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EPISODE 7:

Targeting the Sub-Advisory Market

with Greg Stumm
of Resolute Investment

Robert Morier: Welcome to the Dakota Live! Podcast. I am your host Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, sales leaders, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and their Dakota Live! content, please check out dakota.com to learn more about their services. Before we get started, I want to read a brief disclosure. This content is provided for informational purposes, and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker who is not affiliated with Dakota, not a solicitation, testimonial, or an endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or a recommendation of the investment advisor, or its supervised persons by Dakota. Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases, and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. So thank you for hanging in there during the disclosure. I am very happy to introduce our guest today Greg Stumm. Greg, welcome to the show.

Greg Stumm: Thanks so much for having me, Rob.

Robert Morier: Yeah, it's good to see you. I'm going to formally introduce you here in a few minutes. But I'm to let the audience know that Greg is the Head of Distribution for Resolute Investment Managers. He is based in New Jersey, but Resolute is out in Dallas, Texas. We're going to learn more about how you deal with that commute in a few minutes.

Greg Stumm: It's not the commute, it's the Cowboys fans that we have to struggle with.

Robert Morier: That's real. That's a real struggle. Well, I'm glad you've survived so far because I know you've been there for about a decade now. It's good to have you here. So thanks for being here. So there's been a lot going on in the industry. And one of the reasons we're reading disclosures is there are new SEC marketing rules coming out every couple of years, which feel like it's almost like when Major League

Baseball makes a change. It's supposed to improve the quality of the game, but just tends to slow things down.

Greg Stumm: Well, unintended consequences. If anyone filed a separately managed account PitchBook this quarter, they know about those unintended consequences.

Robert Morier: Yeah, exactly. And it's interesting just for our audience. They've all been experiencing it, whether it's attribution, performance disclosures, or your pitch deck. The way that advertising is being defined now is tighter in a way. So it's good for the industry. It just changes things up for us as we move ahead.

Greg Stumm: New processes, I think that's the key. Is like just with any change like that, you've got to have a new process in place to make sure you institutionalize it. There's always some growing pains when you're building those new processes. But I think where our compliance team has done a good job of getting that in place, but it's definitely some growing pains the first couple quarters.

Robert Morier: Yeah. No, absolutely. Well, I wish them the best of luck and you the best of luck. How have clients been holding up in your products? And where do you see the new year going in terms of the environment for clients and investors?

Greg Stumm: Yeah, Rob, I've been in the industry a little over 20 years now. And I would say if it's not the hardest operating environment I've ever been a part of, it's second to '08. Really, the equity part of it is manageable. It's the fixed income drawdowns that are really painful. People forget that if you read anything in behavioral finance about mental bucketing, clients' mental bucket, even our portfolios, so like no matter how much we taught them about them being diversified and well-rounded, they think bond safe money, stocks more aggressive. And all the research shows that $1 lost in a fixed income investment is the pain equivalent to $3 lost in an equity investment. So when you've got a bond fund that's down 10%, 12%, that feels like something that's down 30%, 35% to a client. That's been really, really difficult. But with all that said, we've actually had a wonderful year from an operating standpoint. We've increased our market share in our mutual fund business, really, on the back of our liquid alts offerings. I think we've delivered what clients expected there. And we've actually been able to grow some of our separately managed account businesses as well, which has been nice to see. I think more people are looking at that, the tax efficiency of some of that and some more of the conservative options there. So even though it's been a really tough year and a lot of busy weeks, but it's actually been a pretty good year for us.

Robert Morier: Yeah, that's good. Yeah, that pain in one asset class is also interesting because things have been so highly correlated this year. So it's not just fixed income that feels like you've lost $3. In equities you've lost 30$, if not more. So that correlation risk that was supposed to be mitigated through diversification -

Greg Stumm: It just disappeared.

Robert Morier: it just disappeared this year for a lot of time since 2008. So another reason, which is a good point, that it's been a tougher operating environment, for sure.

Greg Stumm: Well, and even in '08, your treasuries were making money. Think about that. When was the last time, I mean, and this is in reality the worst bond market since, I think, 1786 or something like that. The worst no one's lived through –

Robert Morier: That was a tough year. I remember that year, that was a tough year. 1786 was a tough one.

Greg Stumm: Articles of Confederation, I think, we're still in place back then, so, yeah.

Robert Morier: OK. We're going to get into your politics degree, so I can see where this is going. Well, it's great to have you here in our Philadelphia studio, Greg. Thanks for being here. I'm going to reintroduce you to the audience, give them a sense of your background. We've got a lot of questions for you over the next 45 minutes or so. But Greg is the Senior Vice President and Head of Distribution for Resolute Investment Managers. He is also a member of the company's product management team, tasked with sourcing new investment ideas for Resolute and its affiliates. Previously Greg was National Sales Manager of Retail Sales for Resolute, managing the external sales team across all channels. Resolute is a diversified multi affiliate asset management platform which traces its history back to 1986, with $81.2 billion in assets under management as of June 2022. Resolute has affiliated and independent relationships with over 30 investment managers. One of those affiliates is American Beacon Advisors, a subadvisory platform for asset managers whose clients include defined benefit plans, defined contribution plans, foundations, endowments, corporations, financial planners, and other institutional investors. That's a lot of channels.

Greg Stumm: Yes, yeah.

Robert Morier: How do you cover them all?

