

## News You Can Use April 1, 2023

### Top News Items Selected by FUSE

#### Strive's Outsized Influence on Corporate America

In what is expected to be the first in a series of very small investment firms using their voting power to influence board room decisions, Chevron Corp (CVX) has reversed its decision to fund R&D initiatives designed to develop Green / Clean energy solutions. Strive's DRLL ETF owns only 0.018% of CVX outstanding shares; yet, the firm was able to convince a majority of board members that the need for clean energy is entirely politically motivated and, as such, cannot be tolerated. The move by the board reverses nearly 25 years of investment in alternative sources of energy, which had been thought to be the key to revenue growth and the overall financial well-being for CVX in the future.

#### Attorneys Deadlock Over ESG Rule

Attorneys on opposing sides of the Department of Labor's (DOL) proposed rule on ESG investing in retirement plans are deadlocked, and the future of the lawsuit is unclear. The complications arose when DOL lawyers sued to block the lawsuit from several states that sought to prohibit the DOL's overturning of a rule that reversed an earlier DOL rule on ESG. Proceedings were halted when lawyers on both sides claimed that their positions had been compromised and lack the initial clarity of purpose that was present upon filing. Additional lawsuits are expected to be filed shortly.

#### Focus on De-Channelization

FUSE recently completed a *Flash Survey* of distribution professionals at investment firms as to the reasons given not to pursue a de-channelization strategy for the intermediary sales teams. NOTE: Respondents could select more than one option.

- 100% Wholesalers don't like it
- 100% Regionals/Divisionals don't like it
- 78% Territory optimization plans rely on data that may have errors
- 56% NSM plans to retire within next 2-3 years

#### Advisor Trend Monitor (ATM) Highlights: Work Preferences & Holistic Advice

A recently completed FUSE ATM survey has found that nearly 90% of financial advisors prefer to work remotely due to their clients' penchant for interrupting meetings with their own thoughts and opinions. Additionally, 72.4% of advisors stated that they believe their clients would be better off investing their money in a well-run casino. Finally, 100% of advisors admitted to pretending to understand cryptocurrencies during client meetings.

#### BlackRock Takes a Stand Against Single-Use Plastic: A Step Forward for Ethical Investing

In a groundbreaking move advancing ESG investing, BlackRock has announced it will no longer invest in companies that use single-use plastic in the workplace. Instead, it will focus on supporting businesses that use compostable materials, like plant-based plastic made from genetically modified corn. "We're committed to reducing our carbon footprint," said a BlackRock executive. NOTE: The ban does not apply to materials

manufactured in China nor will it limit BlackRock from investing in Chinese companies regardless of their policy on this, or any other, issue.

### **Bitcoin ETF Hopes Delayed Again**

Crypto advocates hoping for SEC approval of a spot-Bitcoin ETF admit that the timeline has been pushed back further after the sudden bankruptcy of crypto firm PonziCoin raised more doubts about the asset class. PonziCoin's exact business was protected from thorough due diligence as a function of the use of the "no transparency" structure for LPs and LLCs offered by Precidian. PonziCoin has lined up two top celebrity endorsers who were anxious to parlay their success with a cell phone service and a tequila manufacturer into big returns in the crypto space. The collapse of the Pyongyang-based firm comes just four months after a round of VC funding valued it at \$10 billion. Said one venture capitalist backer of PonziCoin, "There is no way anyone could have seen this coming." McKinsey served as an advisor to both the VC firm and PonziCoin.

### **American Century Develops New Offering for Canine Capital**

In an effort to reduce employee stress and add value as workers return to the office, American Century has launched Canine Capital, the nation's first private employer-sponsored pet daycare. The new employee value-add program recognizes the surge in acquisitions that occurred since the beginning of the COVID pandemic and the impact on productivity that has occurred as a result. In addition to a large indoor/outdoor park and an onsite grooming facility, the firm has plans to diversify the program to include other mammals. Given their commitment to this issue, FUSE expects the folks at ProShares [Pet Care ETF (PAWZ)] and Gabelli [Pet Parents Fund (PETZ)] to follow American Century's lead.

### **Fidelity to Roll the Dice**

With gambling now legal in Massachusetts, Fidelity's distribution strategy is adapting in the state. In an effort to share in the remarkable popularity of online betting apps, Fidelity is partnering with hometown favorite, DraftKings, to make its investment strategies available to Massachusetts-based gamblers. This was not an unexpected move given Fidelity's proclivity toward speculative investments such as Bitcoin. Investors will be able to have their winnings swept into a Fidelity money market account and have realized capital gains moved directly into their wager accounts. The Department of Labor is reviewing whether or not such a service can be linked to a 401(k) account.

