

Episode 69

Fireside: Economy, markets and Taylor Swift

Taylor Swift and the era for alts. What the pop phenomenon tells us about asset allocation, private equity and alternative investments.

Lara Rhame (00:05):

Welcome back to FireSide, a podcast by FS Investment. I'm Lara Rhame, Chief U.S. Economist, and today I want to talk about the biggest economic trend in our country, Taylor Swift. Nothing boring like employment or a housing market.

Correction, note, we are taking a break from our regularly scheduled programming to discuss this incredible performer and businesswoman. And before we dive in, I just want to step back a minute and talk about what we always try to do with these podcasts. Because why I love my job is because I get to focus on this connectivity between markets and investors, but I'm always conscious when I talk to advisors that their clients are really their most important relationship.

And these conversations aren't just financial, they're personal, they're about family. And probably Taylor Swift has come up when they're talking to their clients and their client's kids. Their entire family has probably been impacted some way or another by this remarkable concert series that started in the, when did it start, Abby? I don't know.

Caroline Manion (01:15):

Spring.

Lara Rhame (01:15):

The spring. Thanks Caroline. Okay, so you've already heard them. Here I'm going to introduce two of my colleagues, Abby Crowley and Caroline Manion, who are stars of their own right in our marketing department and are the real reason why we're doing this podcast today. Would you two describe yourself as Swifties?

Abby Crowley (01:32):

A hundred percent.

Caroline Manion (01:33):

Absolutely.

Lara Rhame (01:33):

Alright. So, you guys are going to really give us the education and capture the dynamism of this performer. Alright, so I'm also joined by Liz Campbell, who is the Chief Investment Officer of Portfolio Advisors. Our firms have recently merged, and I confess, Liz, I have been so eager to get you on a podcast, so I'm very, very excited for today. Welcome.

Liz Campbell (01:57):

Thanks, Lara.

Lara Rhame (01:58):

I can't let today's discussion of Taylor Swift go by without discussing what this all means for private equity investors because it's hard to talk about Taylor Swift, the entertainer, without talking about her as an entrepreneur and a business woman. And when you're at the table, and I hope that many of you listeners will take this conversation because it's the opportunity to demystify private equity a little bit. It's an investing sector that we all hear about all the time. But I think Liz is going to give us insight into how it truly can be useful in almost every single investor's decision-making process. And finally, rounding out our team today, well, team FS Investments and Portfolio Advisors is Ryan Caldwell, the Chief Investment Officer of the Chiron Funds, my regular partner on podcasts and one of the smartest investors out there. Hi Ryan.

Ryan Caldwell (02:52):

Hi, Lara. Yes. Everybody's wondering why I am on this podcast. I understand.

Lara Rhame (02:59):

Well, I think Ryan is going to have special insights into Taylor's evolution as a force of nature in the private equity market, and we're going to get to all of that. So welcome everybody. Let's start with this Era's tour, right? Because it's been a record breaker from pretty much every way you look at it. And I'm going to connect it back to the economy a little bit. But Swifties, tell us a little bit about why this tour has been so remarkable.

Abby Crowley (03:29):

Well, first, it's her first concert in a very long time, and it's like the culmination of all of her previous eras. So all of her previous albums in one night, a three-hour setlist...

Lara Rhame (03:40):

But she's only 32. How many albums can she possibly have?

Abby Crowley (03:43):

She has ten studio albums, three soon to be four re-records. So, a good amount.

Lara Rhame (03:51):

Yep. I think we were talking about how during the pandemic, she was probably the most productive person out there.

Caroline Manion (03:58):

Definitely. I think one of the things that makes this tour so unique is that the last time she was supposed to tour was supposed to be June of 2020. She was going to do this festival type thing and she canceled that tour, not unlike a whole lot of artists around that time, but unlike a lot of artists, she then went on and released three brand new studio albums and two rerecorded albums throughout the course of the next few years of the Pandemic. So this tour is really the culmination of all of those albums that she's had. Wow. Some of the rerecord and bringing it all together. Like Abby said in one night, it is a three plus hour long show. She plays 44 songs and dances the whole time in heels for most of it. So it's pretty impressive.

Lara Rhame (04:39):

And you both went to the concert?