Greg Stumm: Actually, through a lot of hard work. We don't have the headcount a lot of our peers have, but it's through being very thoughtful and very scalable. It's a challenge.

Robert Morier: Yeah, it makes sense. We're going to talk a little bit more about your sales process in a few minutes. But that's one of the questions that we typically receive from a lot of our listeners, which is we're a small sales team. So how do we think about tackling the North American market from a channel perspective and a geographic perspective? So I look forward to hearing your thoughts on that. Many of our audience understand the importance of targeting the subadvisory channel, which allows investment managers to focus on core competencies such as portfolio management, while delegating operational and distribution responsibilities to an advisory partner. The subadvisory market has grown from $1.5 trillion in assets under management in 2003, to an estimated $4 trillion in assets under management in 2022. But it's not just subadvisory, it's also a multi affiliate platform that you're working with. So how do you see the balance between the two areas of your business?

Greg Stumm: Rob, it really depends on what the partner needs. So we think about whether you're a subadvisor or an affiliate, we think of you as a partner. And for most of our partners, we're delivering the same service. Whether or not someone is an affiliate of ours is a function of, do they need an equity partner? And do they need distribution outside of a subadvisory relationship? So separately managed accounts, institutional separate accounts, model delivery. So it's really about what our partner needs from us. And that's the main thing that's going to drive that decision of, are we going to become an affiliate of ours or just work with them through a subadvised? And we're open to both and have successful partnerships in both.

Robert Morier: Do you find that the managers have a preference? I mean, I guess it depends on the manager themselves and what their needs are. It could be equity or it could be assets.

Greg Stumm: Yeah. I mean, it could be an equity investment. Sometimes they want someone that is really focused on selling separately managed accounts. Like we've got a partner in Summit, New Jersey who is an affiliate, RSW investments. All we sell is separately managed accounts for them. That's their expertise and that's where they focus. So they don't really need a subadvised mutual fund relationship. Where you've got a partner like who is one of our top partners, one of our biggest success stories, they are purely in a subadvisor. So we have no affiliate relation with them, but they bring a best in class service to our clients. And so we're happy to work with them that way as well. I think it's very unique, depending on where the firm is in their life cycle, what services they need. Do they need equity partnership? Do they need backing in something like that? Or do they just need distribution and operational services? So we can provide either based on what the partner's needs are.

Robert Morier: That makes sense well. Let me round out the rest of your experience and then we'll get into the heart of this conversation. So, Greg, joined American Beacon in 2012 as a Vice President Of National Advisory Sales. So congratulations on all your success as the head of distribution.

Greg Stumm: Thank you.

Robert Morier: So in that role, he supported advisory relationships across the US and worked with regional wholesalers within the registered investment advisor and bank trust channels. Greg works with financial advisors across the country, helping them to better understand how investment strategies can be used to improve their clients' experience. We're going to talk more about liquid alts and some of the other areas. But we do want to note that prior to joining American Beacon, you were an investment director with RS Funds. Earlier in his career, Greg served as a Product Specialist for the investment research group at Planco, a division of the Hartford, where he was responsible for internal manager research and competitive analysis, as well as foreign key accounts and advisory relationships nationally. Greg graduated with a BA from the University of Pennsylvania where he studied philosophy and politics, with a concentration in economics. You were also a member of the rowing team. I'm going to ask you about that. Finally, last but not least, you are a CFA and CAIA charter holder. So, again, congratulations on all your success. We are happy to have you here, and look forward to hearing your thoughts on asset allocation, distribution, and everything else that we get into. Does a degree in philosophy from Penn help you write investment philosophy statements or pitch books?

Greg Stumm: You know, so it's funny. So it's actually a program at Penn called PPE. So it's one program, and you pick a concentration. It was started in Oxford. And I believe Penn was the first university in the United States to offer it. I grew up in South Philadelphia. My father was a welder. I didn't really know what I wanted to do. I was just happy to get to college when I got there. And so to me it was a great program because I got to learn a little bit about a lot of different things. And I think sometimes maybe we focus too much in one area. And so having that exposure, I actually thought I wanted to be an attorney and I started taking economics classes. I said, this is pretty interesting. So it actually helped me get to where I am today.

Robert Morier: That's good. Well, there's no shortage of former athletes in our industry as well. So as you think about your experience in rowing, what do you think about in terms of those experiences in the boat relative to what you do today?

Greg Stumm: Yeah, and all of my colleagues are going to listen to this, hopefully they listen to it, they're going to laugh. But I have a saying called one team one dream. And where I got that from is when you're racing, there's nine people in a boat. There's the coxswain and eight rowers. And you could be the best rower in the world, if the seven or eight other people in the boat aren't putting in their part, you're going to lose every time. And so almost more than anything, is like being able to give up some control to your teammates and know and just trust your team. And I think that's the mentality we have. When we talk about our distribution structure, every client we have typically interfaces with two, if not three or four people at Resolute. There's a lot of firms that don't do that. How many times have you heard from a salesperson, that's my client, or this is my firm. We don't operate that way. We have a team approach. And a lot of that is because when you're in a boat with eight other people and you want to win, you have to trust and you have to give up control. And I think that was the number one thing I learned from it is just how to be able to trust people that are deserving of that trust.

