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Transcript of the Zero Management Fee Symposium

■ Guy Spier ■ Orly Hindi ■ Mark Chapman ■ Dan Brocklebank ■ Michael Cook ■ Andrew Rosenblum ■ Nicola Perali ■ Danielle Town

Guy Spier

So, if you're watching this, hello everyone. We are, as I said in the email, going to take five or ten minutes here just to get everybody onto the ball. This is the first time that I've done this, so I've left plenty of time to figure out technology. I figure that, given that people aren't commuting or traveling, buying plane tickets, doing all of those things, you'll be okay to hang out a little bit on the phone right now. So, just bear with us. One thing that you can do, I see that 38 participants have joined, is that I presume that you have a chat. So, if you want to type into that chat and show that you're there, that would be good. And we have agreed to live stream this. Orly, I'm now seeing that you are the host. I am just an alternate panelist. So, unless you want to hand over hosting to me, if there's a way to do that, why don't you go ahead and live stream it, and share that link.

Orly Hindi:

Yeah, sure.

Guy Spier:

That would be fun, I'd be interested to see that happening. So, as you can see, we've got a whole bunch of people saying hello. Sathyaraj Radhakrishnan, Carlos Sanchez, Dan Brocklebank. Hello Dan. So, this may be repeated when I formally get started. I will start off with just a few opening thoughts comments and ideas. That'll take about ten minutes. Part of that is I'm just going to share with the participants here my journey to the zero-management fee world, and where I am as a work in progress. I'll have Mark Chapman talk a little bit about his experience in putting together the zero-management fee white paper, which is what got this whole thing going.

Guy Spier:

Then what I'm going to do is I'm going to turn to a couple of panelists, and I guess you guys can see me, those of you who can see me. We had, on the online form that we posted, 186 people register. And I've been through those comments. There's one person that I know, Dan Brocklebank, but there are some that I don't know. Michael Cook is one, Tony Hansen is another. And you are by no means the only ones, but your comments just stood out to me. So, I'm actually going to invite those three to become panelists, while I engage in a sort of like Q & A conversation with them.

Guy Spier:

And then after that, I have about ten questions that also popped out at me from this form here. And I'm going to call on, I've got a few people here, Daniel Harnish, Andy Rosenblum, David Bloch, York MacPherson and Jason Kim. I'm going to ask you to repeat your question. So, you're just going to have to bear with me, or with us, because this is the first time that we've done this. We're now 4:07pm. We have 47 participants, I had tallied that we had a total of 82 registrants, so we're almost half there. And, I see, it's great actually, great to say hello to everyone. What I don't see, now what I want to see if I can do, this is in the technical practice section, is I want to see... No, I can't do it. So, Orly, because you're the host, you should be able to promote Mark Chapman to be a panelist. Can you see a way to do that?

Orly Hindi: All done.

Guy Spier: You're in the hot seat now Orly, because you logged into this call before I did. There you go, there's Mark Chapman, congratulations. Well done. And just to understand Orly, so you're running this call. Hey everyone. Take a good look at Orly. If you see somebody who's under a little bit of pressure, but you'll do just great Orly, thank you so much. The other thing that you can probably do, and you're going to have to decide Orly, is how - Yeah, no, this is good. This is great.

Orly Hindi: Great to be your host, everyone.

Guy Spier: Now just I want to understand as well Orly. If we want to demote Mark, shall we see if we can demote him. So, I want to see if we can add people in, which is in a certain way kind of bringing people onto the stage or not. Have fun.

Orly Hindi: Mark, if I accidentally remove you from the group entirely, feel free to join back in.

Guy Spier: So, while Orly is doing that, I just want to tell the participants, I see a Q & A bar there as well. So, you should at any point - In fact I would appreciate it if some of the participants would type in some Q & A, even if it's, "Hello, what's the weather like over where you are," because I want to see how that works and if that works. And, not that you should be under any pressure Orly, but we did promise to live stream it, so the minute you have a link.

Orly Hindi: Working on it. Sorry guys, slow and steady trying to figure it all out. I don't know that I can demote someone from panelist, but I can definitely allow people to talk. So, I think we can do that, and in the meantime, I will try to figure out if there is a way to kind of bring someone back on.

Guy Spier: Yeah, otherwise we'll have a significant number of panelists there. But that maybe is fine. That's okay, so we'll figure that out as we go along. Now how are you doing on live streaming. So, we need to get a link out, which we'll just post on social media. So, if people want to join the live stream, they can. And, Orly, what I would tell you is that if you go down along the bottom, I have something that says, "more." And I'm pretty sure that when you click on more, that's where the live stream happens.

Orly Hindi: Yes. I just had to allow live stream to happen. It's not giving me that option yet. Bear with me.

Guy Spier: No problem. Just a few things. Paul Val says it's cold and wet in London. Hello Dan. Thank you. How much wood would a woodchuck chuck? Sathyaraj, I'm located in Zurich. Federico, I actually moved that bust. It doesn't really sit there, but I thought it would be fun to have that background for this call, so I put him there. That's Charlie Munger. Struck by an Indian. Very very talented guy, he did a really really good job in my humble opinion. And Adam Franks just wrote a test question. So how are you doing Orly?

Orly Hindi: Doing good.

Guy Spier: I think that what I'm going to wait for now is for you to tweet out or share a live stream. You don't have that yet?

Orly Hindi: I'm trying different ways now. So now I'm just going to log into my Facebook account and see if I can just do it though there.

Guy Spier: No, I'm almost certain that - Oh, I see. When you click on more along the bottom, what do you get?

Orly Hindi: It gives me live on Facebook, live on workplace by Facebook, live on YouTube, and invite.

Guy Spier: And if you do live on YouTube, what happens when you do that. When click that.

Orly Hindi: It brings me up to the page, it then tells me that I have to enable live streaming. And now it's brought me to a YouTube page, which I've enabled it. And now I need to figure out where to insert the stream link, and how to do that.

Guy Spier: Yeah. Yeah, that's going to be fun.

Orly Hindi: Sorry, as you guys can tell, this is our first symposium using this specific software.

Guy Spier: Yeah, so bear with us.

Orly Hindi: So, we're learning on the go, with you. So, thank you for bearing with us.

Guy Spier: Orly's just taken herself off. So, you know, I guess if we end up not live streaming it, that's also fine. But I'll - Orly, are you there? Still here?

Orly Hindi: Still here.

Guy Spier: So, you just mute yourself, I'm going to get going.

Orly Hindi: Yeah, sounds great.

Guy Spier: We're fourteen minutes past. And yeah, so I'm just going to start. Thank you everyone for joining this online symposium on zero-management fees. How did this start? Well, I'll tell a little bit about my journey, but this started for me because I had figured out that a really good way to sort of collect up knowledge in non-real time was to write these white papers, and that when you start writing these white papers and circulating them, you get commentary back. And pretty soon, you have sort of a combined document that is way better than any individual mind or group of minds could put together.

Guy Spier: I'm sure that the group here are aware that I've done a number of these. And they're enormous fun to do, and it's very fun to see the knowledge created. So, I'm not sure exactly how it happened that I managed to convince Mark Chapman to put together a white paper on zero-management fees. And he'll talk more about what he did to put that together, and the limitations of that document, by the way. There's some things that it doesn't have in it, that I never expected it to be downloaded more than 3,000 times, which is where it's at right now, hosted on a piece of software called [inaudible 00:11:40]. And subsequently I've received hundreds of emails from people who were engaged on that topic. So, it's a really curious and unusual part of the financial markets, in that everybody one talks to is convinced of the benefits of doing it. But there are very few people doing it, there's very little coverage of it.

Guy Spier: I'm excited to be focused on this unique space, that is part of where Aquamarine Fund sits. The purpose for this seminar is simply to promote knowledge and learning. I feel like I'm interested to learn more about this space, and as you can see there's significant interest. So, I'll judge this as a success if people come away having learned something. Over and above that, I should just make sure you know there are three different kinds, at least three different kinds of audience participants here.

Guy Spier: There are some people who run zero-management fee funds, and we're going to hear from some of them. There are also people who are investors in zero-management fee funds, and hopefully we'll hear from some of them. And then there are people who are either thinking of starting funds, thinking of investing, or maybe are just interested in the space. There's at least one person that's written to me who plans to write a thesis for a university on it. And I'm delighted to have those people here as well.

Guy Spier: So just to give you my journey, which is mainly summarized in my book *The Education of a Value Investor*. It's in one or two of the chapters. Even though I was firmly steeped, twenty years ago, having attended one or two meetings, in the sort of Berkshire-Hathaway love fest, I had the ambition to run money with zero-management fees. And I don't think that I'm a weak-minded person, but somewhere between that intention and getting Aquamarine Fund started, the advisors managed to convince me that that was a dumb idea. And all sorts of reasons why. They told me it was non-standard practice. That it was unusual. What was I going to live from? And no matter how much I tried to convince them of the rationality of doing it that way, it was almost to the point where they refused to execute on my request to do it.

Guy Spier: And just leapfrogging forward a little bit, somebody I admire enormously who is no longer running outside money is Nick Sleep, based just by the King's Road. I was in his office talking about this, and he smiled at me and said, "Yeah, I know. All you have to do is you have to use a method of negotiation, which is basically you state what you want, and you don't budge from it. And you have to be extremely unreasonable. And that's what he had to do, and that's what I didn't do. And it was the first time that I had this feeling that I was Snow White, that I had drifted.

Guy Spier: And what in my case happened, which I feel very lucky about, was that this lunch with Warren Buffett. I really did, I lost some sleep. I mean I was losing sleep over meeting my hero Warren Buffett anyway. But I really did. I was scared stiff that he'd look at me and think that I was just some greedy four-letter word and wouldn't think too much of me throughout the lunch. And I was desperate to avoid that fate. And I was so desperate to avoid that fate that it motivated me to not change the fund completely to a zero-management fee fund, but just to introduce share classes that did not charge a management fee.

