Panelists speak during AICA Summer Summit about equity access through closed-end funds.

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Peter Maletis from Merk, Peter Vanderlee from ClearBridge Investments, and Martin Connagham from Aberdeen Asset Management were panelists at the AICA Summer Summit held on August 13. The moderator of the panel was Russell Robinson, of CAPIS. Read the transcript from the discussion below to hear the insight from the panelists.

Russell Robinson Peter Maletis Peter Vanderlee Martin Connaghan

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Russell Robinson: Hi, welcome to the 1 PM session on equity access through closed-end funds, I am Russell Robinson and I will be the moderator today. I work for CAPIS out of Dallas, Texas, and one of my main focuses at the firm has been expanding our closed-end liquidity network. Having traded close to all the 500 closed-end fund names in the past year or two, we offer a truly unconflicted model of a source in liquidity for our buy-side relationships. If this is of interest to you, please, I would love to discuss afterwards.

But the main focus of this is access equity through closed-end funds. A little overview of our panelists, go in-depth of where they think the market's headed, where they're currently sitting. But we really want this to be an open dialogue between not only the panelists but those that are

viewing, so if you have any questions please feel free to send a chat my way. And going in order of the boxes, we'll go ahead and introduce our panelists. First is Peter Maletis, I said that correctly, I think.

Peter Maletis: Yep.

Russell Robinson: Peter is vice president of gold and precious metals research at Merk Investments and is a member of the portfolio management group, he focuses on gold and precious metal companies. Prior to joining Merk, Peter gained experience in research at Franklin Templeton. Peter, thanks for being here.

Peter Maletis: Thanks.

Russell Robinson: Next in line we have Martin Connaghan, all the way across the pond in Edinburgh. Martin is an investment director in the global equity team at Aberdeen Standard Investments, Martin has been there since 2001. Martin has held numerous roles as trader, SR analyst on the global equity team, he has also spent two years as a portfolio analyst on the fixed-income team in London.

And lastly, I hope I don't say your last name with an accent but we have Peter Vanderlee of ClearBridge Investment. Peter is a member of the income solutions team that co-manages dividend strategy products. He's also a co-manager of the Taxable Dividend Income Strategy, Balanced Income Strategy, and the L&P Capital and Income Fund. Peter has 21 years of investment management experience and 11 years of related industry experience. Welcome guys, thanks for being a part of this. Just to get into it, I'd like for each of you guys to talk about your firm and a little bit about your strengths.

Peter Maletis: At Merk Investments we took over management of the ASA Gold and Precious Metals Fund in April of last year. The ASA Fund has been around since 1958, it's one of the oldest gold and precious metals funds in existence. Part of the rationale was we went from an internally managed fund to an externally managed fund, where the board changed the structure of the fund and we get a management fee at Merk to manage the fund. Prior to that, as was mentioned, I used to work at Franklin Templeton for almost nine years as a precious metals analyst, and so the opportunity to manage the fund was a good one to sort of change the way we were looking at things.

I inherited a fund that was top heavy in large cap and royalty companies in the gold and precious metals space, and it was a very fortuitous time as the gold market has, after a long slumber over the last couple years, started to take off due to obviously a number of reasons going on globally; due to stimulus, and global uncertainty, and virus related reasons. But during that time we also changed the focus of the fund, rather than run it as a typical kind of index somewhat related fund to a more assertive fund that invested in medium and small cap names, and also some of the exploration development companies. Taking advantage of the relationships I built over the years within the sector, I've travelled globally to 40 countries, looking at assets, meeting management teams, have intimate knowledge of a lot of the companies that are in the space. And also I've been dealing with what are their financing needs and the like.

And so we've been trying to focus on gaining access to companies, earlier than the market could, in a way that could juice our investment returns. So we've been participating in what's called a lot of private placements, where we buy equity in companies and then we also get warrants which also acts as a form of optionality on the plays that we're investing in. The discount on the fund historically has been quite high. We spend a lot of time marketing recently trying to get the investors to have a better understanding of how we're doing things and how we're changing.

The market's been pretty good and the performance has been good, so people are starting to gain some notice and some traction in how we're doing in our investment process. There aren't any really closed-end options for gold and precious metals. You can buy some of the ETFs and the physical gold ETFs, but those are sort of index related, so we like to think that investing in a positive gold tape that you will get leverage to the gold price investing in ASA.

