Daubert Motion Ex. B

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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CLIFTON W. MARSHALL, et al.,

Plaintiffs,

Case No. 16-CV-6794 AB(JCx)

v.

NORTHRUP GRUMMAN CORPORATION, et al.,

Defendants.

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VIDEOTAPED DEPOSITION OF STEVE POMERANTZ, Ph.D.

New York, New York
Monday, October 29, 2018

Reported by:
JEFFREY BENZ, CRR, RMR
JOB NO. 150159

October 29, 2018

9:04 a.m.

Videotape Deposition of STEVE POMERANTZ, Ph.D., held at the offices of Mayer Brown LLP, 1221 Avenue of the Americas, New York, New York, before Jeffrey Benz, a Certified Realtime Reporter, Registered Merit Reporter and Notary Public of the State of New York.

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SAMUEL BLOCK, ESQ.

ALSO PRESENT:
LEM LATTIMER, Videographer

Q. Have you taken any classes on the finance of emerging markets?

A. No.

Q. Have you written any articles on emerging markets?

A. Not -- not directly.

Q. What do you mean when you say not directly?

A. I have written several articles about investment-related issues that would pertain to any mutual fund, or self-managed account or commingled trust. The -- the issues that I've talked about would apply, in general, to any type of asset class, whether it be emerging markets or equity or fixed income.

None of -- none of the research is specifically targeted to emerging markets, but addresses issues that apply and are common to all capital markets.

Q. To make sure I understand, you've never studied emerging markets as a specific asset class, right?

A. I don't know what you mean by "study."

Q. Have you ever written an article on emerging markets as a specific asset class?

A. No. But I have managed portfolios, and I have performed research to support portfolios that invested in emerging markets assets.

Q. And when was the most recent time when you performed research to support portfolios invested in emerging markets assets?

A. I worked as an RIA as -- most recently probably 2002 or -3. And then for several years after that. I have performed research on a variety of different investments that invested in the emerging markets.

Q. And when you say you've performed research, what do you mean by that?

A. Primarily due diligence on -- performing due diligence on managers who are invested in, amongst other things, emerging markets, being involved in the performance attribution, analysis of managers who invested in, amongst other things, emerging markets.

Q. And when you are doing this due diligence, who are your clients?

A. Mainly fund of funds.

Q. And are these funds of funds themselves registered investment companies?

Q. Have you evaluated any passive emerging markets portfolios?
A. No.
Q. Have you ever advised a client that it was imprudent to actively manage an emerging markets fund?
A. No. To the contrary, we were actually seeking actively managed funds to invest in.
Q. Okay. When you say "you," who is you in that circumstance?
A. The fund of funds that I was employed by.
Q. Okay.
So in your work as consultant, you were tasked with identifying actively managed emerging markets funds, right?
A. Well, I wouldn't say -- I wasn't really the -- responsible for the identification. I was involved in the due diligence. Other people were involved in the identification.
Q. And in that due diligence work, was -- were you responsible for identifying whether the strategy would outperform a passively managed emerging markets strategy?

A. That was not really a component of my analysis.

Q. Has there been any circumstance in which you have been asked to analyze whether an emerging markets fund should be structured as actively managed or passively managed?

A. No.

Q. Let's briefly go through the various jobs that -- at firms that you've held. After you earned your Ph.D., you went to work for Bank of America?

A. Yes.

Q. What was your job at Bank of America?

A. I worked for a -- a pretty general research area providing support to many areas of the bank. My involvement primarily was to the foreign exchange operation and to the bank's internal funding mechanism.

Q. Why would a bank have a foreign exchange operation?

A. That's one of the businesses that banks are in, is to basically make markets in foreign currencies for their customers. They also engage in proprietary trading of foreign currency markets, and that involves taking was DB, a third of our business was high net worth individuals, and the other third were institutions.

Q. Okay. Did you have any oversight over any emerging markets funds managed by Weiss, Peck & Greer?

A. Not for the management of those funds but for the risk management.

Q. And what was required to manage the risks of the emerging markets funds?

A. A lot of software.

Q. And what was the software designed to evaluate?

A. The risk of the portfolio, in -- I mean, risk is a multi-dimensional concept. So this is a matter of identifying the -- the sensitivities of the portfolio, the risks of the portfolio, things that we've talked about here, maybe tracking error, information ratio or just examples of metrics that are being calculated.