Caroline Manion (04:41):

Yes, I did. I went twice.

Lara Rhame (04:42):

You went twice? On was here in Philadelphia where we are located.

Caroline Manion (04:48):

Correct. And then I flew up to Boston the next weekend to see her play with some friends.

Lara Rhame (04:52):

And I'm guessing you weren't the only one to fly into the concert.

Caroline Manion (04:55):

That's true. I got off the plane in Boston and was in a sea of people in similar Taylor Swift t-shirts like myself.

Lara Rhame (05:02):

And you were telling me before this that you were with a lot of people who flew in?

Caroline Manion (05:06):

I was. So, when I saw it in Philadelphia, I had family come in from California, Texas, New York, DC and then I went to Boston with friends from Chicago and DC again. So yeah, we traveled far and wide to see her play.

Lara Rhame (05:19):

So I think that's a feature of this because it's not a stretch to say that this concert series impacted the economy. The Philadelphia Federal Reserve in the beige book that just came out actually mentioned that in our economic region, this concert drove an enormous amount of economic activity. It pushed hotel occupancy to the highest level, even matching pre pandemic levels. What's the gross revenue expected from this concert?

Abby Crowley (05:50):

It's \$1.4 billion.

Lara Rhame (05:52):

So if Taylor were her own GDP, it would be a small country, a big city. It's really something that is extraordinary. And I think Abby, what did you mention? The ticket price being?

Abby Crowley (06:05):

The ticket price was \$253, and then the average resale price was over \$1,600.

Lara Rhame (06:12):

Ryan what was your first concert? Don't tell me you have to think about that.

Ryan Caldwell (06:18):

No, I've definitely got to think about that. It was like late eighties maybe Poison. It was bad.

Lara Rhame (06:23):

Nice, nice. My first concert was Men at Work.

Abby Crowley (06:26):

Kelly Clarkson after she won American Idol.

Lara Rhame (06:29):

My first concert was Men at Work and I did not pay \$1,600 for the ticket. I paid, I think it was probably \$15 in downtown Minneapolis. Something like that. Liz, what was your first contact?

Liz Campbell (06:39):

I feel pretty good about my answer. Mine was Tom Petty and the Heartbreakers

Ryan Caldwell (06:44):

Way better.

Liz Campbell (06:45):

Not as cool as Taylor Swift, but not a bad one.

Lara Rhame (06:49):

I bet you had fun.

Liz Campbell (06:50):

Amazing.

Lara Rhame (06:53):

So there's inflation in the mix here, but I think at the end of the day this has all come up because so many of the trends that we're seeing in our economy relate to this concert. It's the fact that there's so much excess savings still rolling around out there. This concert, and clearly there are going to be other concerts now that she's wound down this leg of her US tour we're followed by Queen B, Beyonce. There are other concerts coming around. But the fact that broke Ticketmaster when the concert was first announced, just the froth of spending around this, we were joking earlier about so many people traveling on revenge travel trips and how Taylor Swift loves a revenge. So I think a lot of the massive spending that we're seeing right now to me directly ties with the pent up demand for services and the excess savings that we're seeing.

(07:50):

And when I look ahead to the second half of the year, the beginning of next year, to me it's just probably not going to be as strong as it has been simply because I think we're winding down that piece that takes us from wanting to go, to willing to spend at whatever lengths it is required to take the trip to buy the ticket. We'll see, I don't know, I know she just announced

new tour dates for 2024, so we'll see if there still is a times five magnitude of ticket price inflation at that point. Maybe there will be. But.

Abby Crowley (08:25):

And to just echo what you were saying about Ticketmaster and the demand for tickets, I just wanted to throw in this stat. Based on the volume of traffic to Ticketmaster's website, Taylor would need to perform over 900 stadium shows, which is 20 times the number of shows that she's currently doing. That would mean that she would need to play a stadium show every single night for the next two and a half years in order to meet the demand of...

Lara Rhame (08:50):

A lot of people want to go to this concert apparently. Wild. Alright, what were you going to say?

Abby Crowley (08:25):

I want that stat to be in the final recording of the podcast.

