

Funds , FinTech & Innovation

William A. Birdthistle

October 10, 2018

4th Luxembourg FinTech Conference



\$20 TRILLION

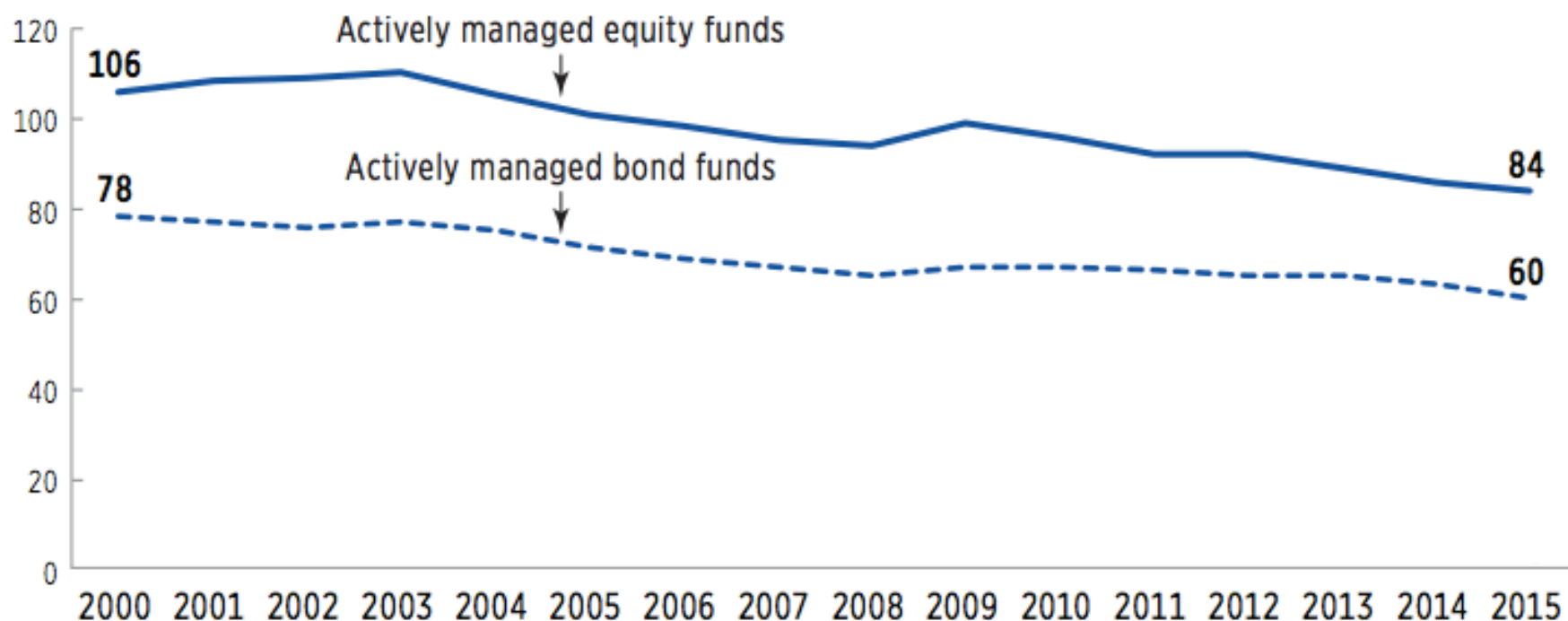


\$50 TRILLION

FIGURE 5.6

Expense Ratios of Actively Managed and Index Funds

Basis points, 2000–2015



Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper



\$100,000,000,000



US\$100,000,000,000



#1



#1

OLD

INDEX

FUNDS

BOGLE

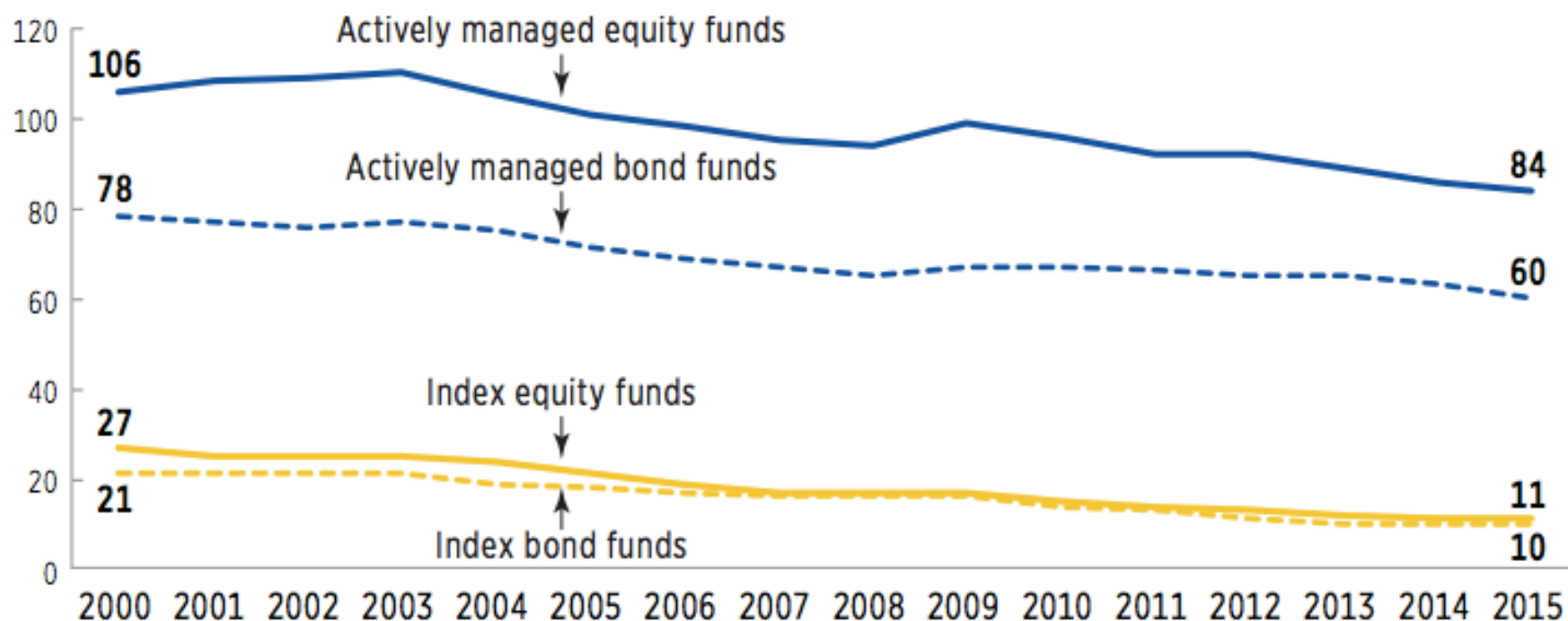


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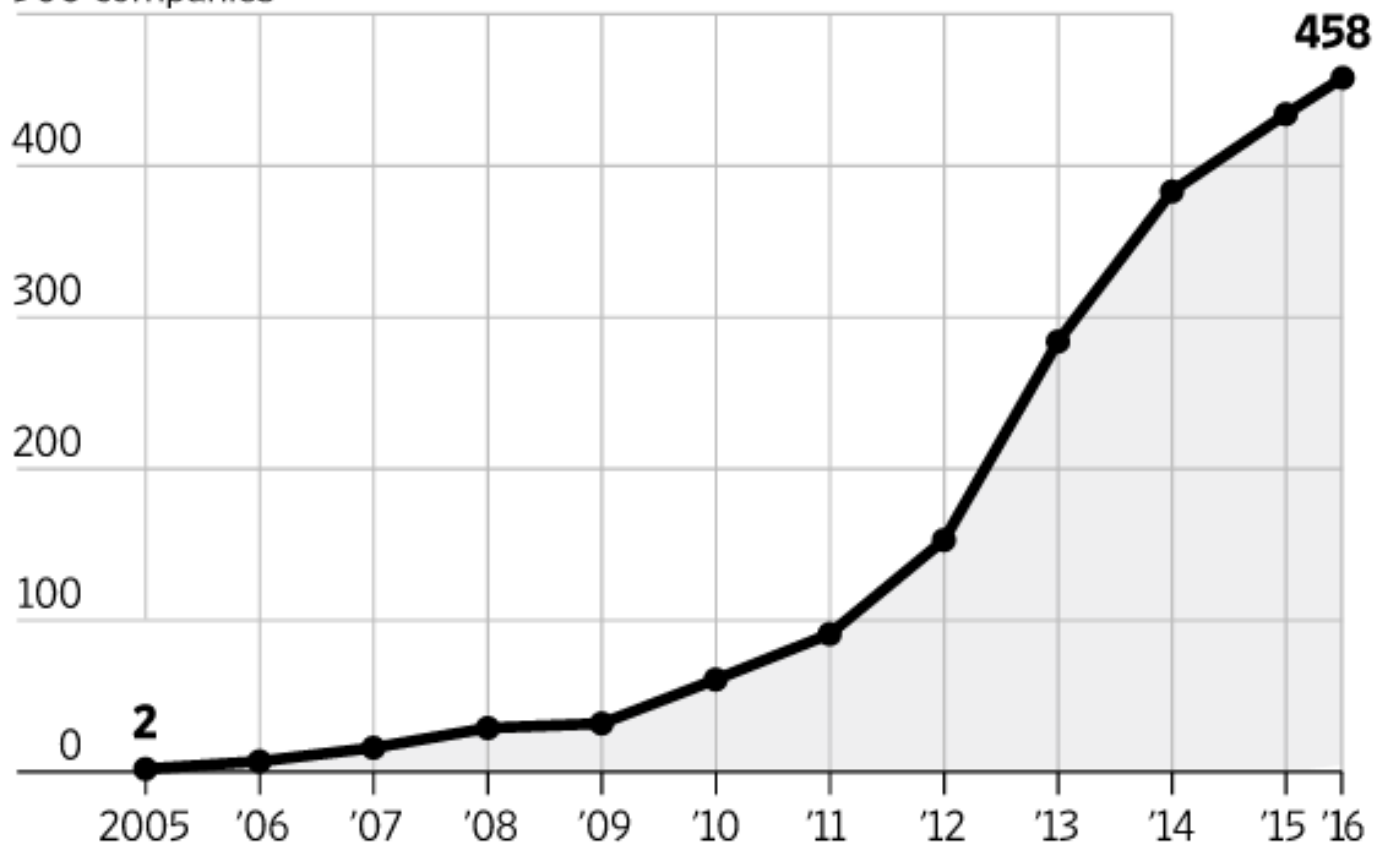


SUCCESS !

Taking Ownership