We also had a -- Weiss, Peck & Greer and -- its owner, Robeco, had a very quantitative approach to investing, which relied heavily on factor models, and so, was involved in the development of those models, as well as I guess addressing the benefits and the risks of those models as well.

Q. Did Weiss, Peck & Greer have any passively managed emerging markets portfolios?

A. I don't recall.

Q. Okay. So it was not your responsibility at Weiss, Peck & Greer to assess the desirability of an actively managed strategy for emerging markets.

MR. STRUCKHOFF: Objection. Vague.

A. Well, I know we had actively managed emerging markets funds. And -- that we issued or offered through Robeco.

I -- I don't know what passive offerings they had. They may, they may not. Just don't know.

I was not -- I was -- I would get involved in product development. Once the marketing area I had identified a need, then I would get involved in, say, the creation of a product, but it wasn't my job to go out and determine if there was need for something.

Q. Okay. So you wouldn't, at Weiss, Peck & Greer, have developed a standardized methodology for assessing when a product should be offered as actively versus passively managed. Right?

MR. STRUCKHOFF: Objection. Vague.

A. I -- I wasn't involved in -- in that decision. I -- I don't -- I could tell you Weiss, Peck & Greer did not offer any passive products. To the extent that we had clients, or relationships, that wanted a passive investment, we would put money into Vanguard for them so that we could control the overall portfolio that they had.

But at Weiss, Peck & Greer we did not put forth any of our efforts or resources toward the creation or maintenance or marketing of a passive portfolio. But Robeco may have. I don't know.

Q. Just for the court reporter's benefit, how do you spell Robeco?

A. R-O-B-E-C-O. And they're domiciled in the Netherlands.

Q. You left Weiss, Peck & Greer in 2000?

A. Yes.

Q. And your work since 2000 has exclusively been consulting, right?

A. Yes.

Q. Have you had any consulting engagements that pertain specifically to emerging markets?

A. I addressed earlier, the due diligence of emerging markets fund managers for fund of funds that I was employed by.

Q. Can you identify any particular fund of funds that you advised on their emerging markets portfolios?

A. The -- the fund of funds I worked for were Gordon Asset Management, Hunt Asset Management, and Galileo Asset Management.

Q. Do you know if those funds are still in existence today?

A. Gordon, no. Hunt has restructured several times, so it has a different name. But it still exists.

And Galileo still exists.

Q. And do you know if the -- the portfolios that you did due diligence for are still a part of the Galileo fund?

A. I don't know.

Q. Same question for Hunt.

A. I don't know.

Q. Have you had any consulting

engagements that pertained to the distinctions between active and passive investment vehicles?

A. I -- I wouldn't -- I wouldn't say that I was hired to do that type of analysis. There are people that I've worked for whose assets I have directed either into active or passively managed strategies, depending upon what those assets were.

Q. Okay. Can you give me an example of a client for whom you have determined whether to direct money into actively or passively managed strategies?

A. And insurance company called IFIC.

Q. And what was -- and when were you engaged by IFIC?

A. I would say '06 to '14.

Or '15, '06 to '15, in that range.

Q. And what assets were you engaged to assist with?

A. Most of the assets of the insurance company, the -- the surplus portfolio.

And I guess the -- the general account.

Q. Were you the only consultant assisting IFIC with the investment of its general account performance. But I think everybody would agree that performance is something that needs to be examined.

Q. Dr. Pomerantz, have you ever assisted as fiduciary of a 401(k) plan?

A. No.

Q. Have you ever served as fiduciary of any retirement plan?

A. I've worked as an IRA, and in that capacity I believe I was a fiduciary for the plans. But I was not hired by the plan.

Q. Have you ever been hired to provide advice to fiduciaries of a 401(k) plan?

A. I -- I was an advisor to IFIC's 401(k) plan.

Q. And what was your role as an advisor to IFIC's 401(k) plan?

A. To help make the decision on -- on selecting a menu.

Q. Do you know how many investment options IFIC's 401(k) plan offered?

A. It was not that different than the current -- than the subject plan, in terms of what it looked like.

Q. Did the IFIC plan offer an emerging

markets investment option?

A. No. That would have been achieved through the international option.

Q. So IFIC's plan had an international option that spanned developed and emerging markets?

A. Yes. That's fairly common.

Q. We've been talking about emerging markets, but we haven't stopped to define what that means. How would you define emerging markets?