Guy Spier: Even then, I had enough resistance from my existing set of advisors, and investors even, in some cases, that what I did was: this I was living in New York, and the majority of my investors were kind of in Europe. I had one investor and legal advisor based here in Switzerland. Then I prepared the documentation with the law firm in New York, which was not an inexpensive exercise. This was around 2007. And I presented it as a fait accompli. And I had a meeting where I actually said, "If you don't let me do this, I might go and do something else. This is that important to me." And it was incredible, because then they finally gave way. But before that, they just didn't give way.

Guy Spier: So that was a really important point for me, and I felt a lot better going into the Buffett lunch. But then I would tell you that, I've got this is sort of like four stages: The Snow White, that I drifted, talking about it but not doing anything about it, getting to the Buffett lunch and actually doing something about it, and then the world afterwards. And I think that I practically fell out my chair one day, when having introduced that share class, I got an investor who had read my documents, and simply signed up for the fund without ever talking to me.

Guy Spier: And there are a number of reasons why that person did that. And I've had multiple experiences that way. But a big part of it is that the minute you communicate to the world that you're willing to run money for zero upfront, and everything on the back end, people get it. Or some people get it. Not everybody. Some people will look at it for a thousand years, it's a bit like value investing. Some people will look at it for a thousand years, and they just won't get it. And all they want to do is pay 1%, or whatever it is, to have somebody run money. But there's a very very small proportion of people in the world, and they're distributed across the planet, who realize what that is, and they're willing to just send their money to somebody that they've never met. And that was utterly extraordinary for me.

Guy Spier: The other thing that was utterly extraordinary for me was that it's a very very different feeling, looking at one of your investors in the eye when the fund is down. It feels so much better to be able to say, "I am not taking any fees. And I won't make any money, until you've made money." And in that regard, there's the famous comment now, I would argue, by Charlie Munger, said at the Daily Journal meeting last year, where he pointed out that Mohnish Pabrai, for a period of about 10 years, did not take a fee. And, again, that helped Mohnish sleep at night, and I suspect it helped his investors sleep well at night.

Guy Spier: So, there's my journey. I would tell you that the journey continues, in that about a year or two ago, we went to reducing yet further through a couple of mechanisms that maybe we'll get into. And, as you know, the baked in investors from the past, primarily members of my family, still pay a fee. Which actually feels quite good. So that's just my story. And we're going to hear other stories. The key issues that I've played with, or that we play with internally, is what is the size of the hurdle? I chose 6%. Absolutely key is whether it's cumulative or not. Some of you know I've talked about that in my annual meetings. And the degree of lock up, or the degree of illiquidity that you get in return for not charging a management fee.

Guy Spier: My last thought, and then I'm done in my sort of role as a panelist I guess, is that, you know, we all now understand business models. Or if you don't, get me to talk about it. There are plenty of other people who talk about it, but we can talk about Costco, we can talk about Interactive Brokers, we can talk about Amazon. These are businesses that, Nick Sleep calls it "scale economies shared". As you keep lowering your costs, you keep figuring out what the lowest cost suppliers are. You pass those lowered costs onto your clients, and you win an enormous amount of goodwill from doing that. And there's one man who's done it in the index fund business. That's John Bogle, and Warren Buffet's called him out on it. There's no doubt in my mind that zero-management fees are the private fund management equivalent of Amazon, Interactive Brokers, and Costco. And I think there's real franchise value to be built there, by any manager that chooses to do it.

Guy Spier: So, it's exciting to talk about this, and to share that with you. And so now, without taking any more time, and having taken about ten minutes myself, I am going to turn over to Mark Chapman, who will give you a slightly different perspective. I'm now going to mute my mic, and over to Mark.

Mark Chapman: Good morning everyone. Can you hear me okay?

Guy Spier: I can hear you Mark. If I can't hear you I'll raise my hand like this.

Mark Chapman: Just to give you a bit of background as to how we got the data for the white paper. It all started in Guy's office about two years ago. And he just put something on social media, and it said, "Who doesn't charge a management fee?" And he attached one of those survey forms to it, and those survey responses started flowing back into the system from managers all around the world. And so, I collected all of that initial data, and then I communicated with those people. And there was between 80 and 100 responses to that initial post. I then got into touch with all of those guys and asked them to tell me a little bit about each of their experiences and their firms. So, it was kind of a woolly data, but it was good. It was able to give me a sense of what size hurdles people were using and what performance fee percentages there were charging. I asked questions like, "What's the size of your assets and your management fee percentage, and what's your redemption notice period".

Mark Chapman: And so, I collected all of that data from all of those sources. And whilst I didn't put it in tabular form and publish it, I really just tried to get a summary of where the most activity was going on. And then I came across a guy called Aaron Westland. And he helped me to explore the registered investment advisor space through the SEC website. And he downloaded for me just this pile of data. And I thought we were going to have some exciting results out of that. But unfortunately, in the ADVs that people fill out, there isn't an opportunity for different classes of shares or managers or funds under one advisor, to tick a box which says performance fee only, because for the most part, like Guy, managers do a mix of management and performance fees.

Mark Chapman: But it was kind of interesting, because in total I found 14, this is a very very small number, that did performance fee only, no management fee. 14 out of all of the U.S. And we chose the U.S. because it was the place where it was likely to provide the best data. 14 out of the whole universe of FCC regulated advisors. And so that was interesting, but disappointing. And then, kind of the last step that I did was to summarize everyone's comments, to sanitize if you like, everyone's commentary. Well I included that in the sort of appendix to the paper. And then we issued it.

Mark Chapman: And, interestingly enough, subsequently to that, we've had probably another, in excess of another hundred people. Emailing, communicating with us, with their data. And I've been storing that. And one of the projects probably on the go after we finish this call is to actually issue a follow up paper. Well some people in the Q & A online asked, "Where did we find performance fee only managers?" Guy and I talked about putting a list together, but that

Mark Chapman: requires a bit more due diligence than I did on this. On this exercise, I looked up data on the internet and I checked the ADVs. But I would actually need, for the full publishing of a list to get everyone's Offering documents, and I'm not sure that's going to be so easy. I would want more comfort than I had when writing these general thoughts that I wrote two years ago.

Just so you know what my background is, I've been looking at this stuff for over 20 years. I was an audit partner at Deloitte, where my job was to audit hedge funds. So, I've seen everything, and I think I can talk fairly authoritatively about it. It's only recently that I've really come across the zero-management concept, and I'm really excited to be involved in it with Guy.

Guy Spier: So, thank you Mark. Thank you very very much for your background. Mark has enormous amounts of technical knowledge, so it turns out that when you dive into the details of how to structure the hurdle, how you structure different parts of it. There's fine detail as to how you do it, and what decisions you make. And we've come up against some of those. In fact, we were debating one of them just recently that related to a five-year share class that we introduced. But Mark, just before I go to Dan Brocklebank, I'm going to ask Orly in a minute to promote Dan to be a panelist. Can you just give us a sense in 25 years of auditing funds, structuring funds, talking to people who want to start funds, how many people came to you with zero-management fees? What structures, or what other fee arrangements do people come up with, what worked and what didn't.

Mark Chapman: Well, funnily enough, so I'm with fund guys all the time and it was the very first time in 2007 that I'd ever seen the zero-management fee. And I guess Mohnish was doing it before then, but subsequently, I didn't see it very much. I mean, we would see management fees in almost every fund that we looked at. And so really right up until we started the survey, I wasn't really aware of anyone else doing it.

Guy Spier: Just to understand, in terms of your structuring funds in the BVI, what was the highest fee you ever saw?

Mark Chapman: The highest? I don't think I've ever seen more than ... what do you mean, management or performance?

Guy Spier: Yeah management and/or performance fee.

Mark Chapman: I've never seen more than two percent on management fees, and never seen more than 30% performance. Although I have heard of 50% - we disclosed that somewhere, one of our other papers, but in actually auditing anyone, 30% was tops.

Mark Chapman: But one of the things I experienced, and I wasn't just auditing, I was also helping investors with their accounting. And it really troubled me, it still does, to see people with portfolios being charged either fixed management fees or percentage management fees. And I've had these talks with investors and the assets under management just gets whittled away as the advisor or the manager churns the portfolio and charges fees.

Mark Chapman: If I asked them, "Why, why are you still with that?" And the answer is, "That's how I inherited it" or "That's how it's always been." And we just have to get across, as a group, that there is another better way.

Guy Spier: Thank you, Mark. We actually now already managed to figure it out, how to make it live Stream so I've just tweeted that out, and so if you look at my Twitter feed or if you look at the Aquamarine Facebook page, you can actually share this with your friends if you want to. Again, I'm enjoying playing with the technology. What I'd like to do now, and I can't see Dan, but I believe that Dan is on the call. Orly, would you be willing and able to promote Dan to be a panelist?

Dan Brocklebank: Hi Guy, can you hear me?

Guy Spier: I can hear you. Are you able to go onto video?

Dan Brocklebank: I probably am, but it's not immediately obvious I'm afraid.

Guy Spier: Okay, we'll learn as we go along.

Dan Brocklebank: I think it's far better for you looking at you than it is looking at me.

Guy Spier: Okay. So Dan, why don't you take a couple of minutes to introduce yourself?

Dan Brocklebank: Sure.

Guy Spier: Make sure that people know who you are and then I'm going to ask you some questions... so introduce yourself and then you can share thoughts, or I'll prompt you, we'll see where we go.

Dan Brocklebank: Okay.

Guy Spier: Blast away.

Dan Brocklebank: Sure. Well good afternoon, Guy and thanks to you and Mark for all your work on this. I agree with you, it's a fascinating area and it's great to see so many other people thinking about this area. Just by way of introduction, I've been with Orbis for coming up for 17 years now. Like Mark, I was a trainee, I was a chartered accountant for my sins, but I had a real passion for investing. I joined Orbis in the wake of the tech bubble.

Dan Brocklebank: For those of you who aren't necessarily familiar with Orbis Investments, we were founded in 1989. Basically we're a long-term, fundamental contrarian investment manager. We round up a very small handful of primarily equity funds in pooled vehicles. And the largest one of those is the Global Equity Fund that we've had running since inception, which was the first of January 1990. And so we come at it with a long term focus, very much a bottom up value focus in the fund, and our journey towards the zero management fee focus is slightly different to the one you describe, in that where we set it up, all those funds had always had fee structures, and this goes right back to the beliefs of our founder Allan Gray. The fee structures that we always had were performance related. And his view was that you have to make sure that as an organization, it's best as an investment organization if you can structure the business so that you only do well as a firm if you do well on behalf of your clients.

