Are You Experienced?

Speaker Key:

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DP	David Pett, Content Editor & Producer, Inside Perspectives: An AGF Podcast Series
SW	Steve Way, SVP and Head of Global & Emerging Markets Equities

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00:00:01	DP	Welcome to AGF Inside Perspectives. Welcome back, John and Kevin. This feels like we just were here. I think our cadence with scheduling is not much monthly, it's every three weeks, maybe six weeks. Anyways, good to see you. I've been gushing about this being season six. We're on episode three. It feels like we've built a bit of a franchise, and I thought, all good franchises need an origin story.
00:00:31		I would like you guys to tell me how you got into this business to start things off today. Kevin, how did you get involved in the investment business?
00:00:41	KM	I came through an odd way. I started a bank training program back in that day, that was quite a few decades ago. That's where you learned. And then mostly you learned credit training, banks taught people how to get money back. And it was probably the most invaluable experience for an investor, as I think about it today, because we tend to create equity investors who want to look at the upside only. And when you start as a credit investor, you've got to think about getting your money back, what's the down case?
00:01:10		But we were bank, but we had this nascent investment management stuff, and I had found myself shipped off to Houston one day, covering energy companies after the energy bust in the 80s. And I came back and became an energy analyst in this little subsidiary, which became a very big subsidiary at the time. But that was my inroad, was through literally a kind of a back door, being a credit analyst in a bank that happened to be covering a

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		sector. And I took that sector knowledge and brought it back onto the investment side.
00:01:39	DP	And did it fit right away for you? Did you knew, I dig this, and I want to do this?
00:01:45	KM	Yes. I think a lot of us talk about this, especially as we're getting on in our careers. This is the longest apprenticeship in life, I think. You're constantly learning in this business. And I had known a lot about a little sector, and I wanted to know a lot more, so it feeds on itself. I didn't know right away. I certainly knew, not to pick on my energy analysts and colleagues who are, but I knew I didn't want to just do that. It had to be broader that for me.
00:02:15	DP	And then, John, I know drips and drabs about your history, but how did you get into it? What was your thing?
00:02:21	JC	As a good son, I give all the credit to my father. My dad came over to Canada in the early 60s as an immigrant from Greece, and started working on Bay Street, and had a 45-year career on Bay Street as a bartender, next to the floor of the Toronto Stock Exchange on Bay Street. And as I tell this story, I always get goosebumps telling the story. And many of you have heard it before, but he was a bartender to the traders. The traders, after the day or during the day, would walk off the floor and go next door and have maybe a cocktail or two.
00:02:51		And as a young kid, I used to take a subway and a train down from our home in Scarborough and sit at the end of the bar. And I joke today, as a 14-year-old kid, you can't be sitting in a bar anymore, that's not allowed. And I would watch these traders come off the floor and talk to my dad, both their great stories or their horror stories of the day.
00:03:12		And I remember vividly going home with my dad one Friday night at around 1 o'clock or 1:30 in the morning, and asking him or telling him that I'd like to be one of those guys one day. And he said, well, get through your education, get your schooling all done, and I'll try to help you. And that's exactly what happened. I started to work on the floor of the Toronto Stock Exchange in the early 80s, part time through my father, and then never left.
00:03:36		And to Kevin's point, the reason I love doing what I'm doing is that every single day of my career is different on