Lara Rhame (09:08):

Alright, so let's shift from talking about Taylor Swift, the entertainer to Taylor Swift, the, maybe do we call it entrepreneur? Do we call it truly reinventing not only how an artist get paid in the music industry, which I think ties directly to the private equity story. I want to talk about how she accesses her clients. I want to talk clients. I said clients. Oh God.

Caroline Manion (09:39):

I consider myself a client of Taylor Swift.

Lara Rhame (09:40):

I know. What a sterile way to discuss the passion.

Abby Crowley (09:47):

Proud client.

Lara Rhame (09:52):

Her audience, her fans. Alright. God, I am just not cool, no matter how much I try. I'm right there with you. It's painful. Thanks, Liz. So, I think this is really important. I think there's a genuine connection. Some of the stories I've heard are that she chooses fans that she communicates with directly through social media to come hear early recordings. She bakes cookies for them, and these people get these direct connections with her. Something that I think is just so completely unique and different. She announces record releases directly to them online. She was one of the first artists to really do this. She had a MySpace account with millions of viewers. And so I think she really pioneered this connectivity. And to me, I'm not really trying to contort this to an uncomfortable place. The way that we now are offering to investors and the way that a wide range of investors can now access these solutions like private equity, like alternatives, I think is something that we talk about a lot. And again, I want to just take a step back and say I've gotten to know both you, Abby and Caroline through working with you, but you wouldn't describe yourselves as investment professionals. What are your roles at the company? Abby, go first.

Abby Crowley (11:23):

I'll go first. Okay. So we both work in the marketing department and our job is really to take the issues that advisors are facing and connect that with our solutions through email campaigns, our website presentations, you name it.

Lara Rhame (11:38):

Yeah, Caroline.

Caroline Manion (11:40):

Yeah, echo exactly what Abby said. I think it's a lot of thinking about how does our sales team have what they need to make sure that advisors can speak adequately to our solutions.

Lara Rhame (11:48):

So really important part of what we do and I think can have the best investment idea in the world, but if you can't communicate it well and you can't explain to people why it's a good solution for them. You know, if a tree falls in the woods, nobody hears it. So I think that to me is a part of this whole conversation. And I want to just get some stats from you guys about Taylor Swift and how she really changed the way that artists communicate with their fans.

Caroline Manion (12:18):

Yeah, I mean, I think you can't start talking about Taylor Swift and her evolution without talking about the evolution of her music alone. So you talk about this wide audience and this large group of people that she has really gone out and reached an individual, or it feels like an individual level. She started as a country artist and then she migrated into pop. And then those albums that she released during the peak of the pandemic were really more folk alternative. And she's kind of gone back to pop. So she's got this really wide range of fans across the musical spectrum of people that like her music. So I think that's a really important thing. And then like you said, she does make these really unique connections with fans, and fans feel like they know her on a personal level. And some of that is genuine because maybe they got invited to one of her secret sessions, which is what she called when she would do those early album release parties and invite a select number of really diehard fans to her house or to a location and bake them cookies and play the album for them.

(13:11):

And I feel like as a lesser fan than that, I have heard of people, oh, my cousin's friends got invited to the secret session for 1989 and it was the best night of her life. So there's that sort of personal connectivity that she has with people. And then she does it online too. She follows people's TikTok's. And in the days of when Tumblr was really popular, she was on Tumblr all the time commenting on fans posts and making sure that she knew that she was seeing what people were putting out there. And she really does try to incorporate that into everything she does. She's done some of the dances that have gone viral to her songs on TikTok. She brought them into the tour and she does them on stage.

Lara Rhame (13:46):

Oh, that's so fun.

Caroline Manion (13:47):

So she really does kind of pay attention to what the fans want and she plays into that. And I think a really big part of her marketing and the way that she gets things across to fans is through these Easter eggs that she hides in literally everything she does.

Lara Rhame (14:03):

So for our audience like me who has no, now you've just lost me drag. So for our normal listeners who I'm guessing are not the 22 year old Swiftie, I hope we're expanding our audience in the same way that Taylor Swift expands her audience. Tell me about what this is, what this is.

