

DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, OCTOBER 3, 2025

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Hello and welcome to this week's Dividend Cafe. I'm your host, David Bahnsen. I'm the managing partner, chief investment officer at The Bahnsen Group, and I absolutely love the Friday Dividend Cafe every week, but I really love this one because first of all, it is October in New York City and it is hard to get better than October in New York City.

Beautiful day, beautiful week, and it has been a wonderful week in the city. I am going to spend our time today in the Dividend Cafe just at a very high level, giving you a few of the takeaways from the vast array of meetings that Brian Szytel, my Co CIO here at the firm, and Kenny Molina, our director.

Of investment solutions, who runs our alternatives business. The three of us for many years now have embarked upon New York City to meet with our key asset management partners various portfolio managers hedge funds, private market managers, the wide array. I'm gonna get into some of those details here in a moment.

And we basically have a little history here. I wanna share. But there are a few kind of just major takeaways from this week that even in the immediate aftermath where we've barely even, put our suits in the dry cleaning bag yet. And I wanna do a quick recap. A lot of the stuff that was covered this week has inspired ideas.

For the next four or five dividend cafes, I often don't know what I'm gonna be writing about 24 hours before I write it. And right now I have sketched out what I plan to write on for each of the Fridays throughout October which is very, very rare for me, but exciting. But most of that is.

Essentially inspired by some of the things that have come up this week. So, bottom line is that there are there's a history to our week here in New York City. I

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wanna share quickly with you. Many have been clients a long time, already know the story, but I realize a lot of you are viewers of the video or watchers, or excuse me, listeners of the podcast.

And either are more recent clients or just, subscribers to this content and are not necessarily familiar with the story. So why is someone who lives in New York City am I sitting here talking about doing a week of meetings in New York City? And the history does go back 20 years. 2006, I was running about a hundred million dollars in my business at UBS, and I got the wild idea of calling some of the managers that I had money allocated to.

And asking if they would meet with me in person. And I had clients in the area and I thought, okay, I'm gonna go out and meet with some of the managers and I'm going to see clients and make this a productive, nice trip. And it was really quite rewarding. I got a lot out of it. And a year later I was in a much elevated position at a, a larger firm, Morgan Stanley and I did the same exact thing.

And this was 2007. It was very beneficial. There was a lot going on in my business at the time, but it was really, again, a great opportunity to see clients and a great opportunity for me to meet with some of the people that we had allocated capital to. Then I did it again the next year, and that year was 2008.

That's really where I think this thing crystallized because it just so happens that being here at the very end of September, going into October in 2008 was at the time ground zero of the great financial crisis. And I will never, ever, ever, the rest of my life forget that particular trip, what I got out of it.

And what was happening. New York and with some of the very managers I was meeting with and then stuff that I didn't know was gonna become unforgettable at the time that did. Later meeting with some of the hedge fund that ended up being, the subject of the movie, the Big Short and being there, some of the investment banks that unbeknowns.

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To them at the time, were gonna have different owners in a week's time or two weeks time, or, what have you. Just based on all of the volatility and craziness of what was happening in the world at that time. And then oh nine to 14, all of those years I was still a managing director at Morgan Stanley, but I view some of those trips as some of the most instrumental moments in my career.

Really out of the aftermath of the failures that were embedded in the financial crisis, taking upon myself to try to really understand the idiosyncrasies of credit markets and for a dividend growth equity manager and an asset allocator to care so deeply about the levered loan market, or structured credit, or various elements of mortgage-backed securities, and just getting that deep education.

From some of the great managers in our business. It's, it really did change our business and it changed my life in so many ways, and I think became a real annualized opportunity for value added to our clients. So there's lots of memories and fun things along the way, but then we left, started our own firm beginning of 2015.

And ever since then, we've continued doing the trip. But now of course, we've become an over \$8 billion. Company in our own right, and we have pretty sizable positions with a lot of the managers we're with, and we enjoy real intimate conversations that enable us to get into the weeds, to have vigorous debate, to do our normal due diligence and monitoring, but also to at a more macro level.

One of the things I say in the written Dividend Cafe this week is I love talking to bond managers about bonds, and I love talking to real estate managers about real estate, but I also like talking to bond managers about jobs, and I like talking to real estate managers about interest rates. They exist within their own asset class, but their asset class exists within a macroeconomic environment, and so there has to be a point of view.