Dan Brocklebank: There's a strong belief in linking how well the firm does to how well the client's portfolio's done. Initially we had a fulcrum fee structure, pretty typical in the U.S., less common outside the U.S. And after about 2000, in fact shortly after I'd joined, the feedback we were getting, particularly from institutional investors who wanted to invest alongside us was that they liked the ethos, they liked the linkage of fees towards performance, but with a fulcrum fee structure there were two problems for them. First is what is commonly referred to as the sequencing problem.

Guy Spier: Dan? Sorry Dan, I know that if I don't understand it, can you explain what you mean by fulcrum before you move on? Because that's important. Thank you forgive me.

Dan Brocklebank: Yeah, critical. So a fulcrum fee structure is one in which there is a fee rate which is calculated as a percentage of assets under management and the way to think about that is that if you perform in line with the benchmark, that fee rate is, let's just call it X percent, and that is the fulcrum about which that rate can pivot. If the performance of the fund typically calculated over a trailing period, say the last three years. If the performance exceeds whatever benchmark is set for the strategy by a certain amount, then that fee rate can rise to a set amount, so let's just call it 2 X, and if the performance of the fund underperforms whatever benchmark is set, that fee rate can decline, say to half X or to zero. So the variables that you have when thinking about a fulcrum fee structure is what is the fee rate you charge if you just perform in line with a benchmark, how high can the fee rate go, and how low can it go, and what are the performance levels that you need to achieve to hit that peak fee rate and the trough peak rate. Is that clear Guy? You still there?

Guy Spier: Sorry, I'm still here Dan. I just had muted myself so I was talking on mute. But yes, thank you so much for explaining that. Please continue.

Dan Brocklebank: So, we had a fulcrum fee structure and potential clients would look at it and say we don't like the fact with the fee structure, the rate that's being charged on an ongoing basis is calculated based on the performance of the last three years. So, if we were to invest today, the fee rate being charged would be determined by historic performance over the trailing three years which that new investor would not have received. The second issue or query that was raised is what is the fee rate if you just perform in line with the benchmark? And investors clearly wanted that variable to be as low as possible. So, when we got all of that feedback, we thought about which of those two problems we could fix? Or which would be most important to fix. And we took the view that the first thing to fix would be tying the fee rate to the investor's actual performance.

Dan Brocklebank: But the fact that the fees were determined by this tailored performance was probably the first thing we could tackle. We did that through a different mechanism, not necessarily linked to zero or base fees but it's a refundable reserve. And what that essentially means is that these are calculated based on the performance of a particular share class, but the performance fees are not paid directly to us, they're put into a reserve, and then they can be refunded to the client in the event that we subsequently underperform. And the aim with that is to true up any performance fees paid so that a cumulative investment experience is enjoyed by the clients. One of the challenges with performance fee structures, which is often cited is that the pathway to returns can sometimes impact the total performance fees paid.

Dan Brocklebank: Just very simply in practical terms, if a manager outperforms by 10% in year one, but then underperforms in year two by that same 10%, some fee structures might charge a fee in year one, but without a refund, the investor might have suffered no net performance, but have paid substantial for a fee in year one. So that reserve mechanism was introduced, just trying to keep this relatively brief, in 2014, and it was well received, but clients came back and said what if you could push the base fee down as close as possible to zero? So we said why not take it all the way to zero, and we came back with a structure where we said that we would offer a zero base fee, and only a performance fee, and that performance fee would then be refundable in the event of subsequent underperformance. That was basically our journey. We introduced that zero base at the start of 2014, and I'll stop there.

Guy Spier: Yeah, no that's incredibly helpful, and I just want you to know Dan, that I envy your capacity to talk about these things in such clear and simple terms, with this sort of measured pace which is just beautiful to hear. I wish I could look around the participants and see if you agree. So, I'm just going to dive into, stick with you for a second, and just dive into a couple of questions I think that you actually raised yourself, that I would like you to address. There are three, and we'll do them sequentially. So question number one for you Dan, this is just asking you back the very question that you asked, so I hope you've thought about it.

Dan Brocklebank: Oh goodness. I hope I can remember what it was.

Guy Spier: So, the question is, I think that the issues that need confronting are how do you prevent a zero-based fee structure from being labeled as a heads I win, tails you lose proposition for the manager? But before we get there, and to give Dan a little bit of time to think about what the hell he's going to say to that, for people who are looking at structuring funds, so Dan has this reserve mechanism which basically says we'll take the money, we'll hold onto it, and see if you really deserve to get it. Nick Sleep, when he was managing money, had a structure like that. I had a fight on my hands just to get the zero management fee structure in place, and I wanted to do the reserve mechanism and the accounting is not easy.

Guy Spier: Again there's detail as to what one needs to do on an accounting level. There's some important decisions that one needs to make. You have to do a trade-off between simplicity and equity, and in my case, I decided that I'd fought enough battles and I wouldn't do it. So, I think that you can do pretty well without having a reserve mechanism, but it's worth saying that if you want to go the whole hog, you can really structure the incentives right. There's no question that the right thing to do is to put that money at risk for the manager. And let him claim it over a longer period than simply performance over one year.

Guy Spier: But with that in mind Dan, you can address that a little bit more, but I'm actually really curious. Somebody starting out, they don't want to charge a management fee, they get accused of being a heads I win, tails you lose, what would you say? And actually sorry Dan, I'm going to give a bit of an answer myself, which is that if you're lucky enough like Mohnish to have sold a business, or to have a pool of money that you are a direct either owner or beneficiary of, then part of the way that you answer that is both because you have very significant skin in the game, because your money is also invested alongside. But maybe I just stole your answer Dan, what would you say?

Dan Brocklebank: There are a number of things. Skin in the game is critically important. I think when starting out, I think it'd be very hard to start out unless you're starting out with large pools with either your own capital or client willing to back you in size straight out. I think it's very hard to start out with a zero base fee. I think if you think about a start out situation, I think it's worth just backtracking to why performance fees make sense from a relationship perspective between the manager and their clients. In my mind, the reason performance fees are so important to structure right, but to implement, is because the alternative is to charge based on a percentage of assets under management. Even if with the best will in the world, that inevitably introduces the temptation at some point in time to grow beyond a level at which you could sensibly deploy capital.

Dan Brocklebank: I think that's why we are all interested in performance, it's to avoid that trap. To take that trap away. So I think when you're starting out, obviously that's far less likely to be a problem, and so I would say to people starting out, you might say well, I've got this aspiration to move to a zero management fee, but you could start out with some form of ad valorem fee initially with a view to just getting some scale in, and then when you have the scale you could shift to a zero-management or a zero-base fee structure.

Guy Spier: You know, it's interesting, I wonder how many managers start off on that route, planning to reduce their fees, but end up not reducing their fees. I don't think that if I'd have gotten that fear of rejection, future rejection by my hero Warren Buffett, I'm not sure that I would have had the willpower to do it actually.

Dan Brocklebank: You may be right then. But in which case you could start with a fulcrum fee structure, and certainly I'm no expert by any means in the U.S. market but I believe they're much more widespread and much more common in the U.S. market than they are in Europe. Just one of the points I was going to make Guy. I think that the zero-base is a great innovation for clients. I think, as you mentioned early on, that it really helps with that alignment between the two. It's not, the reserve mechanism we believe is an extra advantage on there. It's not the only way to do it, I don't know how many, if you plan to go on to this, if you're listeners aren't aware, the largest pension scheme in the world, Japan's GPIF, they've introduced something which I think is far more radical than people are talking about widely. On the 11th of June this year, they put out a paper which is available on their website, in English.

Dan Brocklebank: And they talk about a new fee structure that they have introduced for their active equity managers. They're not quite going to the zero-base, but they're taking all of their active managers to a base fee, which is equivalent to the fee for a tracker fund of the same asset class. So it's pretty close to being a zero base fee. But there is an element of payment. They have a performance fee, but instead of a reserve mechanism, they have a deferral mechanism. I won't go into the details, but some form of deferral or clawback is another way of trying to put a mechanism in, to true up accumulative fees paid to the cumulative performance.

Guy Spier: Fascinating. Dan, thank you so much for your input. What I'm now going to ask you to do is to mute your line. You can imagine that we have some kind of stage or something. You've come and joined me. And now we're going to invite somebody else up onto our imaginary stage. And that person who has e-mailed me just now to say he's fine with it, whom I'm never met, but I just liked the comment is Michael Cook from Private Value LP, is the name of the business. So Orly, now you get to search frantically through the participant list to hopefully find Michael Cook, and promote him to a panelist. Everybody bear with us while we do that. And while we're waiting for Michael Cook to join, Orly, do you want to step in there? Congratulations Orly, she managed to get the live stream going. The live stream is in the chat, feel free to share that out. We could've chosen either Facebook or we could have chosen YouTube. Orly chose Facebook. I hope you're all okay with that.

Orly Hindi: YouTube was not cooperating.

Guy Spier: No problem. I'm blanking, forgive me here, Michael Cook?

Orly Hindi: Michael, you should be able to talk now. You are a panelist, I don't know if you're just trying to rejoin, but it does show that you're there, so feel free to try and speak.

Guy Spier: So while we're waiting for Michael Cook, another person whom I am actually not sure, I hope that he's available, is from Australia, Tony Hansen. Do you see Tony Hansen available?

Michael Cook: This is Mike Cook, can you hear me?

Guy Spier: Oh Mike, you're coming through loud and clear. Welcome Michael.

Michael Cook: Thank you.

Guy Spier: So over from the other side of the Atlantic, Michael welcome to this call. Why don't you take a few minutes to introduce yourself first. And just so everybody knows, I've never met Michael in my life before, this is the first conversation that we're having. Michael, the floor is yours.