Russell Robinson: Thank you. Martin?

Martin Connaghan: Yeah, I'm Martin Connaghan, as mentioned I'm based in Edinburgh, I work for Aberdeen Standard Investments. We manage $640 million U.S. dollars across a range of asset classes, active and passive equities, fixed-income, [inaudible] asset, public and private infrastructure, and direct and indirect real estate. I've predominately been based on global equity for the majority of my 22 years with the business. I currently focus on all forms of active global, large cap, small cap, and then also income. And then also, [inaudible] mandates across the same asset classes.

With regards to the closed-end fund space, I'm involved in the management of AOD, NAGD, which are two funds which came to ASI back in 2018 from Alpine Funds and New York. My colleague, Josh Deets came over from Alpine, and is involved in the management of those funds as well. So that' where we're involved in the closed-end fund space and dynamic dividend strategies in a global equity context.

We also recently launched a new closed-end fund in the middle of all that's been going on. We felt we were a little [inaudible] with the timing of it, but looking to make use of the capabilities we have. We launched a global infrastructure income fund but which makes use of public and private infrastructure capabilities, and we launched that just a couple weeks ago. Still managed to raise a couple of hundred million dollars, which given environment we felt was quite a positive result. And just trying to offer that private infrastructure capability to investors who otherwise might struggle to get that exposure. So yeah, that's a little bit about myself and a little bit about my involvement in the closed-end fund space in the U.S.

Russell Robinson: Thank you, Martin. And last but not least, Peter Vanderlee.

Peter Vanderlee: Yeah, thanks. Glad to be here. I'm Peter Vanderlee and I'm part of ClearBridge Investments, this is an appended affiliate of Franklin Templeton. ClearBridge is an equity long only active management shop with over $150 billion in AUMs centered around three investment pillars, income solutions, growth, and low volatility. I'm a managing director and portfolio manager in the income solutions team which manages around $30 billion in AUMs, and

that includes four closed-end funds. Three of those funds are MLP focused and one is more broadly diversified, and that's the one that I will be representing today.

Russell Robinson: Thank you all for that. When looking at building out a portfolio, how do each one of you approach this type of strategy or building out your portfolio?

Peter Vanderlee: I can start first now. Yeah, so we have a portfolio in the closed-end fund space that seeks to provide an attractive current income stream to our investors and we're doing that with an equity focus. Our view is that bonds at the moment are not very attractive, there's not much income to be hand anyway, $50 trillion of bonds currently are trading currently with a negative [inaudible] maturity, so talk about not having income.

So we seek to provide that income stream through equities and we do so in this program portfolio in a very diversified way. So yes, the classes that we invest in are dividend paying stocks, we also invest in REITs, we invest in business-development corporations, we invest in mandatory convertibles as well as straight convertibles, and we invest in MLPs. The benefit of that approach is that it is very well diversified, we're not betting the rent on any individual segment of the equity spectrum or in any individual sector of the market. We're broadly diversified and we also retain the potential for upsides given that this is very equity focused spread.

So that's in a nutshell how we go about it. It's bottom-up, so we are not looking to make an overall asset allocation decision and then kind of do a closet index of the subgroups. That's not how it works. Each and every name gets into the portfolio on its own merit, so it's very bottom-up. But there is a top-down view to make sure that we stay broadly diversified. We do look for companies that have very strong balance sheets, companies that generate a lot of free cashflow companies that have a leadership position in their respective sector, and companies that have an attractive income stream. Either in the form of dividends or distribution, and better yet have the ability to increase that income stream over time. That is in a nutshell the investment process.

Martin Connaghan: Yeah, given that it's a global equity [inaudible], global equity income mandates here with the AGD, very, very similar I guess. We don't get overly adventurous in terms of relative positioning around the benchmark in terms of geographic or industry positioning. We're trying to deliver an absolute return level of around about an equal benchmark but with most of that coming from income. And again, it being a [inaudible] process that we also adhere to. We like to try and just let the stock selection do the talking. Don't get overly adventurous in terms of relative positioning, but then we'll build up a relatively high conviction portfolio. Certainly no more than 90 stocks, active share of around about 85. And again, looking for a lot of the similar things that have been mentioned already.

Now about 90-95% of AGD and AOD are typically long only buy and hold global equity portfolios, and a running yield on that section of the portfolio is around about 3%. What we do with the reaming 5-10% is employ a dividend capture strategy. So we will actively trade in and out of companies carefully and around their X dates to clip the dividends and trade quite a lot with that 5 or 10% of the portfolio.

