



**SEASON 5 EPISODE #9**

**MIKE CASTINO**

**SOUND CAPITAL SOLUTIONS**

**Narrator:** Welcome to the Rainmaker Podcast with your host, Gui Costin. The goal of this podcast is to give listeners a unique look into sales strategies from top industry executives. We introduce you to the heads of sales and heads of distribution who will help you understand the inner workings of the successful sales organizations from philosophy to execution. This podcast is an essential for sales professionals seeking wisdom from the best in the field. If you're not familiar with Dakota and their Dakota Rainmaker content, please check out [dakota.com](http://dakota.com) to learn more about their services.

**Gui Costin:** This episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases, websites, form ADVs, and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit [dakota.com/dakota-marketplace](http://dakota.com/dakota-marketplace) today. What is up everybody? It's Gui Costin, founder and CEO of Dakota. Welcome to the latest episode of the Rainmaker Podcast. I am so thrilled to be joined by Mike Castino, who's the president of Sound Capital Solutions. Mike, welcome.

**Mike Castino:** Well, thank you very much for having me here.

**Gui Costin:** So we're thrilled to have you here. So Mike brings over 30 years of experience in business development and relationship management, having held senior sales positions with Claymore ETFs and US Bank Global Fund Services. At Sound Capital, Mike leads the sales and client experience strategy and implementation. We might just have to say a thank you to your son because we just went through the whole background, right?

**Mike Castino:** Yeah.

**Gui Costin:** And, you know, in the Army right now. So, you know, we're about to get out, but thank you for his service and everything. We know his parents, not easy. Just like your son, we have Charlotte Finn in our London office. Her sister is basically flying right off the USS Lincoln, which is extraordinary. So Charlotte's sister is an absolute rock star. Praying for them all.

**Mike Castino:** Thank you.

**Gui Costin:** Come home safely.

**Mike Castino:** God bless them all. I hope they come back.

**Gui Costin:** Yeah. Okay, so welcome. So let's go back. Origin story, where you grew up and kind of just walk us through your career until you've gotten to where you are today.

**Mike Castino:** Yeah, sure. So I'll give you kind of the CliffsNotes on the front end because we could be here all day, right? So long-time Chicagoan. And when I was in college, I got introduced to the Chicago Mercantile Exchange. So futures trading. And I was hooked. I was enamored, you know, senior year of college when everybody was, interviewing for jobs, I knew exactly I wanted to go down there and become a clerk. So long story short, kind of fast forward a little bit. I did that for 12 years. I was an independent floor trader. I was trading Japanese yen futures. I was trading the QQQ, the Nasdaq 100 futures. Everything kind of went electronic at the end of that. And towards that time, as things were kind of slowing down on the floor, I decided I got to reinvent myself here. Young 30-something with 3 kids, kind of saw this going the way of electronic trading, more quantitative, off-the-floor type stuff. So I got a job with a firm called Claymore ETFs, and that was my first opportunity to experience the world of sales. And Claymore, on a side note, they bought—they were bought by Guggenheim, which eventually got bought by Invesco. So Claymore is no more. But the, but the reason I'm bringing Claymore up is that's going to be part of the backstory with the firm I'm at now, Sound Capital. One of the founders there, he and I decided to come on this venture of what's called Sound Capital. So really back to the Claymore really quickly, that's where I got introduced to the whole world of sales. I think my background on the floor, my people skills, my ability to talk to people, my ability to not be shy. I mean, you're in a pit, you're yelling and you're screaming and you're fighting. So there's not a lot of shyness in the pit. So that kind of carried over. It served me well when I stepped into the world of Claymore ETFs as an internal salesperson and then going on a few roadshows for some product offerings that we had. Towards the end of it, Claymore got acquired, and after Claymore was acquired, I worked for a few other firms. The one that I'll focus on is US Bank, so specifically US Bank Fund Services. I had the ability to join them early stage and do business development sales for them, for the administrative and the custodial services for 1940 Act ETF products. So really to help grow that from the ground floor into something that by the time I left 13, 14 years later was more than self-sustaining. It was a high revenue business that's now probably doubled since I left to Sound Capital. But that was really my entryway into the world of sales and business development, is that path.

