Operator

Good morning. My name is Dennis and I will be your conference facilitator today. I would like to welcome everyone to the Goldman Sachs Third Quarter 2014 Earnings Conference Call. This call is being recorded today, October 16, 2014. Thank you. Mr. Holmes, you may begin your conference.

Dane Holmes

Good morning. This is Dane Holmes, Head of Investor Relations at Goldman Sachs. Welcome to our third quarter earnings conference call. Today's call may include forward-looking statements. These statements represent the firm's belief regarding future events that, by their nature, are uncertain and outside of the firm's control. The firm's actual results and financial condition may differ, possibly materially, from what is indicated in those forward-looking statements.

For a discussion of some of the risks and factors that could affect the firm's future results, please see the description of risk factors in our current annual report on Form 10-K for the year ended December 2013. I would also direct you to read the forward-looking disclaimers in our quarterly earnings release, particularly as it relates to our Investment Banking transaction backlog, capital ratios, risk-weighted assets and Global Core Excess. And you should also read the information on the calculation of non-GAAP financial measures that is posted on the Investor Relations portion of our website at www.gs.com.

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Our Chief Financial Officer, Harvey Schwartz, will now review the firm's results. Harvey?

Harvey Schwartz

Thanks, Dane, and thanks to everyone for dialing in. I'll walk you through our third quarter results, then I'm obviously happy to answer any questions.

Third quarter net revenues were $8.4 billion; net earnings, $2.2 billion; earnings per diluted share, $4.57. Core to our strategy over the past few years has been a consistent focus on strengthening our relative position within the industry. Our success begins with a fundamental approach of engaging our clients, understanding their challenges and then addressing their needs. That is the foundation for expanding the breadth and depth of our existing relationships and the basis for building new ones.

For the first nine months in 2014, revenues are 1.4 billion higher than this time last year. The increase reflects the combination of greater client activity in certain businesses and a strong market position. For example, as client activity picked up in global M&A, you saw an increase in our market share. Our global market share in announced M&A for the year-to-date of 29% is up 300 basis points compared to 2013. Our volume advantage to our next closest peer is more than $100 billion.

We have also been focused on making sure that we are well positioned to deliver operating leverage as client activity increases. In 2011, we announced an operating efficiency initiative. This initiative was subsequently increased twice and ultimately reached nearly $2 billion. We continue to expand upon that prior initiative to grow margins and increase returns. The benefits of those efforts are demonstrated in our year-to-date results. We had 1.4 billion of incremental revenues and nearly $1 billion of incremental pre-tax earnings. Ultimately, the embedded operating leverage contributed to an improvement in our year-to-date annualized return on common equity to 11.2%. We have also achieved this result by being a prudent allocator of our global resources. Getting this right not only drives positive results for our clients, but also for our shareholders.

Now let me take you through the quarterly results for each of our businesses. In Investment Banking, we produced third quarter net revenues of $1.5 billion, down 18% compared to a strong second quarter. Importantly, our investment banking backlog increased again during the quarter, reaching its highest level since 2007. Third quarter advisory revenues were 594 million, up 17% from the second quarter on an increase in completed activity. Year-to-date Goldman Sachs ranked first in worldwide announced and completed M&A. We advised on a number of significant transactions that closed during the third quarter, including Hillshire Brands' $8.6 billion sales to Tyson Foods, InterMune’s $8.3 billion sale to Roche Holdings and Gates Corporation’s $5.4 billion sale to Blackstone. We're also an advisor on a number of significant announced transactions. For example, we’re advising on TRW Automotive's $13.5 billion sale to ZF Friedrichshafen, Siemens' $7.6 billion acquisition of Dresser-Rand and Corio's €7.2 billion sale to Klépierre.

Moving to underwriting. Net revenues were 870 million in the third quarter, down 32% compared to record second quarter results. Equity underwriting revenues, up 426 million, were 22% lower sequentially as industry wide activity decline in the third quarter across secondary offerings. Year-to-date, Goldman Sachs ranked first in global equity and equity related and common stock offerings. Debt underwriting revenues decreased 39% from a record second quarter to 444 million due to reduced activity particularly within leverage finance.

During the third quarter, we remained committed to meeting our clients' diverse finance needs, whether it was Alibaba's $25 billion IPO, Sysco's $5 billion financing in support of its acquisition of US Foods or ADP's $1.6 billion high-yield offering.

Turning to Institutional Client Services. Net revenues were $3.8 billion in the third quarter with FICC Client Execution of 2.2 billion and Equities of $1.6 billion. ICS includes a one-time $270 million gain related to the tender of a portion of our trust preferred security. Excluding the fixed portion of the one-time gain in DVA, FICC Client Execution net revenues were $2 billion in the third quarter, down 11% sequentially. Mortgages declined quarter-over-quarter as clients were less active amid a relatively stable backdrop of prices. Credit declined significantly as increased volatility, wider credit spreads and lower issuance provided a more difficult backdrop. Currencies, interest rates and commodities were all higher sequentially as volatility and volumes generally increased from relatively low levels.

When you exclude equities portion of the one-time gain in DVA, the results within this segment were as follows. Total Equities net revenues were $1.5 billion, down 10% sequentially; Equities Client Execution net revenues of $372 million were down 26% quarter-over-quarter reflecting lower net revenues in cash products; commissions and fees were 745 million, relatively flat with the second quarter; securities services generated net revenues of 343 million, down 8% sequentially from the seasonally stronger second quarter.

Turning to risk. Average daily VaR in the third quarter was 66 million, down 14% relative to the second quarter, mostly driven by interest rates.

Moving on to our Investing & Lending activities. Collectively they produced net revenues of $1.7 billion in the third quarter. Equity securities generated net revenues of 876 million, primarily reflecting company specific events including IPOs and net gains in public equities. For example, one of our investments, Mobileye went public and our investment generated 285 million in net gains during the third quarter. Net revenues from debt securities and loans were 606 million and benefited from net gains on certain investments due to asset sales and net interest income. Other revenues of 210 million include revenues from the Firm's consolidated investments.

In Investment Management, we reported third quarter net revenues of $1.5 billion. Management and other fees reached a record 1.21 billion. During the quarter total assets under supervision increased $8 billion to a record $1.15 trillion.

