

JW S04E05 Rohit Mehta

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SPEAKERS

Pat Bolland, Rohit Mehta

Pat Bolland 00:15

Rohit Mehta is the President, Chief Executive Officer of Horizons ETFs, which is the fourth largest ETF provider in this country with more than \$30 billion of assets and 1000s and 1000s of individual investors as well as advisors. But he's going through a rebranding, why is he doing that? We're gonna ask him right after... Rohit, great to see you again.

Rohit Mehta 01:13

Wonderful to see you Pat.

Pat Bolland 01:15

Okay, tell me first off, you're going through a rebranding to something called Global X. And I know what Global X is, but maybe you can explain in your words.

Rohit Mehta 01:25

Sure, so Global X is an innovative investment fund manager brand that's present in you know, the United States, Europe, Asia, South America, and all part of Mirae Asset, which has actually been horizons parent company since 2011. So Global X was originally founded in the US in 2008. And Horizons, interesting enough, was founded here in Canada in 2005. And so, you know, for those that are looking at Global X, globally, we are, you know, in ETF comm a company that's domiciled in all of these jurisdictions, but we haven't used the same brand in all the jurisdiction. So over time, we've been leveraging that global strength and coupling with local expertise, which I think is a really important point in that the global strength that we have that people will now see with the rebranding to Global X, with their local expertise that people have come to know in love with Horizons ETFs, here in Canada, so what we do here in Canada, still stays the same. So as I mentioned, we've been part of Mirae, since 2011. So when I mean stay the same, we continue to run our own business or own, you know, p&l, if you will, I continue to report into a board of directors. And so what we're able to do is that is bring that intersection together, which is really around innovation, harvesting, and harnessing local expertise, but really coupling it with that global strength.

Pat Bolland 02:55

Okay, why do it now? What was the impetus for this change at this time?

Rohit Mehta 02:59

Yeah, that's, that's a great question. You know, when I started back, and we were just chatting about this, you know, back in May 1 of 2023. So, you know, coming up to my one year anniversary here, one of the first things I did was reach out to, you know, partners, advisors clients across the country, and just spoke to them about, you know, what they understand of Horizons, what they like about Horizons, things that we can do better. And one of the things that I kept hearing, which was interesting was that they understood that local expertise I was just mentioning, but they weren't aware of Global X as being a large ETF brand, that's part of the same organization. And more importantly, they also weren't aware of Mirae Asset, that we're a asset manager with over \$700 billion in assets globally. So when we had those conversations, and people started to, you know, that light bulb go off saying, Wow, so you're, you're in 19, global markets around the world. We are in terms of how we're building our businesses and leading our organizations, we're looking to deal with a fewer number of partners, but with deeper relationships, and one of the entry components, if you will, is to have that global strength for their clients and their, in their investors. Is that that strength, being able to tap into that global strength, but bring that local local expertise. So as we we were chatting earlier, you know, we crossed \$30 billion in assets in December, which was a huge milestone for us our largest AUM growth year in our history. And part of that was around bringing this global strength to the forefront to our to our advisors and CIO and investors. And so as we did that, in q4 of last year, our leadership team came together and we propose to the board that we rebrand in May of this year.

Pat Bolland 04:59

Okay, so then beyond the name and the kind of the international flavor, if you will, will there be other things like increased marketing? Or will there be exposure to international assets? For instance?

Rohit Mehta 05:14

Yes, all of the above, really what we're able to do is bring all of the elements of that global strength to Canadians here in Canada. And so what do I mean by that? And I can give you you know, a few examples, examples of that. If we take a look at our US business, global x in the US, incredibly strong informatics, so we are able to tap into their strength, some of their research and how they're building products in the US and say, How can we bring that into the Canadian marketplace? So there's, you know, global, monthly called on ETS who's building what in what regions, what are you seeing in those regions, etc. It also allows us to tie into you know, in our recent filing, that will go final, final shortly and come to market later this year, is around bringing in India ETF. So tapping into our global strength allows us to bring investors exposure to different markets around the world. So in our upcoming launches, you know, we're bringing in India ETF to Canada, you know, MSCI Emerging Markets, and ephah. So looking to bring that that expertise to Canada, as we're also going through this rebrand, we're able to bring global marketing strength. So you know, Quebec, for example, is a large market for us, we are able to tap into the global resources. And as we're building this new site, tap in and make sure that we're bringing more strength in terms of Quebec, French content for the Quebec marketplace and, and helping just be a better partner in terms of personalization for people's journeys.

Pat Bolland 06:59

You know, it's interesting, Rohit, you and I go back a long way. And Horizon was known for being creative. They had things like cannabis ETFs, or seasonal ETFs and thematic, that you've already mentioned, continuing along those lines you think in the future or more traditional.