Michael Cook: I'll start with a little background. I've been managing money since about 1986, and I started out with a company that I started in Pennsylvania managing money for wealthy families with a concentrated bottoms up value strategy. After about 15 years or so, we'd grown that to about a billion under management for about 100 families across the country, and I sold the company in 1999 to a large public company. And stayed on and ran it for another four or five years for them. And then left. And then sometime in '06 or '07 I guess it was, on the request of friends of mine who wanted me to take some money, I decided to set up a partnership as a way to replicate how I was managing my own portfolio. Initially I didn't have the zero-fee share class in that partnership. It was just a straight 1% management fee, no incentive fee.

Michael Cook: But about six or seven years ago we introduced a class B share class which I just thought made sense. I realize I was doing this for myself and for other people because I enjoyed doing it, I didn't really need to earn fees any longer. I had enough wealth personally where extra management fees were irrelevant to me. So, I just thought the zero-management fee structure made sense. I thought it was a better way to manage money for people. So, I introduced that share class, and what's interesting is I bring it up all the time with people, and even the people that have the original share class, which is the 1% management fee - for some reason it's hard to convert them to go to the class B share class. Even though they have the option to do so. Anyway I just thought it was a smart way to invest money for people. I saw no reason why I should earn a fee if I can't generate at least a 6% return.

Michael Cook: We have a hurdle rate of 6%. We don't have the reserve mechanism that you discussed Dan, but I think it's an interesting idea. I do think the accounting of that would be somewhat complicated. But I'd like to learn more about that. We do have a 6% hurdle rate. It's not cumulative at this point. The way it works is if in year one we had a negative return, that deficit first has to be earned back. And then 6% before the incentive charge can be charged. And by the way it's 25% after 6%. It's as simple as that. I like having that share class and I do suggest it to partners that are joining the fund as a good option.

Michael Cook: Some choose it and some prefer not to choose it. The only other thing I'll mention about the class B is in that share class we do have a three year lock up. We tell people that they really shouldn't invest in the fund regardless of share class if they can't really see themselves as being a very long-term investor. At least a five to 10 year horizon. In the class B share class we do have a three year lockup. There's some early withdraw penalties if they come out in the first three years, although that's never happened. Maybe if you have some questions Guy, I'd be happy to react to some of your questions as opposed to me rambling on here.

Guy Spier: No, that's great. Well it's worth saying that often just to hear the voices of people who are doing this. Because one of the incredible things, forgive me for, this technology allows is for, terrorists right now are using technology like this to get together and plot stuff. And one of the ways we can counter that is to create networks and create groups of people who are doing good stuff, so many of the people who want to do this or who are doing this are isolated. And to gather us together in one spot in cyberspace, and just to hear the voice of people who are doing it is great. I will tell you that something that resonates that you said that resonated with me a lot was one I don't know if you said it explicitly but the sense that it was the right thing to do. So I suddenly realized that my aunt in Israel is invested with me. The idea that I'd be taking money off her to manage her money is preposterous, utterly preposterous. So I sensed in you that feeling that it allows for a true partnership where you really are on the same side as your clients.

Guy Spier: But the other thing that I think is perhaps the most valuable thing that I can say on this call, or a little piece of insight and knowledge is that it's fascinating to me how even long-term investors, once they're invested in a share class, tend not to want to move even if you can show them rationally on paper that it would've been better to be in a different share class. I don't do that, and I think that a big pitfall for anybody who's managing money and considering changing to a zero-management fee class is even if you believe that it's better for your client, don't force them to change, let them stay where they are. People grow comfortable with what they have. I don't know if you want to speak back to that, but before you do Michael, what I do want to do is - I'm going to introduce the next panelist - somebody called Tony Hansen in Australia. Orly - maybe you can find Tony and see if you can promote him while I ask Michael if that resonated with you at all or not? Michael you may be muted.

Michael Cook: If what resonated with me? Say that again?

Guy Spier: This experience that people may be managed, so you introduced the zero fee class that doesn't charge people anything, but there are some people who you can't reason with them to get into that.

Michael Cook: Yes. And maybe they think the 1% fee is fine, and they're willing to pay that, and they don't want to pay any more. The question is, we'll say, well what if you're up 15%, what's that going to cost me? I'm going to say, well it's going to be 25% of 9%, which is 2.25% which is more than 2X the 1% fee, and I guess maybe people are optimistic that they're going to earn well in excess of 10%, because that's sort of the break even between the class A and the class B is 10%. At 10% it's roughly the same. Perhaps I've got more optimistic investors in my fund than others, but I've only converted from the original A share class, I think only two converts to the class B since I've introduced that four or five years ago.

Guy Spier: Very interesting. Thank you Michael, and now Orly, have we managed to find Tony Hansen?

Orly Hindi: I'm not seeing Tony on here.

Guy Spier: He is in a different time zone. I did send him an e-mail. So, what I'm going to do now is, Dan and Michael, I hope that you're willing to stay around and to just mute yourselves, or have Orly mute you, I don't know how it goes. I'm just going to now go to some of the questions that people wrote that I think are so interesting, and I'm more or less going to take them in the order that they were received on the form. The first person is Gunjan Chhaya, and I'm actually going to read it read it out, and then either Dan, Michael or myself are going to address it. What Gunjan writes is, he talks about the survival of zero management fee managers during the initial years of the fund setup. How do they survive? Is there a study that looks at the survival rate of zero management fee funds? Is there any evidence of out there of over or under performance? How many zero fund managers are supported by parallel with-fee funds? Does this create a dichotomy or conflict of interest? Is there an average time to break even for the manager?

Guy Spier: But I think this question is how do you get started doing this, if you know it's the right thing to do. I guess we've addressed it a little bit. So Gunjan is number six on our spreadsheet and Orly, if you find Gunjan and he wants to come live, that's fine. Gunjan, you can also send us a message I believe and feel free to do that. Either Michael or Dan, do you want to speak to that? Or Mark for that matter. I guess we've addressed it partly in just saying say yes, that is a real barrier to entry. It's a real hurdle. If you want to manage money professionally and you need to pay your bills through your business, you need to be paid somehow. And in a certain sense it means that only people who have already been successful in one form or another and have the ability to stay and sustain multiple years of losses or of zero income potentially can get into it.

Guy Spier: That is an asymmetry that exists in the world, there's natural selection there. Which is a good thing. I think that from the perspective of investors, if you look for somebody who's managing money with zero fees, if they have a built up a nest egg of one kind or another, which is relatively easily verifiable I believe. Then you know that they're in it for the right reason. And you cannot say that for somebody who is just taking a fee. And I would argue that somebody like Orbis, Dan happens to have been on the call, when they start thinking about reducing their fees in various ways, it's a very, very strong signal that they're not about gathering assets, they're actually about delivering returns.

Dan Brocklebank: I was just going to say I think the data, I'd love to have that. I don't think, unless it's come out in Mark's work, we certainly don't have it. I think a point I would make is this is why I think things like this call are so helpful is that we've encountered circumstances where most people look at the zero-space fee structure and their first reaction is it's too good to be true and for various reasons that I think we can all understand. Many people, when it comes to the financial world, think that if something feels too good to be true, then they've been trained to avoid it. I think just raising the awareness is helpful to help people recognize that this is an option out there.

Guy Spier: Yeah. Thank you for that. Michael, do you have any other thoughts that you might want to add.

Michael Cook: Yes, I do. I think it's very difficult for someone starting out to do this unless they have personal wealth or they don't need the income. If you're going to be hiring people, analysts and back office people, there's a big cost to that. I think it's very difficult to start out this way unless you have a financial situation that allows you to do that. I think it works best for guys like me and guys like you and others out there who do this where it's really a one-person operation, where we're the research department, we're the portfolio manager and it's really just our business. That's how I operate. I think you're similar to that. There's some other fellows out there, I know my friend Scott Miller who runs Greenhaven Road is pretty much a one-person operation. I think with those types of structures, it's more doable to have a zero-management fee structure in that type of organization, in my opinion.

Guy Spier: Yes, thank you. I think the one thing that I would add, and I'm going to say this while Orly - please see if you can find Andrew Rosenblum. I really enjoyed his questions. Andrew, if you're on the call and you want to ask them personally, that would be great. If not, I'll read them out. I would say that the extraordinary thing is ... I can imagine one of the advisors and investors in my fund going back 10, 15 years, me talking about zero management fees and he had this look around. I don't know anybody who would invest in such a fund or who has an interest in such a fund.

Guy Spier: What's my point? My point being that if you have to just get started and do that fee structure and then people will eventually find you but the probability that you know of a group of people who are going to value that is extremely low. You just have to get going and the world has to find out about you and you have to understand that the vast majority of the planet, not only will they not respect you, they think you're totally mad and that's okay because you just need a few people who understand and maybe there's some ironclad rule that most people just won't see it or understand that. Part of the hurdle is not just having the cash reserves to keep going. It's to hold out for those people who I believe will eventually come if your performance is half decent and you keep with that structure. They will find you, is what my experience was. With that, what I'd like to do is go on to Andy Rosenblum's question. He was, for the benefit of Orly and Mark, he's number 17 on the list. Orly, have you found him.

Orly Hindi: Andrew's on so he can chat.

Guy Spier: That's great, Andrew.

Andrew Rosenblum: Can you hear me?

Guy Spier: What we've got going on here is that I didn't say this in the questionnaire but the personality comes through in many cases through the question. Andy, do introduce yourself before you ask your questions and I can prompt you to remind you of the questions if you don't remember them. Go ahead, Andrew.

Andrew Rosenblum: Sure. Can you hear me?

Guy Spier: Yep, loud and clear. Thank you.

Andrew Rosenblum: Great. I'm on the West Coast of the United States in San Diego. I ran a newly formed fund called Bonsai Partners and I think I'd emailed you a little bit on this topic a while ago, Guy, trying to figure out how to figure out my own fee structure so this has been very helpful to me and thank you for your guidance along the way. My question for you, it's kind of a devil's advocate type of question and it goes for everybody, I guess. What would you say to those who came to the exact opposite conclusion, that it's best to charge no incentive fee, just a management fee? There are a lot of them and I would argue it's not just large diversified mutual funds that does this. People like Lou Simpson who managed investments for profit at Geico or Tony Deden at Edelweiss believed that they shouldn't be paid more for quote-unquote actually doing the job they said they would. Thank you.