Let me quickly walk you through the long-term flows. Long-term assets under supervision had net inflows of $13 billion with 7 billion in equity assets and $6 billion in fixed income assets. This was largely offset by foreign currency translation which drove net market depreciation of $12 billion. As we have discussed before, the key to long-term success is delivering strong and consistent performance for our Investment Management clients. Across the global platform, 81% of our client mutual funds' assets ranked in the top two quartiles on a three-year basis and 76% ranked in the top two quartiles on a five-year basis.

Now let me turn to expenses. Compensation and benefits expense, which includes salaries, bonuses, amortization of prior year equity awards and other items such as benefits, was accrued at a compensation-to-net revenues ratio of 40%. This is 300 basis points lower than the Firm's accrual in the first half of the year. The lower compensation accrual reflects stronger year-to-date revenues, greater clarity on full year compensation levels and our continued efforts to improve operating efficiency across the firm. Third quarter non-compensation expenses were $2.3 billion, down 4% sequentially.

Now let me quickly run you through some key stats. Total staff at the end of the third quarter was approximately 33,500. This is up 3% from the second quarter due to summer hiring. Our effective tax rate was 31% year-to-date. Our global core excess liquidity ended the quarter at $180 million. Our Basel III common equity Tier 1 ratio was 11.8% using the advanced approach. It was 11.1% under the standardized approach. Our supplementary leverage ratio finished the quarter at 4.9% based on the final rules. We repurchased 7.1 million shares of common stock for $1.25 billion during the quarter. And finally, we announced an increase in our quarterly common stock dividend from $0.55 to $0.60 per share.

Before we turn to Q&A, let me leave you with some concluding thoughts. A constant in our history as a public company is an unrelenting desire to provide world class service to our clients and superior returns to our shareholders. Given the dynamic nature of our industry, meeting that objective requires adaptability. Since we went public in 1999, there are several examples that are readily available. We went from 250 billion assets in 1999 to 1.2 trillion in 2008 and then back to approximately $870 billion today. And along the way we made Goldman Sachs a stronger firm. We increased our common equity from $10 million to over $70 billion and substantially increased our liquidity pool which now fits at $180 billion. We have expanded our global footprint and increased the diversity of our franchise. Our number of offices is up by more than a third to over 50 with one quarter of our staff located in Bangalore, Salt Lake City, Singapore and Texas.

Back in 1999, we had approximately 3,000 people in our technology division. Now we have nearly 8,000. They represent close to a quarter of the firm. We also built an Asset Management business, largely organically, from a few hundred million assets under supervision to 1.15 trillion today. By adapting, we've fundamentally improved the strength of our Firm, our opportunity set and as a result our ability to deliver for our clients and our shareholders. Going forward, we will make any necessary changes to continue our history of providing superior client service and generating industry leading returns. It's what our clients, our shareholders and our culture demands.

Now just before I take your questions, I'd like to make one additional closing comment about the market environment we've seen over the past week and particularly yesterday and this morning. It's clearly an environment that reminds all of us about the power of investor sentiment and how fragile it can be at times. Yesterday in particular, it was clearly a market in the morning where investors were, quite frankly, shooting first and asking questions later. We've seen this market reaction in the past. And while painful, it's somewhat a normal part of how markets function. Clearly investors are now debating whether we'll see lower rates for longer and more importantly whether the global economy is slowing or continuing to grow. These are questions that the market has certainly debated before. We've always believed that over the long term markets follow fundamentals.

In speaking with our economists only yesterday, they would argue that nothing has fundamentally changed in the past few weeks or certainly the last 24 hours regarding the long-term outlook for the global economy. That doesn't mean it will continue to grow, but it certainly doesn't mean it will stall. For us, in any environment, it's always about staying close to our clients. Yesterday was a difficult day for many of them. Our focus is being there for them. We have the intellectual capital and the financial capital to help address their needs and we remain committed to doing it.

With that, I'm happy to take any of your questions.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is from the line of Glenn Schorr with ISI. Please go ahead.

Glenn Schorr – ISI Group Inc.

Hi, thanks.

Harvey Schwartz

Good morning, Glenn.

Glenn Schorr – ISI Group Inc.

Good morning. So Investment & Lending continues to do great and the future being what it is with this quarter. But I'm just curious, you mentioned the good IPO market obviously, but if you could break down maybe on the equity side what was realized gains versus marks and then if we've seen any changes in the composition of the overall asset base between equity debt and lending assets?

Harvey Schwartz

There hasn't been a major shift from the -- if you look at the Investing & Lending balance sheet, you won't see a major shift in terms of the quarter. As you know, the investing and the lending business, it's a long term business and so you will see changes overtime. Obviously, as I highlighted, we continue to harvest. Part of that is obviously driven by the strength in the market but also part of that is driven by the idiosyncratic strength of the portfolio. And so it continues to perform quite well.

Glenn Schorr – ISI Group Inc.

But no breakdown on realized or unrealized on the equity side?

Harvey Schwartz

So it's not a question of realized or unrealized. I mean that's why I am struggling with that point. In terms of when you are talking about things of, for example public versus event driven events, but we've always mark to marketed the portfolio as we work through. And so a good portion of the events over the past quarter were all events and IPOs as I highlighted.

Glenn Schorr – ISI Group Inc.

Okay, good. That's all I was really calling calling towards.

Harvey Schwartz

Sorry, I got confused by your wording.

Glenn Schorr – ISI Group Inc.

No worries. I confuse myself too. I appreciate the comment on some of the balance sheet data that everyone is looking for. Maybe just one more thing on total losses absorbing capital, you are at the highs, you have tons and you turned out a lot of your long-term debt. You also have among the highs short-term wholesale funding at last look which the Fed has focused on. And so last quarter you did a bunch of repositioning ahead of CCAR and reducing balance sheet and the repo book. I am assuming that no call-out means no big changes this quarter. But if you could just comment on repo book size, short-term wholesale funding and if any more adjustments are needed?

Harvey Schwartz

So at this stage we don't feel there is any adjustment needed. As we highlighted and we focused on in the last quarter, the balance sheet did come down pretty significantly. I will say with respect to the balance sheet, as you know, it's always going to be dynamic. And we'll always take our cues from the clients in the marketplace. But as you saw in the quarter, it basically went up $9 billion. And when you compare the quarter end to quarter end second quarter to third quarter liquidity pool, basically all of that's in the liquidity pool. So that was any growth in the balance sheet.

