A test for managers and selectors alike

On April 23, **Tell Media Group**, in cooperation with **Aegon Asset Management**, **Invesco** and **M&G Investments**, invited Danish investors to discuss alternative credits. Tell Media Group founder Niklas Tell and Nordic Fund Selection Journal editor Caroline Liinanki moderated the roundtable.

By: **Niklas Tell**

With the participants gathering in front of computer screens rather than at Hotel d´Angleterre in central Copenhagen due to the current restrictions, Niklas Tell initiated the discussion by referring back to the alternative credit roundtable held almost a year ago. At that time, investors explained how they after the financial crisis in 2008 had taken on risk within the alternative credit space but over the last couple of years had started to bring down the level of risk. Niklas Tell then asked whether de-risking in general has been a trend within alternative credit and whether investors have been de-risking enough.

JESPER KIRSTEIN: "We've surveyed a lot of investors, also more recently, and my impression is that investors have not been de-risking. We've seen institutional investors moving into alternative credit over the last couple of years and if you look at large Danish investors, they will all have a private credit allocation."

RENS RAMAEKERS: "We're also seeing that more investors are moving into alternatives but they tend to diversify more. Also, adding alternatives does not mean adding risk as there's a full spectrum of different risk levels in alternative credit. I think it's fair to say that our clients were preparing for the end of the cycle scenario."

JEFFREY REEMER: "I agree with Rens. We've seen a reaching for yield on the liquid side and that's typically happening at the end of the cycle as investors become a bit complacent and are happy to take more risk as they don't see any problems. On the illiquid side of the market, there has been pressure to deploy capital over the last years. If you're in an extremely popular asset class and you're raising a significant amount of capital, investors are going to be disappointed if you're not actually deploying that capital and give them the exposure that they want."

JAMES KING: "I've been quite pleasantly surprised that the discussions that we've been having with our investor base generally is around them wanting to put more money to work. There has definitely been a sense of people being nervous about missing the opportunity rather than being more concerned about downside risk. I guess it's an open question as to whether now really is the time to be piling back."

JEFFREY REEMER: "It's interesting to listen to the tone of the market and 'risk off' is very popular now. Obviously, everything is risk off after a crisis, which I understand from liquidity reasons, but it's counter-intuitive to long-term investing."

ANDERS BERTRAMSEN: "From my side, I haven't seen de-risking or investors being conservative. Maybe on the high yield side, where people could get out and spreads were tight. You usually get a good picture of what's happening by looking at the kinds of managers that come through the city, although now it's probably more electronically. Last year, there were guys focusing on ship financing and aircraft leasing and there were probably some of the Danish pension funds that were tempted by diversifying and taking up some yield. It will be quite interesting to see how these kinds of managers have been faring with the airline industry pretty much in dire straits right now."

JESPER KIRSTEIN: "What investors are telling me right now is that they are really jumping into credit because of the spreads. Professional investors will see this as a great opportunity. What changes is what they are jumping into and what I'm hearing is that they're jumping into the most liquid and most easy credit space, which typically will be high yield. I think people are taking tactical positions right now and that would be more liquid stuff."

ANDERS BERTRAMSEN: "I completely agree. My unit experienced more than a billion euros of outflows in March but we've already recouped almost 70 per cent of that in April. Flows are very ferocious – both back and forth and there are a lot of investors taking tactical positions. I think you can't really do that on the private credit side. Many clients won't even know yet whether their portfolio companies have taken any impact. They will know that in Q2 so when the Q2 reporting has been filed in July and August, they will be hoping that they've invested with some prudent underwriters. I think it would be very risky to add to existing managers when you haven't even managed to get a firsthand experience of how your portfolio has been impacted year to date."

NILS LODBERG: "I think what investors are looking at right now and what we're seeing most flows into is high yield and I think that makes sense. People are also starting to look at this crisis from a mathematical point of view and are looking at the probability of defaults. How bad can this crisis be? Right now, I think there's definitely more value in credit than there is in the equity market. There's definitely going to be a time where there's an opportunity to invest in private credit but right now, it's probably better to be in the liquid space."