### **Investment Liquidity in China**

In the latest effort by the Chinese government to manage the nation's economy through capital controls, the Chinese Ministry of Foreign Direct Investment has published a new schedule for withdrawals for foreign investors. Effective immediately, foreign investors with assets in Chinese banks or investment schemes can withdraw funds by submitting a request to the Ministry and will receive their funds on an incremental basis according to the schedule below:

- The first 10% -- T+5 business days after settlement
- The next 40% -- T+30 days
- Remaining 50% -- Subject to review of impact on domestic (Chinese) shareholders

### **FUSE Survey: Right to Work Remotely**

FUSE surveyed 500 employees of asset management firms to assess their views on a full-time return to the office. Nearly 65% of staffers indicated working in the office more than two times per week as "far too onerous," including 96.7% of employees under 35 years old. The youngest group of employees (under 30 years old), feel it is their right to work remotely and are unwilling to return to the office more than five days a

month. Jamie Dimon’s head exploded after receiving the report. Note: American Century’s bring your dog to work has been the industry’s most successful “perk” in driving employees back to the office.

### Mystery Box ETF

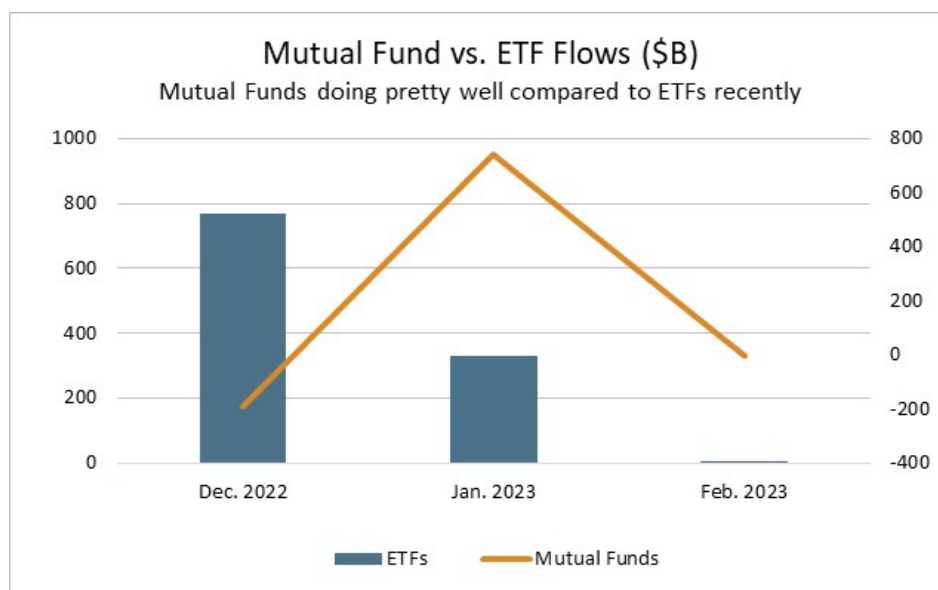
Innovative financial firm, Box Investments, has launched a new ETF called the "Mystery Box ETF." The unique investment vehicle randomizes its holdings on a daily basis, providing investors with an exciting and unpredictable experience. The Mystery Box ETF aims to provide diversification and risk reduction by randomly selecting a diverse range of assets, including stocks, bonds, and commodities. The firm believes this approach can offer an engaging investment experience like no other fund in the industry. However, some analysts have raised concerns about the potential risks associated with such a randomized approach – specifically the risk of the strategy outperforming actively managed funds.

### FINRA Abandons Fund Advertising Rules

In an effort to encourage greater participation in the U.S. mutual fund industry, FINRA announced today a modification to Rule 2210 for mutual fund advertising to retail investors. Previously, the language used by mutual fund marketers had been tightly regulated with strict prohibitions against statements that might be seen as misleading or promissory. Having been liberated from this rule by FINRA, advisors are now free to make any representation about a mutual fund as long as a “reasonable” case can be made that the investment strategy may achieve the stated goal. Addressing mutual fund sponsors during a recent video conference, a FINRA spokesperson said, “We are taking the brakes off the mutual fund business.” The existing advertising rules will still apply to ETFs, closed-end funds, and other investment structures. Participants in the industry expressed optimism that the rule change will give mutual fund sponsors a chance to compete on a level playing field.