Rohit Mehta 07:18

It's going to be both actually Pat and we will continue to innovation is definitely part of our DNA, as you had mentioned, it's also important to note that marae asset Moray actually is it's a South Korean domicile, home country headquarters means future. And our global tagline under marae is permanent innovators. So this innovation theme is not something that is only specific to the horizons organization soon to be global next year in Canada, but it is actually something that permeates all of our businesses and organizations around the world. So we've to your point, we've been innovative, you know, bring in Canada's first uranium ETF here, first, copper ETF being, you know, CLPP, or COP, and, and, you know, we've seen obviously move into those things like commodities, you know, heat have heated up, if you will, and we're also bringing more thematic. So we have filed a prospectus for 17 new ETs that we plan to launch next month, and that will actually be the most ETFs launched in a month for in Canada's history.

Pat Bolland 08:28

I'll come back to that I want to talk about the growth in the industry overall. And that certainly fits into that discussion.

Rohit Mehta 08:34

Yes.

Pat Bolland 08:35

Artificial Intelligence seems to be one that you didn't mention. Are we looking at that at some point? Absolutely.

Rohit Mehta 08:41

So that is actually one that's in our upcoming launch around artificial intelligence that will be supporting companies that are in artificial intelligence, as far as bringing in insights, as well as all the way through to producing chips in some of that hardware for inter facilitate AI. So that is definitely, definitely a theme, as well as with, you know, technology. So technology leaders, so top 10 globally, and that's actually gonna be tying in with our marae actually has an index business out of India. So we're actually going to be able to tap into with our technology leaders, ETF is one of our own indexes that we run as a as a broader organization out of India, but then we're going to your earlier question, is it going to be around sort of innovation around traditional investments and so we're actually coupling those together. So in this in this prospectus, we are going to have the s&p TSX 60 The s&p 500, MSCI em MSCI ephah, NASDAQ 100, all in trust format, so for replication, and then we will have and we have some of these building blocks already, but we'll have the full continuum of having those on a you know, a one beta delta one replication exposure. And then we're going to have them lightly lever. So 125% exposure will offer them a covered call. And we're offering them a covered call lately lever. And so we want to have

that continuum. So that and one of our themes is around that we see as around customization in terms of people being able to want access to a specific asset class, if you will, or index, but then being able to have the personalization and customization around getting the exposure that they want, whether it's higher income or higher growth potential.

Pat Bolland 10:32

I look forward to that. Okay, so let's get back to the rebrand.

Rohit Mehta 10:36

Yeah.

Pat Bolland 10:36

How's the feedback been? Since you made the announcement?

Rohit Mehta 10:39

The feedback has been absolutely overwhelmingly positive. I've been really pleasantly surprised. We have done it in stages as well. So we've we announced that we're rebranding on March 6, we had a tremendous amount of media attention, different people reaching out our partners. And so we've made a lot of noise around it. And it's been it's been great. The what the official rebrand takes place on on May 1. So that's coming up next week. And what we've gotten the feedback we've gotten is, we love how you're bringing this global strength to the Canadian marketplace and bringing it in terms of the transparency around it. We also like how you've are working with us to help in this transition to global x in terms of, you know, we're not just announcing one day, you're changing the brand, it's we're changing the brand, here are the steps, and let's communicate through each of the elements so that people aren't surprised in terms of what they're getting. They know what they're getting. And we're actually able to get them excited for it. So can't wait for it to actually go live next week.

Pat Bolland 11:49

Yeah, indeed. Okay, let's broaden the discussion. Because you mentioned you had a really record year in terms of growth, but so has the industry, I mean, ETFs have been exploding all over the place. And that's in part because of robo advisors, but also individual advisors trying to keep their costs down. And yet, the mutual fund business is still bigger. Do you think ETFs will ever catch up?

Rohit Mehta 12:13

I think over time, as we take a look at the growth trends, it's a matter of time on when those converge and when they fall off, as we've seen more recently, you know, you look at 2023, ETF sales were 37 and a half billion dollars, while mutual funds were a net redemptions to the tune of just over \$57 billion. So you're seeing a big Delta there, I think you've touched on a couple of the keys in terms of you know, that ETFs for investors looking to bring down their fees, and understanding the importance of fees and ETFs have really democratized investing in these go back. This goes back to our conversations that we were having a decade ago, in terms of ETF growth and what we're seeing. And so because they started off at zero, and but have been growing and mutual funds had definitely a head start, we are absolutely seeing that trend. And to earlier point, it isn't a Canadian specific trend. You're seeing this happen in jurisdictions around the world. I don't think to be clear, I don't think that mutual funds are going to

become you know, obsolete, if you will, there is going to be a need for you know, different tools. And for investors that might be more comfortable or have a reason to buy pooled investment in a mutual fund vehicle, versus an ETF. But the ETF growth is here to to, is here to stay.

Pat Bolland 13:41

Let's talk about Canadian investors in particular, what do you think the average Canadian investor is looking for as far as an investment experience, and I'm thinking in particular millennials, because they're going to inherit a lot more wealth.