In terms of the balance sheet, we are going to continuing to remain very disciplined in terms of returns. And as you said, there was no response in terms of the CCAR process last year which drove us to reassess our ROE hurdles that we required and we did that in conjunction with our clients. But we will continue to focus on it. But as you said, the Firm's capital levels and liquidity levels remain quite high. I mean at this stage, 20% of the balance sheet is our liquidity pool.

Glenn Schorr – ISI Group Inc.

All right. Last one is -- I appreciate the comments on the market. In the past, when there were big spikes in volatility, if that happened in a short period of time, that was typically bad for the broker dealer community. But inventories are down like, I don't know, 80%, 90%. I am just curious if big spikes and volatility are less painful this go around given all the changes in broker dealer balance sheets?

Harvey Schwartz

So I think the comment with respect to the short-term reaction function as it relates to market volatility. As I mentioned, yesterday, today, particularly difficult days for our clients. And if it's difficult for our clients in the short run, markets can be challenging. And so we always root for good things for our clients and for good markets. We will have to see how this period of volatility translates. If you take a step back and you look at the third quarter, when we came into the third quarter, everybody was focused on the fact that there was absolutely no volatility. And as we here see here today people feel like there is too much. So it's a little bit of too hot, too cold. In September, I think a takeaway from September is that in the right market environments you can really see a huge pickup in client activity and then you can see the operating leverage for us.

In terms of the de-risking in terms of the balance sheet that you are seeing across the industry, I don't think that's a 'broker dealer' issue. I think if you look across large global financial institutions and you look at the reduction in risk-weighted assets over the course of the past several years, I think that's a question that we will see overtime as to whether or not that decline in risk carrying capacity along with other adjustments and other regulatory rules, what impact that has ultimately on liquidity for the marketplace. So we will see.

Glenn Schorr – ISI Group Inc.

I hear you. Okay, thanks very much. I appreciate it.

Harvey Schwartz

Thanks, Glenn.

Operator

Your next question comes from the line of Michael Carrier with Bank of America Merrill Lynch. Please go ahead.

Michael Carrier - Bank of America Merrill Lynch

Hey thanks, Harvey. Harvey, just one thing on the numbers, just in terms of the -- I think you gave the advanced and the standardized and it looks like that might have been the transitional for the general comment. Just wondered if you had the fully phased in?

Harvey Schwartz

Yeah. So the fully phased advanced is 10.6%, fully phased standardized is 10%. And I will remind you again that I think maybe it's a midpoint between fully phased and advanced if you were to think about -- sorry, fully phased advanced. And if you think about how our capital ratios migrate as we take investments out of funds, more or less think of it as a midpoint in terms of the long-term projection. That of course if you assume that between now and 2018, the balance sheet was totally static.

Michael Carrier - Bank of America Merrill Lynch

Okay, that's helpful.

Harvey Schwartz

Which of course it won't be.

Michael Carrier - Bank of America Merrill Lynch

Yeah. And then just on composition in the comp ratio, I think the color that you gave is helpful and obviously it's a moving target. When I think about this year, last year, the true-up that you do in the third quarter and then you're trying to gauge what can happen in the fourth quarter, is there anything that's changing or is this just same process, you'll see other revenue environment factors in and then you'll readjust the fourth quarter? I just want to make sure the process isn't changing versus what you've done in the past.

Harvey Schwartz

Well, absolutely no change in the process. I won't drag you through the underpinning to the process. We've talked about it a lot. But at its core, it's just paper performance. That's the philosophy and that's how we do it. In every quarter we make our best estimate as to the compensation accrual. And I think the extent to which you're seeing a change, there is no change in process. But you've seen a change over the last two years just in our operating leverage and the cost reduction efforts that are coming in. And so this year's accrual reflects the fact that last year's third quarter looked 25% better year-over-year third quarter-third quarter and we're running $1.4 billion ahead in revenues. And so that just gives us greater clarity in terms of the compensation levels. But it reflects I think more predominantly the operating leverage that's in the business.

Michael Carrier - Bank of America Merrill Lynch

Okay. And then finally just on -- I guess you went through some of the ratios on all the regulatory changes that we know and then you're coming up, whether it's an SVaR, a few factors, things that are ahead, but it also sounds like the industry is doing some things to maybe get in front of that and whether it's the agreement on derivatives, there was some chat around the repo markets going to CCPs. So I guess on any of these initiatives that are in the works, is there anything that you would point to that might take care of or deal with some of the concerns that the future regulatory items you're focused on? I know it's early, so I know typically you don't want to comment too much until the rules are out there, but just wanted to get your take, because it does seem a little bit different on the industry just trying to get and find out some of these things.

Harvey Schwartz

I think it’s a really, really important question. I think that when you look at any one of the rules that in an industry we work with regulators on and regulators have put in place new capital requirements, new liquidity requirements under the LCR, leverage tests, in any one of these rules you could have a very active and heated debate with respect to the molecules in the rule and whether this was calibrated too intentionally. But I don’t think you can debate really the concept of the rule. And so I think in concept most of the rules that we’ve seen make sense and that goes back to the initiatives around clearing swap execution facilities. And I think you have to give the regulators a lot of credit quite frankly for creating an immense amount of regulation and proper regulatory response in giving folks a long time line to adjust to it, very important for our clients and for the capital markets.

I think the big open question is, and it's a very, very hard thing for any market participant and regulator to weigh if kind of what’s the collective weight of all of this. And I don’t know that we’ll really be able to assess that until a lot of time passes. I think when it comes to things like the discussions around having repo clearing, I think those are good, healthy market reactions. Generally speaking those are a combination of discussions with clients, because they raise concern, regulators observe, for example increased sales in treasury markets and I think it’s incumbent upon all of us as market participants to be thoughtful and creative about how we make sure that we protect our capital markets. But I do think it’s pretty early days in being able to assess these things. But I think the industry is being very active in trying to make sure that we have the most robust capital markets in the world.

Michael Carrier - Bank of America Merrill Lynch

Okay. Thanks a lot.

Harvey Schwartz

Sure.

Operator

Your next question is from the line of Christian Bolu with Credit Suisse. Please go ahead.

Harvey Schwartz

Good morning, Christian.

Christian Bolu - Credit Suisse

Good morning. Just wanted to follow up on the question on Investment & Lending. Debt revenues in particular were robust this quarter and stands out given the backdrop of credit were choppy in the quarter. You mentioned assets sales. I would appreciate any color on how much asset sales drove this quarter's revenues and more broadly any color on the long-term drivers of the debt line?