The number of S&P 500 companies in which passive mutual funds and ETFs collectively owned at least 10% has soared.

500 companies



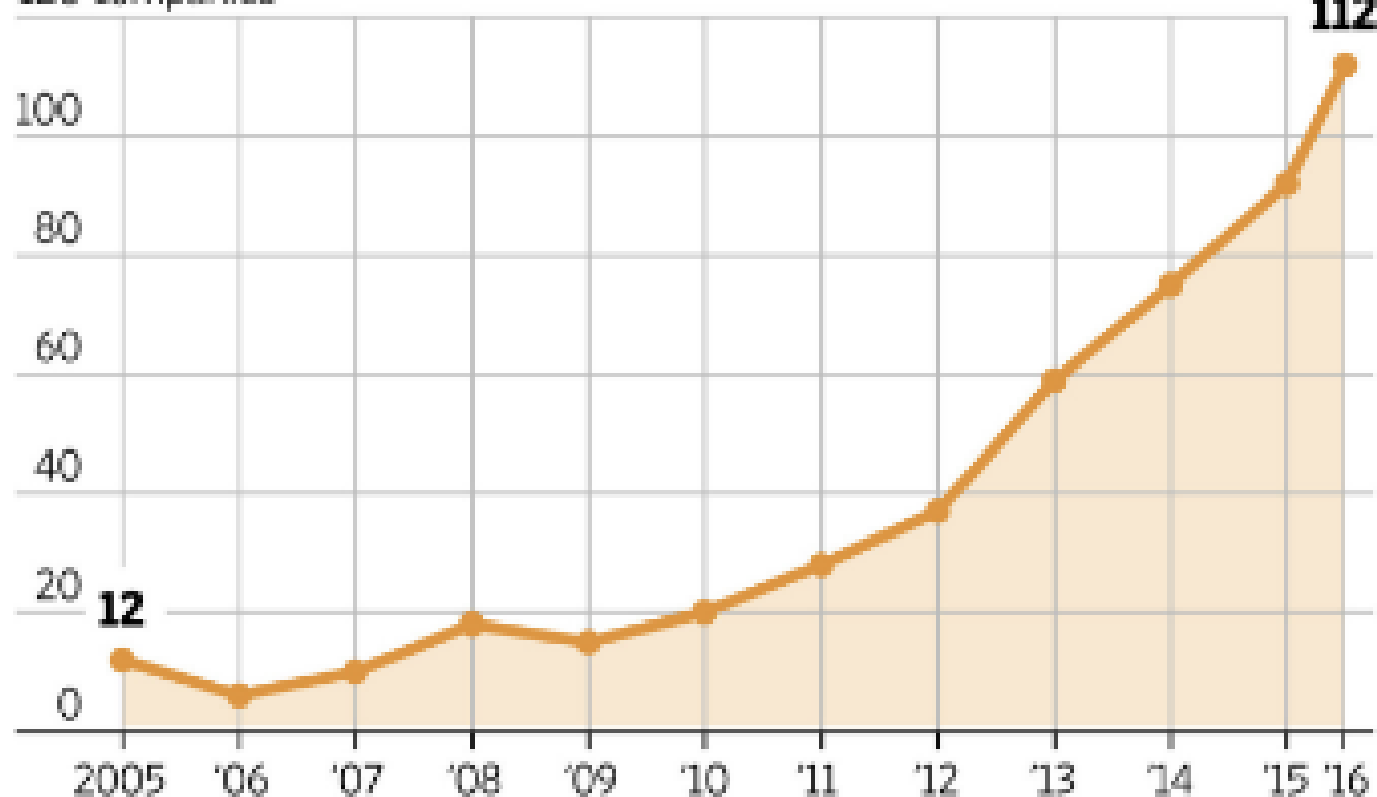
Note: Applies to total market value of share classes included in the S&P 500. All figures are for U.S.-based funds, as of year-end except for 2016, which is as of June 30.