**Gui Costin:** And so Claymore was one of the original kind of ETF families, right?

**Mike Castino:** It is.

**Gui Costin:** Yeah, right on. And so now, so you had US Bancorp, which My good friend who's there forever now, he's over, he was one of the salesmen in the Midwest.

**Mike Castino:** Mark Gallagher?

**Gui Costin:** Yeah, Mark Gallagher.

**Mike Castino:** Oh, you know Mark?

**Gui Costin:** Very well.

**Mike Castino:** Yeah, very well. Great guy. And one of my mentors when I was at US Bank, just to try to learn by observation, and I immediately saw Mark and I said, I got a copy of this guy. Yeah, that's great.

**Gui Costin:** That's great. Yeah, we ended up launching a mutual fund for Hamlin with him in 2010. And then we did our own mutual fund with them, Harbin Johnston, So yeah, yeah, fun stuff. So, okay, so talk to us where you are today and give us a little bit of a background on the firm.

**Mike Castino:** Sure. So as I mentioned, I was with U.S. Bank for about 14 years. Absolutely nothing wrong with my job there. The people were fantastic. I enjoyed my job. I just wanted to do something a little bit more entrepreneurial, kind of get back to my, you know, let's take some risk here, like my early trading days. So as I mentioned, Claymore Securities, Claymore ETFs. One of the founders, Nick Dalmasso, he and I stayed in pretty close contact over the years because we both lived in the western suburbs of Chicago. Nick was really instrumental when I was at Claymore to help me kind of build a framework, understand the 1940 Act world, understand the guardrails, understand product development, understand sales. And his son was a year behind mine at West Point. So we kind of reconnected over that. But then we started to say, hey, What's going on with your business? What's going on with yours? He had just formed Sound Capital and I said, I can use that chassis. I have some ideas. So he and I got together and we founded Sound Capital to basically do two things. You mentioned mutual fund launch and Hamlin Capital. Well, what we do in the world of ETFs is called white label services. So if somebody comes to us and they say, we wanna launch a fund, but we don't have the infrastructure, or the desire to be the advisor, we'll do that for them. And we will launch the fund. If they wanna be hired back and be the sub-advisor, we'll oversee them. If they want to just provide the strategy and have a third party do all the trading, we help 'em with that too. The other side of the house, we label it our solutions provider offering. Not that the world of consulting is bad, but we choose, we chose, and we still choose to use this term solutions provider because Rather than saying we're a consultant, we're gonna parachute in and tell you what to do and leave. Well,

we want to build something that helps people pre-launch, at launch, and post-launch. So basically, how can we help them not only gain assets out of the gate, but also retain those on the backend? So we call that our solutions provider offering rather than a launch consultant.

**Gui Costin:** So now do you, do you provide any distribution services, sales services?

**Mike Castino:** Yeah, that's a great question because in our world, Everybody claims that they can find that pot of gold at the end of the rainbow for you. But in the world of ETFs, it's not just about performance in the product. In our world today, every time you want to go somewhere with this product, there's an approval process. Do we need your ETF? Do we want your ETF? Do we like you as an advisor?

**Gui Costin:** Do you mean on these bank broker-dealer platforms?

**Mike Castino:** Broker-dealers, every intermediary from a traditional wirehouse to a regional broker-dealer to a Charles Schwab. To a Fidelity. So once that product is approved, there's also what comes with it, fees or support fees. It's a really, really big topic in the world of ETFs right now. There's revenue sharing literally on the revenue that is being generated from the AUM.

**Gui Costin:** Right. So the revenue sharing, walk us through, because now I just want to make sure the audience knows I want to take this in a direction because you're right now living the future of investment management packaging, this transition from mutual funds to ETFs.

