

Episode 82

Fireside x Mary Ann Bartels: Follow your gut, follow your intuition

Mary Ann Bartels, Chief Investment Strategist at Sanctuary Wealth, joins us for a conversation on markets, career building, women pathfinders and more.

Lara Rhame (00:05):

Welcome back to FireSide, a podcast from FS Investments. I'm Lara Rhame, Chief U.S. Economist here at FS. And today, I am thrilled to have a guest from our partner, Sanctuary Wealth. It is my pleasure to welcome Mary Ann Bartels, Chief Investment Strategist at Sanctuary. Mary Ann, welcome.

Mary Ann Bartels (00:23):

Oh, thank you so much for having me.

Lara Rhame (00:26):

I'm not going to read your whole experience and your impressive bio here on this podcast. It includes names like Merrill Lynch and Bank of America. You know, you're an institutional investor, ranked research analyst, and you're a regular presence on media channels—CNBC, Bloomberg, Barron's. I regularly read your research, and I'm going to say this as somebody who also writes—thank you for all the work you put into your weekly research notes. I think they are a tremendous, valuable resource for advisors, so, I highly recommend that as required reading.

Mary Ann Bartels (00:59):

Oh, thank you. That's very kind of you to say.

Lara Rhame (01:02):

I think today we're going to talk about a lot of different aspects of investing, markets, the economy and your career and background. And we can't forget that March is Women's Month. And I want to sprinkle in some of your unique perspective, given that there are so few women who have achieved your professional success.

Before we get to that, though, I want to talk about markets. You know, you described 2024 and your outlook as a "bucking bull," which is a fabulous visual.

I think I love the way you describe things because people know immediately what you're talking about. But—dig into it. What are you thinking and why is the direction not just going to be up? Because it feels like that's all that we've seen since the start of the year.

Mary Ann Bartels (01:47):

I mean, I think you have more bucking right now in the fixed income markets and you've had the equity markets—we started to buck in the beginning of the year that it was straight up. Now

you have a little bit of bucking going on. But what I was trying to convey to our advisors and to clients is that even if you see some volatility within the markets, don't give up on the markets—both the fixed income market and the equity markets—that they're still positioned for investors to invest in.

Because there's been a lot of concern. Are we going to have a recession? Not a recession? We have a presidential election! Is the Fed going to lower rates by how much? I mean, there's just so, so, so many geopolitical events going on. And I wanted to give people perspective that although things may not look perfect, just, you know, continue to invest in markets.

Lara Rhame (02:36):

I think this is something that I've heard you say before that it never feels like the right time to invest. And I think last year at the start of the year with this pervasive concern of recession, there was so much fear and I think after years of interest rates being zero, everyone just, the answer that I got a lot was, "well, I can get 5% in a CD, why would I do anything else?" And I think people really realize the opportunity cost of sitting on the sidelines like that. How do you talk to advisors about these concerns and convince them that it's a good time to stay in?

Mary Ann Bartels (03:15):

Well, you're certainly correct. I came into the markets in 1985, so you can do the math and figure out how old I am.

Lara Rhame (03:21):

No math here.

Mary Ann Bartels (03:22):

Literally, it's almost every year that I've been in business, there's been a reason not to invest in some bigger than others. So, my big worst experience was 1987, a crash, and that could be pretty frightening, but I was really impressed with how the markets powered and actually closed to the upside that year modestly. So, I've learned that markets are a "bucking bull," but if you can hold on for the long-term markets trend from the lower left to the upper right, even when we mess up, we fix our messes. There's pluses and minuses to capitalism, and the thing is to really stay invested. And what we found is if you have a plan or what the terminology now is, if you know what your goals are and you can put an asset allocation plan in place and understand why you're invested, revisit that, rebalance it. Clients are more likely not to make a mistake in their portfolio during 2008 and 2009. And I would admit that's probably the worst fair market that I've ever lived through because it was also a banking crisis. I saw many clients actually sell and never go back in the markets.

Lara Rhame (04:41):

Which today, what a missed opportunity. I mean, I think that's exactly to your point.

Mary Ann Bartels (04:46):

Exactly. But you don't want to have to go through that event when you're about to retire. So if you saw your portfolio go down 50% and you were in the midst of about to retire, that would be a very frightening experience, which is why asset allocation diversification are really important. And most geopolitical events, most don't impact our market, and clients are really surprised by that. But when I explain it, they understand it. The true reason why stocks go up is because there's earnings. You have to have the power of earnings for a stock to go up. Now a stock can go up and have no earnings, but eventually it falls now. Right.