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		the trading desk. There is never the same day repeated. It never repeats itself. And that's what I love about it. And the beauty of sitting there and watching the ticks go by all day, every day is something I'm fascinated by, and I love doing it. And it's been a great career.
00:03:59	KM	Think about it this way, there's, I don't know, for an average PM, 30 to 50 names that they cover, or securities. I know one thing, every one of those prices will change in a given day. And there'll be a news story, there'll be something that, at the end of the day, you didn't know when you started, about that. And some days, unfortunately, it's ten to 15 of those things that are happening.
00:04:22	DP	Thanks for sharing, guys. That was great. And we'll welcome our guest now. And our guest will probably have something to say about this, too. We were just speaking. He's the longest tenured portfolio manager at AGF at the moment. He is Steve Way. Without further ado, let's get into it. Welcome, Steve.
00:04:48	SW	Thanks for having me. Nice to be here.
00:04:49	DP	We're just doing origin stories. Kevin and John were just telling us a little bit about how they got started in the business. I should ask you the same question. I think you've been at AGF for close to 40 years at this point, right/
00:05:02	SW	Yes. I joined in 1987, one month before the stock market crashed, actually. Started off as a customer service representative.
00:05:09	DP	So it was your fault?
00:05:12	SW	Absolutely. But, like John, actually, my dad was the one who got me interested in investing. I used to buy Canada savings bonds when I was a newspaper delivery boy.
00:05:20	DP	There you go. You don't hear about those very much anymore. Maybe they'll come back in this climate.
00:05:25	KM	We share that, by the way, he and I were both paper boys at a young age.
00:05:29	SW	Is that right? I had the smallest paper route in London, Ontario. 18 papers.

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00:05:33	DP	When you think about it, what you guys are doing every day, you're digesting the news, so it makes sense.
00:05:38	SW	And I still read an actual paper-paper.
00:05:40	KM	We're the only two people to get a physical paper on our floor, it's you and me.
00:05:45	DP	Still to this day, okay, there you go. Customer service, became a PM or an equity analyst, I think. Then the rest is history. And now you're obviously managing global mandates on the equity side. With that in mind, we're obviously going through a pretty rough patch right now, at least quite a bit of volatility. One day we're down, the next day we seem to be up, lots of oscillation. But I'm sure you've been through all of this before at some point. Well, I know you have.
00:06:13	DP	I'd like to get into a little bit about how this time might be different, or maybe it's the same. But first off, as we always do, Kevin, maybe you can give us a bit of a rundown as to where we're at today from the last time we spoke.
00:06:26	KM	I want to make an observation about something you just said. The three of us actually were living our careers in 1987. We can't go back much further than that with what's left to our industry, in terms of people still active. But all of us lived through 87, the tech bubble correcting in the 90s, the real estate bubble, which turned into the Great Financial Crisis. And then this last 15 years of wandering around the near-zero desert of getting out of deflation and COVID.
00:06:53		That's a lot of events. What we're dealing with today is not that event. This is a garden variety, two strong years back-to-back and come in with a third year and replacing some of the things that were the tailwinds of the last two years. Think about 2023 was this push to stop raising rates. And there was a big hurrah in the markets at the end of the year, really rallied around that.
00:07:21		We were done getting to this normalized rate to kill inflation. And 24 was the opposite, which was also a tailwind to cutting rates. When are you going to cut? And now we're in the more uncertainty of this after two really strong years, is when is that going to be done? Meaning, the easing is over. We started the year knowing

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		that we're not going to have a 25% year. It's just not feasible. What we've lived through the last two years is a lot of what I call multiple, so same earnings you pay more for.
00:07:51		And this is going to be a year where you're not going to get that. We're going to come to the end of easing, and then you throw on what really has, I think, taken some legs out under the market in the near term, has been the policy uncertainty that has been introduced in Washington with the change in administrations, and very different than the last time this President Trump governed.
00:08:11		That was a lot of fiscal stimulus up front, which was great tax cuts on the corporate side, which, if you think about, you cut corporate taxes, earnings all of a sudden pop. You cut personal taxes, you drive demand, people have more in their checking account. This time around, we're going to get to that stuff later, if at all, meaning we're going to try to extend the tax cuts that are there, so not a lot of new personal stuff, maybe. And maybe you get to some lower corporate tax and other things. The fiscal side of it is going to be harder.
00:08:40		And instead, we tackle the things that the market is creating this angst over, which is higher tariffs, the uncertainty of what that does for inflation, what that does for a producer whose demand may dry up if the person they're exporting their good to doesn't want it because it's higher. So loss of jobs may be, depending on where you're sitting. And just now, again, you're getting to the harder things first, and that's created a lot of uncertainty.
00:09:06		And what you're seeing is, again, we're not in a recession, but we are having what I call a growth scare, because our confidence has been diminished, if you will, around some of these things, which we can talk about. That's where the volatility comes in.
00:09:21	JC	Just a couple of points to follow up on that. First, this is, to Kevin's point, not 01, this is not 08, this is not 2020. This is a lot more common than people appreciate. And I'm always shocked at the fact that people get all excited about a 5 to 10% pullback in the market because they're more common than we all realize. We had a 10% move last year. We had two or three 5% downdraughts last year. It's more common than not.