A. Well, I would defer to MSCI, actually, in -- in terms of which countries are considered developed and which countries are considered developing. By developing we usually mean -- we usually mean BRIC, but I -- I think that there would be some slight differences between different people about what constitutes an emerging market, but I think it's -- it's -- generally follows what MSCI uses to allocate countries.

Q. Just to go through some of those acronyms, BRIC is a reference to Brazil, Russian, India and China?

A. Yes.

Q. And MSCI is the Morgan Stanley capital investments?
A. I don't know what it stands for.
Q. Do you agree that is a Morgan Stanley --
A. Yes, yes, certainly.
Q. So I think that you acknowledge that there are some differences between different people about what constitutes an emerging market. Right?
A. I think -- yeah, I think there will be some modest disagreements.
Q. Are you aware of anybody who disagrees -- anybody in particular who disagrees with MSCI's definition of an emerging market?
A. No.
Q. Do you agree that emerging markets investments constitute an appropriate component of a balanced portfolio?
MR. STRUCKHOFF: Objection. Compound.
A. I'm sorry. Do I agree that -- how did you phrase that?
Q. Do you agree that an -- strike that.
Do you agree that emerging markets investments constitute an appropriate component

of a balanced portfolio?
MR. STRUCKHOFF: Same objection.
A. Not really something that I've thought about.
As I said, I think most international portfolios do have an emerging markets component to them. The Vanguard total international market fund is enormous, is ubiquitous, and it has a significant emerging market exposure. There is significant emerging markets exposure in most international funds.
Q. But you aren't taking the opinion today that Northrup Grumman should not have offered any emerging markets fund; is that right?
A. It's not something I've thought about.
I think -- I think Russell offered an opinion that it wasn't a necessary option to offer. But I'm not -- I have no opinion on it.
Q. Dr. Pomerantz, I think you alluded to this, but is there an index that measures the performance of emerging markets?
A. There are many.
Q. There are many indices. Why is there more than one?

decision to invest in Index A or Index B.

Q. So what I think you're saying is that there may be a judgment call to be made as to whether the MSCI index is desirable or the FTSE index is desirable, right?

A. Yeah, they may have different diversifying characteristics with other things that you're investing in.

So I think these are all things that are worth looking at, and then you decide with that information what you do with it.

Q. But you would also agree, wouldn't you, that the Vanguard fund is not designed to track the MSCI index, right?

A. That is not its stated objective.

But for example, if you go to Morningstar, you will see the performance of Vanguard is compared to the MSCI.

Q. Dr. Pomerantz, is South Korea an emerging market?

A. I don't know.

Q. Is Taiwan an emerging markets?

A. I don't know.

MR. NETTER: I'm going to ask the court reporter to mark as Exhibit 174 --

Q. The benchmarks for different markets from these four providers differ in terms of their allocations to different countries, right?

A. That is -- yes, that is a component of the difference.

Q. In your rebuttal report, which we marked previously as Exhibit 173.

A. I would also say that -- I personally don't discount the possibility that this is a typo, but I don't know.

I'm not vouching for this document.

Q. So you think that what in this exhibit might be a typo?

A. I'm just saying, it -- if I were to have an opinion based on this document, I would verify the 15.18 number for South Korea.

Q. Okay.

A. It just -- it seems to me to be very odd. There's such a -- such a difference between the two. We can talk about the document as something that Vanguard published in 2012, but this is not something that I'm agreeing is true or not.

Q. Okay.

A. Until I look into it.

Q. In your experience, it would be surprising if there were such a wide disparity in these benchmarks.

A. Yes.

Q. Now, in your rebuttal report, you have a discussion of tracking error. Do you recall that?

A. Yes.

Q. What is tracking error?

A. Well, technically, it's defined as the standard deviation of the difference in returns between a fund and its benchmark, measured with some frequency. And then the value is usually expressed in an annualized term.

Q. What causes tracking error?

A. What causes it?

Differences between -- well, two things. Differences between you and the benchmark. However you want to measure it. Number 1.

And Number 2, the actual effect of the things that you are measuring your difference with respect to.

Q. I don't quite understand Number 2. You said the actual effect of the things that there are a hundred sectors out there, so they're making a conscious decision to offer six out of a hundred.

There's a reason why if -- if I take two different index funds that have two different benchmarks and they both are doing a great job of managing themselves to that particular benchmark but those two benchmarks were not the benchmark that Northrup had in mind when it formed its opinion about investing in emerging markets, then these tracking errors are not really the relevant ones, either.

