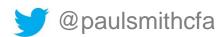
BUILDING THE INVESTMENT PROFESSION

Paul Smith, CFA
President and CEO

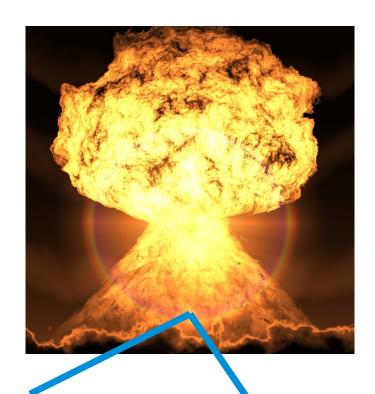






STATE OF THE INDUSTRY

Growing, but facing disruption





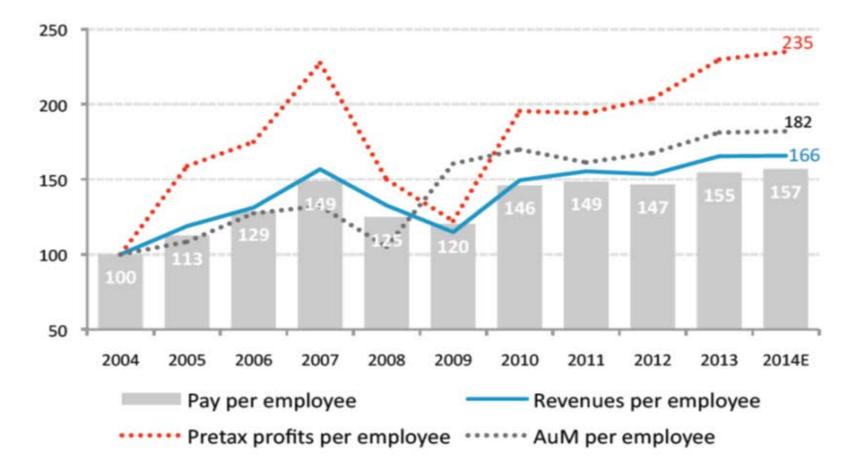
2008 2015

Middle class to grow 180% by 2040

Global investable assets to increase to more than \$100 trillion by 2020

Source: PwC Asset Management 2020: A Brave New World

ASSET MANAGERS, 2004-2014 (REBASED TO 100 IN 2014)



Source: New Financial



GLOBAL AUM EXPECTED TO RISE

	<u>2004</u>	<u>2012</u>	2020 (est.)
Global AUM	37.3	63.9	101.7
In Mutual Funds Active	16.1	27.0	41.2
<u>Investments</u> Passive	15.1	23.6	30.8
Investments	1.0	3.4	10.5
In Mandates Active	18.7	30.4	47.5
Investments Passive	17.6	26.6	35.3
Investments	1.2	3.9	12.2
In Alternatives	2.5	6.4	13.0

Source: PwC - in USD Trillion

INSTITUTIONAL OWNERSHIP CONCENTRATION

TOP 1,000 U.S. CORPORATIONS By company size bracket				
	<u>1990</u>	<u>2000</u>	2009	
1-50	50.1%	54.2%	63.7%	
51-100	59.2%	61.6%	70.3%	
100-250	54.7%	64.7%	70.9%	
251-500	51.1%	64.2%	76.3%	
501-750	47.5%	62.8%	76.2%	
751-1000	44.6%	56.9%	70.2%	

Source: The 2010 Institutional Investment Report, The Conference Board



WHERE ARE THE HIGH-NET-WORTH INDIVIDUALS? NEARLY A THIRD IN ASIA PACIFIC

(Million)



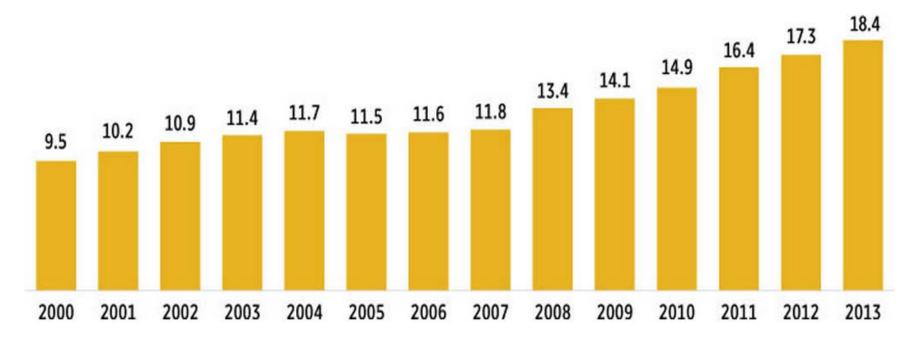
Source: 2014 World Wealth Report



THE RISE OF PASSIVE INVESTING

Index Equity Mutual Funds' Share Continued to Rise

Percentage of equity mutual funds' total net assets, 2000–2013



Source: 2014 Investment Company Fact Book



GROWTH OF LOW-COST INVESTMENT ADVICE STARTUPS

ROBO ADVISING IS GROWING!