**Mike Castino:** Yeah, absolutely right.

**Gui Costin:** And not to oversimplify the story, but as soon as all the capital gains got paid last year that no one expected, all the due diligence analysts woke up on January 1st and they were like, all right, nontransparent active ETFs. That's all I'm going to approve right now. I'm overdoing it a bit. But remember, pre-Jan 1st, 2026, it was like, well, if you're at \$100 million, it was kind of like, yeah, we'll do it now. And it just— I mean, I'm watching it like it's just the whole— the flip switched. And so now we're going to be living this world of what you're sitting in the middle of, which is ETF creation. Since you brought it up, let's discuss revenue sharing. How does one do it so it's consistent across all ETFs like the Morgan Stanley? Is it a percentage? Is it a basis point? Is it the same? Like, how do you make a pari passu and equal for everyone?

**Mike Castino:** Yes, I know. I mean, that's kind of obviously a sarcastic answer, but there are— and you're going to get a variety of opinions. There are basically, let's say, constants that are being thrown out. Hey, it's, you

know, 15% of revenue. On the AUM that's identifiable at Charles Schwab on your active ETF. It's a \$150,000 flat fee just to get in the door. And then we're going to charge you another \$100,000 for our data package. And our data package shows you which advisors hold your ETF. And oh, by the way, we can also sell you data about your competitor ETFs. So it's being monetized in a couple of different ways. But the key to it is like everything else in our industry, If you bring an ETF to them and they just don't want it, well, okay, fine. They're going to say, no, we don't have white space or we don't have demand yet. Go prove that there's demand and we'll talk to you. Or they'll punitively price you to make you go away because you're a smaller issuer and they maybe don't want to deal with you. And then there's the other folks who have a bigger wallet and have more ability to support the product. Maybe they're doing roadshows. With that particular intermediary. Maybe they're providing literature for those specific ETFs for their FAs. So the way I'm answering this is leading to the point that everything is negotiable. You're gonna see a menu and you're gonna see a price tag. But from what I've seen and all the anecdotal evidence that I've gotten from this industry, you sit down at that table and it's a negotiation. You're gonna negotiate at the end of the day based on what you can bring and based on what they want on their system.

**Gui Costin:** And so clearly, I don't want to answer this question for you, but clearly actively managed transparent ETFs are here.

**Mike Castino:** Absolutely.

**Gui Costin:** Right.

**Mike Castino:** Yeah.

**Gui Costin:** Yeah.

**Mike Castino:** I mean, they've been around forever and we've seen the pendulum swing from don't do active, it's too crazy. Why not just do an index? Because you always know what the index is going to be doing. And then all of a sudden active came on the scene and people said, well, maybe we'll try it with fixed income because that requires a special level of expertise relative to just indexing equities. And then all of a sudden equities became in vogue. And then all of a sudden we saw people run back to the other side of the boat and say, well, not quite sure about this active equity stuff because they underperformed the benchmarks. So which way do people want it? I think the answer here is there's going to be enough to go around for everyone. Some people are going to live and die by active. And now we've— we're seeing some people move back to the indexed. A couple of years ago, more than a couple of years ago, 5 years ago, any index that was created to beat the S&P, if you remember, was called smart beta, right? So people would say, wow,

look at this smart beta ETF, which was basically active management packaged as an index. We're kind of seeing the return to that in some ways, but no one's using the smart beta tag. But we are seeing more index products come in, believe it or not. So I think there's going to be a healthy mix. I think there's going to be enough for those who are wedded to active and only active to stay that way. And I think the people who want low-cost beta plus low-cost smart beta overlays are going to continue to get what they want.

**Gui Costin:** So what about the non-transparent versus the transparent? Are you seeing a big trend? Because I heard that the non-transparent, active non-transparent can't really garner any assets. It has to be transparent. What are you seeing there?