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00:09:49		It's not like it was. I think the difference is, as social media continues to percolate, people have more information than they've ever had in the past, and they get it much quicker and overreact to a lot of the news that we're seeing. That's number one. Number two, I'm encouraged by this broadening out. We have talked on this podcast and others throughout the years that all the capital was flowing into the US market. Well, look what's happening now.
00:10:17		Europe is outperforming, in a big way. China has re-emerged as a player as well, and the US maybe isn't the place to put all your money in today, but you can become more of a global investor. And having Steve here today, I'm sure he'll talk to that as well. But it's a positive broadening out, so we'll be okay here.
00:10:36	KM	I'll give you one other point that relates to that, John. We've lived in this very big, biggest of names, the top ten names, driving 35 to 40% of the market weight, depending on which index, but I'm talking about the S&P. The average stock this year, when I talk about the average stock, just take the index and equate it and give everyone the same weight, it's only down less than a percent.
00:10:56		This has really been a lot of intraday volatility, plus and minus 1% moves, because of some of the things we're going to talk about. But also, the fact that, to John's point, it's not just broadening out by country, it's been broadening up by the average stock. And again, the real story is, we're not down 10%, 20%. There's not an event here yet, but it's the intraday volatility. The rest of the market, the average stock, is actually mildly down.
00:11:25	DP	Steve, how do you sort through what the last month, month and a half has been like?
00:11:32	SW	I'll start by saying that historically, when you've seen this level of policy uncertainty, the subsequent returns in the S&P 500 have actually been pretty good. We have been here before in the past. This level, you can measure it, and you have been here in terms of uncertainty. And as long as there's not a recession coming, and maybe there's a higher risk of a recession now in the United States, but we're not there yet and that's not our central forecast.

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00:11:56		I would say investors should be using this as an opportunity to embrace volatility and take a look at putting some money to work, because there's no free lunches. Usually, when uncertainty is high, if you can have a discipline to look through that uncertainty and focus on the right things, you can get some pretty good returns.
00:12:14	KM	The last policy uncertainty we saw that looked like this was five years ago, it was COVID, and this is very different.
00:12:20	SW	Very. As you said, Kevin, the world stopped with COVID. Global financial crisis, the financial world stopped, counterparty risks were abundant. This is not that. The banks are well capitalized, there's a lot of good things going on in the world now.
00:12:33	DP	And to John's point, COVID, you couldn't broaden out. There was nowhere to broaden out, it was all-consuming. Whereas here, it does feel like there's a little bit of a targeted nuance to what we're going through. Where maybe there isn't an opportunity here, but there is an opportunity on this side of things.
00:12:52	SW	And also, I think one of the uncertainties is, what is the Fed going to do? Because when you look at previous crises, like COVID or the global financial crisis, the central banks came in with abandon, and governments during COVID spent with abandon. Some of those things are not necessarily happening going forward. Government spending is going to be more muted, particularly in the United States, to go in the other direction.
00:13:14	DP	And is that concern just because this is an inflationary environment, potentially, that we're going into? It just puts the Fed and other central banks in a more difficult spot in terms of how to react?
00:13:24	SW	I think it depends on the region. Certainly in the United States, government spending, fiscal deficit is untenably high. Something has to be done at some point in time, and that's why we have DOGE. But if you look overseas, it's a different story. We just had Germany announce a massive fiscal spending plan, €500 billion over the next 12 years, and they've been really fiscally restrained in Europe for many years. They've got a ton of headroom ahead of them in terms of increasing spending.