We'll look to take advantage of special dividends. We will look to take advantage of large annual dividends which come late in first quarter, early in the second quarter in Europe for example. And that part of the portfolio is just overall yield, and the fund's up to between 7 and 8%. So we have a 90-95% as a traditional buy and hold global equity strategy, but with 5-10% of the fund we're constantly working quite hard trading in and out of names to generate a higher level of yield which pushes it to 7 or 8% as of mention.

Peter Maletis: My side of a portfolio approach, gold is obviously-- most people say it should be a small portion of anyone's portfolio and historically should be there for a quasi-insurance for what the people perceive the rest of the market's going to do. Now historically people have mentioned 5-10% of the portfolio. I don't like to give a specific number, I think a lot of that depends on what your decision is on gold and how much risk you're willing to take.

That being said, I'd like to believe that the people that are investing in ASA like gold and are looking for better leverage to the gold price. So as I mentioned earlier, we're looking for names that are kind of further down, not looking at the large caps and royalties as significantly as the fund had in the past. I'm not relying on the gold price specifically to increase share price, I'm looking for other catalysts that will be complementary to what I perceive as a positive gold tape, and continue to believe even despite the run we've had over the last six months.

But essentially we're focused on a historical knowledge of assets and management teams finding the right investment vehicles to take advantage of these assets and stock appreciation based on that. Dividends aren't historically a large portion of the gold space but the companies over the last 10 years have done a much better job of generating income and putting their balance sheets in a position to start paying dividends. We have seen increases in dividends by a number of the names but still a smaller relative portion compared to other sectors. But again, looking for an asset class that are people comfortable with and giving them better leverage to their gold price.

Russell Robinson: How would you all say this has changed or remained constant during the past five months, six months that we've been enduring this pandemic? Has it changed or shifted?

Martin Connaghan: Maybe kick of that one. There's certainly initially change, the timing of it was good in some ways and then very difficult in others. It was right bang in the middle of European dividend season and initially the problem was that volatility obviously went through the roof. We just felt that we couldn't, at a time when we would actually be very, very active in terms of trading that 5-10% section of the portfolio trying to generate income, the volatility was such that we just felt we couldn't do that. Dividends were being cancelled all the time, either by company's own choice, by regulators, by government, and going in and out of companies trying to earn that dividend, we felt that the risk to the net asset value of both funds was too great.

So initially, just when we would normally be very active, we did nothing. Now we were quite fortunate in that a number of companies had paid at that point their dividend for the year, but we had to wait for the volatility to die down. Once that did die down, the fortunate part was that we have the rest of the year to play with. And while there's so many parts of the globe and many sectors where dividends are not being paid, more so in my part of the world to be honest, we still had a lot of optionality available to us. Now obviously specials are, for all intents and purposes,

are probably gone for the rest of the year, but there still have been a lot of solid companies and a lot of areas which have continued to pay their dividends.

So the strategy changed in that we did nothing for a while, and the subsequently to that, we've probably been more active int he later part of the year and we continue to do that. Where otherwise most of the income, a good portion of income is typically earned by this point in the year. So we've just had to adjust the timescales a little bit, and it will be interesting to see what happens next year. And again, in Europe and in the UK, a lot of dividends next year will be coming from this year's [inaudible]. So yeah, there's still a lot of work to be done, but that was the main shift I noticed in terms of how we felt we had to approach getting the desired level of income. And we have managed to do that, we do not intend to [inaudible] or make any cut to the dividend for this year at this moment in time.

Peter Maletis: As for the ASA Fund, as I mentioned we took over management early last year, and prior to the virus issues we had already changed the fund up a fair amount and we're already in sort of a positive gold tape, so he gold market had started acting quite well. In March we saw global liquidity deteriorate significantly, and as we've seen in the past, a lot of people were selling even the winners. So gold and gold equities, which I would argue the fundamentals are as good as any sector in the world, but the gold prices that we're in all sold off, and so we saw a big drop in how things in the market.

We took advantage of that by we were able to buy some of the stuff on the cheap, but continued with our focus on buying quality assets with quality management teams. And from the bottom in mid, late March, we've seen a huge run in the gold price which has increased interest in the sector. Not as much as we think should be there, but still increased. Pricing has increased and companies, the fundamentals have been solid.