Rohit Mehta 13:56

So I think and I look at my kids, the conversation with them, it's around personalization, it's around, you know, on demand, digitally forward information, and that opportunity to customize. And so they can consume, consume, and transact, you know, when and how they want. I mean, we only have to look at, you know, even our conversation today, in terms of this would be, you know, we weren't having these conversations like this in this forum 10 years ago, or even a few years ago, you know, for that, for that matter, right. It was much more, you know, in person, much more traditional media distribution venues. So, I think from a millennial standpoint, there's a importance and a need to be able to allow them to consume information the way that they want to so they may not be reading a traditional newspaper, but they might look and have a you look at an influencer and look at different ways that they want to consume their information. And so it's not about limiting how they can consume it. But it's about helping make sure that wherever they're consuming it from that we're able to give them the right, the right information and the best information to make educated decisions. I also think that we're seeing it not as much as I'd like to see. But we're seeing it more so in the educational system, more knowledge and more information around personal finance. And I think that's going to be empowering one. And two is is important in terms of that digital era we're in

Pat Bolland 15:34

No question. It's interesting, though the products sometimes, you know, move because of the regulators, and one that's been really popular, for instance, is high interest savings accounts and ETFs associated to those. And the rules got changed kind of midstream got changed around those ETFs. Has there been an impact at all? Are investors savvy enough to know what's going on?

Rohit Mehta 15:54

There will have been twofold I think that investors have are savvy enough. And I do think that there has been an impact to your point, you know, high interest savings ETFs have been one of the most popular ETF asset classes in the last five years and make up about 20% of the overall fixed income ETF category now in Canada. So what you're referring to is the the OSFI rules that changed last year. It officially came into implementation in January of this year, which changed how the banks characterize and and treat the deposits have on their on their balance sheet. And so that has that that change has impacted the yields. So they have come down. Having said that, you know, I was just looking earlier today on our cash ETFs, our Canadian High interest savings ETF and it's 4.69%. And so when you take a look at what someone's able to get with no duration, so no volatility in terms of interest rate impact, if rates were to go up, yes, the yield would go up or down, but not like a bond where the principal value can go up or down in terms of duration. And so investors have really seen this. And if you take a look in

a rising rate environment, which we have been in, not so much anymore, which we have been in, they were an incredibly valuable tool for foreign investors, and they still continue to use them because ultimately, they are like a cash vehicle. And the yields are significantly higher than an investor would receive just putting money in a high interest savings account and a bank branch.

Pat Bolland 17:40

Justwealth is a sponsor for this show, as you know, excuse me, and they've seen a lot of growth in retirement products on I'm thinking about things like target date funds, for instance, do you see a lot of growth in the retirement area in terms of products?

Rohit Mehta 17:56

Absolutely ...And it's driven by, in my view, a few key drivers one, by the end of this decade, 25% of the population is going to be 65 Plus, you couple that with people living longer, so life expectancy is increasing. And the third key element is the erosion of defined benefit plans. So, you know, 20 plus years ago, people in many sectors would work for, you know, their, their working years, and when they retire, they're gonna get a defined benefit plan that was indexed to inflation, that would allow them to have a stable source of income on an annual basis that was tied to inflation. What we've seen is in the other than in the government space in the private space, defined benefit plans are basically have been replaced by defined contribution plans, if anything at all. And what that means is now investors have to have tools and a way to manage their nest egg to a provide them with cash flow for living not just for, you know, trips and and discretionary spending, but to actually live and then on top of that, they have to be able to plan for a longer retirement with so for a longer life expectancy. So I think the growth in products and tools investment products for retirees is going to be a longer term trend, not a short term trend.

Pat Bolland 19:35

You mentioned that Mirae stands for future What's your vision of the future of investing for Canadians or ETFs for the whole spectrum?

Rohit Mehta 19:47

You know, investing is one of the things that is going to become a an element of education for that every Canadian to be empowered to invest What if we look historically people and people, you know, worked hard for their money, and then you know, handed it to somebody else or, or but weren't that sort of that well versed on being hands on really being empowered. And so I think it really ties into the future is around education. It's around bringing choice. And it's around leveraging technology to be able to provide investors with optimal outcomes for what they're looking to, to do and achieve. And so I think you're gonna see it, that's a lot there to unpack. But you're gonna see that that's going to translate into a growth of different platforms, whether it be advice channel, whether it be Robo or digital advice, whether it be discount brokerage, and then the tools that cascade from that and the interactions is all going to be wrapped in terms of personalization. So I'm excited about what the future holds and, and technology is going to be a massive driver for empowering that dynamic growth.

Pat Bolland 21:06

Rohit, Great to see again, thank you.

Rohit Mehta 21:09

My pleasure. Great to see you again. Pat

Pat Bolland 21:11

Rohit Mehta is the President and CEO of Horizon ETFs.... Thanks very much for joining us on this edition of The just word. I'm Pat Bolland. If you enjoyed it, subscribe, and remember check out just well financial. See you next time