**Mike Castino:** So we haven't— I mean, the flows speak for themselves. Aside from a firm that took an existing product that had AUM and they turned it into a non-transparent, and therefore they had \$500 million or \$400 million in it. And you could point to that AUM. We haven't seen any organic raise significantly in that nontransparent space. So the problem is without that type of demand, that's going to move that particular structure to the back of the line. Research teams aren't going to want to cover it. The due diligence teams are not going to want to cover it. It's all the way in the back of the line if you want to get that product approved. But then there's also a few other issues such as if you are a financial advisor and Mr. and Mrs. Smith are just like, I don't want you to ever own a gun stock or a tobacco stock or anything like that. Well, what happens if it's non-transparent? And I know this is an outlier, but just let's say it, let's have, let's, what happens if one of those slip in and then at the end of the quarter, your non-transparent now becomes transparent through the rearview mirror and they see that that's in there. So yes, there are guardrails you can put in that are against it. But my point is everyone is favoring the transparent over the non-transparent for a variety of reasons. And the AUM shows it.

**Gui Costin:** And they're just going to have to get over the fact that maybe somebody could see what they're trading and the whole thing, because that's kind of been the—.

**Speaker 3:** That's a sticky topic because— So being a former trader myself, I know it doesn't give me 100% authority to talk to other people who sit on a desk, but I'll just say it this way. There's not too many people out there who are being shadowed every day. So do I look across the table and say to somebody, you know what, don't flatter yourself. Nobody's getting up every morning and trying to front run you. It's just not.

**Gui Costin:** Yeah.

**Mike Castino:** And by the way, if you were that good, you wouldn't be doing what you're doing. You'd be trading your own money and you'd be on some island somewhere because you're the next Warren Buffett.

**Gui Costin:** So it's like, just don't flatter.

**Mike Castino:** Just now there is a category for them to really— and I'll be brief on this. If you're trading a micro-cap basket, really low liquidity, real low ADV. Yeah. If you're moving significant amounts of money, it's going to take you a couple of weeks and you're going to show up on somebody's heat map and your fund is going to provide a pattern, a trading pattern to the industry. So, yes, in those categories, you can show up on people's heat map and maybe you'll get front run. But it's been proven time and time again that even people who try to front run the Russell rebalance when that's known a week before what the constituent change are going to be, sometimes they lose money.

**Gui Costin:** Yeah.

**Mike Castino:** So there's just so much liquidity and so much speed and so much volume in the world of electronic trading that you can really break up your orders where there's really no impact. If you've ever been frustrated trying to build customer reports in either Dakota Marketplace or Salesforce, we have introduced Dakota Joe for you. Dakota Joe is a natural language report builder native to Salesforce, built inside of Dakota Marketplace. For all of our Dakota Marketplace users, you can find Dakota Joe today and start running reports on accounts, investments, contacts, and a whole list of other objects. For Salesforce users, we have Dakota Joe coming soon to your internal Salesforce log You can learn more about both today at [dakotajo.ai](https://dakotajo.ai).

**Gui Costin:** So let's talk about the future and these product structures. So you're sitting, obviously, this is like asking a barber if they want a haircut, as Alan Breedit, our president of Edgewood Management, always likes to say, running an ETF versus a mutual fund. So the mutual fund starts versus the ETF starts. I mean, it's got to be dwarfing. Right. Give us the advantages, the sustained competitive advantages of an ETF product structure versus a mutual fund. And we've lived in the mutual fund world for 70 years. Yep.

**Mike Castino:** Yeah.

**Gui Costin:** It's not as tax efficient.

**Mike Castino:** That's right.

**Gui Costin:** Fortunately, as you start to see redemptions and you have to sell winners, creates taxable events as the AUM is declining, which is a double-edged sword.

**Mike Castino:** Right.

**Gui Costin:** You don't have that in ETFs. So do you see the trends that you're seeing? Do you see just ETFs are going to be here to stay and really replacing for, for the most part. Not overnight, I know. It's just— yeah, it's happening now. Yeah, it's happening in a big way. I mean, no one— I mean, people who talk to, they were shunning the active ETFs last year. Now everyone's like, no, we got to put on the drawing board, we got to get it done.