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00:13:51		While the US economy has benefited from really robust fiscal spending for the last many years, Europe is only just starting. That could really underpin some economic growth in Europe going forward.
00:14:03	KM	But the policy uncertainty that we've created, to Steve's point, is we're not in a recession yet. And you can go around the world. Europe is slow growth, but not there. Canada is, so far, okay. And the US is coming off of a pretty good quarter. But there are going to be some one-offs in here that are related to some of this uncertainty. The tariff thing has pulled people to import a lot of things quickly.
00:14:31		That may be a drag on economic growth for the first quarter. But we're looking at levels of, and whether it be here in Canada, in the US, even in Europe, of employment levels that are pretty full. The US is in the 4.1 rate of unemployment. We're not dealing with a scenario here of massive spikes of people being laid off. This is around confidence being a bit dented.
00:14:59		If you're a federal worker in the US right now, even if your job is safe, you probably don't feel it is. You're probably not going out on vacation and spending. If you look at some of the immigration policies in the US, if you're living in a heavy immigrant population, you're probably more hunkered down in your home and not going out and spending. You're taking legs of confidence out around, which obviously just impacts, again, people's willingness to go out and feel good about the future.
00:15:28		And you see it in the confidence data, which, if you feel good about the future, you have a job, you're going to get a wage increase, and your retirement funds are holding in there, you go about your normal course life, go to the theatre, restaurant, etc. When the opposite effect happens, when you're feeling uncertain, you just hunker down a little bit, and all of a sudden, things slow. I think that's where we are. And the markets may be overpricing that slowdown into something else, but for now, it's just a bit of a confidence slowdown, I think.
00:15:55	JC	If I may, I'd love to ask Steve a question. Steve, forgetting policy for a second, I'm fascinated at the outperformance of Europe and the emergence or re-emergence of China in terms of as an investment horizon. In your opinion, is that capital running away from

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		the US, or is that capital chasing inexpensive sector stocks in those other regions?
00:16:22		Just your thoughts on why the massive outperformance of Europe and the re-emergence of China over the last little while?
00:16:28	SW	There's actually a Bank of America survey that came out just last night looking at flows. And certainly in the first quarter of this year, flows were continuing to go into the United States. Money was not leaving the United States, per se. I think in the short term, what we're seeing is just chasing returns in Europe, particularly, because it has been a pretty strong market.
00:16:48	JC	Could it be some of that GIC money, that short-term cash that has been sitting on the sidelines forever and a day, now re-entering the market?
00:16:56	SW	Possibly. A lot of investors were underweight equities, because Europe has been lackluster for the last few years. I think there is some catchup there. I wouldn't be surprised to see a bit of a pullback, given the pace of the increase we've seen in Europe recently. But I think there's a lot of interesting things going on there as well, particularly with this new fiscal spending. And institutionally, as you know, John, investors remain underweight Europe. There's a lot of capacity there.
00:17:24	DP	We talked a little bit about how this environment stacks up against other crises in the past. And maybe this is not as all-encompassing. I sense some optimism about that we can get through this okay. My question, though, is, there's still uncertainty, clearly. What's the toughest part about going through periods with their uncertainty?
00:17:51		Is it that you're trying to sort through, in this case, bad versus good economic policy? Is it trying to find a signal from all the noise you talked about, John, that daily, we're just bombarded with information? Or is it trying to handle those short-term fluctuations versus trying to hunt down those long-term trends that are important for us as long-term investors?
00:18:19		I'm just wondering, what is that sweet spot for you guys?
00:18:24	KM	Just for me, I think that markets hate uncertainty. That's a time-worn statement that's been true. When you get to a place where people are uncertain, they pull out a little