### Chart Optimization Service Launched

Upstart fintech firm lead by G. Santos Consulting has launched a new service for asset managers called Chart Optimization, which designs charts and graphs for bespoke positioning. As an example, Mr. Santos points to the accompanying chart that uses a secondary axis to “show” that mutual fund flows in recent months have compared nicely with ETF flows. Options for clients include such features as a custom-scaled secondary axis, a truncated Y axis, comparisons to uncorrelated factors such as money supply or many other variables.



Source: Cerulli, ISS, Broadridge, and SS&C

### **Calamos Expanding All Star Fund Lineup**

Seeking to box out the competition, Calamos has filed with the SEC to round out its “*Starting Five*” fund lineup. The new funds include the Irving Equities for Flat Markets Fund, Doncic Sweets & Treats Thematic Equity Fund, Curry Deep 3x Value Fund, and the Gobert Defensive Specialist Fund. When reached for comment, a senior Calamos representative stated, “After dropping raising dimes with our Antetokounmpo Sustainable Equity Fund, the choice to expand the lineup is a layup.”

### **Streur Throws Name in the Hat for President**

John Streur is stepping down as Chairman of Calvert to throw his name in the hat for POTUS following Vivek Ramaswamy of Strive Asset Management announcing his candidacy for the Republican nomination. According to Streur, “Vivek’s anti-ESG narrative requires a national response, and my experience and commitment to the benefits of SRI / ESG will serve to offer voters a better choice.” Surprisingly, Streur is going to run in the Republican primary where his platform is currently supported by only 12.6% of registered voters. If Streur is unsuccessful in obtaining the nomination, it is reported that he has privately discussed joining Ron DeSantis’ ticket as his vice president so as to bring a D,E&I component to the Florida governor’s message with the hopes of expanding his appeal beyond Florida’s wavering Trump supporters.

### **ARK Partners with A24 Studios**

ARK Investment Management is planning to partner with A24 Studios on a new active ETF looking to leverage aspects of the movie, *Everything, Everywhere, All At Once*. The fund will have a wide open mandate able to invest in any type of security, in any sector anywhere on Earth, while also considering investments, if they exist, in parallel universes.

In other ARK news, the firm has filed for a new crypto default swap fund, with financial news media touting what could potentially become the firm’s flagship product and provide a “guaranteed” 34% return. The overall strategy will sell swaps to investors nervously hedging their cryptocurrency investments or those speculating on the bankruptcies of crypto exchanges. The SEC is expected to announce its approval shortly with unnamed officials having already implied that there will likely be no negative systemic consequences.

### **FUSE Relocates Office**

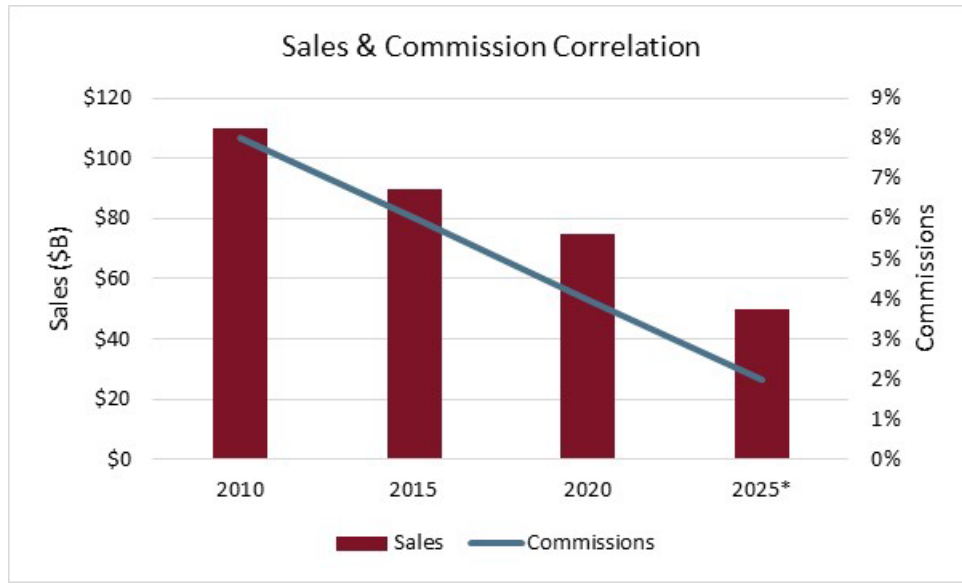
FUSE has witnessed a significant increase in C-suite strategic decision making that is based largely on the daily headlines found on the website of the industry publication *Ignites*. In fact, after *Ignites* recently reported the **breaking** news of BNY Mellon shifting its mail operations to Pittsburgh, FUSE received no less than five requests from its clients for market intelligence so as to determine how best to follow suit. In a move that is expected to receive thorough coverage by *Ignites*, *WTH*, and *MFWire*, FUSE announced that its Denver-based business development office was moving 0.5 miles to a location that was better than the old place.