JEFFREY REEMER: "I think about private credit as more of a strategic long-term allocation. It's very difficult to play that part of the market tactically, unless it's part of a dynamic opportunity structure. If you want to access that market properly, it has to be in a relatively illiquid format so that you can pick up the market inefficiencies and not be subject to the inflows and outflows. I totally agree that there's tremendous value on the liquid side, especially in corporate credit. But in terms of private credit, if you can pick up inefficiencies in the market there's some tremendous values there as well. We obviously see the headlines of distress in airlines, hotels and casinos and we've no idea what that market, those companies and those fundamentals will look like 6, 12 or 18 months' time. That said, there are definitely names that are trading at levels that they should not be trading at. Also, when it comes to the direct lending space, what you tend to see is that creditors and investors have much more power to influence terms and conditions in their favour as valuations come down. Therefore, the vintages that come right after a crisis are, generally speaking, often the best performing vintages."

NILS LODBERG: "I completely agree that you need to have different horizons and we, of course, have to have a strategic asset allocation. But from a tactical perspective, I would say that there will be plenty of opportunities later to deploy

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Chief portfolio manager at Bankinvest, where he has worked for just over a year. Prior to that, he spent most of his career working at SEB Pension in Denmark, which he joined in 2009. His last two years were spent as head of risky assets, first at SEB Pension in Denmark and then at SEB Life in Sweden.

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capital in distressed debt. It's not only going to be the industries that you mentioned that are affected. Considering what central banks are buying right now, I think you get the best tactical upside in liquid assets."

RENS RAMAEKERS: "If you look back at vintages of these types of alternative credits, you see that those that invested heavily early in 2008 did not do well and the people that waited too long did not do well either. I think it's important to understand that the opportunity here is not a short-term opportunity. I think it will be a medium-term opportunity that will extend, because a lot of the catalysts haven't even occurred yet in terms of ratings, downgrades etc. There are opportunities but patience is key."

CAROLINE LIINANKI: WOULD YOU SAY THAT IT AT THE MOMENT IS BETTER TO BE A PROSPECTIVE INVESTOR IN THE ALTERNATIVE CREDIT SPACE THAN AN EXISTING INVESTOR?

JAMES KING: "It really depends on the format of the fund and the flexibility that the manager has. The opportunity right now is probably more within tradable instruments but then as you move forward, other markets are going to become more interesting. It will be a multi-month or multi-quarter process and we're fortunate in that most of our funds are quite flexible. Some four or five weeks ago, we were buying AA and AAA securities and as we speak, we're selling some of that because they've rallied so much. Now, we're looking at other opportunities. The ramifications are going to go on for months, if not years. So I think it's impossible to time but if you sit around and wait for the bottom, you're going to miss it for sure."

JEFFREY REEMER: "Liquidity is at a premium right now and I think investors that are rating-sensitive are worried about downgrades. There are all sorts of reasons why companies are so uncertain of what their future will look like and that's why liquidity is at such a premium. But with that being said, I do think that creates opportunity and I think having dry powder now and having that patient approach is going to be the key to success. In the part of the market where we look for distressed credit, the opportunity set expanded by some 30 to 40 per cent when looking at pre-2008 and post-2008. Now, our opportunity set is three times as great as it was two months ago. So I think the lack of liquidity in the system is holding prices down to some extent and if you can be thoughtful about your research and focus on idiosyncratic opportunities and companies that have a reason to exist, there's a lot of opportunity out there."

CAROLINE LIINANKI: ANDERS, WHAT ARE YOUR THOUGHTS ON LIQUID VERSUS ILLIQUID INVESTMENTS AND THE GENERAL SITUATION RIGHT NOW?

ANDERS BERTRAMSEN: "Obviously, if you want to time the market – or if you think you can time it – then it's easier to do it on the liquid side than on the illiquid side because you're locked up in the latter. If you're wrong on the liquid side, you can actually adjust your actions and if you can get 80 to 90 per cent of the prospective returns on the liquid side, then it's probably a good solution. What happened before the crisis was that people would look at everything. I saw a lot of managers, especially from the US, coming through the Nordics presenting on direct lending. There were no benchmarks so you couldn't really compare their track record to anything and I think a lot of guys got money that probably shouldn't have gotten money. We also saw managers specialising more in the non-sponsored very small companies and those kinds of managers will have a very hard time right now, given how the coronavirus has hit the economy. Going forward, I think some investors in the Nordics will probably be a little bit more reluctant to go into the most esoteric stuff because they will have burnt their fingers – or will have heard about someone else who burnt their fingers."