Guy Spier: What a fantastic question, Andrew. All you have to say to me is, "Lou Simpson did dot, dot, dot," and then I just bow down. Before I take a stab at it, Dan and Michael, do you have any overwhelming thoughts that you want to dive in with?

Dan Brocklebank: Yeah, I've got a couple of things I would say to that. I would actually say no problem. If that's what you think is best, go for it. No fee structure is perfect. The question I would have is how are you as a manager going to constrain yourself in the event that demand for your services gets too big? I guess before that, I would probably say what do you think your sensible capacity is in terms of management? I'd write that down on a bit of paper and I'd remember it so that when they got there, I'd read it back to them and ask them what they're going to do now they've got to that number.

Guy Spier: That's a great answer. Actually, I don't know what Lou Simpson would've said if one would've asked him that. I don't know if anybody, including Andy, has a sense of if we'd have asked Lou Simpson, "What are you going to do and how are you going to distinguish in your own mind as to when you're becoming an asset gatherer rather than a manager of you and your partners' money?" I don't know what he would've answered. Does maybe Michael have a thought?

Michael Cook: No, my only thought is I think that if you're starting up and I think it's okay if you just want to do a straight management fee, no incentive fee. You get to a point where you've achieved some success in terms of assets and maybe at that point you introduce the no management fee share class, once you get off your feet. I think it's okay. Some people prefer a straight management fee. I don't know whether 1% is the right number. Maybe it's 50 or 60 or 75 basis points but I think both work. We started out with the 1% fee and then within a few years, I just decided that I wanted a different arrangement with any new partners or even the existing partners if they chose to do so. I think those are fine.

Guy Spier: Yeah. Thank you, Michael. Andrew, just realizing now, I don't know the details of Lou Simpson's arrangement with Berkshire Hathaway when he was running Geico's pension money but Warren and Charlie have been a little bit more lucid about the arrangement with Todd Combs and Ted Weschler. As I understand it, they look at the difference in performance between them and I believe the S & P and give them some slice of that. I think it's maybe 10%. If that was the arrangement with Lou Simpson maybe, at least for the Berkshire money that he ran, it was that way. Having said that, I agree with you and understand you, that when he went back to running money privately, which I believe he does now, I think he just went to a 1% structure and I would fall back to Michael Cook's idea that it's fine.

Guy Spier: The one other thought that I would have for you, Andy, and again I think this ties in in ways that I may not going to be very eloquent about. A thought that just stays with me all the times is that the best way to be successful or to get successful is to deserve that success and very clearly I think that the people who manage money without charging a management fee are mostly consciously saying, "I want to be successful, but I want to deserve it. I don't want to be somebody who's written up for having been greedy and voracious," which is what the industry is considered as being. Maybe the right answer is so long as you're pushing in that direction, you're getting the same benefits. Maybe Lou Simpson had other ways, either by capping the assets or ... I don't know. Maybe there's money that he took at lower and lower rates as he went on.

Guy Spier: I'm going to give Orly a chance to go to the next person that I have on my list, which is David Bloch. If he is around, it was a short question but an interesting question. Andy, you had eight questions here, each one better than the next but it's almost like you're talking to a lawyer and I'm just going to address one or two of them, or try and address one or two of them, and I'll give you the chance to step in if I'm not stating them right. Your first question, as written in the form, was salary or no salary? Many investors want the CEOs of the companies they're invested in to have compensation heavily tied to the performance of the equity. However, those managers are still paid a salary. Why, then, should we not be a paid a salary? In other words, why go for a zero management fee versus a low management fee or a budget-faced management fee structure. Before we get into answering it, because there are eight of these, I'm not sure that we're going to be able to be fair to other participants but they're great questions.

Guy Spier: I think in your second question, you talk about introducing a zero-management fee class later on, which I think is an intelligent and sensible thing to do. If you're paying for the operational costs, so it's worth saying that in question 3, what Andy asks is if you're paying for the operational costs out of pocket each year, does this incentivize bad behavior? Maybe I can clarify. When I started off running Aquamarine Fund, I wanted to pay all the costs not out of the investors' pockets, including audit fees, including fund administration fees for the outside administrator.

Guy Spier: Actually, what was very convincing was that there are some costs that absolutely 100% should be paid by the fund and its investors. The fund is the entity that is having an audit of itself. It would be a conflict for the auditor to be paid by the fund manager. The auditor should be paid by the fund. There's no question in my mind about that. Similarly, the administration fees, it would be inappropriate, it would be a conflict for the administrator to be beholden to the manager. The administrator needs to be beholden to the fund itself. It's doing the work for the fund. It has to be in a certain way a neutral party. The net asset values that they strike, basically deciding the relative ownership of the shareholders, that's paid without question by the fund.

Guy Spier: There's just a rich set of questions here.

Andrew Rosenblum: Can I jump in really quick?

Guy Spier: Yeah. Sure. This is Andy?

Andrew Rosenblum: Yeah, so-

Guy Spier: Go ahead, Andy.

Andrew Rosenblum: It's funny because-

Guy Spier: Just so you know, Andy, I'm enjoying your excitement so go ahead.

Andrew Rosenblum: What's funny is I think when you first had the idea to do this, it was a long time ago. Maybe it was eight plus months ago, if it could be that long ago, six months ago, whatever it is.

Guy Spier: That's correct.

Andrew Rosenblum: I was at a very different stage when I sent you those questions in terms of thinking through and agonizing over what I should be doing. Rather than address those points, maybe I could tell you what I've learned from this discussion as well as what I've learned from thinking about this and talking to a lot of people who do zero-management fee and other.

Andrew Rosenblum: My takeaway, and it actually hearkens to something that you said in some of your talks, Guy, and it really resonated with me. You need to be yourself. You need to build a system that caters to who you are because no one else is better at being who you are than you are. There is no one fee structure that is best for everyone. You need to know yourself, what your strengths and limitations are because each fee structure has its own biases that it will tilt you towards. If you know who you are and what you're capable of and what you're not capable of, it can help you to build the structure that will optimize your chance for success. That's where I came out on and I, just for those curious, I ended up taking the middle ground. I ended up doing both management and incentive fee, but both low. I ended up doing one and ten over a 6% cumulative hurdle over the high-water mark. I couldn't decide but I kind of needed some income, but I also have a feeling that maybe one day I'll go zero-management fee if I can afford it.

Guy Spier: Wow. There's such wise words. Thank you so much for those, Andy. Maybe you can just share, because the three panelists that we have are very well advanced in their careers, I would argue, and you seem to be at the very, very beginning. Can you share a little bit more about your background, how you ended up wanting to do this, when you launched the fund, how it's been going so far? I'm sure that people are curious.

Andrew Rosenblum: Yeah, sure. Yeah. I'm relatively young. I'm 30 years old but I had an interest in investing when I was ... I won't say but I bought my first stock at the age of 12 story and I got pretty excited in high school, college years and I knew that I wanted to invest so I ended up begging, borrowing and stealing my way into a hedge fund job out of college, which is a bit uncommon. I worked at a Tiger Cub in the Boston area for a number of years, a multi-billion-dollar fund. I learned how to do really deep research there, realized that what I'm interested in in terms of strategy is a little bit different than the person I was working for and I think that's the case for most people. Investing is incredibly personal and so in order to do it my way, I had to go my own way.

Andrew Rosenblum: I launched the fund. I started thinking about launching the fund around a year ago but it took probably six to nine months just to do all these operational steps, thinking about the fees, finding the right partners. Only officially did I start investing the capital in October.

Guy Spier: Thank you for sharing that. I hope you stick around because I'm sure that, as we get into a few more of the people and the questions, that you'll be valuable because you have a very, very different perspective. Congratulations on getting going. I think it took me about a year and a half so if you've managed to do it in seven or eight months ... I did it about the same age as you are now. I think that ... I don't know if you picked it up from me first or maybe you picked it up from someone else, this idea that it's a very personal journey and nobody's better at being yourself than you are is just unbelievably powerful.

Andrew Rosenblum: It was you. That's what I was trying to say. Your early words inspired me to think about building the system that best fits who I am and I think that that was the big takeaway on fees. Hopefully some people will see that a no-management fee is the right one for them or not.

Guy Spier: Yeah but even low fees is spectacular. Thank you, Andy, and I have a rule with these. Look, and literally, for all of the participants, Andrew is not a friend of mine. Michael's not a friend of mine. I would say that Dan is somebody that I've gotten to know over the last year or so, but my purpose here is not to promote anyone. Having said that, if you decide you want to get in touch with Andrew and you're somebody who's thinking of investing in one of these funds, then I'd be happy to put you in touch with him. You'd probably just Google him and you'll find him.

Guy Spier: My number 21 is David Bloch. It's a short question. I don't know. I found it interesting. I don't know if, Orly, you can find David.

Orly Hindi: David's not on.

Guy Spier: No problem. What David asked was ... The lockup year is necessary to evaluate the track record. How to keep the manager motivated when the market is expensive and he wants to keep a high percentage of the fund in cash? Maybe actually now I'm reading it and I'm saying, "Well, I'm not even sure that I fully understand the question." I think it goes to this idea that are there ways for a manager to use the zero management fee to somehow game the system? I don't know if that's something that's come up for any of the three people that we've got here. I don't know if Michael or Dan or Andrew, is there ... Have you experienced people coming and saying, "There's got to be a catch. You're going to game this in some way. This cannot be real."

Michael Cook: Yeah, this is Mike. I've never had that kind of discussion with anybody and I can't think of a way that one could game the system if you don't charge a management fee.

Guy Spier: Yeah, I agree.

Michael Cook: How would that happen? I don't quite see it.

Guy Spier: I think that what people worry about is that ... From personal experience, I'd been running money for a short while and somebody found his way to me who came in willing to do administrative work for me but was running a portfolio on the side and convinced me to put $10,000 with him and he then went and invested it all in one stock and that stock went up 300% and then went to zero literally over the course of that 18 months. At one point $10,000 had turned into $40,000, then it had turned into zero. This was just a shared account or he was managing an account in my name so I just saw $10,000 turn to zero. Obviously, depending on the path dependence idea that Dan talked about, he could've taken some significant fees along the way and then it's the example of somebody who doesn't have skin in the game, I guess. He's just out there to take the maximum risk in the hope of grabbing a fee when he can, I guess. Yeah, does somebody want to address that?