Sources: WSJ analysis of data from Morningstar (funds and stock ownership); S&P Global Market Intelligence (S&P 500 constituents, share classes, share counts and market values)

THE WALL STREET JOURNAL.

Number of S&P 500 companies in which U.S.-based passive mutual funds and ETFs collectively own more stock than active ones do

120 companies

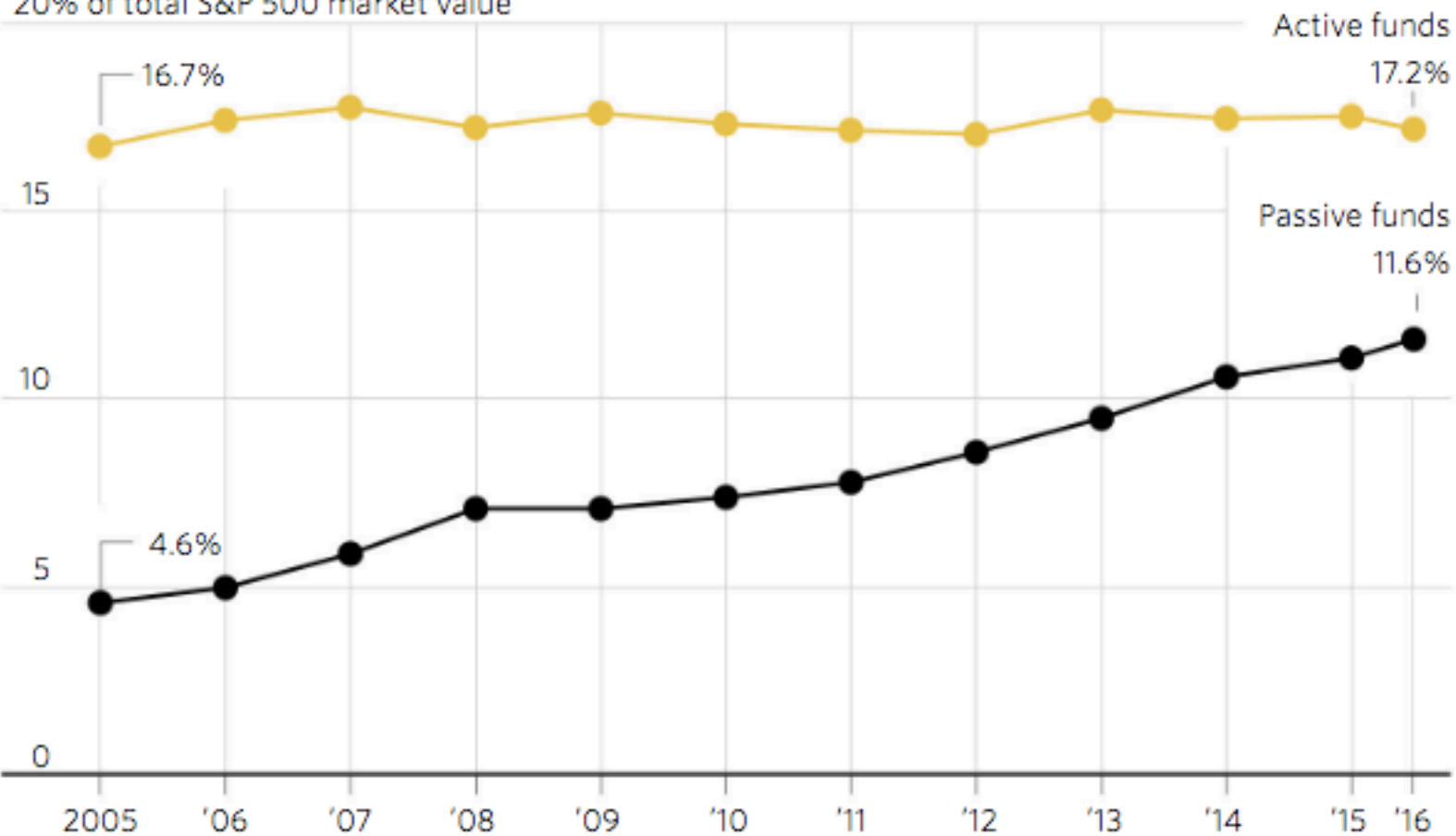


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THE WALL STREET JOURNAL.

20% of total S&P 500 market value





LUND SHAPIRO



LUND SHAPIRO SOLOMON & FISCH