Lara Rhame (05:28):

And I think that is one of the key differences. I want to talk about valuation. We're seeing right now these valuations that have a lot of people comparing us back to the mid nineties, and that's not the only way that it feels a little bit similar. We have the Fed now, we have interest rates around where they were back then, at least the Fed funds rate. We have people talking about rate cuts, but we don't have good examples of the fed cutting rates without a recession. There are very few, and I think the mid nineties is the classic time where whether we give the fed credit or not, we had this soft landing and we only had three rate cuts. I think on the monetary policy side, there's some similarity and valuations I think also feel like they're starting to look a little similar to that episode. And yet you're not sounding the alarm with valuations at this level. Why is that?

Mary Ann Bartels (06:23):

I'm not And what you have to, so I've done a lot of different things in my career and when I was a quant and I was a quant at Merrill Lynch and I was a quant as a portfolio manager, PEs don't predict direction of markets. PEs are telling you the state evaluation at that point in time,

Lara Rhame (06:43):

Right? Snapshot?

Mary Ann Bartels (06:45):

Yeah, it's just a snapshot. And believe it or not, when the PE is low, most people don't want to buy the markets because things are really bad. So you're supposed to buy the markets when it's really bad and sell when things are really good and most people don't want to sell because it's really good. But there's been, not to get too technical, but when you really study valuations, going back like to the 1950s to today, there was a regime change in how valuations, and I'm using price earnings ratio from the 1950s until the 1980s. There was a really nice pattern of where you would consider a good buy point and a good sell point in terms of valuations. But from the 1980 low, which was a phenomenal buying opportunity, PE multiples expanded, didn't peak until 2000. So you waited for a PE ratio to get low again, you would've never bought the market from 1980 to 2000.

(07:44):

Really what I went back and studied other secular markets. So when markets are trending higher, you can still have a bear market going down 20 or 30%, but you recover and go on to all time new highs. As long as you're in that secular market, PE multiples actually expand, they'll come down, but never to the low levels that start the secular market. So we are in a secular market, and I don't think markets are going to get cheap again until we go into a secular bear market, which I don't think is going to really happen until the 1930s. Now I'm just going to go into a little bit of fed to explain why I think valuations are going to continue to go up and possibly even past the 2000 PE multiple is the amount of stimulus from the Federal Reserve and the government is unprecedented. Absolutely unprecedented. And I think that's why those that were forecasting a recession made sense to me because when the Federal Reserve tightened so quickly, going from zero to five and a quarter in less than a year based on traditional economic models would signal a recession,

Lara Rhame (08:56):

Money, money. And then we had the regional bank failure, and I think a lot of us were like, oh, there it is. That felt scary there in the first quarter of last year

Mary Ann Bartels (09:06):

It did, but the Fed came in right away, away and stopped it and provided liquidity. They provided more liquidity. In addition to that, we never went into a recession yet. The government

fiscal stimulus has grown tremendously and they signed \$3 trillion of stimulus and never before in the history of the US economy that I'm aware of, has the government been willing to print so much money when you're not in a recession? In fact, we're growing what, at least 2.5%.

Lara Rhame (09:36):

Yeah, 3% even more.

Mary Ann Bartels (09:39):

So that's not a bad economy for our size. Not at all. And we're at full employment. So I can, because of all this stimulus, and I think it's going to stay with us for a while, we actually don't know how long it's going to take to draw out all this money. I think that's going to fuel corporate earnings. I think that's going to allow stock prices to go up. On top of that, we have this new innovation called artificial intelligence.

Lara Rhame (10:06):

I was waiting to get to ask you about that. Yeah.

Mary Ann Bartels (10:09):

Which I do think is going to add to productivity over time, which goes back to the productivity of the 1990s.

Lara Rhame (10:16):

Another example of the similarities. Yes.

Mary Ann Bartels (10:18):

Yeah. I think we are very similar to 1995. And what's interesting, the markets really went vertical from 1995 to 2000. And even fed chair Greenspan at the time finally admitted that he thought with people using computers, and we had the innovation of telecom, we were talking about in media, we were talking about TMT was having an impact, but that was new for the Fed to even put it to their models. So now we have this artificial intelligence, and I don't think anybody knows how to factor this in yet.