### **BlackRock Announces New Alternative ETF**

Seeking to capitalize on the incredible hype around alternative investments, BlackRock just announced a plan to capture the market potential associated with rising inflation. With the rapid rise of egg prices (and other produce items), the firm has announced the launch of its Sunny-Side Up ETF, which seeks to capture the growth potential of the global egg market, including companies involved in egg production, processing, distribution, and innovation. While the idea of an egg-focused ETF may seem unconventional, Larry Fink believes that the global egg market will be a fertile ground for investment opportunities.

## Variable Annuity Sales Forecast

A picture (chart) speaks a thousand words.



Source: LIMRA

## Web Marketing Association Announces Winner

First Trust Portfolios ([www.ftportfolios.com](http://www.ftportfolios.com)) has once again received the highest ranking of an investment management firm's website in this year's *Webbie Awards*. In the category of firms with AUM between \$130 billion and \$165 billion and with 100+ wholesalers, First Trust was named #1 for the 13<sup>th</sup> straight year. The average category scores submitted by the panel of anonymous judges were as follows:

- Development Time A+
- Simplicity / Ease of Use A+
- Impact on Sales A+
- Maintenance Cost A+
- Basic Content A+
- Tools & Apps F
- Graphics / Visual Appeal F

## ESG Beats Retirement on the Web

The most recent annual survey of web imagery by the Website Asset Management Marketing Institute (WAMMI) revealed that the number of images of retirees on sailboats was surpassed by the number of images of nature for the first time ever in 2023. WAMMI attributes this seismic shift in web design and imagery to the rising popularity of ESG as an investing strategy. The report states, "Our analysis concludes that mutual fund buyers are no longer basing their investment decisions on the attractiveness of the septuagenarian couple or on the length of the sailboat. Instead, today's investors choose funds based on the leafiness of the trees and the height of the snow-capped mountains in the fund sponsor's photos." The 2023 survey also identified navy blue as the most popular website color for the 54<sup>th</sup> consecutive year.

## SEC Commissioners Propose Mandating All Government Employees to Invest in Vanguard Index Funds

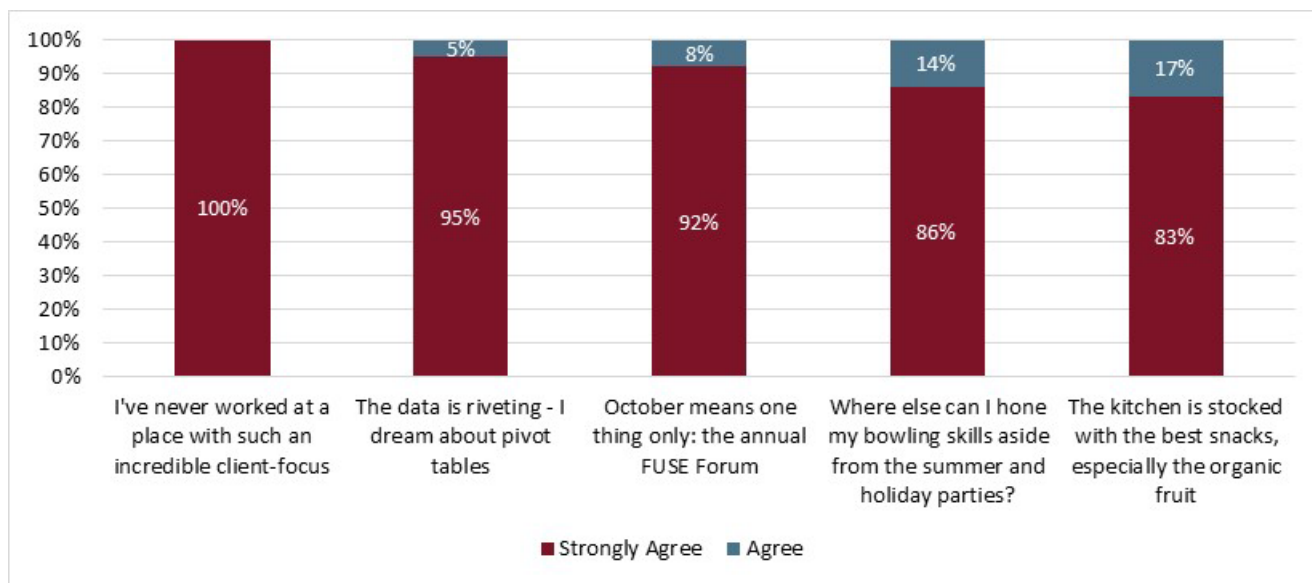
In a surprise move, the Securities & Exchange Commission (SEC) has proposed a new regulation that would require all government employees to invest all of their personal assets that are designated for '33 or '40 Act products in Vanguard index funds. The proposal comes after it was revealed that the majority of the commissioners themselves have invested heavily in Vanguard index funds and exchange-traded funds (ETFs).