Robert Morier: Now that makes sense. I was a rower as well. The ergometer told me I was the worst rower in the boat. So I knew early on in my career that I needed to find a good team because I needed a lot of support. I needed a lot of help in that boat. So I was towards the back. You were probably in the middle. My guess is you were a four or five guy.

Greg Stumm: Fourth seat, yeah. Crank away, head down.

Robert Morier: I was a seven, eight guy.

Greg Stumm: It's OK. OK, good. Because you had good timing, good hosting podcast.

Robert Morier: Exactly, good at hosting podcast. So you graduated with a degree, the PPE degree from Penn. In a sense it makes you a jack of all trades. So you may not have been a master of one specific thing, but you have this opportunity to go into financial services. What was that decision like? And how did the opportunity even present itself to join the Hartford?

Greg Stumm: Yeah. So, again, back to rowing. I think I'll never forget this, the president of Penn said at our graduation, it's hopefully the one thing you've learned here in four years it's not what you know, it's not who you know, it's whom you know. And two of my college teammates actually had connections with the Hartford at the time. And they connected me with some people there. And it presented an opportunity. And I think the thing I was excited about at the Hartford was, one, I mean, they had a great training program. I believe they still do have a great training program there. And they also offered, back when I started, a wide array of products. So it was variable annuities, fixed annuities, mutual funds. And mutual funds was growing rapidly and developing new product. And so it was a place where I could go, where I could learn a lot. And they worked with a lot of different clients. And so my advice to anyone that's young coming to this industry is go to a firm where you can get a lot of exposure. Learn as much as you possibly can. And that was the opportunity it presented me with, so I jumped at it.

Robert Morier: That's good. Well, you started a manager research, and one of your roles now is you're on the product management committee.

Greg Stumm: Yes.

Robert Morier: So as you think about what you had learned in manager research going back 20 years ago to what you are all doing now, what developments have you seen in the underwriting process as you're thinking about either a multi affiliate model or the more traditional subadvisory model that American Beacon employs?

Greg Stumm: So I think the one thing, and this is why at Resolute we have a pretty diverse team in our product management committee. I mean, and not to go in too much but, I mean, you have people like Becky Harris who runs product management for us. Paul Cavazos is our Chief Investment Officer. Jeff Ringdahl, our CEO, myself. Jay Schilling who heads up institutional sales for us. We all come at things a different way. But at the end of the day, what we try and do and I think is the most challenging and something we miss a lot in our industry, is we try to think about the client experience. It really stuck with me, I think it was in Joel Greenblatt's book about the 2000s. And he said the best performing fund over the decade of the aughts was up something like 10% per annum. The average client lost something like 6% per annum in that fund. And so it was the best fund, the worst fund, the best fund, the worst fund. And what we've tried to do is really think about, OK, you can generate great returns over long periods of time. But if the client can't capture those returns, what does it matter? And so we really tried to put this lens of, what is the end client experience? And what is this idea of investability or enduring value, as what we call it, to bring to market? And so I think before it was 20 years ago, it was like, hey, just get the best performing fund. Try and find the strategy that's going to beat its peers. And now it's like, OK, you don't necessarily need to be the number one fund in the space, you need to deliver the veteran client experience. And that's something I think we've all kind of learned over the last 20 years, especially in a year like 2022.

Robert Morier: That's interesting on the client experience side because in a lot of ways, Resolute and American Beacon is the intermediary between the asset manager and the end client. So how do you manage those expectations for both? Because I would assume not only are the clients the investors, per your explanation, important to your process, but you also have an asset management relationship. And I know you historically have looked at asset managers that are more mature, longer track records, have been around for a while. But those younger track records, those younger asset managers, how do you manage expectations in terms of the client experience on both sides of that barbell?

Greg Stumm: Yeah, so we have two steps to it. So they operate independently of each other, but I think they handle both. So the first is institutional quality. And so this goes back to, we've worked with many firms where there's two people in an office, and I can give you a couple of examples of that in a second. But the institutional quality aspect of it is, is their process definable, repeatable, and does it make economic sense? And there's been a lot of managers we've talked to that had just wonderful return profiles that we couldn't get our head wrapped around. Or we looked at it and said, man, it just seems like they got lucky with a couple of calls. And, I mean, I think everyone's seen a couple of global macro managers that have amazing returns because they got two or three things right, and then there was a return struggle the following five years because they got a little lucky. And so it's really about I don't care if you're two people. I mean, literally we work with strategic income management who was founded by Gary Pokrzywinski. Gary ran credit at Edge Asset Management for 20 years before leaving to start SiM. And it was Gary and Brian Placek on day one. And they started SiM. And we had known their track record of their previous history. And we had done due diligence of, what are you doing here? And went through the process and said, wow, this is really unique. We think it will deliver a very good client experience. And we started that partnership, it'll be 12 years ago in February. And it's been a wild success for us. So we're very willing to work with smaller shops that are maybe starting but have some kind of previous track record or have some way they can show that, hey, this is what we've done before and here's what we've been able to deliver for our clients and here's the process and here's why. But at the same time, we partner with the biggest trend follower in the world Man Ho. But we think that their risk management capabilities are key to delivering success in illiquid assets. I think understanding that institutional quality is really, really important. And once you get through that, OK, now does it provide a good client experience? And marrying the two is what we found has been most successful in product management. And then I think the other side to that, and this is where the sales part comes in, you really got to manage expectations. You've really got to work with, we don't call it end clients, except on the institutional side. But most of our efforts are through financial intermediaries, whether they're financial advisors, registered investment advisors, consultants, things of that nature. And we spend a tremendous amount of time trying to educate those partners on what to expect from us. Like I talk about our funds like I talk about my children. I've got three great kids. I guarantee they will not listen to this podcast, so that's OK.