LUND SHAPIRO
SOLOMON & FISCH
COATES



PRICE DISCOVERY



PRICE DISCOVERY GOVERNANCE



PRICE DISCOVERY

GOVERNANCE

MONOPOLY



SUCCESS?



8000



8000

7250



#2



#2

FINTECH

FREE

FUNDS

THE WALL STREET JOURNAL.

OPINION | COMMENTARY

Next Stop for Mutual-Fund Fees: Zero

That could mean tens of thousands in extra savings for investors in retirement.

By William A. Birdthistle and Daniel J. Hemel

June 10, 2018 1:42 p.m. ET

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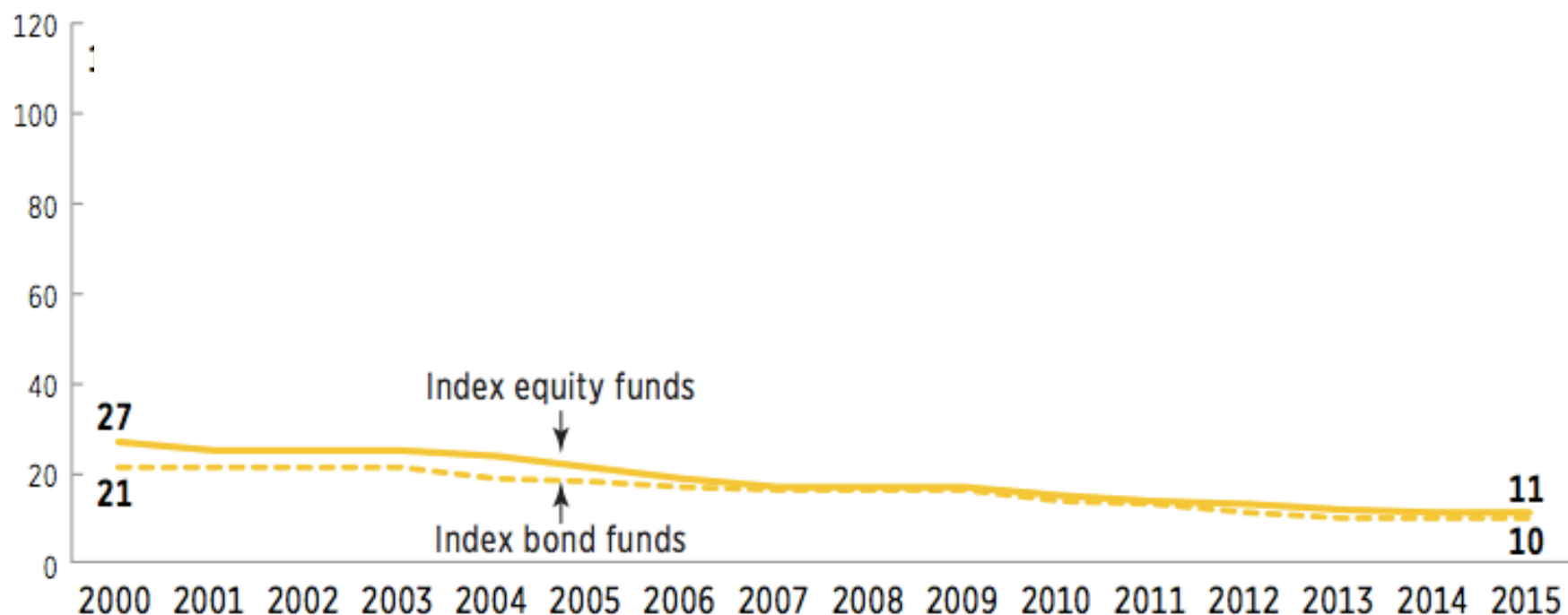
amazon