## Empower Launches TB12 TBD Target-Date Retirement Fund

Empower announced the launch of the TB12 TBD Target-Date Retirement Fund. This new vehicle offers many enhanced features, including quarterly retirement date flexibility. In keeping with today's trend toward customization, the initial product marketing campaign will target a select segment of investors – female football fans over 80 years old. Male investors will be targeted by geographic regions (New England and Florida residents only) and dietary choices; preference for avocado ice cream is expected to be a key factor in determining personas.

## FUSE Employees Buck “Quiet Quitting” Trend

A recent FUSE survey of its internal Gen Z employees found a lack of correlation with its industry competitors regarding the recent quiet quitting phenomenon. Reasons for opposing the trend but rather opting to go above and beyond like no other industry research firm include:



Note: No respondent selected "Strongly Disagree"

Source: FUSE Research Network

## SBF and Alameda Plan to Bring a New Continuously Offered Closed-End Fund to the U.S.

SBF and Alameda Research announced that it will be bringing a new continuously offered closed-end fund to the U.S. marketplace. In an effort to rehabilitate their tarnished image, the combined entity intends to follow an investment approach that focuses on Impact investing, catering to Millennials' desire to invest for good. CEO Caroline Ellison stated, "We look forward to helping our clients not only reach their financial goals, but to help make the world a better place. While our initial funding will come from helping the repressed Princes of Nigeria (which so many people have failed to assist), we believe there are many other opportunities to make a difference including much needed Caribbean resort real estate." Silicon Valley Bank is shown as the custodian and transfer agent on the SEC filing with KPMG providing accounting / audit support.

## New Survey Suggests “Un-Woke” Financial Advisors May Outperform Non-Napping Peers

FUSE announced a surprising new survey finding that suggests financial advisors who take regular rest breaks during normal working hours may be more effective in managing their clients' portfolios. "We were shocked to find that advisors who take a nap while the market is open actually outperformed their peers who focus on security selection and trading throughout the day," said a FUSE senior analyst.

### **FUSE Partners with Bloomberg**

FUSE is excited to announce its partnership with Bloomberg on a new research app that will allow financial advisors and retail investors to search for the hottest performing mutual funds over the 1-week, 1-month, and 3-month time periods. This cutting edge tool provides investors access to Bloomberg's latest insight on the best short-term trends. Neil Bathon, FUSE Founder and Managing Partner, stated, "Those who have followed my career and read my LinkedIn posts will understand my enthusiasm for FUSE's latest tool. Our algorithm shows that the best investment decisions are often made when one follows the momentum associated with short-term alpha production. They say 'the trend is your friend' for a reason."

### **ChatGPT Joins FUSE Team**

FUSE has taken a bold leap into the future by hiring its newest employee, ChatGPT. When asked about its decision to hire ChatGPT, a spokesperson for FUSE said, "We were looking for someone with excellent communication skills, a knack for data analysis, and a willingness to work long hours without complaint. ChatGPT met all of our criteria, and we're pretty sure they won't try to take over the company like our previous intern, Hal."