Robert Morier: But they also ask for money.

Greg Stumm: Yes, they also ask for my money too. But they've got the same parents, live in the same house. And if you put them all in the exact same situation, I can guarantee you get three very different responses. So you've got two children as well. I bet your kids are probably the same, a little younger but -

Robert Morier: A little younger but, yeah, no, absolutely. Two different personalities, even though the process is the same, I think the outcome is always a little different because of the relationship.

Greg Stumm: Yeah. And so what we try to do is communicate with our partners and say, in this situation, here's what you should expect from this fund. In this situation here's what I would expect for my oldest daughter Emma versus my younger daughter Penelope. In this situation here's what you would expect from this fund or this strategy. I think a great example of that is ARK Invest. So, obviously, we very famously we have a partnership with Kathy and the team at ARK. It's been a great partnership. And the asset raise in 2020 was amazing. But the thing I'm most proud of is the client retention in a really difficult market environment. And I really believe the reason for that client retention is, one, people understood the risk in this strategy. Two, they understand what the team at ARK is investing in and can connect with it. And, three, they rightsized it within the portfolio. I mean, heck, I remember in 2020 people wanted 25% of their portfolio to be ARK, 25% to be Bitcoin, and 50% to be NFTs. And we're like, well, slow down here a little bit. But I think those three things of understanding the risk, understanding the investment philosophy and right sizing it has enabled people to hold on through a really tough environment, to hopefully benefit when the market rebounds.

Robert Morier: I found in my experience strong client retention is usually highly attributable to high education. Meaning you've spent a lot of time educating your clients. So as you think about that education process from a sales perspective, so thank you for taking us there. But as you're thinking about that education process, how have you structured your sales team, and what is their process in terms of educating each of those clients about the attributes of the asset managers who are on the platform?

Greg Stumm: Yeah. So there's two sayings here. So you heard one already, one team, one dream. I think that's a really important understanding how we, because a lot of people on the distribution side are going to listen to us and be like, well, Greg's crazy. I can't believe they do it this way.

Robert Morier: We're printing up the shirts now, don't worry about it. We've got a merch store. Roberto is working on a merch store right now.

Greg Stumm: Yes, we have to have a hashtag in front of it though. I think that's what's popular. But it's that, and then scalable. Those are the two things. I have a whiteboard in my office. I write scale. If something's not scalable, we don't do it. And so the way we've got a distribution team set up is, and I'll focus on a retail team first and how we support them. So we have 15 retail territories. Each one has an external or a hybrid. Most have externals. A few of the smaller territories have hybrids as they grow in the scale. And they all have an internal person supporting them in our office in Dallas. And they basically deal with every financial advisor in that territory. So RIA, Wirehouse, Independent Bank, they deal with everyone. And then what we've done is we've built a team of support people around them. So I mentioned Jay Schilling who is Head of Institutional Advisory Sales for us. Jay has a team of CFA charterholders or people in the program who have worked with RIAs in the past, who have manager research experience. And their job is to work with the wholesalers in calling on registered investment advisors. So think about this. We have two salespeople that are responsible for RIA and bank trust sales in every territory. And you're like, well, how does that work? You got to have trust and you got to communicate. But what I found is a lot of people have RIA teams. And if I just had my advisory team focused on RIAs, what would they do naturally? They would call the biggest RIAs. They would use a coded database and show me everyone that's got a billion plus. There's a lot more billion dollar firms than there used to be when I was doing it. But show me all the firms that are a billion plus, and I'm just going to call them. But what we've been able to do is work with 15 retail wholesalers. We spend time with RIAs from $50 million to $50 billion. And a lot of times we'll find a $200 million RIA that maybe needs our help. That needs to talk to someone with Jay's experience or talk to someone on our product management team and really understand it. And so our retail wholesalers just do a tremendous job uncovering those opportunities and bringing those resources in. Same thing with our support of ARK Invest. We have four ARK specialists that are based geographically across the country. And their job is to support our wholesalers and our financial advisor partners. And pre-COVID we had a client event called Big Ideas that we deliver. I think we did 700 of them in a year in 2019. We are starting to ramp that up again now in 2022. We did a number in 2023. We'll probably do that many again. But our wholesalers are supporting the financial advisors finding these opportunities and bringing these ARK specialists in. So it's really about working together and it's about communication and trust that is driving our success, if that makes sense.

Robert Morier: It does. What are the other characteristics you look for in a good salesperson? That's something that we all think about as we're trying to raise assets, work with clients, be a better partner. You as head of distribution, you've got a team underneath you. When you're looking to bring on a new salesperson, what are the types of characteristics that you look for?

Greg Stumm: And I love your take on this too because you talk to a lot of people in industry. But I honestly think the most important thing and the hardest thing to gauge is work ethic. I mean, I think we see it here. I've worked with salespeople who work all day and all night. And I have to tell them, hey, you've got a family and that's got to be a priority. And we have some salespeople I'm like, what are you doing all day?