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>
> *– Nils Lodberg, Bankinvest*

JESPER KIRSTEIN: "If you look at the private space, this is where you can really see if you did some less than excellent deals last year. Did you go into a market where covenants were non-existing? Did you buy non-sponsored or did you stick to the sponsored deals? From our discussions with our private debt managers, we think that you will get through this with nice returns if you stayed with sponsored deals."

CAROLINE LIINANKI: HOW BIG OF A PROBLEM WOULD YOU SAY THAT COVENANT-LITE IS?

ANDERS BERTRAMSEN: "I think it's very case-by-case. I talked to a large loan manager and he said that all other things being equal, obviously he would like covenants as opposed to having none or lite covenants. But the deals that are being done to date with covenants are structurally weak companies. So would you rather go into that kind of company instead of a more stable and safe quality credit and have less covenants? It's really company specific and the managers that have done the credit work adequately in underwriting will probably have good experiences from investing in covenant-lite deals and the managers that didn't do it will probably blame the covenant-lite for their misfortunes."

JEFFREY REEMER: "I think you hit the nail on the head there. We have a fairly large leveraged loan business and we prefer to have covenants and covenants are a good thing. That said, the way the market has gone in recent years is that it's the riskier deals that need a covenant but there's no covenant that makes a bad loan a good one. You really have to focus on the fundamentals: what the underlying collateral is and the health of the business. I also think that there's a perception that covenant-lite means that there are no restrictions on the company and that they can do what they want when they want – that there really are no guardrails on it. The reality is that even a covenant-lite deal would have restrictions on dividend payments. There are still guardrails within the documents."

JESPER KIRSTEIN: "How would you compare larger deals with smaller ones?"

JEFFREY REEMER: "When you're doing the smaller deals, your manager is directly negotiating that credit agreement with the borrower and will therefore have a lot more power or influence in order to construct a document in a way that you think is custom to that transaction. In the broadly syndicated liquid loan environment, you vote with your feet. You're not directly structuring the deal and if you don't like it, you don't participate. The dynamics are different."

JESPER KIRSTEIN: "I wanted to ask the managers about what you see in terms of deal flows when it comes to direct lending.

JAMES KING: "What we're seeing is that people are trying to do small club deals. It's very difficult for anyone to launch something publicly now or to market things broadly, so people are trying to get deals done by going to a handful of investors. However, it's not easy as things are moving so quickly and a deal that looked ok initially might not look as good a couple of weeks later. Right now, it's difficult to lock yourself into longer transactions but I think that will come. The market will come back through these small club deals first and then hopefully by the second half of the year, we will start to see some normal functioning again."

JEFFREY REEMER: "I think the only thing I would add to that is that private equity came into this with a tremendous amount of dry powder. But there's a funding gap and these private equity firms will need financing. I think the initial or reflex reaction over the last couple of weeks is to pause everything because the full visibility of the downside is truly unknown. There's not a ton of deal flow going on right now but I'm starting to see things slowly building momentum."

CAROLINE LIINANKI: IN LIKE THE CURRENT SITUATION, CAN YOU RELY ON THE PREVIOUS ASSESSMENTS ON CREDIT QUALITY OR RATINGS? WITH EVERYTHING THAT'S GOING ON YOU WILL HAVE SECTORS AND COMPANIES THAT WERE CONSIDERED COMPLETELY SAFE BUT ARE NOT GETTING ANY INCOME ANYMORE, SO WHAT DOES THAT MEAN?

JAMES KING: "I think it's all about degrees of risk and which risks you're willing to take. None of us are virus experts, even

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if we know more today than we did six weeks ago. This thing could easily come back in the second half of the year and we will be locked down again and the vaccine could take forever, et cetera. But I think when you're talking about debt markets, it's clear which companies that could survive in terms of liquidity and which companies that are going to have a future regardless of where this is going. It's not easy but you can put a price on a well-structured leverage loan in certain situations, even if it might be too conservative or not conservative enough. For the leveraged loan universe, for example, I think everyone here probably has an idea about where the default rates are going to go and I would imagine we're all probably within about five points of each other."