So we've had the quarterly numbers come out just recently and most of them came out unscathed even though some of the mines that were in production were shut down, exploration had been shut down for a temporary amount of time. But I continue to argue that almost $2,000 gold, we have a very positive backdrop for these companies. There's been a lack of investment in exploration and development and so a lot of the smaller companies are being funded now with the support of the gold price. So we've been participating in a lot of these deals, positioning these companies to be the next acquisition take-outs for some of the larger companies that have not spent on exploration in the past, and so there is a potential for significant M&A coming in the next six to 12 months.

Peter Vanderlee: From my perspective in the S&P portfolio in particular and their closed-end funds there, what we witnessed was that the selling in the March time period was fairly indiscriminate. Meaning it didn't matter really what you were holding, you're an equity or a stock or you're an MLP or REIT, and you're going to be down. And that is an unusual circumstance in its own right. Volatility was obviously through the roof, but the fact that it was so indiscriminate, I don't come across really that often in my career.

And that gave us an opportunity to essentially buy some great quality companies. Companies with very strong balance sheets, companies that are well managed, and companies that not only

will survive this pandemic but they'll thrive. We were able to buy them on the cheap. We were able to upgrade quality pretty much for free, and that was a very good outcome in a way from this volatility and this downdraft that was so swift. So in the process, we haven't necessarily changed our investment process, but we certainly were able to have some upgrade there in the portfolio that otherwise would have been very expensive to implement. We pretty much got that on the cheap if not for free. So that was the big takeaway from what has happened in that time period when pretty much the world seemed to be over.

Russell Robinson: All of you mentioned volatility. I mean, if you haven't been living under a rock, everybody knows the volatility had skyrocketed the past couple of months. Did this make putting together your portfolios easier? Or did you find it somewhat of a nuisance to carry on with your investment thesis for the particular funds that you manage?

Peter Maletis: In my case, the volatility I think created opportunity. And being an active manager with an understanding of the space, I think you were in a position to take advantage of - assuming you had the ability to fund purchases - it was an opportunity to hold your convictions in the space that you're covering. So we were buying things and taking advantage of the volatility, and looking for laggers that hadn't performed the way that they should. We looked at that as a positive.

Peter Vanderlee: Yeah, on my end I don't like to pass on volatility to my investors, so I'd like them to have a smoother ride. But from an investment perspective, I do like volatility because it gives me price points that don't ordinarily come about that often. So we spend a lot of time in scrutinizing our companies, we spend time talking to the management team, we look at the supply chains, we look at the competitive landscape. We do a ton of fundamental analysis supported by our research department at ClearBridge.

There's an enormous amount of work that goes into it and at some point you have to get to the valuation part of the equation. What I found over the many years is that oftentimes I would miss opportunities, not so much because I was wrong on the fundamentals, I liked the fundamentals, but it was just too cheap. Meaning that I wanted the stock to be cheaper to establish position, it never got there and then it ran away from me, and that's a miss in its own right. And what volatility tends to do, it does give you that opportunity to pounce, and as such I actually don't mind that bought of volatility to come around every so often. I wouldn't want to have that volatility on a daily basis, I think my hair would be grey in a very short period of time in its entirety. But every so often having a bite at the apple, at more interesting prices, at lower prices, is a welcome phenomenon, so I don't mind the volatility per se.

Martin Connaghan: Yeah, I would agree with most of what's been said. It was tricky from the income side in terms of generating the income as I've mentioned, but we're over that. But with regards to the core portfolio, you're getting an opportunity to pick up stocks that you may have been watching for some time. It really goes back to your client's investment time horizon, if they are long-term, then volatility I guess has to be your friend at times. Particularly if you're more on the active side, when things don't indiscriminately just move up regardless of no quarter given, no benefit given for having bare margins or a bare balance sheet, the wall of liquidity moves the market and just everything goes up.

When that changes, being an active manager you were taught that you deliver what's expected of you in that environment. So from that point of view, given the space that we're in, it was actually quite-- I wouldn't say it was amazing to have, we've all been through bouts of volatility. But it always does present opportunity at the same time if your client's time horizon can take it.

Russell Robinson: I think it's just interesting to see the volatility led to a deep falloff in the markets and to see a recovery to where we are basically the level's pre-pandemic, yet we're not even through that. What challenges does this pose for you in promoting your funds? Obviously Peter, you have gold, which is your hedge against this downturn or to what's going on with Central Bank's printing, it seems to be in huge demand right now. But in terms of what problems does this pose for you as you seek new investors?