Dan Brocklebank: Yeah, I think ... Guy, it's Dan here. I think you've nailed it really. The concerns we hear, particularly in the UK where I would say performance fees have a very bad name in general, people are worried about inappropriate risk-taking because they perceive that if there is a performance fee structure in place, then it gives the incentive for people to swing for the fences and generate a windfall payment in terms of the performance fees. I think that has possibly been the case in the past. We answer that in terms of the reserve mechanism or the claw-back mechanism or anything like that does help address and mitigate those fears. Ultimately, skin in the game is just as powerful as those and if you can do both, then probably ought to do.

Guy Spier: Yeah, better. Thank you, Dan. Now I'm going to move on to ... It's number 30 on our list. It's somebody called York McPherson and, Orly, can you see York in the participant list?

Orly Hindi: No, York's not here. He's not with us for this.

Guy Spier: York asked the question, and the I'm going to go to Andy to see if you can address it because York, he says straight in the question that he's 30 years old and feels that he would be judged negatively by his peers if he wanted to have a fund that didn't charge a zero management fee, even more so if he had a fund where his only compensation fee would be coming from a 25 over six structure. I think that York, maybe you'll hear this in a playback or something. One of the things that jumps out at me here is ... You write it directly. Being judged negatively by your peers. I struggled, having gone through a British university with this outer scorecard where you care about what people think of you and I'm a work in progress but my life has been enormously enhanced by getting to a place where I care less and less what people think about me and I try and do the right thing. I think that that's the key question that you have there.

Guy Spier: Andy, has that come up for you, that you say, "I'm thinking of not charging a management fee," and people look at you and think you're a total idiot?

Andrew Rosenblum: The thing that I would echo that you brought up is the potential people that you'd work with, your lawyer and administrator, they will discourage you tremendously from going down this path. When I explored it, they pretty much told me I was crazy. It's very unusual I think for them just to even see a hurdle rate that's cumulative. I think you'll definitely got a lot of pushback and you'll get a lot of people who don't necessarily understand what it is and when you explain it to them from an investor standpoint and they understand what it is, they'll be impressed by it.

Andrew Rosenblum: The goal here is to try and find the right partners, I hope. You want to create a system that allows you to attract the right type of money, not the wrong type of money, because if you have a mismatch in the duration ... Let's say your partners don't want to stay in for five years and your investments are all five-plus-year time horizon, you lose. You should definitely think about survival and I think a lot of the fees themselves, they create a hurdle that's just so high that you can't clear. Just for my own self-interest, I think it pays to have the lowest fees you can possibly afford because it sets the bar as low as possible for you to succeed.

Guy Spier: We did a little bit of work, Andy, on this cumulative versus non-cumulative hurdle. It makes an enormous, enormous difference in terms of the amount of money that the manager can make and the kind of protection from downdrafts that the outside investors get. Just for the benefit of those who are not aware of it, a cumulative hurdle basically means that every year what you need to clear, the fulcrum as Dan would put it, before you make money keeps creeping up.

Guy Spier: In a year like 2008 where I was down almost 50%, the hurdle just keeps going. If you start off at 100 in year one, it's 106, let's say, if it's a 6% hurdle. Year two, no matter where you are, it's 112 and then 118 in year three and you may have been down 50% but the hurdle you need to clear keeps going up. If the investor sticks around for long enough, they will at least get their 6% per year before they pay you anything. I had the hardest time. I eventually bit the bullet and introduced share classes that reflect that in the last year or two.

Guy Spier: Again, I've had a very, very positive response to it.

Guy Spier: Having said that, for me to have done that ... I think that you make such a great point, Andy, that you have to do what's appropriate to your personality and who you want to be. I think that for me to introduce that too early on would not ... I don't know. It might have made me uncomfortable. I think probably it was introduced at the right time but it's definitely the place to go. Any comments?

Andrew Rosenblum: Can I just add one other thing?

Guy Spier: Yes, you may. Go ahead, Andy.

Andrew Rosenblum: I think the questioner had said that he would be looked down upon by their peers and I would just echo the concept that ... I think people have said that two and 20 is dead but I would argue that if you just do what your peers are doing, two and 20 or whatever it is, 1.5 and 20, it's not a winnable game. If the market goes up 8% a year, just to be at break even with the market you need to make up your management fee and the incentive fee on that 8%, which is something like you'd have to do in a 12% a year. That's just to get to break even with the market. To the person who asked that question, you want to be successful. You don't want to just look good to your peers. I'd try and set up a system that allows you to win for your partners.

Guy Spier: Yeah. That's a great point. I can see you giving seminars like this quite soon, Andy.

Andrew Rosenblum: Hopefully not.

Guy Spier: Now I'm going to go to ... Again, Orly, try and find an Andrew Saltan. He's number 49. Andrew, you're on the call. While Orly tries to find you, I'm going to read out your question or your comments. What you write is, " Trade off between stability (of fee income, therefore the manager) and alignment of incentives. Conflicts between short term and long-term performance vs fee generation. Simplicity vs complexity (e.g. Orbis fee structure vs a simple no-water mark 0/20). Investor acceptance of this (e.g. experience of Bedlam, and some others). Importance of distribution (i.e. investor contacts, capital raising ability)." he refers to the experience of Bedlam, which must have been a fund. I don't know if somebody on the panel's heard of it. The importance of distribution, investor contacts, capital raising ability.

Guy Spier: My sense is, Andy, that you're the one who's going to be able to speak to that because you've been so close to it. Do you want to speak to any of those?

Andrew Rosenblum: I'm not sure I fully understood the question.

Guy Spier: Which comes back to why I picked it. What I see is I think that ... Unless Orly's found Andrew who wants to ask it himself, how does somebody starting out ... I guess, I'll just share something else that happens when you decide to live in this world, is that the accountants get apoplectic. I have auditors for the management company and they see a very, very variable income, increasingly variable income just depending on how the fund's performed, and accountants don't like that. They want to see numbers change slowly and gradually. They want to be able to budget. They want to be able to know this is how much the business is costing per year and this is the revenue line that's bringing that money in. As you go to zero-management fee, that becomes increasingly lumpy. The simple idea of somebody saying, in this case me, as the sole shareholder "I have the money. I'll put it in when we need to" is okay but it doesn't make the accountants very comfortable. How does one make the trade off between the prospective lumpiness?

Guy Spier: Sorry, I'm rambling. The point being that Warren Buffett says in his meetings says he'd rather take a lumpy 30% over a smooth 15% every year. That's a very easy thing to say. It's actually a lot harder to live through because that lumpiness doesn't feel very good when you're going through a dry period. Kudos to Mohnish Pabrai for going through a dry 10-year period. I guess, Andy, I'm going to put it to you directly. How did you do the trade off? A guy coming out of one of the Tiger Cubs, looking at two and 20 and he eyes those fees and says, "Yeah, I can live well on that," versus, "I'm going to suffer for five years while I watch my savings dwindle as I build this business with low management fees". How did you think through that?

Andrew Rosenblum: I guess the first thing I'd say was my hope was that this is an investment that could pay off really well in the sense that it could be not just from a monetary perspective but from a quality of life perspective. I could actually have a job that I could do for the rest of my life and enjoy. If I'm willing to suffer for the upfront years in order to have that, that's a huge return on my life. In terms of the different fees and why I ended up doing it the way that I ultimately ended up doing, it depends on your circumstances.

Andrew Rosenblum: I was lucky in that I was in a job that was paying me probably more than I deserved but it doesn't mean that I was rich at the end of it. I think the hedge fund industry is well overpaid and I enjoyed that for five or so years, which gave me a nice nest egg to start. It's not many millions of dollars but it's enough that I can live comfortably off my savings for a number of years to prove out that I have an ability to do this or not. In that context, it just made sense to do it this way.

Guy Spier: Yeah. Thank you. I think that what's so interesting in your answer to the question and the question itself is that there are some people who are coming at this and asking, "What's the game? Who's gaming this? How might they manipulate this or might somebody manipulate this in my favor or against me?" Then there are people who are just doing it because it's the right way to live and the right way to be. As you can see ... There's no doubt in my mind ... There's little doubt that Andy's going to ... His plan is to do this for the rest of his life. He's figured out that this is the right way to live and if he's going to be doing it for the rest of his life, he wants to be doing it right.

Guy Spier: I think that one of the things that I find so incredibly powerful ... and again, I'll feel like I've achieved something if I get this point across ... is first of all on the side of the manager, when you live in this fee structure - a very low management fee structure, a zero management fee structure, you attract people out of the woodworks that you never know existed, who want to live with you in that structure, and you build a kind of a world where it seems like you're not capable of differentiating yourself. You've suddenly actually become super-differentiated.

Guy Spier: On the other side, which goes to the next question I was going to pick up on, actually. The next question is by all the way down to number 82, Orly, Mark, Nicola Perali, which is one of his questions is "How do you find managers like this?" I guess ... well, before we get to that, if you just say ... I strongly believe if I was to just say "I'm only going to invest in mangers who don't charge a management fee," I'm going to instantly have selected out of the world the people who think the way Andy just expressed himself. They're not trying to game a system, they're not trying to game their relationship with their investors, they're just trying to do the right thing and build a great life doing it. Is there a guarantee of results? No, but you've already gotten so many questions off the table if you just choose to be around those people, which is why it think that there are some people who've invested with me, whom I haven't even met.

Guy Spier: In terms of where to find them, Nicola, what I would say is you just found one on this call.

Orly Hindi: Nicola's, also on the call specifically, so I've also allowed him to talk if you should want to.

Guy Spier: Yeah, that's great. Let's get Nicola on the call. Is he there?

Nicola Perali: Yes, I'm here.

Guy Spier: Welcome, Nicola.

Nicola Perali: Thank you very much.

Guy Spier: Introduce yourself first, and then go ahead and dive in to the issues.