Caroline Manion (14:22):

So she does this thing, and it started with her first album where when she was writing her first album, she really liked the lyrics and writing her songs is very important to her. And so she hid secret messages within her lyric book in the little tiny booklet that used to be inside of the CD pocket before we had Spotify and streamed things. So she would capitalize specific letters, and when you put all the capital letters together, it spelled out a message of something about the song or something to her fans or something like that. And the fans loved it and they adopted it and took it and ran with it. And so Taylor did the same thing. Abby and I were trying to remember an exact quote of hers from Jimmy Fallon yesterday. And we went back and re-watched her video and she says she wanted to know how does she hint at things and how far is too far in advance to hint at things like could she do it three years in advance? Can she plan things that far out? And so she started tucking little things into everything she does, whether it's you know...

Caroline Manion (15:15):

She scheduled a sixth show in Los Angeles on August 9th, and everybody thought to themselves, okay, well she hasn't rereleased her sixth studio album yet, which is called 1989, and she's going to perform the sixth show in Los Angeles on eight nine. She's telling us something. And guess what she did? She announced 1989 Taylor's version on eight nine on the sixth show in Los Angeles. So she does things like that to a crazy degree, but fans love it because they feel like they can kind of read Taylor's mind and connect with her on a personal level.

Lara Rhame (15:49):

I love that. Abby, what was the first Taylor album you bought? How old were you? How long have you been a Swift fan?

Abby Crowley (15:55):

Since the beginning. I was 10 years old and she just released her debut album. And so she released a few music videos along with those albums and I have been a fan ever since the teardrops.

Lara Rhame (16:07):

So you were buying CDs? Yeah. You remember those days. You're not that young.

Abby Crowley (16:10):

I'm not that young. I'm 26.

Lara Rhame (16:15):

This is important because the music industry has changed a lot and I think she also was off Spotify for a while, went back on Spotify now, and I think this is where I'm really eager to talk a little bit about how she gets paid and how she feels like she's changed that industry. Ryan, I'm excited to hear from you and to give us your insight into the Taylor Swift 2019 decision to rerecord her masters and what the drama was.

Ryan Caldwell (17:00):

Yeah, no, absolutely Lara. And I think there's a couple of things that sort of led to maybe that point in her career, but I think what it's really revealed is sort of the disconnect in the music business to kind of how you really make money versus maybe how people think you make money. And somewhere around 2012, 2013, if you remember pre streaming, when you used to actually download things on iTunes and pay 99 cents for each song. A war sort of broke out between record labels, the artists, ultimately their management teams, as to what was the future of music going to be in this kind of new world where you took an album and you kind of broke it up. And at the same time what had also happened, and again, this is tying back in private equity and what was sort of going on around arenas at the time.

(17:52):

So AEG was expanding massively. So this is Phil Chu's group out in Los Angeles. They were acquiring more venues, building more venues, Live Nation under a public company under Mike Rapino who was doing the same thing. So those venues, they were increasing the number of seats that they had available. And when you have those number of seats, you got to keep them filled. So what the managers of the artists started to figure out was making music wasn't exactly going to be super profitable anymore. Because again, you used to sell an album, somebody would've to take the whole album. Again we talked about CDs you have, but where we were going in kind of individual song download and streaming was hits, right? Give me a hit, give me three or four of them. And then if you could get an artist that had some hits and get them on tour, these venues were willing to pay you more than what market rate used to be to keep them full because they had to get cashflow through these venues when the sports teams weren't playing or they didn't have a permanent resident.

(18:54):

And again, if you think about your own city, many of these places, Kansas City is a good one. We have a really big arena with no home team. So what you've got to do is keep that building full. So these concerts became sort of the moneymaking avenue for the artists. And so at around that time, 2013, Justin Bieber, Taylor Swift, Katy Perry, Bruno Mars, their touring businesses got really, really big. So for instance, back in 2013, Justin was making something like 250 million a tour. And relative to what he could make recording music and being in the studio, it was exponential. And so around that period of time, we built a business, actually a fund, a private equity fund to invest in music managers and artists because we thought the business was really dislocated relative to content value. What I think Taylor's done now, sort of at the pinnacle, if you will, of the music business is point out again, the value of content creation, even in music.