Robert Morier: Totally. That's why I'm teaching.

Greg Stumm: But I think work ethic is number one. You can fix a lot of problems by working hard. And I think that's true for all life, not just our industry. And then I would say after that, the after work ethic, the most important thing is, in this industry in particular, to be able to take a complex idea and simplify it because we have people in our industry that love to overcomplicate things. And you can get lost in the complexity of products. And that complexity can lead to a lack of understanding in behavior, coming back to my earlier point. You can explain things in such a complex way that people won't grasp behavior. One of my colleagues, Dana Klein, he likes to talk about the curse of knowledge. We all have the curse of knowledge. No one knows our products better than we do. And we want to go in and overcomplicate everything. And sometimes it's better just to simplify it. And so if I can find a salesperson who's willing to work hard, who can take a complex idea and simplify it, they're usually pretty successful.

Robert Morier: Yeah, I agree. I think that skill or that ability to be able to boil things down, especially in fixed income. I've never met a fixed income manager who likes to spend an hour talking about their process, so it's always –

Greg Stumm: Or how many alternative managers have you met? They like to spend three hours talking about their process.

Robert Morier: Or the other side of it, how many alternative managers that want to spend three minutes? because they're in there and they're really not able to or willing to provide that transparency. We'll talk a little bit about that. But the third attribute I would just add to that, because I think those are great points. And I agree, working hard and being able to boil down something that's relatively complex into something relatively understandable is helpful because a lot of times, and I'm mostly an institutional guy, in my experience what I've found is when I go into a conference room, usually there are sides of the table. One side of the table are the investment professionals. And the other side of the table are the employees of that plan or the employees of that foundation or endowment. So you're having to speak to both sides of the table. My father used to call it up and down the balance sheet. So depending on where and who the person is. And I think the third thing that I've found has been for whatever reason, I think, it's challenging for salespeople is listening. It's hearing what people are actually looking for relative to what you're trying to sell. And if the sale isn't working and you're just not hearing what you need to hear, let it go. Develop the relationship, foster it in different ways, but try not to force it.

Greg Stumm: Well, and I love your take Rob, I always think some of the most challenging things to do on the institutional side is you'll go into a room like this, and you've got 20 minutes. And I've learned if you're 24 minutes, you've lost, you've lost. So how do you take something you're passionate about, that you know everything about, and boil it down into 20 minutes? That's going to be a super hard exercise.

Robert Morier: Yeah, yeah, it's not easy. I mean, and that actually raises the next question I was going to ask you, is just about the investment sales cycle. The cycle itself has lengthened quite a bit. The 20 minute pitch hasn't changed. But how long it takes to get to that 20 minute pitch has gotten longer and longer. So how do you manage expectations in lots of ways? One, with your sales team. And then, two, with your partners, your asset management partners either through the multi affiliate model or the subadvisory channel. What is that education process like in terms of managing expectations in an ever lengthening sales distribution cycle?

Greg Stumm: Yeah. So I think there's a couple of things we focus on so just from a sales team standpoint. You know you're going to laugh. I have a lot of one liners here, but I always stick to the sales process. I say, wholesaling is a lot like geology. It's all about time and pressure.

Robert Morier: Sometimes you get a diamond, sometimes you get coal.

Greg Stumm: Yeah, you would take a piece of coal, you want to turn it into a diamond, you apply pressure over a long period of time, and that's what you get. And so a lot of it is for the sales team, it's we spend a lot of time in our CRM. So we're very thoughtful about logging activity. And there's a couple of reasons for that. One of the things we talk about all the time is time. That's our most precious commodity. And that really is everyone's most precious commodity. And we never want to waste an advisor's time or a partner's time. And we never want to waste our time. And so we're really tracking the conversations we're having with advisors and consultants. And are they progressing? What is the next step? But my number one rule is with every activity, have a reason, have a point. Because I'm sure you get these calls all the time, I get calls from people trying to sell me things, I want to follow up or I'm checking in. And I'm like, I don't have time for a check in. I like where it's like, I'm calling you because we updated our pricing or I'm calling you because I want to take you through this or I want to make sure you understand this. That's helpful. But checking in or saying, hey, I know we talked about this fund six months ago, I'm checking in on it. Like, what is that? And so it's more like, hey, I know we've talked about strategy XYZ, here's how the market dynamics have changed. Do you want an update on it? Is that useful? If it's not, OK, why are you not looking at it anymore? So just making sure the process is happening, and understanding that it is going to take 12 to 18 months, the Wroclaw cycle. Sometimes it can be a lot quicker. I mean, I have a friend that works for a multi-family office in Miami. And in the marketer's allocation they said, hey, we're looking for a global relative value fixed income strategy now. And we did a due diligence in a month and a half, and they added a strategy. So I think it can be quick sometimes, but I think just having a process in place and monitoring it, making sure, one, you're not letting things go cold. But, two, when you actually are moving it along, that you have a purpose in those activities I think is very successful. And then what I found with our asset management partners, it's really about communication. And so we are very transparent with our partners about our activity levels for our funds because, again, we can only control what we can control. I can't control what the market's going to do. I can't control if our funds are going to outperform or underperform. I wish I could sometimes, but unfortunately I can't. But we can control our effort levels and our focus. And so I think it's about setting the right expectations with the fund manager and saying, this is a brand new strategy. It's not available anywhere right now. Our focus is going to be on the RIAs. You're not going to see 1,000 phone calls a month from us on the strategy because it's a small market audience. But we don't need 1,000 clients to build this to scale to get it on a Morgan Stanley or a LPL. And with that, we have what's called a growth stage of our partnership. And during that time, myself, our head of retail sales, our head of partner relations on the sales side, we will do monthly calls with our partners. Just giving them an update on where we're at from an availability standpoint, where we're at from an activity standpoint, things that they can do to help us. And then as those partnerships mature, we'll move those to semi quarterly or quarterly, and then rarely semiannually. But usually at the minimum, even for well-established partners like Man Ho, we have a distribution update quarterly with them. And we talk about what we're doing, what's working, what's not. And I find that gets ahead of a lot of problems.