Nicola Perali: Yes, I'm a partner of a small wealth advisory firm, and we do liability-driven investing, and I represent the interest of some investors, and we are very keen on identifying managers that are willing to strongly align interests with their investors, and that's why I was curious, and that's why I asked that question. It's something that I would like to expand for my investor base, and it's something that it is very overlooked here in Italy unfortunately. As long as we are able to find managers like those I would be very, very happy to study, to do some due diligence, and to know them in general.

Guy Spier: Nicola, what I would say is that I think that actually the zero management fee paper is a great place to start. As Mark said, we did not get people's offering documents. We didn't get their audited accounts, but it's a good starting list. I would also tell you that I strongly believe that just showing up at the Berkshire Hathaway meeting, you'll meet people. I strongly believe that it's the right thing to do ... these people eventually come together, so even if the zero-management fee doesn't work so well ... sorry, the paper doesn't work so well, eventually you might want to set up a call with some of the people who were panelists, and they'll know other people, for example.

Guy Spier: I don't know, Michael, you were going to say something I think. Maybe not. Does anybody want to address Nicola's question?

Dan Brocklebank: Not that one specifically, I had a couple of things on the previous question.

Guy Spier: Is that Dan?

Dan Brocklebank: It's Dan, sorry.

Guy Spier: Dan, yeah, take a short time on it because I want to get to more of the questioners, so blast away, Dan.

Dan Brocklebank: I just wanted also to say huge kudos to Andy there, starting out from ... starting out with this sort of set up from ground zero. I think you're doing it the hard way, but as I don't know who said it first, but nothing that's easy was ever worthwhile, so good luck with that.

Guy Spier: Amen.

Dan Brocklebank: On the stability of cash flows question, I think shifting in this direction does move you away from that, and I think it's interesting you're getting pushback from some of your providers, Guy. I think really, the bottom line is their interests are not necessarily aligned with yours when it comes to providing a client-friendly solution, because they're going to want you to stay in business for as long as possible, and gather as many assets as possible, because that tends to impact how much work they get. There is a conflict there which I'm sure you're aware of. I think that's a bit of that in there.

Guy Spier: Yeah, go ahead, Dan.

Dan Brocklebank: When it comes to stability of cash flows, I mean, as fund management firms, we don't have CapEx requirements. I don't think we can really whine about having a lumpy revenue line, to be honest. I think we have to take that one on the chin in terms of getting the industry aligned with its clients. Let's face it, our industry doesn't have a great reputation with the investing public at the moment.

Guy Spier: Yeah.

Dan Brocklebank: Certainly in this country. I guess the other-

Guy Spier: I mean ... yeah, go ahead, sorry, I keep wanting to speak. Go ahead, Dan.

Dan Brocklebank: The other question, and maybe it's a bit of a hand grenade, but I'll chuck it in anyway. I think what gets to some of these questions is that the benchmark, to my mind anyway, doesn't have to be an absolute 6% or whatever number return. You can calculate a zero base fee, and calculate the performance fee off an appropriate market return. I think that might answer some of the concerns people have about perhaps being able to start out with this aligned fee structure in times when markets overall might be quite elevated. If you run a fund on a fully invested basis, you're giving clients strong equity exposure they're looking for. If you preserve value in the event that there is a market crash, you're still adding value for those clients in their equity portions.

Dan Brocklebank: Anyway, I'll stop there.

Guy Spier: Yeah, I know, great comments. For the suppliers, and again this may be worthwhile for people starting out, is that what I've learned is that over time the suppliers do get comfortable. They realize that you're just a slightly different animal to what they were expecting, and you don't quite fit into their framework, but they're not figuring you out. Just that you know, it doesn't happen in six months, it happens over three years, is how long it takes.

Guy Spier: I want to move on to somebody who's based here in Zurich with me, who wrote parts of her book in my office. I don't know, Orly if you can find Danielle Town, who went into the questionnaire and actually wrote an essay, pretty much. Danielle, and forgive me for ... we've been all males on this call so far, and so it's great to have a female on the call. Can we find Danielle?

Danielle Town: I hear that.

Guy Spier: Danielle, blast away.

Danielle Town: I apologize, I'm a bit ill, and I've lost my voice. I also don't have copies of my questions. I'm sure they were brilliant.

Guy Spier: Well, let me just scan and read out some of them. I think that you may be the last live participant in questions, even though I have half a dozen still to go, because we're getting to the end of the two-hour period, and I think that we should keep this to a reasonable length.

Guy Spier: I'm going to start reading some of these, and that's going to prompt you. I'm going to read them, then you're going to kind of expand on them, Danielle, then some of us are going to respond to them. Forgive me if some of these issues have been covered, but "How to afford forming a fund without management fees. Startup costs, initial management and admin, and salary to live on for a few years really adds up. "

Guy Spier: One common argument is that no one who isn't independently wealthy should be trusted to manage money anyway, so anyone who starts a fund should have the cash to be able to afford the costs on their own. However, that requirement would disqualify most young potential managers, those who spent years paying off student loans before they could start their own personal investing, and those who have family or other reasons for not having been able to build up wealth - and maybe that's ok. Maybe we only want older fund managers and people with no medical bills or house down-payments. But it seems to me we should be conscious of the real-life incentives around zero management fees and who it disqualifies, before automatically ascribing great moral superiority to those who can afford it.

Guy Spier: Should I stop? That's about halfway through, should I pause there and let you expand?

Danielle Town: It sounded very educational to hear Andrew's experience with starting up his fund, and dealing with these questions as somebody who's young, and has expenses in his life. I really congratulate you on being able to do that. I've been fascinated by this zero management fee idea since first learning about it actually from Mark's paper, which was absolutely brilliant, and if people on this call have not read it, you should read it immediately.
Danielle Town: I guess what I find most interesting about it is the idea that there is this moral superiority to having a zero management fee. At the same time, it's been very interesting to hear the perspective of other people on the call here, about for example, Lou Simpson himself seems to have gone away from that in the opposite direction.

Guy Spier: Danielle, what I didn't do there is ... can we just take a step back. Could you introduce yourself? Just tell the world who you are, so that we know ... I know who I'm talking to, but others may not.

Danielle Town: Sure. I'm Danielle Town. I am a corporate attorney by training, and in the last few years have completely changed my life around when I discovered value investing, which I've known about for a while because my father is an investor, and has a fund that follows the Buffet style of investing, and he speaks and writes about investing. I always ignored it completely because I just wasn't interested, and I was terrified of the market, like pretty much everybody I know except for all of you geniuses who manage to handle it somehow.

Danielle Town: I got very interested in investing. My Dad started to teach me, and I ended up writing a book about that experience, of going from someone who was completely afraid of money, and the market, and risk, and losing all my money, to someone who is now investing my own money in the Buffett style, and very very interested in how everybody is doing this professionally.

Danielle Town: Now I write, and I speak about investing, and about the process of getting into investing. I mostly identify with the investors in funds, with the people investing their own money in funds, and how they're seeing their managers either have their incentives aligned with them, or not, and how their managers are making tons of money, or are not, and how that makes them view their own money. I'm trying to come up with a good question here that ...

Guy Spier: No, no, no, I've got it, Danielle. Dan and Michael, are you ready for this? I'm now going to take what Danielle said politely and put it into more extreme form. I should also be able to answer it, but I'm going to see if you guys can go first, at least.

Guy Spier: Danielle's question, restated, or Danielle's point is hey, that's all very well for you, a bunch of elite, rich people, who either through inheritance or through being lottery winners, or through lottery winners of one manner or another, either through having successfully started a business and sold it, or through having had the right education, being able to work in the right places, have built up enough wealth to be able to hang out for five years while you invest your and other people's money with zero management fee, and think that you are morally superior, and masters of the universe, to doing the right thing. Well, guess what? That's not the majority of the world, that's not the majority of even the advanced economies, and why ... what is so wrong with somebody who has to pay off student loans, who has taxes to pay, who may have had other issues, who has the ability to go and manage money, charging a fee, so they can at least get started.

Guy Spier: How did I do, Danielle?

Danielle Town: Well, it was a bit more strongly worded than I would've put it, Guy, but I'll be interested in the answers.

Guy Spier: Okay, so who wants to go first? I hope somebody does.

Dan Brocklebank: You want to go first, Michael?

Michael Cook: This is Michael Cook. Okay, so look. I started out in my mid-20s. I had no money, but had a passion for investing and building a successful business, and through hard work and luck, it worked out. I went from being poor, to wealthy. When I decided to start managing money again, years after I sold the business, it was a no-brainer for me how I wanted to do this. I wanted to do it a different way, where I was only getting paid if I could achieve a certain rate of return, in excess of a hurdle, and that's just what I decided to do. I didn't really think I was superior, or dumb, or smart for doing it. It was just, I wanted to do it, and I will tell you that when we were ... when I was setting up the business and creating the partnership, I used, I would say probably the number one New York City law firm that does this kind of work, and they actually talked me out of it. They thought I was crazy, not charging one in 20, or whatever the hell, two in 25, or ... at the time.

Michael Cook: They actually talked me out of it, and so originally we had a one in 25 in the agreement. The first year, I will tell you that we had a pretty decent year, and I just chose not to charge the incentive fee. I just took the one percent, and the auditors when nuts because they said, "Well, you said this is what your structure was, and you should charge this." I'm not doing it, so we never charged it. We just stayed with the one percent fee, and then a few years later went back to what I originally wanted to do, and that was the zero fee and the 25 over six.

Michael Cook: I never really thought whether it made me better or worse than other people in the business, it's just how I wanted to do it. It just felt right to me.

Guy Spier: So that is what.

Danielle Town: If I can just break in for a second. I think what sparked my question is that I know a number of young fund managers in this world who want desperately to be zero management fees, and just can't do it financially. When they talk about it, they seem ashamed. I just think that's really too bad, because people like that are who we want to be coming up in this world, and so for them to be feeling like they're not doing as well as people who are further along in their career, I guess I just wish that was a little bit different.