Lara Rhame (10:54):

And

Mary Ann Bartels (10:54):

That's not criticizing anybody. We have to figure it out. We've elevated, right? We've had the growth of computers, the internet, that was the other thing that I left out. Think about where we were in 1995, where we are today. It's incredible. So I think all of this is going to get priced into the market. I think we stay in a secular bull market till 20, 29, 20 30. That's a guess. But think we

Lara Rhame (11:21):

Can do that.

Mary Ann Bartels (11:23):

We'll have a bear market at some point. Markets will go down and correct and they need to. But I think this whole new AI is going to be even more powerful than the internet.

Lara Rhame (11:36):

And I think what I'm hearing is so many similar to 95, which was a good economy productivity growth, I describe as the magic dust that you sprinkle on the economy to solve a lot of problems. It helps corporate earnings. It gives you standard of living gains. I mean, I think we forget that over the last 15 years we've had a sluggish economy, we've had underinvestment, we've had low productivity growth. So these are very welcome. And we had no earnings,

Mary Ann Bartels (12:03):

We had no corporate earnings. We're just turning to

Lara Rhame (12:05):

Kind of an earnings recession. Yeah, exactly. So I think that seems to be, while there are many positive similarities, another big difference is that in the 19, I think we forget too, that late nineties equity market runup, we did not have the earnings that we have today. So when you look,

Mary Ann Bartels (12:26):

But we did have earnings for part of that early stage,

Lara Rhame (12:28):

Right? We

Mary Ann Bartels (12:29):

Did have big corrections in 97 and 98. In 1997, we had the Thai B process, which took the markets down in 1998. We had a hedge fund called Long-Term Capital, create a financial stress on the system that took markets down. Yet we went up in 99 and peaked in 2000. So again, there might be a lot of bucking between now and 2029 and 2030. But I think with the advancements in technology, and I'm talking specifically about ai, it's going to transform not just the technology industry because we're so focused on technology as a sector. Technology has to be broadened out to every sector, every industry group. So tech is not just a sector anymore, it is the whole economy and all businesses. And it's not just here in the United States. This is global. And what I like to point out is that right now we're the leaders in ai, right? We're developing it here in the United States so far. And investors want to invest in our companies.

Lara Rhame (13:34):

Yeah. Well, I think that's something that is an important feature to recognize that this equity market, there's this ton of concentration. We all know about the Magnificent seven. I think something that I'm very conscious of reminding people is that for all intents and purposes, makes the s and p 500 an international index because these are giant global juggernauts

Mary Ann Bartels (13:58):

With good balance

Lara Rhame (13:59):

Sheets, with good, great cash flow and good earnings companies. And

Mary Ann Bartels (14:01):

That's the difference from 2000.

Lara Rhame (14:03):

Absolutely. I think great companies, do you worry about managing that concentration when you're thinking about the next year or two years?

Mary Ann Bartels (14:15):

I think every portfolio manager worries about that. And I think there are some portfolio managers that have guardrails that don't allow them to have a certain size of any company in their portfolio to manage risk, which puts them at a disadvantage to beating a benchmark.

Lara Rhame (14:32):

Right. That's fascinating.

Mary Ann Bartels (14:34):

And this is not just in technology. If you go to materials, there's one company that dominates that sector, 22%. You go to Energy, there's really two companies that dominate that sector. This is not just technology. You go to consumer discretionary. There's a particular company that dominates that. You go to communication services. There's about two or three companies that dominate that. We've got sectors that are dominated by companies. This is not just technology.

Lara Rhame (14:59):

That's fascinating.

Mary Ann Bartels (15:01):

So from that perspective, yes, portfolio managers have challenges because our market has drastically changed. When I came to Wall Street, we had over 6,000 companies that were listed that were public. That's almost been cut in half, Laura. Yeah. And that's because of the birth and the growth in private equity. So companies can get funding away from the stock exchange. And that has really changed the dynamics of the market. In addition to that, we haven't seen a lot of companies go

Lara Rhame (15:35):

Public. The regulatory changes since the financial crisis have made that burden so much higher. A lot of companies are just choosing to stay private much, much later.

Mary Ann Bartels (15:45):

So the structure of the markets has drastically changed from when I first came into the business.

Lara Rhame (15:51):

Alright, so let's talk about when you first

Mary Ann Bartels (15:53):

To keep that into perspective.