Robert Morier: Well, that Miami-based client knew what asset class they were looking for. But taking a step back, you had the asset class available for them. So it worked out well in terms of being able to expedite that sales process. How do you and your colleagues think about your asset allocation mix? So in terms of your roster of clients, what does that process look like from a top down perspective? How do you ensure that you are capturing all of the asset classes that your clients are going to require?

Greg Stumm: Yeah. So we don't. So what I'll say is we never will sit down and say, man, we it would be really nice to have a long short equity fund. So let's go out and it would be really nice to have a long/short equity fund, so let's go out and find the next best available long/short equity. Because no one needs the next best available anything. What we do is we talk to hundreds of managers a year. We have what's called an open phone policy. So myself, Jay, Becky, Tyler, one of us will jump on a call with anyone that wants to talk to us. So if you'd like to talk to us, shoot me an email, happy to have a conversation with you knowing what we're looking for. And if we think something is unique and interesting and delivers a better client experience, then we'll start due diligence on it. So we're never chasing assets. We just don't do that. It's more about just talking to a lot of people. And for every 100 conversations we have, we end up with one new product. It's a horrible hit rate, but you get really good in class product if you do it that way. So it's not the next best available, it's what we believe is unique or the best. Now with that said, if you look at our firm 10 years ago when I joined, we were predominantly value equity. And we have definitely made the move to say, let's look at the strategies. Like in fixed income and credit in particular, we look for high conviction, benchmark agnostic managers. And we feel that in the subadvised space, sometimes you can find managers that are a little different because they're willing to constrain their capacity. So we launch a lot of products. We work together on one before that had a capacity of $1 billion, max. And so how many firms do you know are willing to launch a mutual fund that's got $1 billion capacity? I mean, you've worked in some of this space before. I mean, I would love to hear your thoughts on that. What was the minimum capacity you would see from a manager that they wanted to launch in a fund?

Robert Morier: Well, I mean, it depends on the asset class, as you just said. I mean, in some less liquid areas, which is actually leads us to the next conversation, which is we're thinking about liquidity, whether it's alternatives or more esoteric fixed income. Generally, the capacity discussion from the asset manager's seat is this chicken and egg conversation. We understand how to measure and think about capacity, but we have no idea what it's going to be like once we get to $750 million because the market environment may end up introducing something like 2008 or something like the emerging markets have experienced over the last two or three years. So I think from the asset manager's perspective, when approaching a potential subadvisory partner, a lot of times it's what you actually started with, which is setting expectations for both sides. What are the distribution expectations from your seat? And then communicating those to us so we then understand how we can manage our growth, because assets may come in from other areas as well. So it's that balance.

Greg Stumm: Yeah. And that's helped us a lot. So being able and willing to launch these more capacity constrained strategies has allowed us to bring unique strategies to market. And then we've also been talked about very successful in the liquid alt space, and I think that was more about our process and finding the right partner. And we can dive into this, but what I say is, what do you want from a liquid alternative versus what do you need from a liquid alternative. And everybody wants crisis alpha and uncorrelated returns. And in a year like this year, that's all anybody wants. But what people forget is that nine times out of 10 or seven times out of 10, stocks and bonds make money. And I think we've all lived through this before when a really tough operating environment, traditional assets really, really struggled and alternatives did well. They delivered that crisis alpha. I mean, we're seeing that in trend following this year. They're delivering crisis alpha. But then what happens is in a lot of periods where traditional assets are doing well, alternative struggle. So then you have money flooding into alternatives after a crisis period. And then traditional assets, as you would expect, start to do well again. And then these alternatives are a drag on the portfolio. I like the German, they end up being the thing that client calls to complain about all the time. And so our jokingly said was, OK, what you want is this crisis alpha and uncorrelated return. What you need is investability. And so I maybe don't need to be the best performing fund in a year like this, I need crisis alpha. But in a year like 2017, which was the lowest vol year for the S&P ever, it was the first year ever that the index was up every calendar month in a year. It was positive every single month in 2017. The average managed futures fund was down something like 6% or 7%. And so think about that. So you've got literally stocks are just going up and up and up. And S&P finished up around 15% that year. Bonds did very well. And you've got this thing on your statement that's down 6%. And you're like, this sucked for the last couple of years. And a lot of people hit their breaking point. And you can see that in the outflow in that category was that year because everyone's like, well, stocks just go up all the time. And this thing just goes down. You don't have to be up 15%, but be up four or five in a year like that. That's the difference between someone firing you and keeping you. So they have for Q4 or 18 or Q1 of 20 or all of 22. And that has led to a lot of success for us in that liquid alt space.