Guy Spier: First of all, I just want to thank Michael, who's like "This is what I did, and I don't have to apologize." Which I think is great. Somebody that ... a guy that I've gotten to know, because he's been attending the same conferences that I've attended is called Josh Tarasoff. He's based in New York City, and I would say that if I was not doing this myself, and Josh had come into my life as a potential place to invest money, I would have been very interested to invest with him. He is charging a management fee. He just says straight, for the exact same reasons that you've said, Danielle, "I'm not in a position not to charge a management fee."

Guy Spier: His demeanor, and the way he communicates, convinces me that over time ... he said that he will reduce his fee over time, and I believe that he will do that. I think that I would have been convinced to invest with him in the expectation that he will continue to reduce his fees, and I'd feel like a partner with him, and totally understand that he has to get going one way or another. I think there are ways around it, and I don't think that Michael's pouring, and I hope that I'm not pouring any moral depraving onto people who are charging a fee. Dan, do you want to address Danielle's issue?

Dan Brocklebank: Yeah, I was just going to say, Danielle, in your question I wish you'd told us what you really think.

Guy Spier: Well, I did that for her, actually. She was much more polite.

Dan Brocklebank: No, look, I think if people are feeling shame for not offering zero fees, then things have gone way, way, way too far. The reality is although we offer zero fees, and we have done for a while, we have multiple flavors of fees. The zero fees only account for a minority of our assets under management, so I wouldn't want in any way people to get the impression that we only offer zero fees.

Dan Brocklebank: What we do is all of our fee structures are performance-related. I think its just stepping back. The details are all fascinating, but step back. What is it you're trying to achieve here? I think the design of fee structures is one of the ways in which you can present, or you can prevent an asset management firm from drifting, culturally, and drifting away from investment performance toward asset gathering. There are other ways to do that. Skin in the game is one we've mentioned. One we haven't mentioned so far, is just the idea of a private ownership. I know that applies to all of the people on this call that we've heard form so far, but a significant portion of the assets managed by the industry are managed by firms which are publicly owned. That introduces short termism and all sorts of pressures which don't necessarily align.

Dan Brocklebank: Really, the zero-management fee is one particular niche on this, but at the end of the day, what we're trying to do is make sure the cultures of firms are aligned with the interests of clients. While fees are important, at the end of the day returns are, and will always be, much more important.

Guy Spier: Yeah, and that's extraordinarily well said. I think that Danielle ... something else that one needs to do is distinguish between somebody who's getting off the ground, and somebody who might remain nameless, who even though they manage in the billions of dollars, find ways to keep increasing their fees, and think that that is appropriate, and normal. Maybe I have not made that distinction in my mind clearly enough.

Guy Spier: I feel like we've been ... I planned this call from 4:00 to 6:00pm, it's really impressive. We had a maximum of about 52, 53 participants on the call, but even though this has gone on for almost two hours we still have 42 participants here. We have been recording it, and I don't even know how many there are on the live stream. Last time I checked there was about 12 or 13. What I'd like to do is those of us who've spoken live, I'm going to do a last round, last closing comments that we can bring this call in, within the hour.

Guy Spier: I just want to thank everybody for participating. I really have enjoyed the engagement. I apologize, I realize there are a lot of questions that have come in on the Q&A for the call. I haven't had the chance to read them. I hope that some of them were addressed in the comments that have already been written. If they haven't, we'll find one way or another to follow up with you, and maybe even do another one of these in a years' time. Thank you all for participating. I'm now going to go around the room and I'm going to ... it's going to go Andy, Dan, Mark, and then ... who am I blanking on? Andy, Dan, Mark, and then Michael, and then I'll just say thanks.

Guy Spier: Andy, closing thoughts?

Andrew Rosenblum: Yeah, maybe I can just add on to that last question. I want to make it very clear that although I tried very hard to do a zero-management fee structure, I ended up doing a management fee plus incentive fee structure. I just want to make that abundantly clear, and I think that the takeaway that I came to was not that one is better than the other. All fees, to your partners, are ... they're not something that you should aspire to maximize. There is a wonderful person who helped guide me in figuring out my fee structure. He actually is in Switzerland, a guy named Gayorg Stollbeck, who told me that it's about the percent that you keep for yourself of the out performance. You should keep no more than 50% of it for yourself. Management fee, plus incentive fee. I charge one and 10 over hurdle, and I would argue that it's probably pretty comparable to doing a zero-management fee with a 25.

Andrew Rosenblum: I sleep well at night, I don't think there's anything to be ashamed of as long as you're offering your partners the fairest shake that you could possible afford. Yes, I wish I was doing a zero management fee, but I can't because I'm not in that bucket of being able to.

Andrew Rosenblum: That's my closing remark.

Guy Spier: I appreciate it, and it's fun to hear you. You've added an awful lot to this call. I really appreciate you coming on and sharing your thoughts, and I'm looking forward to following your progress, Andy. Thank you.

Guy Spier: Now we move on to Dan. Closing thoughts?

Dan Brocklebank: Just to echo Andy's comments there, really. I think at the end of the day what matters to clients is whether they're getting value for money. Andy's calculations, I think Andy's comments there just echo that. Value for money is a concept that's amazingly absent from all of the fee debates in industry. I guess linked to that, but not enough time to go into it now is fee risk. We define that as what's the risk that you might not get core value for money?

Dan Brocklebank: I would just end by saying thanks very much, Guy, for hosting this. I think it's shined a little bit of a light on this corner of the industry.

Guy Spier: Yeah, thank you, Dan, for taking time out of your busy day to being here. I just really enjoy ... I haven't spend much time in London, I enjoy the British way of talking about these things, like fulcrums.

Guy Spier: Now we're going to go to the shy and retiring guy who hates having the spotlight put on him, but Mark, you were, at the opening of this call, you've listened all the way through, give us your closing thoughts.

Mark Chapman: Yeah, hi Guy. Great job today, Guy. I think you moderated that really well. I just like to pick up on the one thing that Danielle Town mentioned about the start-up, the young start-up managers. In our group of value investors, we genuinely come across a lot of them that are desperate to do the zero-management fee. They talk to me about it. How do we do it? How are we going to get to zero-management fee? They just can't do it, but they want to, and they're committed to, and they are finding innovative ways to get there. That's good for me, and thank you, Danielle, for those thoughts.

Guy Spier: Thank you Mark, for your thoughts. Are you willing to take some time at some point, to write up the innovate ways in which they are managing to get there? For the benefit?

Mark Chapman: Yeah, you always get me on this. Yeah, I am happy to, actually. There's combinations of fixed fee, and some of the stuff we've been talking about today, but yeah, I would be prepared to counsel with those guys that we know really well, and talk about how they got to launching. Without private individual wealth it's clear you just can't do it of the bat, so you've got to be innovative, and that's it.

Guy Spier: Thank you so much, Mark. Actually, Michael, I hope you're okay, I'm going to slip Danielle in before you. That gives you a little extra time to formulate some extra thoughts if you have any left.

Guy Spier: Danielle, your closing comments?

Danielle Town: Well, I've found this absolutely fascinating, and very broadening. I came to this, as I said, through Mark's paper, and I thought "Oh, zero-management fee is the absolute way to be. It's the best, and I think that's where my comments come from. Now I've learned so much from these panelists about other ways to handle it, so I appreciate that. Thank you.

Guy Spier: Well, thank you, it's a pleasure to have you on the call, Danielle. Sorry, Michael, I realize that Nicola was also on the call. Nicola, would you like to share any closing comments?

Guy Spier: Nicola may not be on the call any more, so I'm going to move to Michael. Michael, your closing thoughts?

Michael Cook: Well Guy, thanks, this is very good. I learned a bit as well. My view is that, getting back to the start-up person who maybe doesn't have independent wealth to work for free for what could be many years, I think either ... I think what you do is you offer share classes, and you give people what they want. Some people will want to pay a straight management fee, and don't want to get bothered by the incentive fee discussion, and others like the zero fee structure. I think you offer what people want, and you do it that way. I'm open to, if someone came to me and said look, here's a third idea that we'd like to pursue with you, would you set up a share class to do it? I'd say fine, let's look at it. If that works for you I'd be happy to do it.

Guy Spier: Great, great thoughts. Thank you, Michael, for being on the call. Again, just ... it's sort of fun. I mean, I did know Dan before. I did know Danielle and Nicola before, but the other participants were people that I just picked up from the comments, which is kind of fun. I feel like I've gotten to know some new people, and I think that I appreciate you coming on the call. I think that the internet and this kind of video conferencing offers enormous incredible opportunities to generate knowledge where nonexistent before, and I feel like I've done a little bit today, so I'll go home feeling happy that I did something good. I appreciate your time on the call. I look forward to meeting you all at the right moment, maybe at the Berkshire meeting, maybe somewhere else, and wishing you the very best. Thanks a lot.

Michael Cook: Thank you.

Mark Chapman: Oh, yeah. We should say thanks to all of the staff.

Guy Spier: We'll do that now. I was thinking about that. Those of you still on the call, and it hasn't ended yet. Orly? Why don't you get yourself live. I would've enjoyed you sweating bullets earlier on while you tried to get stuff going. Thank you for doing that. Thank you for being the trooper that you are. Why don't you give us your closing comments?

Orly Hindi: My closing comments ... there's a lot to be learned from all of you, and we appreciate the fact that you're willing to share, and be put on the spot on all of these calls, and we hope that you continue to email us with some new thoughts, ideas or questions, and hopefully bring about the next symposium that we put together. Thank you and thank you Guy and Mark for your kind words.

Guy Spier: Orly, I think that what we could do ... I'm just stopping and thinking about this for a second is that as with those Jeffersonian lunches, we should put together a WhatsApp group which can take up to 250 people, and we just include everybody who was on this call, who signed up for this. That will facilitate everybody getting to know each other. Thanks Orly. You were a great presence to have on this call.

Orly Hindi: Thank you. Just for everyone's references, if we add you to that group you are welcome to remove yourself from the group if you should so wish to. Don't feel obligated to stay on.

Guy Spier: Yeah, you may see a lot of messages flowing back and forth there. Thank you all. Thank you Mark, thank you Orly, thank you panelists, thank you participants. Wishing you a good rest of the day.

Orly Hindi: Bye everyone.