Q. I think we're discussing somewhat different issues from each other. So my question is whether you can use a tracking error calculation to determine how well an index fund is replicating its underlying index.

A. And the answer is yes.

Q. And for that purpose, it would only make sense to compare the index fund to the index it was trying to replicate. Right?

A. That's a very limited objective. And -- and I -- I think that's probably true, but for -- that's a very limited objective.

Q. Right, but for the limited objective

of determining how successful an index fund is at replicating a particular index, you would need to compare the index fund to the index that it's trying to replicate, right?

A. Yes.

Q. Okay. Just as we re-marked Exhibit 175 as Exhibit 175A, let's go back to your expert report, which was Exhibit 172, and your rebuttal report, which was Exhibit 173, and ask the court reporter to re-mark those as 172A and 173A, respectively.

A. You want to do 174 while you're at it?

Q. Sure. Let's do 174 as 174A while we're at it, too.

(Court reporter changed the exhibit markings.)

Q. Okay. Referring to Exhibits 172A and 173A, is it your opinion that no prudent fiduciary could have offered an actively managed emerging markets fund as of 2010?

A. No.

Q. Is it your opinion that if other index funds were transitioned to passive management in 2010, then a fiduciary was required also to transition the emerging markets fund to passive

Grumman as the fiduciary of the plan. And I see the ITA as serving an advisory role in the investment committee as well as being tasked with the implementation of the day-to-day management of the plan.

Q. In conducting your evaluation of the process employed with respect to the emerging markets fund, did you evaluate the investment committee's process, ITA's process, or both?

A. I -- I guess both. I mean, I've been -- I've read through internal presentations of the ITA to itself, as well as communication between the ITA and the investment committee, as well as communication of the investment committee to itself.

So, I -- I've kind of read through all of that.

Q. There are parts of your opinion where you seem to take the position that certain information should have been considered by the IC as opposed to the ITA. Right?

A. Yes.

Q. What's your basis for drawing those distinctions?

A. Because the -- the investment

committee is the fiduciary. They are the plan sponsor. They speak for Northrup. They are the ones who have the responsibility, and I see the ITA as being advisory. But any more than that, starts to get into kind of legal wrangling that I have no opinion about.

Q. Do you have an opinion as to whether ITA had the authority to change the management style of the emerging markets fund?

A. I don't know if the ITA knew if it had the responsibility to do that. I think -- it's certainly unclear, from what I've seen, as to where that responsibility lies.

It -- it certainly lies with the investment committee, because they're the sponsor. Is that something that they delegated? Is that something that they could have delegated? I don't really have an opinion about that.

Q. Do you have an opinion as to whether Northrup's emerging markets fund had fees that exceeded an appropriate fee for an actively managed emerging markets fund?

A. I did not evaluate the fees at all.

Q. I want us to pull out what's been

Do you see that?

A. Yes.

Q. But from my review that is the only document outside of the discovery record in this case that you considered in preparing this report. Is that right?

MR. STRUCKHOFF: Objection to the extent it misstates his reports and footnotes.

MR. NETTER: Is there something in there that you would like to point --

MR. STRUCKHOFF: You said "reports." He also had a rebuttal report.

MR. NETTER: I said "this report."

MR. STRUCKHOFF: "This report." My apologies.

A. I'm not going to review the whole report, but I will -- I will believe you if you tell me that that's the only footnote.

Q. I'm just trying to understand. It seems to me that what you did was you looked at the data that Northrup Grumman had available and reassessed that data. Right?

A. Yes. And -- but occasionally I have to go outside of the discovery-produced documents to obtain what I would consider public data.

Q. Okay. And in -- for purposes of Exhibit 172A, the only time when you went outside of the discovery-produced documents was for paragraph 90 and Footnote 106. Right?

A. Yes.

Q. Okay.

Just to be precise, you didn't consult any academic literature in preparing this report, did you?

A. If it's -- if it's not cited, then the answer is no.

Q. And you didn't review any commentary about emerging markets funds for purposes of preparing Exhibit 172A, did you?

MR. STRUCKHOFF: Objection. Vague.