(19:56):

It wasn't the distributors and the labels that created the value, it was really the artist. But there was really no way for the artist to kind of cobble that together. So fast forward to 2019. So to Lara's point where I think Taylor really retook control of her economic streams. So back in 2019, she had originally been found by a gentleman by the name of Scott Borchetta who ran a business called Big Machine Records. And so Big Machine was her label for the first seven albums that she made. So in 2019, her deal with Big Machine was up, she put her services out to bid. Big Machine was one of those that bid on those services, but they lost and they lost Lucian Grange at Universal Music because Lucian could cut Taylor an exponentially better distribution deal. So again, back to this argument about Spotify and streaming, what Lucian basically told her is her economic takes from the streaming business would be better through UMG than they would be through Big Machine because UMG...

Lara Rhame (20:55):

She was already a star at this point. She's a massive star at this point. And I think one of the things that I'm sure, and I know both of you and I know Liz can speak to you, is the fact that the initial investment in her buy big machine is like venture capital, private equity, you're taking it to the ground floor. It's a big risk when someone's a young artist. By this time she's ton of growth

Ryan Caldwell (21:24):

She's printing money. So at the time, so she goes back to Big Machine and says, I'm going to UMG, right? Well, big Machine, those first seven albums, they own catalog on those seven albums. She had no rights to the actual masters of those albums. And so she can leave to go to UMG, but everything she recorded prior that was up in streaming. And again, how this works is every time you stream a royalty fee is paid to the artist. What she said at the time was, well, I want to buy my master's back. What big machine set at the time? And this is all public and easily digestible, this big machine says, well, we'll let you do that, but there's a cost. And originally they had proposed she could own a master for making a new album. So they basically flip her a historical master when she recorded a new album.

(22:16):

She said no. And then they also said to her, well, you can buy your masters for \$140 million. And that's where they were valued back in 2019. And at the time she rejected that smartly. And again, so to this point that both Caroline and Abby pointed out, what Universal Music told her was, well, you can just rerecord every one of those albums. And as those albums are rerecorded, they will replace your other albums. And again, this connectivity to her fan base is so critical here because the way in which she went about advertising this was genius. Because effectively what she told her audience to do was don't listen to the old version, listen to the new version.

Lara Rhame (23:02):

I read about this, right? She says Taylor's version, she doesn't just say the new version. She's like, Taylor's Version.

Lara Rhame (23:08):

Taylor's version. Yeah. It's like a soft sell for like, you want to give me the money fans.

Ryan Caldwell (23:15):

So she went about and said, okay, I can't own my masters. And in the process of this, her masters traded, so big machine Records was bought by the company called Ithaca Holdings. Ithaca bought Big Machine, the entirety of Big Machine for about \$350 million. And again, this gets back to private equity. They had a private equity sponsor, it helped them buy this record label and they owned the masters. Well, immediately Taylor comes out and says, I'm going to rerecord all seven albums. And again, a fight broke out between the purchaser and Taylor about what all that meant. But ultimately she had more than the right to rerecord her masters under a new label. No problem. So she goes about doing that in the process. Ithaca actually disposes of Big Machine and disposes of her masters because this was too controversial, right? Yeah, they sell them, right? So again, 140 million in 2019. In 2021, those masters traded for \$400 million knowing that they were all going to be rerecorded. So again, talking about the value of the content library of Taylor Swift, it's exponential, right? So Lara, going forward, and again, this is just an interesting stat for your audience. I believe she's rerecorded three or four of the albums. She'll rerecord all seven.

Lara Rhame (24:39):

I've got visual confirmation from the Swifties in the room, the fourth will come out in October.

Ryan Caldwell (24:43):

I believe the economics are, she's making something in order of eight to nine million a month through streaming royalties with the new recordings, only three or four recordings in. So again, when I say the genius in her recapturing, her economics recapturing the library value. And I would tell you, when you look at the music business, and everybody kind of knew this, it was the dirty secret. And both Caroline and Abby pointed this out, if you can write and you have library, you are exponentially more valuable than just being able to sing. So a Bruno Mars, a Taylor Swift, their catalog value is shockingly high and ensures Liz can get into, these are very long tailed cashflow streams. They're beautiful private equity vehicles in which to put leverage on, be able to dividend. And again, in our world, content is far more valuable than distribution. And she's really, like I said, she's the charity on top in the music business of recapturing the economics. And again, having that really tight relationship with her fan base, and they're so smart and educated, it's been frightening for the music business, just how potent she's become. I think that connection can't be downplayed. To be able to tell your audience, to go listen to a different version of the same song that was the same recording, but at a different place and they do it. It's absolutely amazing.