**Mike Castino:** Yeah, the trend's still going to go that way. There's, there's two things still in the way of total domination of ETFs, but one of them is a demographic, because there are some people, um, that are older investors. I mean, really, are you going to call up Mr. Smith on the golf course? You're his broker and you're going to say, I got a great ETF for you. I want you to blow out all your mutual funds. The guy's going to hang up on you, right? He wants to golf, he wants to see his grandkids, and he just wants you to make sure that his money doesn't blow up. So those sticky assets in mutual funds are going to migrate over slowly, whether that's a transition to a beneficiary who says, okay, great, I got to step up. But I really like ETFs better, then that person will liquidate and move to ETFs. The 401(k) conundrum, I don't think there's been enough good discussion about that because I personally know people in the industry who are literally helping 401(k) programs use ETFs and they're solving the fractional share issue for them. They're, they're just taking the fractional shares on their books and hedging them. And when it rounds up to a full share for the client, they put it back in the account. So the migration to ETFs on 401(k) platforms, yeah, they're throwing up the share, the share issue, but they're also worried that people are going to trade intraday on those ETFs versus mutual funds that trade at the end of the day. I think that's easy to overcome too. You can just put trading restrictions or you could just do block trades at the end of the day. But when those two things get less sticky, that whole demographic in the 401(k)s, that's when you're really going to see significant. And now we're starting to see— I'll finish by saying this— with the introduction of the ability to have a dual share class, your mutual fund can now tack on an ETF share class to it. That's just going to make the conduit easier when that time comes.

**Gui Costin:** So, so there right now is a proposition where you can have a mutual fund, which is even institutional share class. Now you can create an ETF share class.

**Mike Castino:** That's correct. Okay.

**Gui Costin:** Is that, is that possible today?

**Mike Castino:** So the background is that it's been here in the industry and a lot of people don't know about it because Vanguard was the only one doing it. So take the Admiral Fund, for example. They had the ability internally to support those two share classes. So you could own it as a mutual fund or you could own it as an ETF. But the key to it is, if I'm a client, how do I switch back between it? Because I don't want to sell. Institute a capital gain.

**Gui Costin:** Yeah.

**Mike Castino:** So for years, Vanguard internally was running for their clients a switch mechanism, and Vanguard had the ability in the industry to be the only one to do a dual share class. That's changed recently. The SEC has granted a bunch of firms, 30, 40+ already with more to come, the ability to run this model. Now DFA was the first one to go after Vanguard. I think DFA, and you don't quote me on this, but one of the advantages they have, they can do this internal switching mechanism where they custody the accounts, they control the accounts, so they can permission their clients to switch from the mutual fund share to the ETF share. If you don't have the ability to do that directly with the shareholders, the intermediaries are going to be the ones who have to have a switching mechanism. And we've already heard from them, they're not going to do it automatically for people. They have to make sure the client experience is right. And they also have to follow Reg BI. So before they just tell somebody, "Hey, you got this mutual fund, then you can flip the switch whenever you want to the ETF share class," they're gonna look at that individual investor and make sure which share class is best for them. Are you able to use both? Or no, no, no, we're just gonna keep this person in mutual fund or ETF only. So the operational model is there. It's the switching mechanism once that gets solved that's going to really speed up the process.

**Gui Costin:** Oh, fascinating. All right.

**Mike Castino:** Yeah.

**Gui Costin:** I want to come back to Sound Capital. So tell me about the size of the firm.

**Mike Castino:** Yeah.

**Gui Costin:** Where you guys are based and you have two businesses as you kind of kicked off. I just want to make sure we can all level set because we got going and anticipate we go down just a little vision of where the ETF world is going. But tell us about Sound.