Lara Rhame (15:56):

You brought me right to where I wanted to go, which is understanding how you got into this business. I think 1985 was, I came into the business in 1993, not too far behind, but I do feel that I've loved being in this industry. It hasn't always been easy, and it wasn't necessarily what I expected when I was sort of in high school thinking about it. My dad's a doctor. My mother was a textbook editor. Nobody talked about finance. How did you find this industry and get involved?

Mary Ann Bartels (16:29):

Well, Laura, I wanted to go to Broadway. I wanted to be a singer, a dancer. I've

Lara Rhame (16:35):

Seen you present. That actually explains a lot to me. You are so dynamic up on that stage. You really capture the audience.

Mary Ann Bartels (16:43):

There is a creative part of me, there is a creative part of me, but my aunt, my dad's younger sister, aunt Bernadette, I call her Aunt B. When she was graduating college, her uncle, which my great uncle found her job on Wall Street. Why? I don't know. I wish I had asked him that question,

Lara Rhame (17:02):

But was he on Wall Street or

Mary Ann Bartels (17:05):

What was he

Lara Rhame (17:05):

On Wall Street.

Mary Ann Bartels (17:07):

He actually, for a period of time was a floor broker on the New York Stock Exchange. He eventually became a priest, believe it or not. But he did the finances.

Lara Rhame (17:18):

All right. Yeah. The church needs financial minds too.

Mary Ann Bartels (17:23):

So he called up his niece, my aunt, and said, you have an interview with this person. And it was at Ladenburg Saloman at 25 Broad Street, and she really didn't want to go. She was a history major.

Lara Rhame (17:38):

What year was that?

Mary Ann Bartels (17:40):

1956.

Lara Rhame (17:41):

Okay.

Mary Ann Bartels (17:42):

And she went for the interview. They eventually called her and offered her the job. Literally, she turned them down three times.

Lara Rhame (17:49):

That is a good negotiating strategy.

Mary Ann Bartels (17:51):

She had no interest in going to Wall Street, but she was also a very religious woman. So when they called for the fourth time, she thought there was a reason that this company continued to call her. And she said, alright, I'll go do this for a year or two and then I'll figure out what I want to do. And back then, women did not have any big titles. They were secretaries. She was hired to be a secretary, but she was the first woman allowed on the trading floor. And I'll tell you an interesting story. The boss, when she went in for her first day, he actually apologized to her and he said, Bernadette, you're about to go out on the trading floor and you're going to hear some things that you might consider inappropriate, inappropriate language. And he said, I want to apologize for that, but I'm not going to tell them to stop.

Lara Rhame (18:38):

Wow. What was her response to that? I mean, she just went for it.

Mary Ann Bartels (18:43):

She went for it, which she used to tell me. She says, there were days Marianne, I just got a headache from listening to it. It didn't offend her. Basically what she was offended by is that the men couldn't actually write a letter.

Lara Rhame (18:56):

She's

Mary Ann Bartels (18:56):

Like, Marianne, they didn't know how to construct a letter. So she really felt proud that she was really contributing

Lara Rhame (19:02):

Absolutely. To be

Mary Ann Bartels (19:03):

Able to put together good communication. And eventually she became a trader and started trading. But I got another good story.

Lara Rhame (19:10):

Yeah, that's incredible.

Mary Ann Bartels (19:12):

73, 74. She actually saw, she was using technical analysis. She had learned from a client. She was talking to a client one day and she was very impressed with their buys and sells. And she said, if you don't mind, you're very good at what you do. What are you using to determine your buys and sells? And they said technical analysis. They told her a few things to read, and she started teaching herself technical analysis. And eventually they gave her a book of business and she started trading. And she was fortunate enough to see the peak in the 73 74 Bear Market. So she went short, but she went away on vacation. And when she came back, they had covered her shorts. And the guy said, Bernadette, you made enough money.

Lara Rhame (20:00):

Oh my gosh. One wonders if he would've done that, if it was a man on vacation. Oh my

Mary Ann Bartels (20:07):

Heaven. No, they'll probably try to call him and figure out if he wanted to close the book. I mean, I have a lot of female stories from a lot of, but it was not easy.

Lara Rhame (20:15):

Yeah, it's not easy.

Mary Ann Bartels (20:18):

But she eventually wrote her own newsletter.

Lara Rhame (20:21):

Wow.

Mary Ann Bartels (20:22):

Now listen to how this started.

Lara Rhame (20:24):

Yeah, tell me.