A. I'm sorry. Could you repeat that?

Q. And you didn't review any commentary about emerging markets funds for purposes of preparing Exhibit 172A, did you?

A. I would -- I would -- I guess I would say no, for this report.

Q. So what is the basis for your opinion that Northrup Grumman's process for evaluating

But there's no more substance to it than that. They're concerned about liquidity, they're concerned about transaction costs. They would be considered about inefficiencies in the market, and the -- the ability for active management, in some definition, to actually produce alpha. These are things that they're concerned about, and I don't -- I don't object, I don't disagree that those are things that you would want to think about.

I -- I don't know that -- I don't know that I would draw the same conclusions as them, and I think that in some cases they drew the wrong conclusion, but I don't disagree that those are things that are worth thinking about.

Q. Okay. I want you to take a look at paragraph 85 of your report, Exhibit 172A.

And this paragraphs begins, "I examined the likely performance of the active managers and the mandates used by Northrup compared to passive options. The main observation here is that successful active management in the emerging markets asset class is the most difficult to achieve."

First of all, what do you mean, the

most difficult to achieve?
A. Okay, I think that's -- that's a -- a fair question, because I think it's -- there's a lot that is inside that sentence. And I -- I honestly think that it's answered by going through the text and looking at the chart on page 90. And it -- it's kind of a universal statement about the ability and frequency and likelihood of active managers to perform better than an index fund.
Q. Okay. So here you're making an absolute statement that emerging markets managers are least likely to outperform benchmarks. Is that right?
A. Well, and also, I mean, subject to the understanding that we're only talking about five asset classes.
Q. Right. So there could be other asset classes that are not being considered here?
A. Yeah, I don't want to dump on emerging markets when there could be plenty others.
Q. And also, before we leave paragraph 85, it says here you examined the likely performance of the active managers. What does likely performance mean?

A. By likely performance I would mean the -- the likelihood that an active manager would outperform a benchmark.

Q. Okay. But you didn't conduct any analysis that was prospective in scope, did you?

A. Oh, absolutely not, nor did Northrup.

Q. Right. So your analysis is based on retrospective data.

A. Well, it -- well -- it's based on data prior to the beginning of the damage period. But it's not -- so from that perspective, it's -- it's backward looking, but it is information that would definitively be available to you in 2010.

What you don't know in 2010 is how an active manager will outperform, or what characteristics of an active manager will produce outperformance, that is -- is forward looking.

And I haven't done that analysis. And as I said, neither has Northrup. But this analysis shows you that as we sit here in December of 2010, what has been the likelihood that active management will -- will perform better than a passive strategy.

management had outperformed passive management on a three-, five-, seven- and ten-year basis, right?

A. The data is what it is. I mean, I'm not disputing the chart. I think you have to -- you have to -- there's -- there's more analysis that has to be put forth, to -- to think about this.

Q. Yeah, and I'm asking you to confirm that as of the date of this presentation, and Exhibit 179, active management had outperformed passive management on a three-, five-, seven- and ten-year basis.

MR. STRUCKHOFF: I'll make an objection. The document and the comparison you're asking him to make is actually an apples to oranges calculation. One is gross of fees one is net of fees.

MR. NETTER: That sounds like an inappropriate speaking objection.

Q. You should answer the question.

A. There's a fee issue.

Q. And I move to strike your answer as inappropriate coaching from your counsel.

A. Well, actually, I have many other

concerns about this. As I said, I don't know how this data was presented. If you're looking at -- if you go to the active management one, right? You're looking at the median against the emerging markets index. You're -- nobody is investing in the median. You're investing in a particular fund.

So that median is not even the average investment that's somebody is receiving.

I think -- I think you need to look at all of the data, and also, I don't know how Callan basically calculates this data.

So, you know, that's something to look into. I mean, the difference in alpha is actually -- reported is actually greater than the fee difference. Like, you can compare -- 283 to minus 61 is a difference of 340 basis points, and I know that the average fee on an emerging markets fund is a lot less than 340 basis points.

But again, there's a lot more to the data than just what you're seeing here.

And again, the -- I think we're also missing the forest for the trees, here. This is not about whether or not a lot of funds have

I mean, you could go and -- and collect that data. I don't know why December '07 data is relevant for a decision that was made in December of 2010.

Doesn't take three years to prepare this exhibit. It takes about three minutes.

So I don't know why you would look at '07 data to evaluate the decision, but yes, you absolutely can create this chart for 2007.