**Mike Castino:** Absolutely. So it's overwhelmingly small for a purpose. And I will tell you what I mean by that. So we have 4 individuals that work there now. Myself, Nick Dalmasso, the former founder of Claymore, and he serves as our CEO, our general counsel, and our CCO. Nick's son, Dom Dalmasso, is our CFA and our CIO. And then we have a gentleman named Emmett Flood, who is our chief financial officer. He's also a CPA. So the reason we did this in the early stages is for two reasons. We want to be a nimble firm, but we don't want to have too much overhead, but we wanted to gather the expertise that's required to do both of those business models. We need to be able to run ETFs for our clients as a white label advisor, but we also need to be able to give them the right guidance as a solutions provider. It's never been our goal and never will it be our goal to be the largest white label shop on the street. We're in the process right now. I think we're maybe halfway there of gathering a boutique set of clients on our white label side that at some point we're going to say, we love you all, this is fantastic, we like working with you, and we're just not shutting things down, but we're just going to circle the wagons and we're going to service you and help your ETF family grow, add more ETFs, gather more AUM. Instead of Sound adding more clients and just getting more and more people doing the same thing for us, our goal is to build a boutique that really serves the needs of some clients who are like-minded with us. So that's the path that we're on right now.

**Gui Costin:** That's amazing. Then what do you anticipate those types of strategies would look like?

**Mike Castino:** Yeah, so we've got everything from people who are running index strategies to active equity. We've got folks— and this is a really interesting part of the ETF world that I think a lot of people forget about. Okay, we've got people who are what I call doing bespoke ETFs. They're launching an ETF not because they want to go out there and gather market share from the SPY or the QQQ, right? What a fool's errand that is. But they don't come to market and say, if I only had 1% of the SPY, I would be happy. They have captive assets within their investment firm and maybe they're running an SMA and they say, this would be much better for my clients in an ETF. Tax efficiency. I can trade one account instead of across multiple accounts every single day. It could be exchange listed. So if there's some people that don't meet my firm's minimums to invest in my firm, you know what, I'll just tell them, hey, go buy our ETF. And then when you hit our thresholds, you can come back and get our full services. So that's a nice part of that. And finally, if they get more AUM by being listed on the exchange and performing well, no one's going to turn that down. No one's going to turn down an extra \$50 million in AUM. And we've seen that happen. So we have folks in both categories who, for example, there's an ETF in our firm where they started out at \$200 million. 3 Years later, they're still at \$200 million because that was the plan, a bespoke ETF to use within their practice. And make, make their operations run more efficiently and deliver benefits to their clients. Now we've

got others who are coming to market and they have to have a strategy. They don't have captive AUM. They have to have that strategy to go out and capture it from the broad market.

**Gui Costin:** It's like a mutual fund.

**Mike Castino:** Absolutely. So they're starting from scratch. So those folks in the ETF world, this dovetails back to what you were saying. What do we do for them? We don't have boots on the ground wholesalers like we did at Claymore out there selling product. So what we do is We look internally at their firm and we say, what do you have right now? What people or resources do you have that can save you time and money to help you get the word out once you launch? In the early stages when you're growing a track record, when you're growing average daily volume for your ETF. And oh, by the way, here is another— we literally hand them a Word document with about 12 firms and we say, here are all the firms here that are third parties that are helping ETF sponsors raise money.

**Gui Costin:** Gotcha.

**Mike Castino:** Digital campaigns, email campaigns. Some will even smile and dial and others will rent you a pod of wholesalers. You know the drill, right? They're out there and you can partner with them. So if you're not going to build your own internal sales force, we always recommend if people can do it, start with at least one, just a point person.

**Gui Costin:** Yeah.

**Mike Castino:** Or start with somebody who becomes the face of your franchise, you know, going on CNBC or doing webinars. And then build from there. ETFs are a little bit different, I would say, from mutual funds in one way. Everybody wants to see how the fund does in terms of track record. That's not going away. But because you're exchange traded, there is a component of average daily volume. ADV is in play because you're not trading directly or buying and selling with the mutual fund, right? So if somebody doesn't have that average daily volume of 5,000 to 10,000 shares, they may not qualify going back to the approval process. And even if it's not the approval process, sometimes investors will just shy away from a low ADV ETF even though it's got the same liquidity as a billion-dollar ETF.