Mary Ann Bartels (20:24):

She was not married. She was approaching 30. And she's like, I'm not married. I need to figure out a career. And she had broke away with one of the partners of Ladenburg. He was a specialist in m and a, and she was secretary, but assisting at a very high level. And she started writing about the markets and giving it to him. Unbeknownst to her, he started sending it out to clients.

Lara Rhame (20:53):

Wow.

Mary Ann Bartels (20:53):

That's how her newsletter started. Eventually the client started calling saying, what do you think? And he had to say, okay, Bernadette, you need to respond. And that was the birth of her newsletter.

Lara Rhame (21:04):

And back in the day, without the massive fire hose of financial news that we have today, getting that insight was really difficult. I mean, those newsletters were incredibly valuable, giving that inside Look at the floor.

Mary Ann Bartels (21:16):

It's just what think.

Lara Rhame (21:16):

Yeah. I love that. Which, so this brings me to something that so many I feel like young colleagues still struggle with. I take it for granted that when you're at a firm like mine or a firm like yours, you're smart. You're smart enough to give God in the door. What people want to hear is what you think. That's really what's valuable. And I tell that to all my younger colleagues, and I love that. That was the name of her newsletter. I think that I'm sure that was really, her special insight was really just incredibly valuable.

Mary Ann Bartels (21:48):

She was a beautiful writer. Now, writing has changed because we're so inundated with communication. We do a lot of shorthand. But back in the day, strategists and would write beautiful commentary. It was literature literally. And just how she wrote was so elegant, not a skillset. I, I adopted the new way very quickly, very bullet, easy, concise. But she had a way of just magically putting a picture together about markets. And then she was the first woman to be the president of the Chartered Market Technicians Association. And that landed her on Wall Street Week with I Ru Geiser. Back then, there was no CC or Bloomberg. And where you got Wall Street News was either in your paper or on Friday nights, you would watch Louis Ru Geiser's Wall Street

Lara Rhame (22:44):

Meet. Of course. Yeah.

Mary Ann Bartels (22:46):

So she was a guest, and then he invited her to be a panelist. And so they rotated panelists every week and she became one of the panelists, and she became one of the elves that predicted the market. And she did that for almost 25 years.

Lara Rhame (23:00):

That is extraordinary. So were you close to her growing up? I mean, it was just a clear path for you to follow. Did she encourage that or was she like, Marianne, don't do this. You don't want this life? Or did she love it?

Mary Ann Bartels (23:13):

So I had no interest in Wall Street, but like her, I used to watch her on Wall Street Week. My aunt is famous, never understood anything she said, but she would invite me into the city. She would take me to Broadway shows. We'd go to lunch, she would buy me clothes. And somewhere in the conversation always was finance. And she would always say, Marianne, I don't know where you're going to wind up, but you should understand finance and how to manage your money. And so she started teaching me about technical analysis, never called it that, never told me that she had just a magical way of just showing me things that I could easily understand. And I

fumbled in college. Early on, I had no idea what I wanted to do. Took me a while. I wound up majoring in economics and I wound up loving macro and the fed the economy.

(24:03):

The markets were interesting. And when I started looking for jobs, I did an internship at Citibank and their economics department. I wanted to be an economist. I wanted to work at the Fed. And all the job offers I had weren't exactly what I was looking for. And my aunt had always, the MPI always offered to introduce me to women on Wall Street, but I got the proud shoulders. Nobody's going to help me. I could do this all by myself. I call her, I think three or four months before I'm about to graduate. And I'm like, ampy, you know how you always say that? You'll introduce me to women so I understand different career paths on Wall Street. She says, yes. I said, would you mind doing that for me? First thing out of her mouth was, all the good jobs are gone on Wall Street. They all get sealed early on. But she wound up introducing me to some fabulous women. And one of those women actually hired me and my first job at a manufacturer's Hanover Trust, which was called Manny Haney, which is now part of JPMorgan Chase.

Lara Rhame (25:02):

Wow. Yeah, there's been so much consolidation that's got into the

Mary Ann Bartels (25:06):

Business.