Obviously Martin, you were able to successfully raise a couple hundred million, which you mentioned earlier. But is it business as usual? Are we there yet? Or what do you guys see as hurdles to get back to normal?

Martin Connaghan: I think if you look at markets, many markets, more so in the U.S. are back to pre-COVID levels, but what's driven that is quite a narrow band as it was prior to COVID, has been driven by quite a narrow band of stocks which have done very well. Not necessarily perhaps adequate for a global equity income investor like myself, but there's been quite a narrow band of stocks in areas of the market which has driven that. So I think the challenge is I always do like to be quite diversified, as diversified as I can be. Which as the market has been driven by that same handful of companies, particularly in the U.S. which makes up between 50 and 60% of any global benchmark you care to look at.

So I think the challenges you face, I think there's risk if volatility comes back. We've already seen this lockdown been on rounds. We've seen flareups, particularly here in the UK and parts of Europe. Who knows what the response to that will be? I doubt we'll go back into lockdown en masse, but we have seen smaller regional elements of lockdown. So it's really to see what comes out in the wash in terms of earnings, and then longer term, what the true impact of the huge amounts of money that have been flung at this issue, and what the longer term impact of that is.

So at the moment I'm sort of looking in behind the headline, half a dozen, a dozen stocks which have really driven markets higher. I'm looking for the companies that could still benefit if we reach vaccine, if this starts to go away, but which yet still haven't really seen that price move. But that's how we're kind of thinking at the moment.

Peter Vanderlee: So from my perspective, there really is a difference between the risk that are out there, the risks to our lives, our economy in general, unemployment and all those factors, versus the risk in the stock market. They should be correlated, they are, but they're not as highly correlated at the moment and there's a reason for that. It's really twofold. Number one, the market assumes we're going to have a better treatment or a vaccine probably sometime in 2021, and that the vaccine will be reasonably effective. I think that is an inherent assumption in the market given where prices are.

But that's not telling the whole story. The other story is that the amount of stimulus that is being provided by the government in the U.S. is very significant. We have $3 trillion of fiscal stimulus already, and there's probably another trillion to trillion and a half coming over the next few weeks. And the Federal Reserve on the monetary side is eyeing a boatload of treasury securities, corporate bonds, mortgage-backed securities, even junk bonds. Pretty much anything you can think of, pretty soon we can sell our washing machine to the Fed and get cash for it the way this is going.

And that on top of rates that are near zero and are going to stay near zero for a long period of time, what that has done is essentially it's driving real rates lower. The real rates are already negative. I looked at the 10-year tips which came out mid-July, so a number of weeks ago, and it came out with a negative yield to maturity of 0.9%. Real rates are negative and right now that is actually even more negative, it's now negative 1%. So what that does, it's pushing people up the risk curve. You have to compound another factor to that, which is that people need income. There's 76 million baby boomers in the U.S. in need of income. Not only need income, they need income growth to stay ahead of inflation. And I would argue the capital appreciation, or at least capital preservation, because nest eggs are not very robust.

So all that is pushing people up the risk curve and that's what you're seeing, they're embracing stocks. If you look at certain valuation metrics, stocks are expensive. But in other models, stocks are actually cheap. For example, the Fed model which equates the earnings yield of, let's say the S&P 500 as a proxy for the market to bond yields, that highly favors equities over bonds. And the Fed model tells you that either stocks are cheap or bonds are expensive, or a combination thereof. But you can certainly see from all this that there's a reason why stocks have roared back and why you're not necessarily seeing that coincide, at least for the moment, with robust economic performance.

Peter Maletis: Everything that Peter said is for the most part kind of the path that leads to gold. Its stimulus, and negative real rates, the future inflation that should come from a lot of this. I don't like to consider myself a gold bug, but I'm as positive on gold as I've been in a long time even at current levels. So government stimulus, regardless of your political affiliation, it's a question of how much not if, and it's the level that they're going to talk about.

There's a lot of global uncertainty around economic expansion and people looking, as Peter said, capital preservation, negative yielding debt is not what people are looking for. So at the end of the day very simplistically, this is a continued good setup for the price of gold and how we're looking at things.

