund anytime soon, but you can conceive of the wrapper allowing for that kind of strategy within it. And I think the wrapper itself can house lots of different types of things, and so it's pretty interesting to think about what are the limit cases of that and back in from there. We similarly, what we do tends to be very basic, very plain vanilla, very easily understandable with respect to the strategies we run both in closed-end and open-end. So for us it might not be something that we do, but you can imagine a world where that exists.

Josh Duitz: Regarding the private equity piece, it's interesting because ASGI, the Abrdn Infrastructure Global Income Fund came out two years ago and we invest up to 25% in private equity, or private infrastructure assets. And that's really the limit that the SEC would let us, I would actually love quite honestly to go to 50%, have it a 50/50.

But it's interesting because retail investors do not have access to private infrastructure. I've seen over the past 15 years the explosion of institutional investors invest in infrastructure on the private side. So this really gave retail investors that opportunity, and I think that's what closed-end funds should really be used for, are those type of investments. Where it's not something a retail investor could actually have access to, and now they can, and participate alongside institutional investors. So I think that could really happen going forward.

Erin Carney: Yeah, I think there's a lot of discussion about closing the DB-DC gap in what's available for folks, and these tools are interesting from that perspective. If you had a defined benefit plan, you got access to private investments that way. Now probably not at the same allocations we had today, but now that the world has shifted to define contribution, you have fewer options within your 401(k) or your IRA or whatever. So investors don't have, as companies are staying private longer, the ability to have that value creation. Now we'll see, right now is an interesting point around what is that value creation? Especially with what's happening in venture capital. But over the long term I think that's an interesting thing to think about.

Chuck Jaffe: Well, my question would then be, you've all hinted that private equity is something where you can see it going but where there also seems to be some measure of demand. For the two of you who are really focused on product development, do we have to have the demand first? Do we solve the problem before it's posed or does it have to be posed before we solve the problem? When you're developing a new product or you're looking at something, if you have a quote/unquote “great investment idea” or, “This is a product that we think we could do, but nobody’s asked us for it yet,” or nobody knows that this is out there, what leads?

Erin Carney: I have done this both ways. And when the question hasn’t been asked, it just takes longer. Ultimately if your thesis is strong and your solution is good, then you will get there, but it requires a ton of education and it just takes a lot of time. Now it may end up being great, but if the question’s already been asked and you’re trying to answer the question with the solution, then to me the product development cycle’s a lot shorter, so also probably more competitive.

Because you’re not just going to ask me that question, you’re going to ask Parth and a bunch of other folks like us, so you just have a different opportunity set that. To me that’s the big difference. It can work both ways, it’s just one takes a lot longer, the opportunity ultimately can be bigger, it’s a bigger risk as an organization to try to do something like that. But I think having a balance of both of those options, and let’s think about it as a spectrum maybe, from a product development standpoint and business-development standpoint is good.

Parth Doshi: I largely agree with that. I think just the listed closed-end fund market has inherent limitations on launching strategies without clear, significant client demand. We launch our funds through IPOs, and that’s kind of the single shot you have at a capital raise. And if we don’t hit even the minimum needed to have a diversified portfolio, well, then we can’t launch the fund.

I think just generally speaking, I think in the listed closed-end fund market we really do have to listen to what is it our clients want, and what is it that home offices and financial advisors are requesting or demanding for the portfolios they’re managing on behalf of their clients?

Chuck Jaffe: I want to dig back in on the portfolio level. Josh, here we are talking about different strategies, and as we’ve mentioned you got the Abrdn Global Infrastructure Fund, AIFRX, that’s the traditional fund, and then ASGI, the closed-end version of that fund, the open-end fund has the long track record. But somebody who is trying to figure out how I want to own that strategy, I know for you this is like they’re not quite twins because they’re 10 years apart in age, it’s like choosing between your children or what have you. But if somebody said, “Okay, I want to come to you,” how would you tell them, “This is the case where you want the open end. This is the case where you want the closed end.” For a diversified equity income strategy, why one over the other? Because I don’t think you manage them too differently.

Parth Doshi: Right. You’re right, they are managed quite similarly. So the big difference is the fact that ASGI, the infrastructure closed-end fund has, one, up to 25% in privates in it. So if an investor is looking for that private allocation, then you want to really steer them towards that. In addition, it pays a higher yield. So if investors are looking for that higher yield, I think it’s roughly around 7% now, you want them to invest in that. There’s also the big advantage quite honestly of ASGI over AIFRX right now is that it trades at a steep discount, so you’re getting that income over time.

And what's nice about the new closed-end fund structure, it has an actual life at the end of it. So it's not a perpetuity. Which isn't great for the managers, but for the investors its terrific, because you know at some point that discount has to narrow towards the end of the life. So those are the advantages. If you're looking for pure public equities, and if you're looking for a lower dividend yield, which some investors don't want that income because they don't want to pay taxes, then you really want to invest in AIFRX. So those are really the big differences.

Chuck Jaffe: So again, and I'll throw this out and see if anybody wants it. And again, reminding my audience if you've got questions, signal me or flash me or what have you, and let me know. Looking at these conditions. I talk to investors all the time who are trying to come up with a parallel. And you can make parallels, this market, these conditions to just about anything dating back over the last 50 years.