Robert Morier: Well, picking up with liquid alts because it's funny, liquidity and alternatives feels like an oxymoron, like jumbo shrimp. Historically the way that we understand alternatives is as an illiquid asset. Meaning it's supposed to generate income over an extended amount of time. So now that you've seen more liquid alternatives solutions coming to market, how are you balancing that discussion with your investors? Because there have been some very high profile events, and it does take me back to 2007. Not 2008, but 2007 when I was working at Goldman Sachs and you started to hear about some of these alternatives hedge funds that were starting to see some problems in terms of liquidity, outflows, uncorrelated events. And so how is that education process working for you all as you are presenting liquid alts as a solution, particularly in ETFs?

Greg Stumm: Yeah. So a couple of different thoughts there. And, actually, a little plug here and sidebar, I recently, in conjunction with a couple of my colleagues, wrote a training program called Unlocking Liquid Alts. And the purpose of it is to help educate financial advisors on our due diligence process when looking at liquid alternatives. And so as you mentioned, I'm very active with the CAIA Association here in Philadelphia, and so we see a big need for that. So there's definitely a demand for it. I think there's three aspects, Rob, when we look at it. So here's the three big things. When you take a traditional hedge fund manager and you put them in a liquid fund, there's three big things you have to look at. So one is liquidity, two is transparency, and three is leverage. And so the first is when we're offering it, as you mentioned, we offer today a handful of mutual funds that are quasi liquid alternatives. And we are actively doing due diligence on an ETF platform as well, as through our partnership with ARK. We've had tremendous success in the active ETF space. And we're doing due diligence now on potential liquid alternatives in ETFs and other solutions in the ETF space. And we think about it whether it's a mutual fund or an ETF, you've got to handle basically the same things. So you've got to handle, OK, you need to provide that liquidity. We need to be able to stress test that liquidity. We can put solutions in place, whether it's interfund lending or credit lines. But you especially in a regular mutual fund, you need to make sure the liquidity is good. So if you look at what we offer today, a lot of that is futures contracts. Those are extremely liquid markets. They're very big markets. And you can trade them very, very easily. The next is transparency. And transparency, something we're struggling with now even more so on the ETF side than you would in the mutual fund side. And I'll talk about both for a second. But on the ETF side, you're talking about daily transparency. And so whether a partner like Man Ho wants to use the same programs in something you can see on a daily basis for something you see on a monthly basis with a 45 day lag, right that's a big difference. Versus a hedge fund that you never see. And so, are they willing to use the same programs or the same strategies with that level of transparency? Some are, some aren't. I also point to long/short managers. So my biggest problem with long/short managers, they are trying to go from a hedge fund structure to a transparent structure. They're usually not willing to short individual stocks because they don't want people to know what they're shorting. So a lot of times they're in those short sectors and things like that. And there's a big give up between shorting individual stocks and shorting sectors and understanding what that give up is. So you've got to understand that. And then the last is leverage. Some people think leverage is a four letter word. I think we're potentially entering a low return environment for a lot of asset classes. So I think being capital efficient could be really powerful for the next number of years for clients. But you've got to do it with the proper risk management tools in place. So if you're going to employ leverage, whether is it through futures contracts? If you're going to do something like that, you have the right programs in place to pull back that leverage in the right environment. And is the leverage in a meaningful way where it's not so high that the client couldn't stomach the volatility? So I think understanding those three things of the liquidity, transparency, and leverage, and how they translate from a private vehicle to a daily liquid vehicle are huge. And then the other thing is, obviously, we've seen just a massive inflow into interval strategies, into semi-liquid credit and REITs and things like that. And I think they're very interesting. We don't currently offer anything in that space today. But what I'll say is similar to the conversation we had with ARK Invest, it's about appropriate sizing. I know something's really attractive when it doesn't mark to market every day and the return profile looks very low vol. Probably shouldn't be a huge part of someone's portfolio if they need liquidity in the 36 to 60 month time frame. And so I think from that structure standpoint, it's all about just right sizing it and at the end of day, understanding your client. And that's why we like to partner with the top tier financial advisors, because for as much as time we spend understanding our products and their behavior, they spend understanding their clients and their risk appetite and their liquidity appetite. And so I think if you do it properly, it works. But it's got to be appropriately sized for that client.

Robert Morier: The other four letter word is fees. So fees have been in structural decline for many years. There's no secret about that. So as you're thinking about your investment management partners in the context of negotiating fees, what are the expectations that you usually try to set for your asset management partners, either through your multi affiliate model or through the subadvisory platform?

Greg Stumm: Yeah, so you can't think about fees in a bubble. And I think that's the biggest thing that people joke around and say, I pop that fee bubble quite a bit for our partners or potential partners. Because they say, OK, well, this is what we charge for these clients that we've had for 20 years, on a separate account standpoint, and so this is what we're going to charge. And it's like, no. Here is what your peer group charges. But at the same time, we're not replicating an index. Our managers are extremely active. And their goal is to add value over time. And I mentioned a lot of these strategies are very capacity constrained. So we're not the cheapest option in a lot of instances. We're typically below our peer groups for most of our strategies because, again, we operate as a fiduciary. We're always working to the best interests of our client, and so we want to offer the lowest cost we can through our scale, through negotiating our fees. And so I think when you look at some of our retirement plan options, like small cap value for example, that's extremely fee competitive. It's a big fund. It's been around a long time. We've got a lot of negotiating power with those subadvisors. When you look at liquid alternatives, we're not the cheapest. But we're not the most expensive either. We're significantly below peer group. And over time we've generated better returns. So I think you have to have that balance of understanding that you don't need to be the cheapest if you actually deliver value to your clients and if there's a reason. So, hey, I can only run $3 billion in this high yield strategy. I'm never going to charge what the person that's running $30 billion is because that doesn't make sense. And I found that as long as there's a driving force to justify the fee you charge and you're adding value net of that fee, investors will look at it.