Martin Connaghan: How does that end though? In the UK for example, which is a very income driven market and investors of UK securities, that's what they're looking for. In the second quarter, UK dividends were cut 57%, and they'll probably be down about 40% this year as a whole. Now as Peter mentioned, that is pushing investors up the risk scale which would normally make me very concerned. But central banks have [inaudible] for their own bank, that they're not just there to manage currency and inflation. They're basically there to [inaudible] stock markets now. The [inaudible is a catalyst for that to change.

I just always come up short when I try to think of that, because I look at levels and do get concerned, but I just can't really see the catalyst for the underwriting that you're seeing from central banks, that stock markets just can't go down or they can't go down for a prolonged period of time.

Peter Maletis: I don't disagree with that. I think concern is around earnings and the like. We were in a period where the central banks have put themselves in a position where they need to keep rates remarkably low and are usually more reactionary than they are in the past. And so as inflation increases, you're going to continue to see low rates which will drive real interest rates further negative. So I have the similar concerns that you do, Martin.

Russell Robinson: With that mindset of approaching negative rates worldwide, what risks do you see within the precious metals space, if any?

Peter Maletis: Yeah, we just saw a hundred dollar drop in gold and equities dropped 7% in a day, so there is volatility and it's a volatile space. Unlike Peter and Martin, I have to live with volatility, that's part of my job. So there will be some runs on gold either way and we have to deal with that. That being said, there's geopolitical risk that we have to deal with and assets, where governments are creating their own problems and they will have issues with certain mines that they have in their countries and looking to take a bigger piece of the pie. It's all over the world. It can happen in Canada, it can happen in South America, and Asia, and Africa. And so we have the geopolitical diversification but that's one of the biggest headaches I have, is the concern around government interference.

And again, if COVID continues to be a problem, the precious metal space is a global industry, and people are travelling around the world to get to mines. The shifts that people are working at the producing of mines were extended by two to three weeks, and people were running ragged trying to get new replacement people in there. While I will argue that the mining companies were as good as position as any industry to handle ring fencing their operations and managing because they've deal with these types of things in the past, there's always a concern that mines get shut down because of a virus problem within the workforce, so that's another major concern that we have.

Russell Robinson: Anything you'd all like to add? First thought that crossed my mind was looking backwards at '07-'08, and current day, the policies that have been introduced to somewhat keep markets afloat. You've seen a stimulus package for the CMBS sector. Is this just going to be the new norm across the board to bailout certain industries for more measures to hedge or to keep afloat and to hopefully miss huge downturns? Is this going to be the new norm, just stimulus package after stimulus package?

Peter Vanderlee: In certain aspects it will be the new norm but in certain aspects it won't be. If you look at the Federal Reserve, I do believe that their balance sheet will continue to swell with assets. When all is said and done I wouldn't be surprised to have something like $10-13 trillion dollars on it. And I also believe they will stay low for long, years, on the interest rate front, and that they will tolerate inflation above 2% for a while. I think they'll do anything they can to make sure that U.S. is not falling prey to a deflationary spiral. Such a spiral has occurred for example

in Japan and they've not been able to inflate their way out of it. So I do think from that perspective there is a new norm.

And as much as bailing out industries and companies, will we just go from stimulus to stimulus? I'm not so sure. I think this is a little bit of a unique environment and the betting here by both the fiscal authorities as well as the monetary authorities is that we will have a treatment and a vaccine, and we can resume somewhat of a normalized economic activity environment. If we're not going to find a vaccine and we're not going to have a treatment that's any better than what we have today, I think we're in a whole different ballgame. But that's not the expectation, the expectation is that we will get that. And as such we need to get through a transitory, a transient, a temporary period that is unprecedented in terms of its significance from an economic standpoint.

And I have to say, I must tip my hat to Washington which is not something that I've said a lot in my life, but they have come through here with an enormous amount of stimulus both monetary and fiscal that has essentially kept people afloat, sometimes literally. So I don't think that will be a new norm, I think there's just a sense that this is temporary, that we can't have a mass bankruptcy scenario on our hands. As it is, it's already fairly significant. But we can't because essentially we won't have any [inaudible], and we'll repeat the great depression part two and it'll be even worse than the first one.

So in a way they had no choice and they did what they had to do and they're still doing it, so I think that deserves some degree of respect of sorts. But I also think this is not tenable in the long-term and I think Washington knows that. So we do need a better treatment, we do need a vaccine, and things will hopefully get back to a more normalized scenario from an economic standpoint. That's what the markets are telling us, and I think probably that's also correct given what I know about developments on the healthcare front.