Lara Rhame (25:07):

I think when we go through our bios, so many of the companies are gone now, but that's incredible. And so I think you and I have talked before about the fact that it's underappreciated that with new markets, with new regimes, you always are having to rethink and apply. The history is important, it's relevant, but creativity is underappreciated because I think creativity is what allows you to see new regimes when they're coming along and investing. And as we're talking today about these markets and how extraordinary they are, I think you continue to bring this overlay of the experience, but also the creativity that allows you to really see that markets are different today than they were. We're not going back to the way things were. It's just always a new market that's innovating, constantly moving forward, constantly changing. I want to talk a little bit about your interaction with the advisors at Sanctuary Wealth because you've got hundreds of advisors and billions and billions of dollars that they're investing. How are those conversations going today? We've already discussed the fact that it always never feels like it's a comfortable time to invest. Things are always too cheap, you're scared, they're always too expensive because people are too euphoric. What are the key concerns that you're walking people through today?

Mary Ann Bartels (26:29):

So basically, I think there's two big themes right now, the geopolitics and the presidential election, and how are those going to impact markets? And on the geopolitical side, I understand that the events that are going on are very tragic. Some of them are, I can't even believe that

Lara Rhame (26:46):

They're even and so personal for so many out there too.

Mary Ann Bartels (26:51):

Anyway, unless a geopolitical event is going to negatively impact corporate earnings here in the United States, it doesn't impact markets. So with the geopolitical events that we've had going on, what I've been saying, if crude oil gets above a hundred and stays above a hundred, that's going to be negative. It's going to be negative for corporate earnings, and it's going to be negative for the consumer because the consumers,

Lara Rhame (27:18):

It's

Mary Ann Bartels (27:18):

Like a tax, it's pulling back. So I don't see any negative at this point in time. Any negatives for the markets based on what's going on with geopolitics? As for the presidential election, whenever we've had an incumbent president run and past performance is never indicative of future results. But never before has the markets gone down when an incumbent is running. And the reason for that is they pump money into the system. So the economy is good, markets are good. And sure enough, sure enough that's happened. Biden signed three pieces of legislation. We have the Infrastructure Act, the Chips Act, and the Inflation Protection Act. And a lot of that stimulus is hitting the economy this year. So I always say, you think that's a coincidence,

Lara Rhame (28:07):

And yet he is not getting a lot of credit for it, is he? I dunno how that is.

Mary Ann Bartels (28:10):

Unfortunately not inflation has kind of stolen it, but we just got a good inflation print this morning. We are seeing inflation come down, at least in terms of core P-C-E-C-P-I and I

Lara Rhame (28:24):

Especially relative to where it was.

Mary Ann Bartels (28:26):

But the trendlines are down, but we're still early on. The election is not until November. I mean, this is very, very, very, very early. So clients are definitely very passionate, depending, and they're passionate in different ways about which candidate. And they say, well, how can that impact the markets? And I basically say, I said, please don't be offended. I said, it's not going to have any impact in the sense that it's baked in. I think everything in terms of stimulus and the Fed might even be cutting rates is already baked in for this year. I said we have to wait and see who gets elected and that would play into 2025. And the first year of the presidential cycle is normally not a great year.

Lara Rhame (29:12):

So

Mary Ann Bartels (29:12):

If we have two, we had a great year in the markets last year, if we have a great year this year, it would make sense that the markets take a pause in 2025. Doesn't mean it's a bear market, but we could have a pause in 2025

Lara Rhame (29:25):

Simply because I think growth has also been growing. To your point so far above potential. We are really an economy firing on all cylinders. And there's a direct line to nominal GDP growth to corporate earnings. We don't have to have a recession for that trajectory to just moderate and settle into something that is a little bit more sustainable. And I think that would be some kind of natural break on the growth in corporate earnings.

Mary Ann Bartels (29:55):

And we would have to see what happens with employment, right? Employment, the consumer will be a key driver. I mean, there's so many pros and cons that you're hearing about the consumer, right? Everybody's concerned about their debt levels, they're worried about defaults, the delinquencies and things of that nature. But we're just getting back to normal. We're not in any level that at least that I see, that's the danger zone reading.

Lara Rhame (30:18):

Yeah, I agree.

Mary Ann Bartels (30:19):

But if you start seeing unemployment creep up, that could become problematic for spending and that could hurt corporate earnings, but that's getting over our skis. But those are the things that are on my radar

Lara Rhame (30:35):

At Sanctuary. Do I know that a lot of your advisors, and probably not actually don't know what percentage are women? When I talk to younger women, I talk about a career in finance. To me it's a fantastic career. It's a career because a lot of the skills that you have, you don't even have to be a financial analyst. You can be a graphic designer or a writer. There are so many things that you can do for a financial market and earn more for a financial company and earn more than you would if you were working at another company or another industry. And so we all know that the demographics of advisors in general, there's a lot of them that are going to be retiring and we don't have a big enough pipeline. And I think for women, it's a great career choice. Do you get into conversations at that level with, because I know you're in front of large sanctuary audiences, how do you guide younger women when they think about the industry, putting your Aunt Bee hat on? What do you tell them about it?