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		bit. That's what creates the daily. And we're going to be in this for a bit, but I'm where Steve is and John is. At the back end of the year, a lot of this will be a lot clearer. We'll know what the trade and tariff policies are over the coming next month or so, six weeks, and certainly by 2 April, we'll start to at least a starting point for what those will be. And then markets can start to price whatever that is in.
00:18:53		Some of that may be in. People then can say, this is what's known. What does that do, can I make an assumption, therefore, about inflation? Can I make an assumption about demand for economic growth? But we get to the back half of the year, remember, you still have central banks that, for the most part, are still easing. In the case of, let's take the case of the US Fed, if, in fact, we've damaged confidence so much that we actually pull consumption back and really slow the economy down, the US Fed will probably start to get more aggressive in terms of cutting rates.
00:19:23		We're not in a place where you're facing down a central bank that's in your face with higher rates and raising rates. This has still got some tailwinds, but the uncertainty, a lot of the stuff that's affecting the market right now, and I think it is mostly around trade and tariff and that unknown, we'll get a lot clearer once we hear after the 2 April reciprocal tariffs. And that may be a starting point for negotiation. But I will tell you this, it's not going to be a ten-month negotiation.
00:19:51	KM	I think we get into the second quarter or toward the end of it, there's a lot more clarity on that.
00:19:57	DP	And then, Steve, in terms of that uncertainty, from your perspective, what is it that we, as market participants, need to get clarity on, to feel a little bit more certain about where we're headed?
00:20:09	SW	I think it's three things. First of all, it's inflation. As Kevin was saying, are these tariffs going to be persistent inflationary pressures, or will it be like a one-time step-up inflation? How will all of this impact economic growth? And then how will that affect corporate earnings? That's the flowthrough. I think once you can get some clarity on that, then you can start to think about where you should be positioned and how you should maybe be

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		repositioning. But I think those are the three things I'm looking at.
00:20:39	JC	David, I grew up in the industry with having a mentor that used to always tell me that volatility equals opportunity. And the one constant, I'm not calling this a crisis by any stretch. This is not a crisis. We've all lived crises, and this is not a crisis. But one constant through all these turbulent times is, one, things typically recover. Second, stocks typically disconnect from reality.
00:21:03		Really good companies get disconnected from their stock price because of an overreaction in the market by certain type of investors. And as a trader, in our trading, we look for these opportunities when we have orders from our portfolio managers to take advantage of that opportunity. The lesson that we've learned throughout the years is being patient in this environment is probably the best thing to be, versus overreacting to something that you read or hear or somebody tells you at this point. Having patience is vitally important.
00:21:34	KM	A couple of points or two, we're learning to reflex our muscles around the tweet of the day. We have been away from that for four years. We'll get used to this too.
00:21:43	SW	It's tiring.
00:21:44	KM	It is tiring, but we'll get used to it again, like we did last time. The second thing is, five years ago this week, we were talking about the most uncertainty I've seen in decades, which was COVID. And we saw market moves. We were kidding, where we all started our careers in 1987-ish.
00:22:00		We saw market moves in the middle of the worst of that, that looked like that, like 1987. We saw stocks intraday down 10, 12, 15% in certain sectors, on the fear that we weren't going back, no one was going to drive again. Oil went to zero.
00:22:14	JC	Negative. Kevin, let me remind you, we saw grown men crying on television.
00:22:19	KM	It's always a market bottom for me when grown guys cry. [Overtalking] famous hedge fund manager, which I cited, John, at the time, I think we just marked the bottom there.

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00:22:29	JC	I think we did.
00:22:30	KM	But that's not this. We're talking about what Steve said. This is uncertainty around the margin, about the things that matter most to earnings, and it's inflation. What impact is that going to be if central banks actually do have to stop cutting rates? What is the impact on demand to economic growth, which demand drives earnings? This is not that, five years ago. This is intraday volatility, as we get used to the next thing.
00:22:55		The big thing, as we've said, is in front of us, in terms of now knowing some of the facts around what's creating that, but this is definitely not. In our careers, going back to where we started, this is garden variety, normal volatility. And again, let's frame it. We're only down, the average stock is down in the US probably by a percent today.
00:23:15	SW	And I'll just add, what we're also getting used to is Trump is playing by a different rulebook when it comes to treaties and alliances. International rule of law, it's unclear where things stand right now with him. That's causing consternation and that's something we haven't had to deal with for, in my lifetime, in a G7 economy, I haven't had to deal with that.
00:23:36	KM	I agree with that. And I think the other thing the market's trying to get used to is that, unlike the last term, there's no Trump put here. And what I mean by that, the last administration when he was in, the market got a little too crazy, he would step in and make a comment that was very supportive of it. And I think for now, we haven't seen that. And if anything, there's a tone in the market that says, well, maybe these guys know that they've gone a little too far. Let it soften even further, because they can blame it on the prior administration.
00:24:06		If things soften rather quickly, the Fed has to come in and cut rates, and this is part of that. But there's no Trump saving you right now yet.
00:24:13	JC	Kevin, I'm very inquisitive today, so I have another question for Kevin this time. There's no Trump put, I totally agree. Is there a Fed put that we've talked about over the last number of years? Your thoughts maybe on that.