Russell Robinson: Martin, did you want to add something?

Martin Connaghan: I just think it's a really interesting point, and there was actually a question raised on the chat that sort of goes towards that in kind of talking about the disconnect between Wall Street and Main Street. And this isn't just unique to the U.S., I think if you look in many global economies, it's the same here in the UK. I understand why governments have done what they've done and I don't disagree with the measures taken, but there is still very much a disconnect between the booming stock markets and what's really going on with regards to the way the labor market or real wages and the like. And I think there is a real risk there coming out of the global financial crisis in 2008.

It can't be the new norm but I don't anticipate there being any other form of response from a manager on the fiscal side to anything that records the market to fall. And I think ultimately, if that does continue indefinitely for any sort of scenario, eventually Main Street will say, "Enough is enough," and how that plays out in terms of political shifts within various countries, who knows? But I just think that is what people have taken as the governments are always going to underwrite the stock market and who does that ultimately really benefit? It isn't the wider population across the globe, and I have concerns about how that plays out longer term. And have to actually then think about managing that risk in a portfolio, becomes quite difficult.

Russell Robinson: Peter and Peter, have you seen the question that Martin is answering? With the disconnect that is happening between Main Street versus Wall Street, how have you modeled into your portfolios when the two streets collide?

Peter Maletis: Following what Martin said, there is a big concern. Once the checks stop coming there's a concern that Main Street's going to really struggle. The jobs aren't there and so it's a major concern that I think about constantly. I think Wall Street has the anticipation that the way they're running right now is that the stimulus is going to continue forever and that'll funnel into the stock market. We need to wait and see, it's a big concern.

Peter Vanderlee: A collision of Main Street and Wall Street would essentially mean a big decline in stocks. That's what we're alluding to and I'm not sure if we're going to get it. Yesterday I heard a lot of bad news. Coronavirus cases are still elevated in quite a few states, the death toll is rising, there's still thousands of people without power in the North East, and the big 10 announced that there will be not football season, my youngest daughter is upset about not having in-person classes at college. It just goes on, the news is bleak. But none of my companies announced a dividend cut. In fact I expect many of them to increase their dividends.

This pandemic appears to me as something transitory and temporary and not a new way of life. In other words, it will pass. And the companies that we own, they have strong balance sheets and they are able to ride out this storm that's passing through. Many of these companies have a lot of cash on the balance sheet, I would expect some of them to buy assets while other companies on the cheap, which is good for long-term shareholder value. I expect my companies to suspend their buy-back programs or at least cut it back, but I don't expect them to cut or suspend dividends, at least not the ones that I own.

Again, we've carefully scrutinized in the portfolio these holdings to withstand a steep downturn, which is why we emphasize balance sheet strength so much. So overall, I don't see this as a collision course between Main and Wall Street, whereby essentially the economic environment does not improve over the next couple of years because we can't find a vaccine that's anywhere near decent or a treatment that's better. And as a result we have to rethink about how we're going to live our lives, and stocks will definitely react negatively to that scenario and there you would have your collision so to speak.

But I think that the probability of that in my view given all the trials that are ongoing and the early indications that we're seeing out of those trials for a vaccine, they tell me that that is a possibility, it's a probability but it's a low probability scenario. And as long as that's the case, I think we're going to be okay.

Martin Connaghan: I face a challenge at times, there's a number of companies, not [inaudible] or any of these funds, but some of these companies that have strong balance sheets and haven't been cutting dividends but have been hitting the headlines for all the wrong reasons in terms of underlying treatment of employees during this time. AIG is one in this part of the world which runs and operates [inaudible] in Iberia, the flagship British and Spanish carriers. The headlines around that for treatment of staff has been shocking, so there is a risk to business models that

may have resulted in very strong balance sheets and maintaining dividends. But I think like I say, a lot of people have been focusing on how companies have been conducting themselves through all of this [inaudible 1:06:23] risk of facing repercussions for that.

We've actually been looking for business that are very strong in that regard as a result of that, one of the small cap, smaller company names that we own is an Italian label called [inaudible]. Now it makes it staff clock out at roughly four o'clock in the afternoon every day, about 800 of its staff are based in Italy where the company was founded, they donate 20% of their profits to charity, they pay their staff 20% above the industry average. So I think looking for businesses that have conducted themselves in the right way through all of this is quite important because I think there is a risk that Main Street remembers those businesses that haven't done that. And where those balance sheets and those dividends may look robust at the moment, I think there could be a potential risk to those further on down the line.