Q. And I want you to indulge my focus on 2007 for a minute. Do you believe that as of 2007, successful active management in the emerging markets asset class was most difficult to achieve?

A. I have no idea. My chart doesn't do the comparison, and neither does this exhibit here, 179. This is not about the merit of investing in actively managed emerging market funds. This is about the relative merit about investing in active emerging market funds as compared to actively managed funds in other asset classes.

Q. So you don't have an opinion as to the merit of investing in actively managed emerging market funds?

comparing emerging markets to other categories that -- what I'm trying to do is, actually, take the exhibit, the analysis that's done in 179 for emerging markets, and apply that analysis in some way across the relevant asset classes.

Q. So you still haven't answered the question, so I'll ask it again. In your professional career you've never used the Morningstar rank of Vanguard index funds to advise a client as to whether to organize a fund as actively or passively managed, right?

MR. STRUCKHOFF: Objection. Objection and, I mean, is --

A. I think as you asked the question, the answer is no. But it's -- it's...

Q. Is it your opinion that no prudent fiduciary could have evaluated the appropriateness of passive management in emerging markets funds without assessing the rank of Vanguard passive mutual funds within their peer groups?

MR. STRUCKHOFF: Objection. Compound.

A. I think anybody who endeavors to make that decision will make it the way that they make it.

significance. And it is used to evaluate investment performance.

Q. So, Dr. Pomerantz, you say in paragraph 19 that statistical significance is a statistical test designed to identify whether one can reject with 95 percent confidence the hypotheses that performance is actually neutral to a benchmark.

And then you say that academic research on this particular issue identified that only 0.6 percent of mutual funds exhibited statistically significant outperformance.

A. Yes.

Q. Isn't it possible also for mutual funds to exhibit statistically significant underperformance?

A. Yeah. I -- I would -- I wouldn't distinguish between positive or negative.

Q. Okay. And would you expect that a similar percentage of mutual funds would exhibit statistically significant underperformance?

A. Yeah, and in part because, as I identify in my rebuttal, that is the purpose of the test. The purpose of the test is to basically make it very difficult for an and statistically significant, "and only .6 percent are skilled," meaning that the alpha is positive and statistically significant.

Q. Okay. Now, I believe you testified earlier today that you expected that the percentage of funds that had statistically significant underperformance would be similar to the percentage of funds that had statistically significant outperformance.

Do you recall that?

A. As the test is designed, as a test is designed, yes, I expect that to be true. What's happening here is the presence of fees has created a skewed distribution, which is why you're seeing 24 versus .6. In the absence of fees, these numbers would be much closer to equal.

Q. So actually, this article shows that approximately one in four funds has a return that is statistically -- that is -- that differs from the benchmark in a statistically significant fashion. Right?

A. Yes.

Q. Now, in paragraph 97 -- this is your initial report.

Q. And this for identification purposes is entitled "S&P Dow Jones Indices, S&P emerging BMI."

A. Yes.

Q. What is the S&P emerging BMI?

A. Well, they -- they define it -- all company -- I don't know what it stands for. It just -- it says, "All companies domiciled in the emerging markets within the S&P global BMI with a float adjusted market cap of at least a hundred million meeting 6- and 12-month median value traded requirements."

Q. Okay. And do you know if this is the benchmark that's used for SPIVA?

A. I -- I don't know.

Q. Okay. Let me ask you if you can turn to the second page of this exhibit.

What was the total return of the S&P emerging BMI index for calendar year 2009?

A. For 2009, it was 8463 gross and 8423 net.

Q. Okay. Now let's turn to Exhibit 181, which is the S&P IFCI index.

And can you tell from the description how the IFCI index differs from the emerging BMI

Q. And if it were -- a net would be even lower than that, right?

A. Yes.

Q. So across these three emerging markets benchmarks for the year 2009, we have over 600 basis points of disparity in terms of performance. Right?

MR. STRUCKHOFF: Objection. Foundation.

A. Well, there's -- there are different benchmarks.

But -- but I -- I mean, the difference is, the difference is, yes, around 6 percent.

Q. Okay. Fair to say that if the SPIVA report is evaluating the percentage of funds that outperform the S&P five -- or the S&P emerging markets indices, then a greater percentage of actively managed funds would have outperformed the MSCI benchmark, right?

A. Assuming that this is the benchmark that's being used for SPIVA.

Q. With that assumption --

A. Yeah.

Q. -- the statement is correct, right?

A. Yes.