Harvey Schwartz

So in terms of the long-term that was the debt line, again this is just going to be our approach to how we think about allocating capital and when we see opportunities. So, during the period it's not so much that a specific asset responding to a particular change in credit spreads in the marketplace, but it will be driven by harvesting over a long period of time. So as companies refinance their capital structures, we may be a beneficiary in that, for example if we're providing mezzanine level debt to a particular entity. And so that's why we said that it was driven by many things on investment. And of course there is net interest income in there also which is roughly about $200 million.

Christian Bolu - Credit Suisse

Okay, that's helpful. Just on the investment banking backlogs, you mentioned that remained strong and increased again this quarter. Just curious, do you have any sense of how much of your backlogs that are tied to so called tax inversion deals?

Harvey Schwartz

So with respect to the backlog, the backlog again was the highest it's been since 2007. And actually when we look at it, we look at it across the three categories of advisory, equity underwriting and debt underwriting obviously and all categories were up. So that was good to see. It's not a question of I think inversions in the backlog. When you actually -- when you talk to our M&A team and you actually look at the data either this year over a long period of time, inversion transactions have not been a significant driver of global M&A activity. And really when you get into conversations with the team, what they'll tell you is it's never just about an inversion or a tax benefit, it's really about the strategic benefits if the two organizations can come together.

Christian Bolu - Credit Suisse

Okay, that's helpful. Just a quick clean up question here. In the earnings release you have referenced high impairment charges in non-comp expenses. Just would be helpful if you could kind of size that on what the nature of those charges relate to? I'm just trying to get a sense of kind of --.

Harvey Schwartz

I didn't hear -- I heard that you referenced non-comp. I didn't hear the first part of what do you said there?

Christian Bolu - Credit Suisse

You said higher impairment charges within the non-comp line per your earnings release?

Harvey Schwartz

It's not a material number. We just called it out. But as you know, every quarter we mark-to-market the balance sheet and so assets sitting on the balance sheet. But this quarter it wasn't material, so roughly about $50 million.

Christian Bolu - Credit Suisse

50 million? Okay, thank you. And then just lastly for me. You spoke about strengthening your relative position across all your businesses. I guess the equities business is probably the one place where there has been some market share slip based on reported numbers anyway and I appreciate those numbers. I know it's really apples-to-apples. But was just curious to -- maybe help us frame Goldman's competitive position in that business and kind of a longer-term outlook.

Harvey Schwartz

So, with respect to longer term outlook and our sense of position in the marketplace, we couldn't be more pleased with it. We measure the business by our engagement with clients and our ability to deliver and that's in the prime brokerage business, in our global footprint, our ability to provide electronic solutions in terms of trading, commit capital and obviously our connectivity with our banking team in terms of driving capital markets transaction. And so from a franchise perspective, we couldn't feel better about it.

Quarter-to-quarter in terms of top line revenue, I know that's the data that you have available in terms of market share, not really the way we look at market share. We're much more focused, as I said, on delivering to clients and driving returns to the bottom line at the same time. And so, I think in terms of the long run, we feel quite good. But quarter-to-quarter you may see revenue move back and forth between us and our competitors, but it’s not a big issue for us.

Christian Bolu - Credit Suisse

Okay. Thank you. Thanks for taking my questions.

Harvey Schwartz

Thanks, Christian.

Operator

Your next question comes from the line of Matt O'Connor with Deutsche Bank. Please go ahead.

Matt O'Connor - Deutsche Bank

Good morning.

Harvey Schwartz

Good morning, Matt.

Matt O'Connor - Deutsche Bank

You had a pretty big increase in the SLR, I think about 50 basis points versus last quarter and just trying to reconcile what drove that. I think some of it was the assets you actually brought down last quarter that helped the ratio, obviously had positive net income. But was there also a nice benefit from the final SLR rules?

Harvey Schwartz

So there were a whole host of things that drove it. We definitely got benefit from the final rules, about 10 basis points. But then when you go through, there was the balance sheet reduction which was [indiscernible]. So as you know, we took the balance sheet down in the second quarter, but it’s daily averaging in the SLR and so you really didn't see that benefit translate through until the third quarter. And then there is other reductions that sort of -- there is other reductions in terms of CDS in the portfolio in terms of that and then obviously there was a capital, we reduced our significant financial institutional deduction, all these things are contributors in terms of driving the increase in ratio.

I do think that the SLR is a good example of sort of our philosophy on how we approach regulatory reform. But as you know obviously there has been a significant improvement in that, 70 basis points over a fairly short period of time, and as you point out, 40 basis points in the quarter. We have found that by giving our people the tools, waiting till we see the final rule and then just really focused on complying with the rule, we can move the needle. So, this is just all about compliance.

Matt O'Connor - Deutsche Bank

And where do you think you are on the optimization of that? Can you talk about obviously as you get compliance for Volcker, there will be a material benefit there. But what about just the other opportunities? You had a list of things with CDS and the other reductions. How much more, if any, is there of that?

Harvey Schwartz

It’s funny. We don’t -- I don’t think we're thinking about it – it's not like a baseball game here in terms of where we are in the innings of how do we comply. I think the takeaway here is that the SLR is not a significant issue. As we talked about a year ago, it’s much more reflective about complying with the rules. But this will be a process that will be ongoing. You mentioned the Volcker compliance. As you come out of the fund, again, we’re talking about something that's forward looking to 2018. And if we can make those adjustments, we'd be well in excess of 5% today. But let’s see how it goes.

Matt O'Connor - Deutsche Bank

Okay. And then just separately on getting compliance for Volcker, there's a lot of focus on that and what it might mean to your equity I&L revenues. But I guess as you think about replenishing the investments with Volcker compliant investments, how is that landscape? Because as I talk to investors, there is some concern that new investment opportunities may not be as good as they’ve been in the past. But what do you think about the outlook for deploying capital in the Volcker compliant manners right now?

Harvey Schwartz

So, as we talked about before, there is a number of ways that we can use our capital. And as it comes out of the funds, capital is fungible. And so we will have the ability to continue to invest in Volcker compliant funds, use our balance sheet, other Volcker compliant structures. And so we feel like we have enough flexibility in terms of redeploying that capital. And of course I think this is the critical point. If the opportunities aren't there, obviously we can look to redeploy it into other areas of the firm that demand the capital or we can look to return it to the shareholders. So from that perspective.