Just to point out, not even parallels, October was the single biggest month on the Dow Jones Industrial Average in my lifetime as an investor. Now let me explain that, because that was only 47 years ago that they had it; 47 years ago I was a 13-year-old boy who had just gotten my bar mitzvah money and that's where I started investing. So we just lived through the best month on the Dow of my entire life, but at the same time, when everybody's complaining these days about, "Oh, look at interest rates," I was getting out of college in the 1980s, it was possible to find 19% mortgages in this country. That's not that long ago when you think, yes, I'm old, but I'm not that old.

So as you guys are looking at these conditions, I'm curious, what are the discussions that are happening in your shops? Not necessarily about just the market, but just about what are the problems we're trying to solve? What does this look like? What did we do in the past and did it work and can we bring that out now? Whichever one of you wants to start, go for it.

Parth Doshi: At Nuveen one of our observations or things we're thinking about in terms of product development is just we haven't seen yields like this in the bond market for over a decade. The portfolios we can construct today, we haven't been able to do for a long time. And so I think we're seeing, I would say, a lot of opportunity for product development, more on the fixed-income side than the equity side.

And I think part of that is also just client and advisor demand. Candidly, equity portfolios haven't done all that well year to date, and there have been a lot of tough and difficult conversations advisors have had with their clients. And so when it comes to doing an IPO and a discretionary transaction, having to have those discussions again with your client about why you should double down on an equity closed-end fund might be tough. So that kind of goes back to my earlier comment about balancing demand versus what we think is something clients have to have.

Erin Carney: So I think certainly as we're thinking about the broad landscape, I agree with Parth on the fixed-income side, that's a focus for us as well given where yields and spreads are. And really different opportunities across the spectrum of fixed income, which we tend to put into common portfolios. So we tend to not have sector specific stuff, we have broader mandates so that the teams can find the relative value across, that's a big Thornburg philosophy.

But really it's solutions-based thinking, how can we deliver investment expertise to clients in ways that they want to consume it and provides benefit to them, whatever those benefits they're looking for might be. And there's an element also of, what are people not looking at that might come back and, I'm not doing a victory lap here but one of the portfolios we launched three and a half years ago was something that had a real return focus. And nobody was talking about inflation at all, we launched that fund in early 2019.

But we were looking at things saying, "You know, nobody's looking at this. This might become something that's interesting. Let's do some work around what that might look like." While it's small and early, it's been a very interesting strategy and something that we're looking at as how to deliver that strategy lots of different ways in lots of different wrappers. So there's an element of what do you seed and start and learn from, and then how do you deliver it to people?

I think completion portfolios are another way to think about harder to access markets if you will, whether that's fixed income or foreign markets, et cetera. Can you do interesting things around that to bring down tracking error, et cetera? So I think helping clients navigate complex markets is maybe the most interesting thing that we do. How we deliver that to people in a way that's consumable, how they would like to, or provides them, whether it's tax benefits or ESG customization or whatever it may be, I think is where we've started to spend more and more time.

Josh Duitz: And from a portfolio management perspective, every time there's an exogenous shock, whether it be the Russian-Ukraine war, whether it be 9/11, the Iraq War, everyone looks back and says, "What did the market do?" And I looked back also earlier this year, and every time it's different. You can't say that because this happened, this is going to happen, the market's going to return.

And that's why I started out, we're not macro investors, we're not trying to make major bets, there's just no way for us to do that and you'll just get whipsawed by doing that. But we do have to recognize that this environment is a bit different, we have a big higher inflation. So what do you want? You want companies with the pricing power, but it's hard. Because if you say to Coca-Cola, "Well, are you going to get pricing power?" How do they know? The last time they had inflation as 40 years ago. Just because a company got it then, are they going to get it today? So we're watching that. We're seeing which companies actually can get pricing power.

The other thing that we're really monitoring are companies balance sheets. When do they have to refinance debt? Companies were able to take out extremely cheap debt over the past decade, so that's changing. Even if the Fed stops raising rates and starts lowering it, I don't think we're going back to the same rate cycle we had. And certainly we're not going back to QE. None of us experienced the QE. Not Chuck who's a bit older, not myself who's been in the markets for 30 years, no one has seen QE. Not anyone. Not Alan Greenspan, no one has seen it.

Now we're going to QT, so no one has seen that. So what effects does that have on the market? So we're watching companies and making sure their balance sheets are strong enough and they don't have all this refinancing, and making sure the debt profile is right for the type of business they have. So obviously certain companies within the infrastructure space I would expect to have more debt than my companies that I own in the dividend fund and the consumer discretionary space. So that's what we're doing, going through every company and making sure. But again, nothing repeats itself, just nothing at all. So we're just trying to understand the current situation and react to it appropriately.

Erin Carney: Yeah, we have a saying internally that is, "Do not fight the last war." To Josh's point, it is going to be different, there are going to be different externalities, different reaction functions, different timing. And trying to directly and specifically apply what happened last time to what's happening now tends to lead you in not great spots.

Chuck Jaffe: And at the risk of fighting the last war one more time, any questions out there? We're not offended if not, but I'm not going to push.

Great, then we're going to wrap this up. Please give my panel a round of applause and thank you for your time.
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