FIGURE 5.6

Expense Ratios of Actively Managed and Index Funds

Basis points, 2000–2015



Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

SCALE

SCALE

The Amazon logo is centered within a black rounded rectangle. It features the word "amazon" in a white, lowercase, sans-serif font. Below the text is a curved orange arrow that starts under the 'a' and points towards the 'n', resembling a smile.

amazon

S&P500 by market cap

Brighthouse Financial Inc

0.0%

Synopsys Inc.

0.1%

Omnicom Group

0.1%

Wynn Resorts Ltd

0.1%

ABIOMED Inc

0.1%

IDEXX Laboratories

0.1%

International Paper

0.1%

Welltower Inc.

0.1%

Equity Residential

0.1%

Aptiv Plc

0.1%

McKesson Corp.

0.1%

Sempra Energy

0.1%

Johnson Controls International

0.1%

Eaton Corporation

0.1%

Progressive Corp.

0.1%

Anadarko Petroleum Corp

0.1%

Kinder Morgan

0.2%

Prudential Financial

0.2%

Carnival Corp.

0.2%

Emerson Electric Company

0.2%

Electronic Arts

0.2%

Boston Scientific

0.2%

Illinois Tool Works

0.2%

Simon Property Group Inc

0.2%

Duke Energy

0.2%

CME Group Inc.

0.2%

Automatic Data Processing

0.2%

American Tower Corp A

0.2%

Walgreens Boots Alliance

0.2%

CVS Health

0.3%

Biogen Inc.

0.3%

Caterpillar Inc.

0.3%

Altria Group Inc

0.4%

Apple Inc.

3.7%

Amazon.com Inc.

3.5%

Alphabet Inc

3.3%

Microsoft Corp.

3.2%

Facebook Inc.

2.4%

Berkshire Hathaway

1.9%

JPMorgan Chase & Co.

1.5%

Exxon Mobil Corp.

1.4%

Johnson & Johnson

1.3%

Visa Inc.

1.2%

Bank of America Corp

1.2%

Wells Fargo

1.1%

Wal-Mart Stores

1.0%

United Health Group Inc.

1.0%

Intel Corp.

0.9%

AT&T Inc.

0.9%

Chevron Corp.

0.9%

Home Depot

0.9%

Pfizer Inc.

0.9%

Mastercard Inc.

0.9%

Verizon Communications

0.8%

Boeing Company

0.8%

Procter & Gamble

0.8%

Cisco Systems

0.8%

Oracle Corp.

0.8%

Coca-Cola Company(The)

0.8%

Citigroup Inc.

0.7%

Merck & Co.

0.7%

The Walt Disney Company

0.6%

Netflix Inc.

0.6%

PepsiCo Inc.