So for us it's all about the process and the environment. As we discuss the environment as being a good one for harvesting, we have been able to put capital to work in certain parts of the world and our global footprint certainly gives us an advantage in terms of seeing opportunities. But it's always been -- investing and lending has always been a very long-term long cycle initiative and we will be very disciplined about the returns. If the opportunities are there and they make sense, we will deploy the capital. If not, we will be disciplined and we will wait.

Matt O'Connor - Deutsche Bank

Okay. And we will probably get it in the 10-Q, but you have the level of direct investments now and maybe how that compares to a year or two ago just to show how quickly that's been ramping?

Harvey Schwartz

I don't have the year or two ago numbers. Dane can follow up with you offline. But it's been obviously a bit of a high class problem as we've been harvesting, values have been increasing. We can come back to you and get to the numbers. The I&L balance sheet at the end of the second quarter was roughly 71 billion.

Matt O'Connor - Deutsche Bank

Okay, all right. Thank you very much.

Harvey Schwartz

Thank you.

Operator

Your next question comes from the line of Betsy Graseck with Morgan Stanley. Please go ahead.

Betsy Graseck - Morgan Stanley

Hey, thanks. That was my questions. I'm good.

Harvey Schwartz

Hey Betsy, thanks.

Operator

Your next question comes from the line of Guy Moszkowski with Autonomous Research. Please go ahead.

Guy Moszkowski - Autonomous Research

Good morning, Harvey.

Harvey Schwartz

Good morning, Guy.

Guy Moszkowski - Autonomous Research

Securities services had some pretty attractive quarter-over-quarter and year-over-year revenue growth. I was wondering if you can just help us understand the dynamic there, especially in the context of what you had done last quarter in terms of bringing down some of the securities funding transactions, second part, of that stuff.

Harvey Schwartz

I think what you are seeing there may be the allocation of the gain that I referenced as it related to the retirement of the trust preferred securities.

Guy Moszkowski - Autonomous Research

Oh, got it. It's there.

Harvey Schwartz

Yes. So as you know, we don't have a corporate cost center. So just a philosophy and a discipline, we allocate out all cost to all the businesses. In this particular case, there was a gain related to funding. So the Institutional Client Services business, the fixed income equity, they are the biggest consumers of balance sheet and liquidity, so they also get the benefit of the gains. And so that's actually really -- I think when you look at it, you will see that that's probably it. We detail it out in the earnings release.

Guy Moszkowski - Autonomous Research

So that aside then maybe you can give us a sense for what is the impact on that business of some of the changes that you made with respect to bringing down the balance sheet in the second quarter?

Harvey Schwartz

So that's a good question. So in terms of how we looked at it, it was really, as I said, I would describe it as a two-part process. One is pretty simple and is mathematical. One of the easiest things to do in terms of response to leverage task is actually just to rank the balance sheet in the businesses from lower ROA to higher ROA.

The second part of the exercise is a really high touch exercise where it's engagement in the trenches going through and working with clients and really finding out where we are providing value and where it may need our balance sheet and that's the nuance of the part of the exercise that we went through [indiscernible] and then we will continue to go through. But so far the client engagement [indiscernible] is one of our strongest franchise businesses, so it feels quite good.

Guy Moszkowski - Autonomous Research

Thanks for that. The other question that I had and it goes really back to some of the liquidity points that were being asked about earlier. People have been worried about the impact of the street reducing the liquidity it provides to investors for a while. We heard a lot more about it in the last two weeks of the third quarter. At the same time we know that in the third quarter the [indiscernible] had to begin to make daily reports to regulators based I guess on Volcker and some of the liquidity regs at a pretty deep level of granularity and I was wondering if you felt that this has had any impact broadly on the attractiveness of providing liquidity.

Harvey Schwartz

I would say no. It's certainly not a Goldman Sachs and I would imagine not the case across the market, although I don’t have any visibility into our competitors. You are right when you say that the data requirements in the first submission that went in right around Labor Day, it's a pretty significant amount of data. I actually think that speaks to the opposite reaction function and I will tell you why. You can't create that data overnight. We had to invest quite a bit of talent mind share, technology, operations front office time and federation time in building the systems. And so that's been a process that's been underway I would assume for all of our competitors and certainly for us since the rule came out. So it wouldn't be as though you'd show up reporting and somehow you would change your profile. I don’t know, that seems like a stretch to me.

I think again it's much more -- it's the collection of the rule sets. We did see increased sales in treasuries, we've seen stress -- and I'm talking about a normal market functioning times, not in stress market functioning times -- definitely where balance sheet has felt scarce. And I think under periods where clients want more liquidity, it may be more difficult to find. But we’ll see how this all shapes out. Again, the impact of the collective rule sets of all the rules, balance sheet, whatever, risk-weighted assets liquidity, it’s pretty enormous and I don't think we can only have positive effects from that over the next three, four, five, 10 years. I wish that was the case.

Guy Moszkowski - Autonomous Research

And when you add all of that up and going back also to the pricing of securities services and other securities financing transactions, are you in real time seeing that the scarcity value of balance sheet is driving re-pricing that will be favorable to you presumably?

Harvey Schwartz

Well, I don't know. We've never been firm that's first and foremost competed on price. We like to compete on content and we like to compete on the ability to provide liquidity, which may mean being the best price at any point in time for our clients. But our clients understand, they're very knowledgeable and are increasingly knowledgeable about the regulatory constraints that are on us and really the entire industry where we all have the same rule set. And so as the market responds, I just think everyone needs to be more disciplined and some of that will depend on where your return hurdles are. If our return hurdles are higher than someone else's, then we may be more disciplined than the next market participant I have to say.

Guy Moszkowski - Autonomous Research

Thanks, Harvey. That's really helpful color. I appreciate it.

Operator

Your next question comes from the line of Jim Mitchell with Buckingham Research. Please go ahead.

Jim Mitchell - Buckingham Research

Good morning.

Harvey Schwartz

Good morning.

Jim Mitchell - Buckingham Research

Just maybe a couple of questions on the regulatory side that I missed it. Did you disclose your LCR or are you over 100% at this point?

Harvey Schwartz

We didn’t disclose the number. We’re still digesting all the data as you know. But yes, we’re in excess of the minimum requirement.

Jim Mitchell - Buckingham Research

Okay.

Harvey Schwartz

And we would expect given all the focus we've put on liquidity here.