Lara Rhame (26:14):

Yeah. Okay, Liz, so this is great. And yeah, I think, Ryan, you've touched on so many things, so many threads I want to pull. Liz, I'm guessing that not every investment that you make gets the return that we just described. It's only Ryan. I'm talking to two people who are actually putting the money to work that our advisors are giving, are entrusting us with. So this where I think both of your acumen is so valuable. Liz, I want to hear, and again, thank you for joining this. Hopefully one of many podcasts that we'll be recording together, but I'm eager to hear your take on all of this also as a private equity investor.

Liz Campbell (27:00):

Well, Ryan made a bunch of really good points that I think relate well to private equity. I mean, at a high level, I'm stating the obvious, but private equity is inherently different from public equity and that the companies are private, you can't access them through the stock market. And as a result, they're available for investments to a small limited group of investors overall. I think one of the great values of private equity and why the returns have generally been superior to other asset classes is because of the private nature. So unlike public companies, you don't have to manage to, for example, a quarterly dividend or a quarterly board meeting. You can take a much longer term approach to creating value. That gives you a lot more flexibility. And for us and for private equity in general, we tend to focus on smaller companies, typically founder, family owned companies. They've been very well run by these founders and families for a long time, but they haven't had capital to invest back into the business. And so somewhat like Taylor, she was able to leverage her own capital, acquire these assets, and then extract greater value longer term. I think private equity does a great job of doing that. I've got a bunch of different examples that I can go into. Probably an excruciating,

Lara Rhame (28:24):

Tell us a couple.

Liz Campbell (28:24):

Yeah, I mean, my favorite example, and this is as far as you can get from Taylor Swift, but I do think there are some parallels, is it's a company that we have exposure to. We did have exposure to, it was a plumbing company. So a group that we've had a long relationship with bought it in 2017. It was a tiny company, five million of income. They paid 27 million for it. But they really, I think Taylor Swift completely changed the value proposition of it to their customers. And so early on, I mean, it was just straight up plumbing, that was the only service they provided. But over time they worked with management, really expanded the service

offering to do heating, air conditioning. They added a maintenance aspect to it. And so that gives a much more kind of recurring revenue stream over time. If your air conditioner breaks, you're not going to put that off. You have to get it fixed, especially if you live in the southeast where they were focused. And so they grew that significantly over four years. They were partnering with management, they ended up selling it for a billion dollars after four years, from 27 million to a billion dollars. And so that's something that kind of upside is very difficult, if not impossible to get in the public market. And it's hard to access small companies like that.

Lara Rhame (29:49):

I think even Taylor Swift would think plumbing is very important.

Liz Campbell (29:53):

Exactly.

Lara Rhame (29:55):

We all do. And air conditioning. She was touring in the Southeast. So I think what Ryan said is really important that on the one hand she completely changed the model from the private equity standpoint, but on the other hand, it's still a really important area to invest in. I mean, I think to me, that's one of the really special pieces about private equity, which is the early entry point. And you hit that nail on the head, which is when Uber goes public, what's already really, really valuable, really most of the value, increasingly and most of the way to harness growth is when things are new, when things are up and coming. Can you talk a little bit about why this is just an important investment for a really wide range of investors? I mean, I think private equity, we think of it, it's like a little bit mysterious, why do we need it? It sounds great, and gee, only if I have a hundred million dollars in the bank, can I access it? And that's really not the world anymore. And that's not the world that we are trying to really broaden that investor base. And I think understanding why we all need it is a really important part of that.

Liz Campbell (31:08):

Yeah, yeah, that's a great question. I think one of the key reasons as we talked about is the upside potential that you get through private equity. I think another important component is the diversification. So private equity is somewhat correlated to public equity, but if you look at the correlation over time, it's not perfectly correlated. And so I think it adds diversification in terms of access. It's very difficult to access. You can't just invest directly into a company or buy a company. It takes a lot of money to do that. But even investing in private equity funds, there's typically a five to \$10 million minimum. But there are solutions out there that allow individual smaller investors to get access to a diversified portfolio of investments. Private equity provides diversification to public equity portfolios overall, in addition to that upside potential. Another thing I'd point out is that even the Russell 2000 in the public markets is typically perceived as the best representation of small cap public stocks.