**Gui Costin:** Right.

**Mike Castino:** They just don't know.

**Gui Costin:** So is there any— I read an article on LinkedIn, a white paper with Steve Neely, talked about there's concentration in terms of the market

makers. Because am I saying that in the right way? Like Sixth Street, than others?

**Mike Castino:** So everyone likes to talk about a concentration that I prefer to call it, because one of the things I left out before I left the trading floor, I had the ability to work for this small firm at the time called Jane Street Capital.

**Gui Costin:** Yeah, of course, they're not too small anymore, but I was the center of this whole show.

**Mike Castino:** Yeah. So I was literally standing in a trading pit with a headset on talking to somebody on the floor of the Amex Stock Exchange. That was early-stage ETF arbitrage. Hey, I sold them here and I sold them rich and I'm in the exchange in Chicago and I'm buying the futures against them and we're capturing that statistical arbitrage, right? That was it. And now it's grown into this mega universe of electronic trading. So to get to your point, it's not concentrated, but it's limited to a certain amount of firms that have the balance sheet to be able to do this activity.

**Gui Costin:** Okay.

**Mike Castino:** They're selective. They are not standing there as though they're on a menu where a new ETF issuer can just say, "I think I'll take Jane Street." No, you know what? I think I'll take Citadel. You have to go and convince them to dedicate their time, talent, and treasure to your ETF to make it worth their while. Obviously, they're not, and I don't say this in a mean way, they're not in this with you to make your ETF franchise succeed. They're a part of it, But they get up every day looking to see what helps their P&L. So to your point, there are many times when it can seem concentrated and limited to a new issuer because they're just going to get the Heisman from a lot of these trading firms, right? Not interested. Come back, you know, maybe I'll, maybe I'll watch it at launch and see if it trades. But if you are a firm that comes with, hey, I've got \$50 million to put into this at launch, and I have a sales plan or I have salespeople and I'm going to be out there from day one generating AUM and driving trading volume, that can get people's attention really quickly.

**Gui Costin:** Wow. So those, those groups, the bigger balance sheets, that is a mitigating or gating factor to having—.

**Mike Castino:** Right.

**Gui Costin:** And any investment firm who wants to launch an ETF, if they, if they can't make it work for them.

**Mike Castino:** Right.

**Gui Costin:** And they're kind of out of luck, right?

**Mike Castino:** It's, it's interesting because you say that and it's almost like sometimes you have to tell a client, well, look, you're making the decision internally where to deploy your capital. You're deploying it to the launch of this fund. They're making the same choice. Do I deploy my capital to supporting this ETF as lead market maker, secondary liquidity provider, whatever it might be? I think over the years people just got the assumption that market makers were there to serve their needs. And they were very, very surprised. And we've seen this in the industry and we're probably going to see it more often. We've seen people unable to launch an ETF, not meaning they were blocked from it, but just they didn't launch because they didn't have a lead market maker commitment. And it's not a great idea to go to market without at least one lead market maker.

**Gui Costin:** Well, with the lead market maker and other liquidity providers watching here, I think these discussions are going to be now front and center for every investment firm going forward, which is conversations that probably weren't being had, especially with active boutique managers that manage between \$200-300 million up to \$5 billion, kind of long only if that's that world. They haven't been having these. They just all thought, hey, if I could just make it happen and launch, then I'm going to be in business. So that's—.

**Mike Castino:** Yeah. Well, to your point, we mentioned dual share class firms. So now you've got these mammoth mutual fund companies that only did business with bulge bracket brokers, and now you're going to step into the ETF world and you're going to go to a Jane Street or Citadel or Wolverine Trading or an RVC, Susquehanna, and you're going to say, hey, I need you. And what are they going to say? Okay, that's great, but let's make this relationship work for everybody. So one of the things that occurs as a side note is a lot of these firms that are lead market makers also do agency brokerage execution. So they'll do equities, some of them do fixed income, others do derivatives also. So when a mutual fund family comes in and says, yeah, you know what, I'm just going to continue to trade with my bulge bracket people that I've been using forever, I say you might want to direct some of that flow to Jane Street, for example, because it enhances the relationship.