Robert Morier: Well, taking the conversation back full circle, we started talking about emerging managers and boutiques on the platform. So as they're approaching you all for a potential partnership, fees are obviously something that they're thinking about, what should I be charging? But the other thing that is usually front of mind is vehicle. So what type of vehicle should I be utilizing to present to a subadvisory partner? And there are a lot of options. In some ways the US market is somewhat infamous for being a vehicle driven market rather than a even a performance or certainly an asset class driven market. Do you have the right vehicle to fit the need of the underlying investor? So as you think about vehicles, I guess, from two standpoints, one is that boutique manager who's calling you as you've solicited their calls, Greg. So it's official.

Greg Stumm: That's OK.

Robert Morier: OK, good. But the second is, what vehicles should they be considering? And what vehicles are you considering as you're building your platform?

Greg Stumm: Yeah. So I would say there's five different ways that we deliver investment solutions to clients. So you mentioned American Beacon mutual funds. That is our subadvised mutual fund family. It's been around since the mid '80s. It's very successful. As I mentioned, we're growing market share there. That is one way that is very easy to market. The next is I mentioned, obviously, we have a partnership with ARK Invest on their ETF side. We are growing our ETF offerings there as well. So we're looking for active unique strategies there. Again, the manager-- subadvisor or partner has to be willing to run an ETF. I would say, given the transparency that Cathie and the team at ARK have shown, you better have a good reason why not. So we have very active conversations with people now, we're having a lot of active conversations with people about the ETF offering, we were growing there. The third is collective investment trusts. So one of Jeffrey Dahl's goals for the organization is for us really to realize the vision of our multi affiliate platform. And one of the best parts about my job is, as you mentioned, is I work with over 30 partners, close to 40 partners across a number of different vehicles and a number of different client types. And so the collective investment trust area has been one that's growing for us as we have some of our affiliates that are quite successful in the institutional market, work with large consultants, have had a lot of success on the separate accounts side and private fund side. Now through our partnership we're delivering collective investment trusts that they can leverage for the retirement plan space. And so that's been a, actually, new growing space for us. And then the last two separately managed accounts and then model delivery. And so we've actually spent a tremendous amount of time with our partners in helping them build out model delivery solutions, because I think everyone that listens, if you're working with a Morgan Stanley, you're working with a first republic, they don't want your separate managed account equity strategy. They want model delivery. And working with our managers on what does that look like. How often do you trade it? What are the rules around that? Getting them comfortable with it. And that's been a big effort of ours. And that's where the multi affiliate platform comes in. There maybe not interfacing with a Morgan Stanley every day like we are and seeing that the focus really is on the URA program and we need solutions for that URA program. And you on the equity side, they don't want dual contract SMAs. They want model delivery. And so across those five offerings, we feel like we hit pretty much every client type, and can do it in the most fee advantageous way possible. So, again, just it was mutual funds, ETFs, SITs, true dual segregated separately managed accounts, and then model delivery portfolios.

Robert Morier: That's great, Greg. Thank you so much. I mean, it sounds like there are a lot of different ways to access Resolute and the American Beacon platforms or any one of those five avenues. So we appreciate that. Thanks for sharing all that. Thank you for being here today.

Greg Stumm: It was my pleasure.

Robert Morier: It was really nice to talk with you. I know you had said that we can reach out to you. I'd be remiss to also solicit the greater Wildwoods as a place that you can find you during the summer. So I think you're still in North Wildwood on the Beach in the summertime?

Greg Stumm: You can find me on, right at the surf beach on Second Ave there.

Robert Morier: OK, good. An Irish festival in the fall, I would assume?

Greg Stumm: It depends. One of my non-work passions is coaching my children. And so all three of my kids play baseball or softball. And so as most parents will know that fall is a tough time of year for activity. So maybe in a few years. But right now I'm probably coaching a softball game in South Jersey somewhere during that weekend.

Robert Morier: OK, good. Well, thanks again, Greg. It was really nice to see you. If you want to learn more about Greg and Resolute, please visit their website at www.resolutemanagers.com. You can also learn more about American Beacon at www.americanbeaconfunds.com. You can find this episode and past episodes on Spotify, Apple, Google, or any of your favorite podcast platforms. We are also available on YouTube if you prefer to watch while you listen. And, once again Greg, it was great to have you here. We appreciate your time. Thanks for coming into Philadelphia. And we wish you the best of luck through the new year.

Greg Stumm: Thank you so much Rob. And I would tell all your listeners, I know sometimes it's hard to get in touch. Feel free to connect with me on LinkedIn. Send me a note, say you listened to the podcast. You want to have a conversation. Would welcome it. So if anyone wants to connect with me there, might be easier as well. But thanks so much for having me.