(32:17):

That even the Russell 2000 has a weighted average market cap of, I think it's \$2.8 billion total enterprise value tends to be in the five billion range. Our private equity is focused on companies that are much smaller, really great companies, but typically 500 million of EBITDA and below. So you're getting access to part of the market that you just can't access through the public markets. And as you mentioned Lara, with that higher upside potential, once a company goes public, it's big. You're not going to get that value inflection. And so it provides some nice upside within a portfolio overall that we think is really important and nice for smaller investors to have.

Lara Rhame (33:01):

I think what Liz describes when you get into a company earlier on, there's a huge amount of investment acumen that you need. Liz, I think you recognize, and Ryan, you recognize these investments inherently carry a lot of risk, right? I mean, Taylor's, I think that success has been obvious, but the risk has been there, right? All along.

Abby Crowley (33:24):

Yeah. She was advised not to do rerecord of her albums, but she, I don't know, was persistent in wanting to own her work. It means a lot to her, so it paid off.

Caroline Manion (33:37):

I think, and to Ryan's point earlier, she really knows her market. She knows her audience. She knew that her fans would listen to the Taylor's Version of things and they would clear their whole playlist and replace the old versions with Taylor's Version and only listen to the things that she owned because it was important to her. And so that knowledge of her fan base and her market was really what I think allowed her to take that risk and make it an educated one.

Lara Rhame (34:00):

That's great. As I wrap up today's conversation, I think the passion for Taylor Swift is palpable in this room. It's been palpable across the company. I know I have two daughters, they are 13 and 14. They did not get to go to the concert, but they regularly quizzed me on Taylor Swift. Quizzes that I fail. So I'm really happy that I've gotten some education today on her and doing this. I love this idea. So I'm really happy that we got to bring the passion for this, to this podcast. And I think going back to where we started, these ideas, these concepts, the power, the impact that she's had on the economy, her entrepreneurship, and her rethinking the entire business and the way that she opens herself to her fans and to those different business opportunities, to me, really is something that is a good way for all of us to think about investing, to think about how we communicate things like financial markets and the economy. And I'll leave it with, can you tell me your top, Taylor Swift.. if I'm going to listen to one album from beginning to end, what should it be?

Abby Crowley (35:14):

That's such a tough question. How can you pick just one?

Lara Rhame (35:17):

It's like choosing what your favorite child is.

Abby Crowley (35:22):

You can't do it. I can give you my top three.

Lara Rhame (35:24):

Well, Liz, Liz and I are not your classic Swifties now, I'm sure. Liz, you're leaving on vacation after this, right?

Liz Campbell (35:31):

Now I'm going to have to download an entire Taylor album and listen to it for my whole drive.

Lara Rhame (35:36):

So which one should Liz download as she's driving to her summer vacation?

Abby Crowley (35:41):

I think Folklore, there's a song on Folklore called August, which is, I don't know, it's August.

Lara Rhame (35:48):

Yeah, it's perfect.

Abby Crowley (35:49):

Yeah, the timing.

Lara Rhame (35:50):

Caroline, would that be your recommendation?

Caroline Manion (35:52):

I think fully support Folklore. I would tell you to probably listen to *Midnights*, which is her latest album, and I think is a really good representation of how far she's come and kind of brings all elements of her catalog together.

Lara Rhame (36:06):

Alright. Well this has been fantastic everyone. Thank you for joining Ryan, Liz, thank you so much for taking time out of your busy schedule to join us today. And everyone happy listening to us and to Taylor Swift should you so choose.

Caroline Manion (36:21):

Thanks Lara

Abby Crowley (36:21):

Thanks for having us.

Lara Rhame (36:28):

This episode was recorded at the FS investments headquarters in Philadelphia's historic Navy Yard. It was produced by the investment research team. It was edited and engineered by Aaron Sherman. Special thanks to show coordinator Ellie Zhang. If you enjoyed this episode, be sure to like and subscribe wherever you get your podcasts. Thanks for listening.