Mary Ann Bartels (31:40):

So Aunt Bee and her peer group used to go to universities back in the day to educate women about Wall Street in the career opportunities. They weren't aware of the opportunities.

Lara Rhame (31:54):

I would argue they're still not very aware. And

Mary Ann Bartels (31:57):

That was going to be my next comment. Yeah, I don't think many women are aware of what the various different roles they always hear about investment banking and that it's so many hours. And they're like, well, why would I want a career path where I'm never home? And what if I start a family? Well, if you're a wealth manager, a financial, if you become an advisor, you have flexibility with your schedule. Yes. It's not necessarily a nine to five job. I had one advisor I worked with for years, she worked at nights and she's like, well, most of my clients are home. I can reach them at night. It's interesting. She says, I take the dog with me and the dog sits with me and I'm in the office all by myself. And she's like, it's wonderful. So I think it's still a lot about educating women about the opportunities. And we know the statistics. We know whenever you

diversify, you diversify a board. You diversify anything, diversify a portfolio, it improves the return. Yeah,

Lara Rhame (33:00):

Absolutely.

Mary Ann Bartels (33:02):

So we need to definitely diversify. What I can say about sanctuary wealth is my senior management is very, very sensitive to diversifying our company. But it's hard, right? It is. It's hard. We're still finding challenges and being able to create the type of diversification that we want, but I'm very proud of my management that they're aware and that they're seriously trying to make sure that we add more women to the business. But we do have a lot of women. It's not like we need more within our corporation. We have a lot of women. We need more female advisors. And we're trying to broaden that out. But we're a growing company. We're five years old, and I think we will get there. Again, it's about education. And whenever I get a chance to talk to young women about finance, I do. But I'll talk to my daughter. I have a young daughter, she's 22 years old, not interested. One iota about Wall Street. Now that could be because mommy wasn't home a lot and she had a nanny. Could be. And most of her friends didn't have a nanny. But I actually don't even think that's it. I call her my nature girl. She's my rock climber. That's awesome. She is concerned about the environment and loves trees.

(34:26):

So her career path is just going to be different.

Lara Rhame (34:29):

Kidding? Yeah. Well, I am hearing a lot of grit and determination from her just like you. So it takes you down many paths,

Mary Ann Bartels (34:38):

The rock to be a competitive rock climber. Lemme tell you, that's a tough sport to watch when it's your child, but very, very impressive in what they're able to do.

Lara Rhame (34:47):

Yeah. I've also got two daughters. They're 13 and 15, so they're still, I think just in the middle school, just starting high school. I was very proud at one point a year and a half ago when my 13-year-old at that time was 11, and we were in the checkout line and she started talking about how inflation was really a problem for food. And the checkout guy said, oh, that's interesting. How do you know about inflation? So

Mary Ann Bartels (35:14):

That's something gets through. That's daughter had her first job this last year and I've told her what it's like to pay taxes, but she was shocked when she looked at her paycheck.

Lara Rhame (35:25):

Oh yeah. Yeah. That's

Mary Ann Bartels (35:27):

Tough. She's like, mom, they take a lot out life experience.

Lara Rhame (35:32):

That's exactly right. Okay, so turning back to markets, I was interested in closing the loop on something that we started to discuss about the difference between public and private markets, FS investments, where an alternative shop. And I know that something that you wrote in your outlook was that there's just going to be a bigger shift to private equity and to credit markets. How are you seeing advisors engage with that? Do you even have to talk them into those markets or are they up the curve on them? I mean, I think that's an issue because buying and selling a stock is a no brainer. I feel like that's the core of what you're often taught in finance and seems like the easiest entry point for any investor full. And these markets are more complicated and they're more nuanced and the structures are different. And is it something that your advisors are already engaged in or are you having to talk them into this?

Mary Ann Bartels (36:37):

Oh, we don't have to talk them into it. It's about education.

Lara Rhame (36:39):

Yeah, sure.

Mary Ann Bartels (36:41):

And we have a lot of offerings on our platform and we've spent a lot of time educating our advisors. Now, private equity, private credit may not fit into every client's portfolio.