Jim Mitchell - Buckingham Research

Right. No, that’s fair. And then just maybe a follow-up question on just sort of the Tarullo commentary and the impact and you just talked about how ROE becomes high ROE hurdles. If you think about his focus about wholesale funding potentially a charge on top of the current SIFI charge, he seems to be specifically focused on repo and even the match book. How do you -- do you think is it just too early to start worrying about it because you mentioned you’re not -- you think your balance sheet is fine or do you think is it something that’s going to be an increasingly something you have to focus on and may continue to shrink that market or change the way you do it, just some color there. Thanks.

Harvey Schwartz

So I think it’s definitely -- and we haven’t even seen a proposed rule and as you know our philosophy around these things is we’ve seen and we will continue to assume that regulators will give the marketplace basically a good glide path to adjust to rule changes. And so we would never react or change the business methodology to commentary. We wait to see the rule. We’d engage in an active dialog on creating a constructive rule.

Clearly we’ll be focused on the impact on markets. It would be very interesting to see where this discussion heads. As you know, and I don’t want to address too much, but as you know the SIFI surcharges are really at their core designed around macro prudential regulation, not micro prudential regulation. And so when you look at our proportion of wholesale funding as a percentage of the marketplace, you can argue we're a lot smaller than many of our large universal bank peers. So we'll really see how the rule plays up. But we’ll engage in an active dialog with the regulators just to ensure that we get the most thoughtful rule in investing for the marketplace and our clients.

Jim Mitchell - Buckingham Research

Okay, fair enough. And maybe just one other quickly on the asset management business. You've done a good job in turning around and generating positive flows in fixed income and equities. Is the lack of positive flows in alternatives simply your realizations? And if so, if that's the case, when do you see -- I assume that's a higher margin area -- when do you see that kind of inflection point where you start to see net flows turn positive?

Harvey Schwartz

Sorry. Could you say that again?

Jim Mitchell - Buckingham Research

Well I'm just trying to think of your alternative AUM.

Harvey Schwartz

Okay.

Jim Mitchell - Buckingham Research

Your net flows have been zero, but I assume that's because you have outflows from --

Harvey Schwartz

Yes, we can break it down for you after the call and Dane can give it to you. But basically what you're seeing there is the harvesting that you've seen in the private equity, but you've actually seen growth away from that in the other alternative asset categories. But we can break it down for you.

Jim Mitchell - Buckingham Research

Okay, that's great. Thanks.

Harvey Schwartz

The growth has been pretty good.

Operator

Your next question comes from the line of Brennan Hawken with UBS. Please go ahead.

Brennan Hawken - UBS

Hey, good morning, Harvey.

Harvey Schwartz

Hi, how are you?

Brennan Hawken - UBS

Good. Quick question following up on one of Jim's questions there. So your LCR in excess of the minimum, is that the fully phased in minimum or the first minimum threshold of 80%?

Harvey Schwartz

No, sorry, that's fully phased in.

Brennan Hawken - UBS

Okay. Thanks. And then just a question here on the market and sort of your comments to open up the call. Clearly this has been sort of a tough year for hedge funds and October hasn't been good either. Just thinking about your business and the leverage to financial players, do you think that we could end the year with a real serious withdrawal risk from some of these, some of big portion of your client base? And did that at all impact your decision to adjust the comp ratio here in the third quarter?

Harvey Schwartz

No, that's not how we do that. I think the composition was really driven by the improvement in top line revenues and the operating leverage we gained by managing our expenses. I think volatility comes in different flavors. A couple of months ago people were saying volatility will never return to the marketplace. And as I said now people feel like we have too much volatility. And so I think there is healthy periods of volatility and less healthy periods and really what we've seen in the last 48 hours is concentrated position, liquidation obviously triggered by stop loss selling in multiple markets. And at times as we've always seen, selling can beget selling.

Our hedge funds, asset managers and institutional clients are an important part of our focus at Goldman Sachs. But we'll just stay close to our clients during this period. We don't think about it in terms of days or weeks, in terms of the performance of our clients. It's really just a commitment to the long run.

Brennan Hawken - UBS

That's fair. Thanks for that. And then I guess last one for me and it seems like we chat about this every quarter so I wouldn't want to disappoint you. But I kind of hear you in the equities business that you don't want to get worked up over quarterly volatility. But it seems as though the equities business on a revenue basis has been losing share for a period in excess of a year. And while it's certainly encouraging that engagement with clients remains solid, when do you think that that translates into revenue? And I guess when do you become concerned that the engagement is there ultimately to lead the revenue? So, when do you become concerned about that not translating, I guess?

Harvey Schwartz

So, look, it's an important question. And as I said before, we run the business for a focus on our clients and then ultimately margins and returns. In any given quarter quarter-to-quarter you can see noise. In this quarter – again I don't have visibility into our competitors -- in this quarter we certainly, as I mentioned in the [earnings release] (ph) we had a more challenging part of a cash business and equities client institution, so a bit more challenging for us in blocks. Again, I don't have visibility. But I think if you step back and you look at Goldman Sachs, I think actually you're seeing it translate into returns. So, when you eliminate for the quarter an 11.2% ROE for the year-to-date, I think we're doing whatever we can actually to drive to the bottom line. So I think, I actually think you are seeing it.

Brennan Hawken - UBS

Okay. Thanks, Harvey.

Operator

Your next question comes from the line of Steven Chubak with Nomura. Please go ahead.

Steven Chubak - Nomura

Hey, Harvey. Good morning.

Harvey Schwartz

Hey. Good morning, Steven.

Steven Chubak - Nomura

So my first question pertains to the topic of operational risk. And digging into some of the Pillar 3 disclosures for you and your peers and if you're thinking of actually running at a much lower level as a percentage of RWA at roughly 15% I believe, at least as of Q2, which compares to the remaining universals or at least U.S. domiciled universals running closer to 25 to 30, I don't know if you can clarify because that calculation is really determined based on the industry rather than company specific event risk, what's driving that delta?

Harvey Schwartz

So, you're right to say we have less. But I think it really correlates more to the fact that we're just a less complex financial institution than many of our peers. We don't have the payment systems, we don't have the consumer banking side of the business, we don't have that like a lot of our universal peers have. And also as you know this was also driven by loss experience. And when you look at our loss experience over the last several years, it's been significantly lower than many of our peers. I think that it's a pretty straightforward answer.