ANDERS BERTRAMSEN: "I think the big joker compared to previous crises is the political aspect. Let's take an example. Right now, it's easy to say that cinemas probably will go down the drain but Trump or some other politician might come out tomorrow and propose a rescue package for cinemas and then all cinemas in that country would probably rally or see their credits rally. Or it might be that he doesn't care about cinemas but it's cruise lines or some other sector. In short, there's a big aspect here that's untested and that's the political factor, which could make some sectors suddenly rally out of nowhere."

NILS LODBERG: "I very much agree with that point and I think as well that it's important to take into account the double-shock that we're experiencing now with the coronavirus as well as the oil shock. There are a multitude of macro risks going on and it's difficult to see which sectors that will be saved by the politicians and which ones that are going down the drain."

RENS RAMAEKERS: "Coming back to your question, Caroline. The analysis we did historically is worth something but it's worth less than before. In short, we re-run the whole process and make in-depth analysis of what we're expecting. You cannot rely on your previous analysis."

NIKLAS TELL: IF WE LOOK AT THE CURRENT SITUATION, WHAT WOULD YOU SAY HAS BEEN THE BIGGEST SURPRISE?

JAMES KING: "The speed really took me by surprise. Firstly, the severity of the sell-off and how bad liquidity got, particularly in the third week of March where it felt like there wasn't a single bid anywhere in the market for anything. And then, how quickly some level of confidence returned. I mentioned earlier that we're selling assets at the moment and when we bought them three weeks ago, we assumed we were going to hold them for at least six months. Now they've already rallied to our price targets in three weeks, which is ridiculous. Also, what's happening in equities is just baffling. I would never have guessed we would be talking about a bull market in equities again. It's just insane.

ANDERS BERTRAMSEN: "I think the scariest part has been that the oil price went negative. I don't think anyone had guessed that could even happen."

JEFFREY REEMER: "I think when you model scenarios and you bring it to an investment committee, the prospect of zero revenue is not often something you have in your assumptions. You will usually have a slowdown of GDP and a decline in revenues and you flow that through the system. So I would say it's the severity that's stunning."

JESPER KIRSTEIN: "I think for me, it was surprising to see that the politicians were willing to implement fiscal policies that we wouldn't believe even were possible, with Germany simply breaking every rule in the EU and the US delivering packages of more than 7 per cent of GDP. I think that was fast and probably also necessary but it adds a lot of uncertainty, as Anders mentioned earlier.

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> *– Jesper Kirstein, Kirstein Agg. Holding*

NILS LODBERG: "For me, it has been a combination of what people have already said. I think it has been great to see how the politicians have handled this crisis compared to the financial crisis. Maybe because this is something that has hit the general society, it has been a greater acceptance of actually reacting in a good way. I'm also surprised how much liquidity has mattered and how all the regulation that has been put in place since the last crisis has amplified moves in the market. For example, banks don't have the same inventory anymore to house risk and things like that will maybe become clearer after the dust settles."

RENS RAMAEKERS: "I agree on the liquidity, which you really saw disappearing. I also hope that this shows to investors that it doesn't matter if you sit in illiquid or liquid investments because what's liquidity worth if you get a 20 per cent discount on your expected price?"

NIKLAS TELL: FROM A SELECTOR POINT OF VIEW, ARE THERE ANY NEW QUESTIONS YOU NEED TO ASK MANAGERS OR NEW THINGS THAT YOU NEED TO LOOK AT WHEN DOING YOUR DUE DILIGENCE?

ANDERS BERTRAMSEN: "Not necessarily any new things as such. I think it very much depends on what you've done historically. It's ultimately about whether you know enough about the asset class that you're venturing into. If you know enough, you should be capable of asking the managers the right questions. If you don't know enough about the asset class, you will not ask the right questions and therefore you will likely get burned at some point."

JESPER KIRSTEIN: "I would just like to add that this environment is perfect. It's a stress test of what managers are doing and we've seen very big dispersions in returns with severe underperformance by some managers and others performing really well. You also have an opportunity to see whether a credit manager's claims of being conservative and performing well in downturns actually is true. You don't necessarily have to change the way you do things but the level of information that you will have will be a lot greater."

CAROLINE LIINANKI: WHAT DO YOU THINK ARE THE REASONS FOR THAT DISPERSION IN RETURNS? HAVE THE MANAGERS BEEN TAKING ON MORE RISK THAN WHAT THEY HAVE CLAIMED?