(36:55):

It may not fit, but we are seeing adoption in both categories. And I do think that the institutional asset allocation model is shifting down to wealth management. Meaning that the institutional, like pension funds, endowments have adopted these investments many years ago, in fact, decades ago. But the reason why I wasn't in the wealth management channel is because most clients weren't willing to give a lot of money and not get it back for 10 years. There wasn't a lot of liquidity options, but companies have now structured these instruments where they have quicker access or payments like coupons,

Lara Rhame (37:48):

Quarterly liquidity. There's lots of different structures now.

Mary Ann Bartels (37:52):

So the liquidity and the lockups have changed. And so it's become more attractive for the wealth management channel to now incorporate that into their asset allocation. So we are seeing adoption, and I do believe we're going to continue to see adoption

Lara Rhame (38:11):

In

Mary Ann Bartels (38:12):

Both of these asset classes. These

Lara Rhame (38:13):

Markets are gotten so huge private credit now trillion dollars. These are areas that are really hard to ignore.

Mary Ann Bartels (38:22):

But if you look at most client portfolios, if you even had 5% in alternatives, that would be a lot.

Lara Rhame (38:30):

Yeah, there's a lot of room to grow.

Mary Ann Bartels (38:32):

There is tremendous amount of room to grow because this is relatively new. So I think we're going to see this over the coming decades, literally. It's going to take time. But I think there will be adoption, and we may get to a business model that's very similar to the institutional business model where there's a lot more exposure to both private credit and private equity, especially if you don't see a lot of companies go public. If you want to get access to some of these companies, the only way you're going to be able to do it is buy investing in private equity and private credit is a little bit of a different, right? It's fixed income, but it's a way to get a stream of coupon of payment over a period of time.

Lara Rhame (39:17):

Double digit returns in many cases that

Mary Ann Bartels (39:19):

You can't get in the public markets. Yeah,

Lara Rhame (39:23):

I think that's something that I'm really trying to, and when I talk to advisors too, I hear a lot of the concerns and I hear a lot of the risks that are out there. But one of my main messages is that I think for a lot of reasons, the outlook today is really quite positive. The fact that I think interest rates have renormalize we're coming off of 10 years of Tina, there's no alternative core fixed income was almost uninvestible. You really hoped equity markets were going to go up. That was really where your main option was. And I think today the fun part for us in research for asset allocators is there are so many alternatives now, and you can really, you look at high yield markets, you look at leveraged loan markets when core rates are where they are, you don't have to even have a lot of spread compression to get double digit returns. Equity markets are an important part of portfolios, but there are all these other places to add ballast and add diversification that I think are much more attractive than we've seen. And to your point, this is the first time in 10, 15 years that in rates have been higher, but a lot of these options we've just have never been able to engage with. They just didn't exist 20 years ago.

Mary Ann Bartels (40:45):

That's correct. And it is about diversification, and again, it's going to be right for some clients. It may not be appropriate for other clients, but I do see the trajectory of both of these markets growing.

Lara Rhame (40:58):

Yeah. Alright, well, it has just been so incredible to get this time with you, to hear your insights. I want to just finish up with the same question that you asked me when I was lucky enough to participate in your podcast. What advice would you give to your younger yourself?

Mary Ann Bartels (41:17):

Follow your gut, follow your intuition.

Lara Rhame (41:19):

Love that underappreciated. I think, again, it's so basic, but how often have we made decisions that didn't quite feel right? And in retrospect you're like, yeah, I really should have listened to myself.

Mary Ann Bartels (41:33):

So yeah, just trust, at least for me anyway, that would be the message that I would send myself.

Lara Rhame (41:41):

Marianne, thank you so, so much. I want to give a plug for your podcast Friends of Sanctuary that is on YouTube, on Apple, on Spotify for your research. And if anybody gets a chance to hear Marianne speak in person, put aside the time and do it. She is one of the most engaging and smart minds on the markets that you will ever come across. So thank you so much for your time today.

Mary Ann Bartels (42:08):

Oh, thank you for all those kind words. That's so nice of you. Thank you so much, and thank you so much for having me. I really enjoyed this.

Lara Rhame (42:15):

Take care.

Mary Ann Bartels (42:16):

Bye-Bye.

Lara Rhame (42:19):

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 Erin Sherman. Special thanks to show coordinator Ellie Zang. If you enjoyed this episode, be sure to like and subscribe wherever you get your podcasts. Thanks for listening.