Steven Chubak - Nomura

Okay, fair enough. And then just switching gears over to I&L. We've been having more conversations with investors which suggest continued reluctance to ascribe as much value to the contributions simply given a lack of earnings visibility tied to the portfolio again, which at least from my point of view I'd argue it dilutes the contribution from some sustainable fee streams you have there because of lending tied to the private banks. I didn't know given the lack of credit that some have been willing to ascribe to merchant banking and the portfolio gains whether you'd consider updating or amendments to your segment disclosure, at least within I&L, to at the very least disaggregated the merchant banking portion from higher multiple and sustainable revenue streams tied to lending activities.

Harvey Schwartz

So, maybe I think let's step back for a second. So in terms of how we think about the Investing & Lending businesses, if you look back over the history of time -- and again we approach this over the long term -- it's been a significant builder of book value and certainly a valuable contribution the way that we've partnered with clients over many many years and we do think we have some competitive advantages in that business in terms of our global footprint and ability to source transactions. And so I think its economic value in terms of its contribution as the margin you can see and it speaks for itself.

I think it's pro-cyclical. So there is always a discussion about its value in different times of a cycle. But we run it as a pro-cyclical business. And so, I think the question of financial statement presentation I'm happy to take offline with you and Dane. As you know we went through a very thorough review as part of our business standards committee process to actually design our financial statements in a way that actually provide an increased clarity around the various business lines. But we're always looking to improve that clarity.

And so – look, I think we're better for having this financial disclosure. At the time we got very positive feedback for it. I don't want to close and be [quippy] (ph) with you, but yeah, do I think generally speaking the marketplace is undervalued than Goldman Sachs' business, yes. But I don't if it's necessarily the result of the financial statements, but we are happy to look at it.

Harvey Schwartz

All right, fair enough. No, I appreciate the color, Harvey, and thank you for taking my questions.

Operator

Your next question is from the line of Matt Burnell with Wells Fargo Securities. Please go ahead.

Matt Burnell - Wells Fargo Securities

Good morning, Matt. Good morning, Harvey. Thanks for taking my question. You mentioned you certainly had some nice improvement in the SLR ratio quarter-over-quarter. Have you said or disclosed what buffer you might have ultimately above the 5% target that everybody is focused on? We have several conversations with investors trying to guess that or estimate that for various companies.

Harvey Schwartz

Yeah. No, we haven't focused on a buffer yet. Remember that the balance sheet is very dynamic. And so as we comply with the rule and you can see we are making significant progress, but we haven't determined any buffer and obviously we have a couple of years. Again, I will underscore that as we take our investments out of funds, if you were actually to translate those same assets onto the balance sheet, that gets us to a 5.2, 5.3 level anyway. So there is almost a natural tailwind that creates that. But we will constantly reassess and define all these buffers as we get all the final rules.

Matt Burnell - Wells Fargo Securities

Okay, that's helpful. And you mentioned the backlog being so strong and as a combination of a number of different businesses and I am going to ask -- when you talk to the folks particularly in the fixed income side of banking, if the rates actually do go up at some point, how are they thinking about potential future global debt issuance in a period of rising rates given that there has been so much issuance over the past few years at declining rate? I realize it's hard to figure out given the nature of the business tends to focus in many ways and sort of drive by issuance, but how are they thinking about the potential for that type of volume over the next couple of years?

Harvey Schwartz

Look, my crystal ball on these kind of things has never been particularly good. So remember it was a year plus ago we were getting asked questions when we first hit a new record in debt underwriting a year plus ago about the end of the debt underwriting cycle. And so, and again in the second quarter we had another record this year. So very difficult to predict. I think a lot of it depends on the environment associated around the rate increases. I think if it's again a return to normalized rates around the globe where we don't have so much incredible essential bank intervention and that's associated with global growth, I think you could see growth in many economies around the world, I think you will see an increase in capital markets activity because you will see companies want to issue debt as they grow, as they move away from being financed by local banks. So I think it will be environment centric. If you saw -- part of what we've seen is you see large M&A transactions and the M&A environment is quite active, you see a lot of related debt issuance. So I definitely think there is something of a reaction function over short periods of times to rate levels, I think a lot of it will be correlated with global growth.

Matt Burnell - Wells Fargo Securities

Thanks very much. And then just a follow-up for me. The 9 billion of the remainder of investments, Volcker related investments you need to move out of overtime, it sounds like that number really hasn't changed much since the second quarter. Is that what we should understand from your earlier comments?

Harvey Schwartz

Yes, that's right. It's actually right around 8 billion now.

Matt Burnell - Wells Fargo Securities

Okay, thanks very much.

Operator

Your next question comes from the line of Devin Ryan with JMP Securities. Please go ahead.

Devin Ryan - JMP Securities

Most of my questions have been asked. But maybe just a question on acquisitions and now that we are getting a little bit better picture on the capital and regulatory framework. When you think about where you'd like to expand the business over the next several years, does the door open more to thinking about doing acquisitions or really is there anything that could become more interesting kind of growing inorganically as you guys think about the go forward?

Harvey Schwartz

Look, I think we are the leading merger and acquisition advisory firm in the world. It would be some inconsistent philosophically for us. I just think it would be inconsistent with our core being if we say we weren't willing to consider acquisitions. And so I think you should assume philosophically and culturally that as a management team we'd consider any acquisition if it was accretive in any area of our firm. I do think that as you point out, I do think that the ongoing nature of the regulatory environment probably just makes them more difficult for the industry generally. But we will see overtime. But we are always open minded. And having said all that, I think we've benefited as a firm over many years by keeping our culture intact and doing nothing major. But you've seen us do bolt-on acquisitions from time-to-time. So that's how I'd describe it philosophically.

Devin Ryan - JMP Securities

Okay, helpful. And then just I guess staying on the M&A theme, just as you mentioned being the leader. When you look at the backlog, are you seeing further divergence around trends within the U.S. and Europe and particularly given I guess maybe the divergence is in the economies right now? Or does this feel like the European M&A backlog and what you are guys are seeing over there in terms of the outlook is pulling off the bottom? I know the U.S. has kind of led the charge there?

Harvey Schwartz

So in terms of – there's nothing really material to share with you in terms of the shape of the geographic backlog. As you know, merger transaction is the most significant decision a CEO, his or her management team and a board makes in a life cycle of a company. And so these decisions tend to come into place over many, many years in terms of how they’re executed. At the margin, obviously markets can drive thinking. Sentiment has been a big factor a couple of years ago in preventing transactions from happening. And then when sentiments shifted, you've obviously seen a huge uptick in activity. But there is nothing I would comment on with respect to global activity. Certainly growth, if we see big disparity in growth around the globe, that may be an influencer, but there's nothing to share with you today.