JESPER KIRSTEIN: "I think that's an element. I mean, we all know how this works. There are several ways of creating excess performance and one is taking on more risk. Some managers have done that and that goes for the credit market as well as the equity market. The current situation will also give you information on how the manager is trading in this market. Are they dynamic or will they sit on their hands? We would like managers to be able to utilise the current situation to create extra alpha."

RENS RAMAEKERS: "I agree that this is a great time for managers to actually show their worth and I think having experience from the last crisis will help in that respect. We will see proof of that over the coming months."

JAMES KING: "We're thinking a lot about the second-order impacts. We all see dramatic movements in, for example, the oil price and that's concerning but that can be easily identified by everyone. It's the second order effect that we need to think about. Real estate is a good example because many landlords will not make it unless they get government support as their income is falling off a cliff. How is that going to manifest itself over the next few months? I just think that it's going to take months, if not years, to work through all the ramifications of what has happened. There will continue to be opportunities and threats throughout this period."

NIKLAS TELL: FROM THE INVESTOR SIDE, HOW IMPORTANT IS IT FOR YOU THAT YOUR MANAGERS HAVE EXPERIENCE FROM THE PREVIOUS CRISIS AND HOW USEFUL IS THAT IN THIS ENVIRONMENT?

ANDERS BERTRAMSEN: "In that context, this crisis is really great because you haven't seen a real hard credit crunch in the private market since the global financial crisis. When looking at managers, it was really hard unless there was a very long history of working together. Obviously, a lot of managers will always tell you that their credit underwriting and the default statistics are really benign. Now the proof is in the pudding. Those numbers are not out yet but when we get to 2021, we can look back at the numbers from 2020 and see how these managers fared. I do think that some will be able to show that they are good at credit underwriting but for others the data will show that they weren't really. Maybe some managers attracted too much money and wanted to deploy it, so they relaxed some of the credit underwriting standards and now they're going to pay the price for that. In essence, it's great for us as selectors and investors to have some more recent data points to look at. It has been hard to find managers that were active back in 2008 or 2009 because the industry has grown a lot since then. Now there's some live data to look forward to."

> "One of my biggest disappointments is that we haven't seen any funds blowing up yet"
>
> *– Anders Bertramsen, Nordea Asset Management*

NIKLAS TELL: HAS THE PROBLEM WITH SHORT TRACK-RECORDS SPECIFICALLY BEEN A PROBLEM FOR EUROPEAN MANAGERS?

ANDERS BERTRAMSEN: "Yes, because the market in Europe pretty much didn't exist prior to the global financial crisis. But it's the same for the US as well. There were managers active before the global financial crisis in the US but there's probably 10 times the amount of managers now and I think there will be a lot of interesting information on these managers going forward."

JESPER KIRSTEIN: "When we selected private debt managers a couple of years ago, it was important that we could find managers that had been through the financial crisis but in Europe that wasn't possible. Also, they had only done some 10 or 20 deals. In the US, we could find managers that had done maybe 500 deals and had been through the financial crisis. They had proven that when times get rough, they could really work on the deals in order to get their money back."

NILS LODBERG: "I agree. This will be a great opportunity to get more information on how managers behave, especially if it's a prolonged crisis. I think one of the things that's always interesting in private credit is to see how managers do workouts and how they achieve the highest recovery. But also how the operations work because I've seen before how the whole organisation has been put on hold due to one case going wrong, so it's important to see how they deal with these kinds of situations."

CAROLINE LIINANKI: HAVE ANY OF THE ASSET MANAGER REPRESENTATIVES ANY INPUT ABOUT SPECIFIC THINGS THAT INVESTORS AND SELECTORS SHOULD BE PAYING EXTRA ATTENTION TO AT THE MOMENT WHEN IT COMES TO EVALUATING MANAGERS?

RENS RAMAEKERS: "I think what has been said about experience is correct. Also, alignment of interest is important as that should give confidence to the investor. It's also important to consider capacity and scale in order to do the analysis at this point in time. A very small boutique firm might do ok when markets are going up and when there are no defaults. I think the current market requires more capacity in order to find the right opportunities."

JEFFREY REEMER: "The only small point I would add is that a lot of firms advertise themselves as global asset managers but it doesn't necessarily mean that all the groups work together and actually leverage each other's strengths. So a differentiating factor to consider is to look a bit further into what type of resources the firm has and how they're actually incentivised to work together."