**Gui Costin:** Of course.

**Mike Castino:** And the more you can enhance that relationship, the more you can keep a firm like that willing to dedicate their balance sheet to your needs.

**Gui Costin:** So you have a huge advantage if you have an existing mutual fund with lots of assets, because now you can start to build relationships with the James Streets, the Huskynas that you might not have otherwise. That's some really good insight. I mean, that's a huge insight.

**Mike Castino:** It's the expectation of you're coming to market with your new ETF to make money. Why would you expect them not to say the same to you? We want to make money in this. We're not here to— they're not benevolent societies.

**Gui Costin:** All right. So final question. You've entrepreneurial, 4-person firm. You're at the epicenter of the growth of the ETF market, which is taking off like we never thought before, even though it's been around for a very long, long period of time. But now you're going to enroll all these new potential firms that were doing mutual funds in separate accounts. Now they're going to do ETFs for their actively managed strategy. So as an entrepreneur and growing a business, what is your big— what's the biggest challenge you guys are personally faced with today and how are you overcoming it?

**Mike Castino:** Yeah. So this is sometimes a dilemma for us, and you're hitting the nail on the head of one of the things that sometimes drives me crazy. I mean, Sound is a new company relative to other firms that do what we do. We've been around 2.5, 3 years. When I talk to somebody, they'll say, well, how many ETFs do you advise and how many clients do you have? And it's one of those, okay, I've got 4 ETFs, but I've got a lot of solutions provider clients who are big names. Just saying I've got 4 ETFs, okay, can stop some of them in their tracks. But then if I say, let me tell you what I did when I was at U.S. Bank, you know, over 75 issuers, 600 ETFs. Let me tell you what my partner Nick Dalmasso did at Claymore ETFs. You would think, or maybe I overthought this, I don't know. I thought that might carry a little bit more weight, but it's just kind of like, yeah, that's really nice. That's what you did before. But I'm looking for a firm that has more ETF experience, and they're valuing that. They're looking at Sound Capital and saying, we want to see more out of you. I get it. I totally understand it. What I did yesterday and what I did at U.S. Bank, that's different than what I'm doing at Sound Capital. So that's one of the things we have to overcome right now. We have to continue to give people the confidence that despite the young age of our firm, despite the, you know, special operations feel of having 4 people versus hiring a whole army of people that you're going to overpay for, that they're going to get the level of service and quality that they need. Well, our job every day is to get up and make sure we deliver that. You know the drill in this world. People receive bad news 3 times more than they take in good news, right? It's just that huge impact. So we can't be perfect, but we have to be cognizant every day of making sure that anything that comes back to sound has that credibility attached to it as we continue to grow from a smaller firm and we reach that boutique status that we're looking for. Yeah.

**Gui Costin:** Well, congratulations.

**Mike Castino:** Well, thank you.

**Gui Costin:** Yeah. So thrilled to have you on and so excited for you and the new business and the growth of it. And boy, did you ever hit it. I mean, my goodness, the timing's—.

**Mike Castino:** Thank you for having me.

**Gui Costin:** Got it. Thanks for being on.

**Mike Castino:** Pleasure.

**Gui Costin:** All right, everyone, that is a wrap of another episode of the Rainmaker Podcast. Thanks so much for joining, and I can't wait to see you in the next episode of the Rainmaker Podcast.

**Narrator:** You can find this episode and others on [Spotify](#), [Apple](#), or your favorite podcast platform. We are also available on [YouTube](#) if you prefer to watch while you listen. If you would like to check up on past episodes, check out our website [dakota.com](http://dakota.com). Finally, if you like what you're hearing and seeing, please be sure to like, follow, and share these episodes. We welcome all your feedback as well. Thank you for investing your time with Dakota.