Devin Ryan - JMP Securities

Okay. All right, thank you.

Harvey Schwartz

Thanks.

Operator

Your next question comes from the line of Marty Mosby with Vining Sparks. Please go ahead.

Harvey Schwartz

Hi, good morning.

Operator

Marty, your line is open. Please check to see if it's on mute.

Marty Mosby - Vining Sparks

Well, there we go. Good morning.

Harvey Schwartz

Good morning.

Marty Mosby - Vining Sparks

I want to make sure that as we looked at the comp ratio, when we typically get these adjustments as we get towards the end of the year which you're saying reflect operational improvements and efficiencies, is there any thought about permanently kind of incorporating this throughout the year so that it seems more sustainable and less kind of temporary and year-end adjustment?

Harvey Schwartz

Again, there is no change in philosophy on how we'll this. It's always going to be a quarter-to-quarter assessment. It's our best estimate for where we stand at that particular point in the year. And as I said, it reflects all the factors you've heard us talk about.

Marty Mosby - Vining Sparks

And then you mentioned on the debt underwriting, the regulatory pressure on leverage lending and maybe some impact there. Does that feel a little bit more permanent as you move forward given the stance that we've seen talked about openly by the regulators?

Harvey Schwartz

So the comment I made about leverage actually didn't have anything to do with that. That was actually just transaction specific quarter-to-quarter. As I mentioned, the backlog was up at the end of the third quarter across all categories.

Marty Mosby - Vining Sparks

Okay.

Harvey Schwartz

Specifically what you're talking about though, it would be interesting to see how that will evolve. I know market participants, regulators, certainly all those at Goldman Sachs are very focused on the compliance with that and that will be very interesting to see over the next couple of years what impact that has in terms of markets where those transactions get financed, at what leverage levels, and that will be evolving story, we'll keep eye on.

Marty Mosby - Vining Sparks

And then lastly, the $0.05 dividend increase, while still in that kind of 10% range. Your earnings have grown much higher than that over the last year, revenues were up much more than that, excess capital was abundant, your payout ratio is low and your dividend yield is still relatively low. So seems like you had come headroom to maybe potentially go up a little bit more than that. I just didn't know what what your thought was there.

Harvey Schwartz

So when we assess capital return, as you know our preferred mechanism for capital return is really from share repurchase. We think it allows us to be very dynamic in terms of responding to our clients' needs and market conditions. And so while the dividend has certainly come up meaningfully, I think you should still assume that Goldman Sachs will rely on share repurchase as its predominant tool.

Marty Mosby - Vining Sparks

Got you. And humor me for one more question. If we look at the market commentary you said with the pain and the volatility coupled with the kind of regulatory Volcker kind of compliance move and your VaR coming down, do you feel like as a market maker you're kind of hamstrung in ability to kind of help the market go through some of these transitions now given all the new regulations?

Harvey Schwartz

I just want to be clear with that. You may have misheard me or I may have misheard you. There was nothing that I saw about Volcker compliance that I think is at this stage preventing people from providing liquidity. Volcker has been pretty visible for a while now.

The comment I was making is that it's very hard to assess the collective impact of leverage rules, increases in risk-weighted assets reductions in balance sheet globally in terms of the entire industry and what that means for market liquidity. And we've certainly seen areas where people – I haven't looked at all the data, but most firms at this stage have actually shrunk their match books. I think I'm pretty accurate in saying that. And so all market participants, regulators included, have been asking themselves the question of when we were seeing increases in sales and treasuries whether how much of that was driven by market makers' inability or lack of appetite or not being able to position balance sheet in terms of providing that liquidity at important times.

We'll have to see again how all this evolves. When you look at Goldman Sachs today given the level of our capital ratios, which I described earlier in the call, we certainly have the capacity to deliver for our clients when they need it.

Marty Mosby - Vining Sparks

Thanks.

Harvey Schwartz

Thank you.

Operator

Your next question comes from the line Brian Kleinhanzl with KBW. Please go ahead.

Brian Kleinhanzl - KBW

Good morning.

Harvey Schwartz

Hi, Brian.

Brian Kleinhanzl - KBW

Just quick question, when you look at some of the regulations coming down the road here and also funding surcharge being one of them and the NSFR, both of those would benefit from a greater level of deposit funding on the balance sheet in effect. Are you thinking about growing deposits currently? And if you are, kind of are you thinking about organically or through acquisition or are you just not going to think about it at all?

Harvey Schwartz

So we obviously focus on -- I think in the context at the moment, this will be very interesting because, you mentioned NSFR so let's just use that as an example. I think as an example of a rule and a concept, I think again that falls into the bucket of a good concept because you want good asset liability management across the industry. We spend a huge amount of time on asset liability management the way that we look at secure funding and how we manage our balance sheet and we run a very conservative profile in terms of how we manage that.

With respect in this rule, it will be very interesting because we haven't even seen the Basel rule yet. I think the big question will be again, when you add this rule on to other rules if there are some long term impact on market liquidity so obviously clients and we will be very focused on that. As this goes to the rule-making process because you specifically make just a deposit, it will be very interesting when you get to the U.S. because as you know in the U.S. it's a different legal structure in terms of your ability to use deposit funding for certain businesses. And so not only do we need to wait to see the Basel rule, but then we'll need to see the U.S. rule and how they incorporate just a different legal structure that exists in the U.S. So we'll have to see how it goes.

Brian Kleinhanzl - KBW

Okay. And just a separate question on the ECM backlog. Is there any specific reason that's kind of driving strength there? I think you said last quarter Europe was strong in underwriting but this quarter has that changed?

Harvey Schwartz

No, it's just a normal part of the marketplace in terms of people coming to the markets and raising capital for a variety of needs. But there is no key driver.

Brian Kleinhanzl - KBW

Okay, great. Thanks.

Harvey Schwartz

Thanks.

Operator

And at this time there are no further questions. Please continue with any closing remarks.

Harvey Schwartz

So again, since there are no more questions, I would like to take a moment to thank all of you for joining the call. Hopefully I and other members of the senior management will get to see you many of you in the coming months. Certainly if there is any additional questions, please don’t hesitate to reach out to Dane. And otherwise, enjoy the rest of your day. Look forward to speaking with you on the fourth quarter call. Take care.