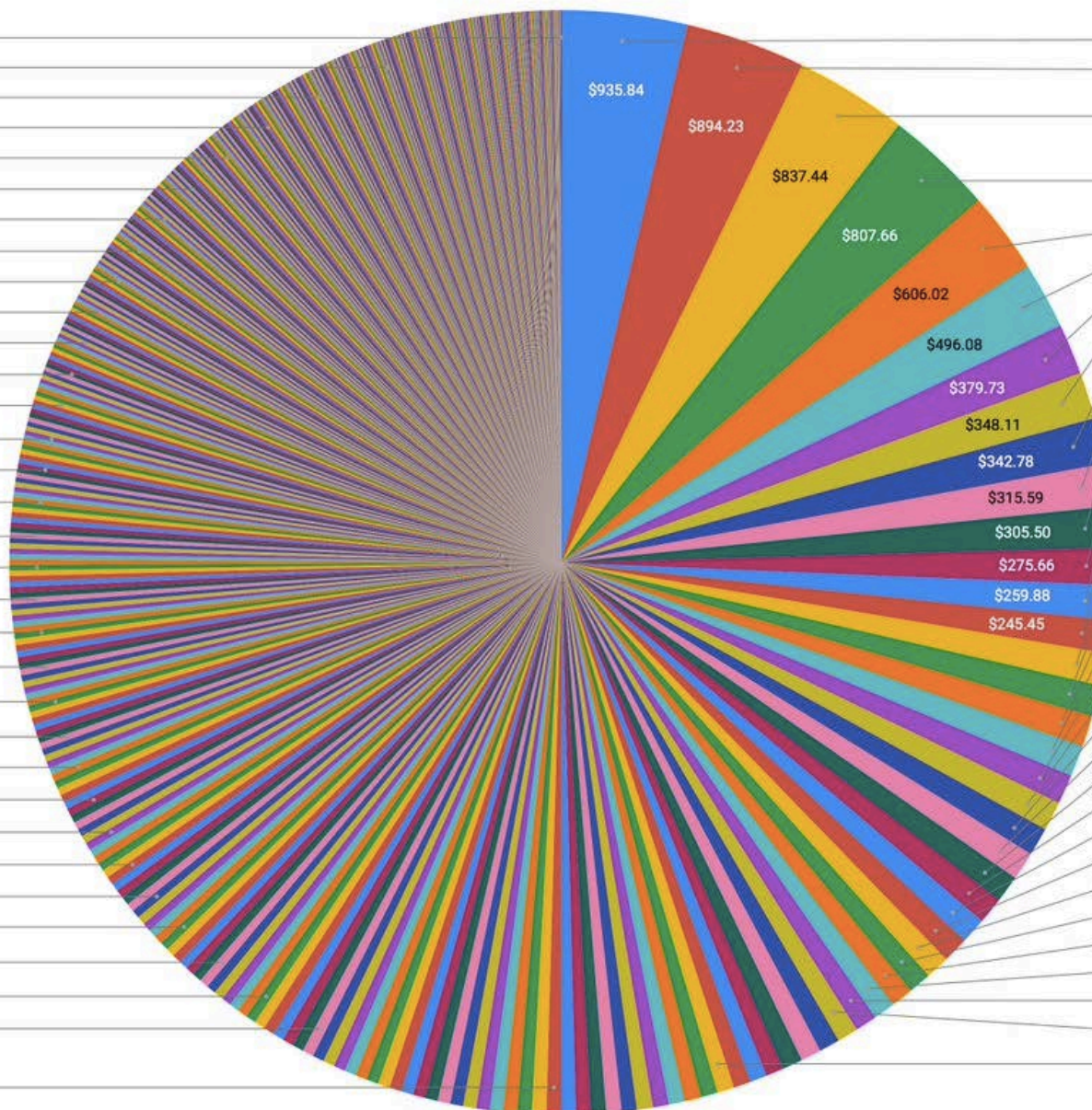
0.6%

Comcast Corp.

0.6%

Adobe Systems Inc

0.5%



SOFT

DOLLARS

SECURITIES LENDING



Elon Musk ✓

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Where this breaks down is in passive index funds, which constitute most of the market. The holders of those funds, mostly small investors & retirement funds, don't realize that their stocks are being lent to short sellers, diminishing their true equity return.

5:54 PM - 4 Oct 2018

THE WALL STREET JOURNAL.

MARKETS

Fidelity Doubles Down on Free Fund Strategy

Investment firms are dueling for increasingly cost-sensitive clients

By *Justin Baer*

Sept. 12, 2018 5:17 p.m. ET

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IS FREE?**



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