Russell Robinson: And much to [inaudible] point, I think it's easy to be a pessimist if you turn on the news and that's all you focus on every day, it's easy to be that. But the resiliency of the capital markets has proven itself time and time again, so it's not wrong to be faithful and overcoming as humans time and time again do this. So thank you, that's very reassuring to share your thoughts on that front. But as we approach the hour mark, what closing thoughts or investment ideas do any of you all have? You can take your time to think about it.

Peter Vanderlee: I can start with this. Let me just put it differently. This morning I woke up, I had a shower, I used soap, I washed my hair and brush my teeth. I use a ton of products of Procter & Gamble this morning alone. Oh, Procter & Gamble announced a 6% increase in their dividend earlier this year, and that put a nice smile on my face. It also marked the 64th year of a consecutive increase of dividend at the firm, that's a truly remarkable feat. There are no guarantees folks, but that's a trend.

Then I logged onto my computer, I fired up my applications and I'm using Microsoft for that. I'm making many phone calls on my Apple cellphone using a Verizon network to dial into conferences. I use Comcast for my internet services and I was watching a Disney show last night on my TV at home. I took a Tylenol because I was reading all this incessant news flow that was bad and that's coming across. Tylenol's made by J&J, and J&J has been a holding for as long as I've been involved for 20 years, and they also increased the dividend 6% earlier this year and that marked a 58th year in a row that they did that.

All these companies that I just rattled off, they're holdings in a portfolio and they're going to survive. They're not only going to survive, they're going to thrive. And the volatility that we're seeing here is providing a good opportunity to scoop up some of those names on the cheap. So it's easy to be negative given what we're all going through and what we're all witnessing around us, and it is absolutely incredible but in the end I think we're going to be okay and life is not going to end as we know it. It's just being paused here, but it's temporary in my view and transient.

And yes, there'll be changes as a result of this pandemic, and those changes you can capitalize on. 5G will be coming around, that will happen and will have implications, cellphone towers is

very bullish for them. It will have implications for Apple with a new lineup in their iPhone product line, that's a good thing. The automotive industry is going a lot more electronic, that's an investible theme and that will be long-term. You can go down the list, the work-from-home scenario means that companies are going to accelerate outsourcing their IT infrastructure. Well that's good for data center REITs for example, like Equinix, which is one of our holdings.

Yes, there's going to be change. There's no doubt that change is what we're kind of seeing around us at the moment, and there's opportunity in that and of itself. So I'm not overly negative here at all, I'm constructive of the opportunity and I think we're going to be just fine.

Russell Robinson: That sounds very positive.

Martin Connaghan: This is about excited as a Scotsman gets, I'm afraid. We're kind of a glass half empty kind of race, unless of course that glass contains whiskey. But yeah, I agree, there is a number of very well established companies which will continue to do just fine. There's a number of new companies which will have proven that their business models can pretty much cope with anything. There's a lot of structural headwinds and tailwinds in a number of areas in the market.

We're changing how we're working, we're changing how we're doing this conference today, we're changing how we travel, how we socialize, how we relax. Companies will define out of that, so I too am comfortable and still positive about the outlook for markets longer term. And there won't just be some change, it might be some of the energy companies, some of the oil and gas companies that we're seeing cutting dividends maybe moving to transition earlier than otherwise would have been the case. And again, out of a negative potentially comes a positive, so it's always trying to look through those events and looking for the positives, as I say, even when you are a miserable Scotsman like myself.

Peter Maletis: I'll just say one brief thing. I think what we've kind of all alluded to is that we've all been covering our spaces for a long time, and I think in this time of uncertainty it's kind of important to have history as knowledge to be able to manage through these times. And I think we've all sort of been through a lot of ups and downs and so being able to manage that is kind of important. As I said earlier, as bullish on the gold space as I have been in a long time, and even in spite of a roaring bull market, gold can still do well and having a portfolio that will react to that is kind of important, so ASA is probably a good vehicle for that.

Russell Robinson: Well, I'd like to thank all who tuned in. Mr. Maletis, Mr. Connaghan, Mr. Vanderlee, thank you so much for your time and keep doing a great job.

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