And having those discussions is stimulating that Brian Sitel and Kenny Molina join me every year. We've really developed a great rhythm chemistry together, how

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we interact with these various managers. And so that's what this week was. There is a sense of due diligence and just monitoring of our own managers, but it really is a lot of that macro perspective, but then also.

I would say thirdly, that it creates a sort of retreat environment whereby we get out of the office as we're going to office, to office to office throughout, midtown Manhattan every day, fully engaged, fully engulfed in portfolio thinking, in economic thinking, in, in analytics. There's just, it, just a sort of concentration.

That enables us to have clarity and I think, contemplation about what we're doing, any strategies we wanna revisit, any perspective that would be relevant to the way in which we serve our clients as an investment company. And then I think finally there really is, the fourth thing I'd say that we love about these trips is you get a view of how capital markets actually work.

In our position, we'll get invited a lot. To go visit big firms with let's say 20 other, wealth advisors or portfolio managers or various intermediaries and a sales team is putting on this sort of wine and dine kind of event. And it's a sort of show and tell type of a thing.

And we really don't do those events because it isn't realistic. We want to see. At a very private level accurate transparency as to, the trading desk in action and then the brain trust behind the operation. We're meeting with executives of the firms privately.

We're meeting with portfolio managers and that the closed door sitting in a private conference room with people that are behind. Capital allocation decisions is to me a very important part of our process, and I do believe that it, gets rid of some of the curation and polish that planned events might involve and allows us just to be much more vigorous in those interactions.

So we met this week with boring taxable bond managers. I think a lot of, our boring bond. Nomenclature is our reference internally to traditional investment

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grade fixed income, and we do that on both the taxable and tax-free side. Floating rate bank loans the levered loan market the syndicated loans that are a major size asset class and a part of our credit portfolio.

High yield bonds, mortgage securities. There's both the agency side, Fannie, Freddie Ginny, there is non-agency. That have a life of their own. The course commercial real estate wi, which itself has quite a few sub-asset classes you could imagine, from data center to industrial, to multifamily, to single family, to hospitality, to self storage, to retail, to office, et cetera.

So the commercial real estate world, private equity, private credit infrastructure, venture capital, commercial real estate debt. Separate from the commercial real estate equity side, middle markets lending structured credit or asset backed securities. Your small and mid cap growth, equity emerging markets equity.

Midstream energy, which is a major focus for us at our firm. So all of those asset classes were covered this week in at least one meeting and in some of 'em with multiple meetings 'cause of multiple managers or relationships involved. And so the, across all of those different meetings, I will not bore you to death right now with the granularity of all the takeaways, but I will say.

That we're creating a deliverable, as I do every year of a recap of all the notes, just long form, barely cleaned up and edited at all, all sorts of internal gobbly gook, shorthand. That may not mean anything to you, but for those who are interested, we're gonna make that available on request.

But, so the notes will be there. But in the meantime, I just wanted to share a few thematic takeaways that you can do with what you please. Number one. Is this AI debate is intense and unresolved. And what I mean by that is I vastly underestimate the ferocity with which some believe, and I mean billionaires and I mean incredibly intelligent people, that this is the biggest revolution.

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Of the last 200 years and that people should not even worry about what they're buying or how much they're paying. Just buy, buy, buy because this is the greatest revolution since sliced bread. And then how incredibly ferocious others, also billionaires, also wildly intelligent, that say this is setting up to be an absolutely awful trap and value.

Destructive speculative cycle that is gonna do great damage. I would like to say, well, there's some people that are very nuanced in between, but I mean there is real passionate arguments on both of the extremes as well that we were privy to this week and it was somewhat flummoxing. But you know, there were definitely substantive arguments on both sides and there was very candidly.

Some arguments were not substantive at all and you have to call into question when one is relying entirely on hyper emotion. But we saw it up close and that will be elaborated on in the weeks ahead. I wanna say too, number two, that the talk about private markets as monolithic is very ignorant.

Where are you seeing this? Some people go, well, private equity, be able to return enough capital. To their investors, will there be enough realizations? Will private credit, as it keeps attracting all this money end up, ending in a bubble bursting. Will there be just really bad investment outcomes because of how much they're democratizing Private credit?