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00:24:26	KM	Equally, I don't think there is a Fed put here. I think the Fed has put themselves in a very… Not even put themselves, but they're in a tough place here with they don't even know what these trade policies are yet. And they can't, where Steve was going, really make a forecast, a good forecast on, therefore, inflation and their ability to cut rates.
00:24:46		If the data were to weaken rather quickly, meaning take out what I said about trade, and maybe the one-offs of so many things we imported to get in front of these tariffs, that we actually drag the economy down a little bit. Because we export more than we import, it's positive for growth. If we're not making things, we're just importing them, it's going to be a negative drag. But if things on the consumption side really start to weaken because people's confidence is damaged, you may see them have to get a little more aggressive.
00:25:13		But I don't think they're looking at the market in my mind.
00:25:18	DP	Steve, I want to go back to something you talked about, about it's just so unclear about the geopolitical environment and whether we're headed towards a new world order and all that jazz. How important is it for you, and this is for John and Kevin too, to understand the big picture in terms of how we've gotten here.
00:25:41		What are the driving forces behind this idea that we need to create a new world order, or we're headed that way? And I guess where I'm going here is we've heard about populist movements and wealth inequality and those big issues. I just wonder, how does that fit into what you're trying to do day to day?
00:26:04	SW	It's really important to understand the context, because this populism theme that we're seeing play out in the United States, it's not just a US phenomenon, it's a global phenomenon. If you look around the world, citizens in many countries do not think their countries are going in the right direction. And that's for a lot of reasons.
00:26:22		You have to understand the reasons for that to help parse your way through the market. And whether it's higher levels of inflation, whether it's crime, or whether it's housing costs, difficulties in young people getting a job. There's a Gallup poll that came out last night that said

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		33% of US young people between the age of 15 and 30, they don't trust the government. It's huge.
00:26:45		Understanding what's been driving this is really important to understanding what the environment is we're going to face in the future. Because the problem with populism in the populist solutions is that they're typically inflationary. When you get new populist governments in, they typically, history tells you it's an inflationary backdrop. If that's where we are and that's where we're going, then that will help frame how to invest in that environment.
00:27:11	DP	Any thoughts on that, guys? Just knowing that, and how much does that play into the day to day?
00:27:17	JC	As a citizen of this planet, it's important for me to obviously know what's going on. But in my profession, it's a little bit different. My indicators are much more shorter in nature, as a trader, and trying to execute Steve's and other's trades. As a human, it's very important for me to understand what's going on around us, but on a day-to-day basis, it's more about the charts, the news, the flows, the fundamentals of trading all day, every day. I come at it from a slightly different perspective.
00:27:44		Steve's got to really think about this from a longer-term perspective and how he positions his portfolio. From my perspective, it's much more shorter in nature.
00:27:52	KM	I think, David, I think history has really long tails. Let's take if we get a peace arrangement in the Ukraine. But some of the things that led to it have changed the world order, to Steve's point, for the long term. Does the West really think the same about security? Does Europe think the same about the US's involvement in their security? Those are long-tailed things that play out.
00:28:16		The immediate market reaction is going to be to some kind of transactional deal that says what does that mean for Russian oil back on the market? What does that mean for reconstruction efforts in Ukraine, which could be massive? But the long tail of that will be felt later of this, what Steve talked about, really, this changing world order and dynamic. Things like DOGE, whether we admit we don't like how it happened or how it's done, most governments are bloated post-COVID.
00:28:44		We had to prop up the citizens of the world, with that came a lot of fiscal spending. With the exception of