CAROLINE LIINANKI: ON THE TOPIC OF MANAGER SELECTION, WOULD YOU SAY THAT IT'S EASY TO FIND MANAGERS IN THIS SPACE THAT TRULY ARE INTEGRATING ESG?

ANDERS BERTRAMSEN: "I think it very much depends on what you think you're going to find. If you think you can find direct lending managers that integrate ESG as much and as aggressively as some of the listed equity managers, it's going to be difficult. The illiquid direct lending industry is some years behind in that context. With direct lending, it's probably easier with exclusions because they typically don't like cyclical companies such as energy anyway. It really depends on what you're trying to find. We're starting to see managers signing the PRI and you're seeing some managers trying to add ESG in the investment memos and in their credit underwriting but the question is how relevant it is. However, managers know that in order to raise money, especially in the Nordics, they need to sing the ESG tune."

JEFFREY REEMER: "I think the challenge – and opportunity – when it comes to ESG, especially in alternative credit, is that everyone has a different definition. It's also very difficult to have consensus on the measurement of ESG because most of the third-party rating agencies will not have the information for these companies as they're private and there are no public financials. We partnered with several institutional clients in order to work together to develop our own proprietary rating system for ESG and have launched a dedicated ESG offerings for the liquid side of the market. It's more difficult on the illiquid side. For distressed, we can work with an exclusion list but I think investors have to be conscious of the fact that the return profile might not be the same."

JESPER KIRSTEIN: "I think a lot of investors would like to believe that ESG is being reinforced by what is happening at the moment but if you look at credit, there's not a lot of proof of that, except for the fall in oil prices. I think the current situation will give us more information in order to evaluate how and if managers are really integrating ESG."

NILS LODBERG: "I think that there's an opportunity to integrate it better in the process. However, I think the biggest problem is the reporting and comparing the reporting from the private credit side to the listed side. I think a lot of managers in the direct lending space have a very big focus on trying to do better and are actually doing a lot of these things on a micro level, whereas things are done more on a macro level when you look at the listed side. There's definitely a disconnect between the reporting from the private credit side compared to the broader market."

NIKLAS TELL: BEFORE WE END THIS DISCUSSION, DOES ANYONE HAVE ANY ADDITIONAL QUESTIONS OR THOUGHTS?

ANDERS BERTRAMSEN: "One of my biggest disappointments is that we haven't seen any funds blowing up yet. There's always someone that promises better liquidity compared with what the underlying fund can handle. That has actually surprised me but maybe it will come."

JAMES KING: "I personally think that we were within a few days of that happening. If things would have continued for another week, it would have been game over for many of the levered players but the Fed stepped in."

JESPER KIRSTEIN: "I have two questions to the panel. Firstly, do you foresee an emergence of closed-end funds in credit and secondly, what are you hearing about the views on active management?

JAMES KING: "In general, I think people, certainly in Europe, have understood the need for active management within private credit. But if there's anything that comes out of this event for our industry, I hope that the need for active management will be reinforced over the next few years. In terms of closed-end funds, I think it's a different investor base. Understandably, most people want some form of liquidity but that said, we've always been very careful about what we will offer. However, I would imagine that there will be a renewed regulatory focus on what's liquid and what isn't liquid because things have gotten quite close to the edge in some cases."

RENS RAMAEKERS: "I agree that there will be more regulatory focus on making sure that funds or vehicles are more aligned with what kind of assets you have and what kind of liabilities the investor have on the other side. If that's closed-end funds or something else, I don't know."

ANDERS BERTRAMSEN: "First of all, I'm a keen believer in active management – particularly in credit – and I hope that this crisis will show that active management have paid off. I think this is the kind of environment that I know a lot of managers have been craving for: to get some volatility and price discovery, even if this maybe has been a bit too much. Hopefully this crisis will show us that it makes sense to be an active manager and to have active managers on the credit side. I did, however, see a recent article arguing that ETFs have proved their worth in the current crisis. Yes, if you want to trade tactically for a week or a month, please go to an ETF and please don't annoy an active manager with piling in money and then redeeming two weeks later. But for longer term structural investments, I think you have to go active. Otherwise, you're just following the dumb money."

JESPER KIRSTEIN: "I hope you're right."

NILS LODBERG: "I also hope that this crisis will not only create an awareness of the value of active management but also awareness of the value of having skilled manager selectors."