It doesn't have liquidity, and you start putting in 401ks, is that gonna be a really bad thing? There is all sorts of questions. About the future of private market investing, and yet not all private market investing is the same, and not all private market investors are the same. And those nuances matter so much.

It is such a cheap and lazy substitute for real thought to paint with a broad brush around private markets. And I think that those nuances. And idiosyncratic differentials matter a great deal in the private investing landscape. Number three, this may be the least conviction on the state of the economy that I have ever seen from various economic minds and wizards.

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There are economic bulls we talk to, but they are very, very concerned about some of the. Counterpoints that exist to a strong economy narrative. And there are economic bears we talked to that are worried about tariff impositions that are worried about the weakness in the labor market, but they're really aware of the potential upside in AI issues in productivity and greater efficiency and certain things that are concerns not materializing to the point of full concern.

So I really believe. That it is a time for tremendous humility and to cast aside hubris about economic point of view, when you see this type of low conviction based on an awful lot of push pull, bull bear you, tug of war dynamics in economic outlook. Number four. Forgive me for getting a little more granular here, but it's a very big theme for a lot of income investors, bond investors, this thing we refer to as spread product and investments that generate a return by trading at a spread to treasuries or to the risk free rate because they have credit risk in what they're doing.

And there's all sorts of examples of asset classes here, but spreads are very, very tight. I'll tell you, I heard no less than six money managers say this week that yes, spreads are really tight in our space, but the all in yield is very compelling and they're not wrong. But there's just no question that the way you make money as a credit spread product investor has generally been.

From the high yield you get combined with spreads tightening coming in a bit, which pushes up price appreciation, and when spreads are already tight, you have a risk of price depreciation, but you do have a all-in yield that's attractive, so you don't go from two ways to make money, to zero ways to make money.

Two guaranteed ways to lose money, but you do go to one way to make money and one way that becomes uncertain. In other words, it alters the risk reward profile. And I think that doesn't necessarily lead to saying it isn't a good investment along different aspects of spread product, but it's very important.

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To alter your expectations of risk and reward when you're dealing with tight spread environment and to shift the ball and say, well, door number A isn't good, but don't worry. Door number B is, I don't know that it really is supposed to work that way. And so this was something that was very clear to me in and environment of tight spreads.

And again, I think we do a great job adjusting our weightings accordingly. To those convictions, to those opportunity sets. Then finally, a fifth theme I wanna highlight before I let you all go is the interconnectedness. The interconnectedness in data center theme right now. You hear a lot about AI's gonna be big and video's making a lot of chips.

We need more data center to feed all these things going on, and everyone uses the word data center now as a buzz word, but that it is directly connected. To so many elements of the economy on an import export basis, on an electricity production basis, on a land use basis, on various elements of real estate on just the, natural gas production.

The adjacent, oh, by the way, the private asset managers that are huge stakeholders in this story. The infrastructure dynamics, this is a story that goes far beyond the story itself, the adjacent and what it might even seem to be non-adjacent touch points and data center. It comes up in every single meeting you have emerging markets, equity managers and non-agency residential mortgage managers Having to interact with this theme to some degree.

We're gonna need to unpack that more as well. So look, there's a lot of things I've covered in these five themes. The data center interconnectedness spreads are tight. That affects, spread product. The least conviction in the state economy. I've seen private markets being monolithic is ignorant and the AI debate intensity.

Those kind of five major themes I wanted to highlight. There are things I'm gonna do a whole Dividend Cafe on outta some of that in the weeks ahead. I have opinions on plenty of it. Brian, Kenny and I have a lot more unpacking to do in our

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investment committee. We'll be meeting back in California 8:00 AM on Monday, and there are some adjustments coming.

Some of our portfolio activity, not necessarily out of any of these thematic or high level macro things, by the way, just some of the particular. Product selection and partnerships and whatnot, that require alteration weightings that are being adjusted on a risk reward calculation, that type of stuff.

So there's more particular things coming, but these high level themes, they really do lead to the need to unpack some greater subjects in the weeks ahead in the Dividend Cafe. I love this week, I love the inspiration. I love you all. Going to Dividend Cafe dot com to see the chart of the week, to see the written version of Dividend Cafe and to get ready yourselves to have a wonderful weekend.

Thank you as always for listening, reading, watching the Dividend Cafe. I'll see you in the Dividend Cafe on Monday back in Newport Beach. Take care.