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		Europe, the rest of the world's got to go on a diet, Canada, US. We may not agree with how it's gone about, and we're going to have to do it here, too. But that's a change in the world order as well, which is this idea of massive government spending, because the size of debt around the world is going to change.
00:29:11		In the near term, if you're a bond investor, you're focused on those fiscal deductions. What is that going to mean, to Steve's point, to the economy, if you cut that many workers? But the longer tail is different, too. I think you have to separate, to John's point. Some of these are going to be incredibly market moving at the time, but the real impact is going to be much later.
00:29:32	DP	Maybe the last line of questioning from me goes back to managing through something like this. Again, maybe not a crisis, but lots of uncertainty. What are the true and tested principles that you follow, that you've learned over the years? We talked about all of your experience in the room. How do you put that experience to work when you're, again, in this type of volatile environment? Steve, maybe I'll start with you.
00:30:00	SW	I'd start with portfolio construction. That's been my touchstone for 30 years now, understanding what a properly constructed portfolio looks like in this environment, understanding the correlations of your stocks, and how those correlations are changing, because they're not consistent over time. Those correlations do change.
00:30:18		Understanding what the rate sector allocations, country allocations are, understanding how different factors, momentum, value, growth are impacting your portfolio, and how your portfolio is exposed to those factors, and how those factors are dominating or not dominating the market, and why all of that. It's like a mosaic, putting it all together. But having a properly constructed portfolio is incredibly important in times like this.
00:30:43		And then when I'm comfortable I've got that, then it's trying to figure out regionally, where are the opportunities as well? Because we talked earlier about maybe outside the United States in this current environment, maybe there's more opportunities outside the US. Things like that would be what I'd be focused on now.

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00:31:01	DP	And then, Kevin, maybe I'll go to you next. Given what Steve said, in all portfolio managers have their own little thing, I appreciate that. But are you more active in this environment?
00:31:14	KM	I'm going to take it actually up a level, whether you're a CIO, looking over an endowment, whether you're an individual, looking over your retirement savings right now, the power of diversification is right in front of us. Your bond portfolio has done pretty well this year. Every time the equity market is choking, your bond portfolio is rallying to give you some offsets, to Steve's point. We live in a world where different styles now have a place in the portfolio.
00:31:39		If you have a yield component to your portfolio, like dividend yield, that's held up better, not just pure pedal to the metal growth stocks, value stocks have held up better. The balance of diversification from the higher-level asset class level has worked for people in this. That portfolio that I described. I don't know this, but if it's a 60/40 tilt on that, and you have some of those other offsets, it's probably positive right now, year to date.
00:32:05		I think when I bring it up away from just the individual PM level, but to what an investor is looking at, it's about diversification right now.
00:32:13	SW	Isn't there a saying, Kevin, something that diversification is the only free lunch that's available to us today, right?
00:32:19	KM	Yes. True.
00:32:20	JC	Kevin talked about the power of diversification. There's a couple of other powers, the power of patience, the power of emotionless execution, or trading, or investing. If you can understand that and not overreact to situations like this, in the end, you're probably going to end up being okay. Again, I'm looking at it from a very short-term nature perspective, but taking the emotion out is vitally important to getting things done and then being patient. All things will end in terms of a crisis, and we'll get better. We'll be okay.
00:32:51	KM	I'm going to add one more. We often have very short-term memories. Our memories right now are locked in to the last two years, very positive markets, very positive returns. We've hit on this a few times, this is not like any of

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		the things we've dealt with in our careers. This is garden variety, just a little bit of volatility because of uncertainty. We haven't seen grown men cry on TV yet, that we know. But all seriousness, this is also because we've been used to something.
00:33:18		This is more actually normal than not normal. And I think that's what people can't remember. I would come back to, we're going to live with this for a bit. I'm still positive on the rest of the year, because we're going to get through the ugly part of this, and we'll start to talk about some of the reform issues fiscally later in the year. But we're getting used to this, and once we get used to it, that will lessen the volatility as well.
00:33:42	DP	Let's end it there. I feel like we're in good hands with you guys at the…
00:33:47	KM	Just don't start crying on TV, John.
00:33:49	JC	Not going to happen.
00:33:51	DP	Until next time. Steve, I appreciate you being here.
00:33:54	SW	Thanks for having me.
00:33:55	DP	Kevin, John, we'll talk soon.
00:33:57	KM	Thanks, David.
00:33:58	JC	Thank you.
00:33:58	SW	Thank you.
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