Wealthfront (US)

Betterment (US)

FutureAdvisor (US)

Nutmeg (UK)

Quirion (Germany)



Source: Grant Easterbook/Corporate Insight 2014

USD in billions



REGULATORY SCRUTINY

New rules would make advisers put investors first



Asta Waggoner, USA TODAY 6:20 j.m EST February 23, 2015

President Barack Obama calls for botter rules on referement account brokers, reigniting a confrontation with the financial services industry over rules affecting trillions of dollars in 401k and other savings accounts. (Feb. 23) AP



(Photo: J. Scott Applewhite, AP)









President Obama has proposed new rules that would require a higher standard for those who offer advice on retirement accounts - one that some brokers say should apply to all financial advice.

The new Department of Labor rules would require brokers to be held to a fiduciary standard, meaning

that they must put their clients' interests above their own. For example, given the choice between two similar funds, the broker would have to recommend the one with the lowest fees and commissions

The current standards only require that investments be suitable for the investor





UK watchdog cracks down on asset managers

Caroline Binham, Financial Regulation Correspondent



The UK's £5tn asset management industry is not doing enough to guard against potential insider trading and market abuse, the UK's financial watchdog has found in the latest salvo on an industry that is garnering increasing regulatory scrutiny.

The Financial Conduct Authority has found

that only a small number of companies it surveyed as part of a review had "comprehensive" controls in place against market abuse, according to findings published by the regulator on Wednesday.

Norway takes action against closettracking

Madison Marriage

The Norwegian regulator has become the first in Europe to accuse a bank of mis-selling a "closet tracking" fund - products that charge high fees for active management but mimic an index.

The regulator has ordered DNB, Norway's largest bank by market capitalisation, to lower the pricing of one of its best-selling equity funds or "bring it in line with the characteristics of active management". DNB must also inform its investors of the regulator's decision.

Sweden pledges to investigate closet trackers

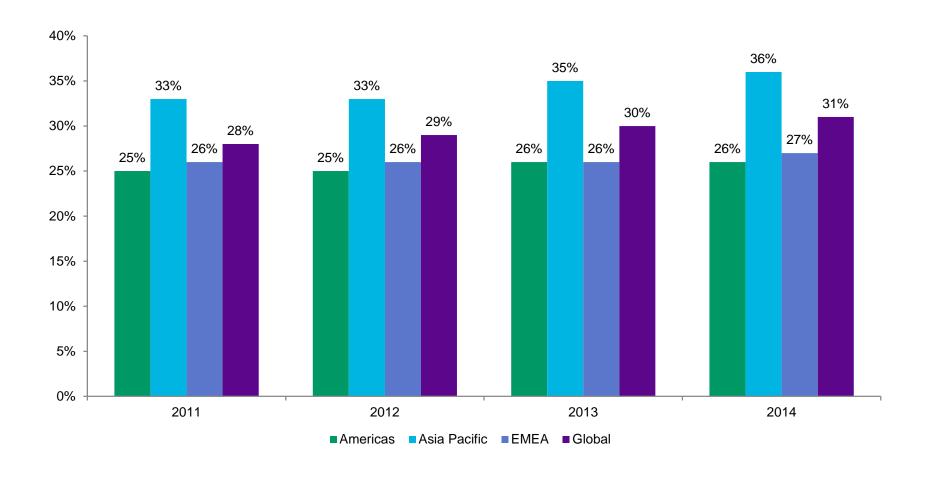
Madison Marriage



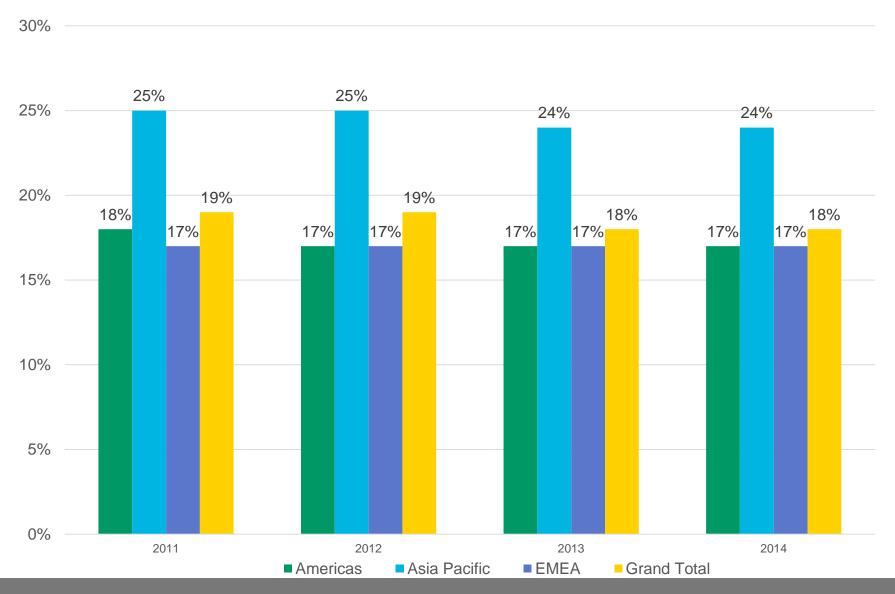
The Swedish government is to become the first in Europe to formally investigate closettracking funds that charge high fees for active management but do little more than mimic an index.

Per Bolund, Sweden's deputy finance

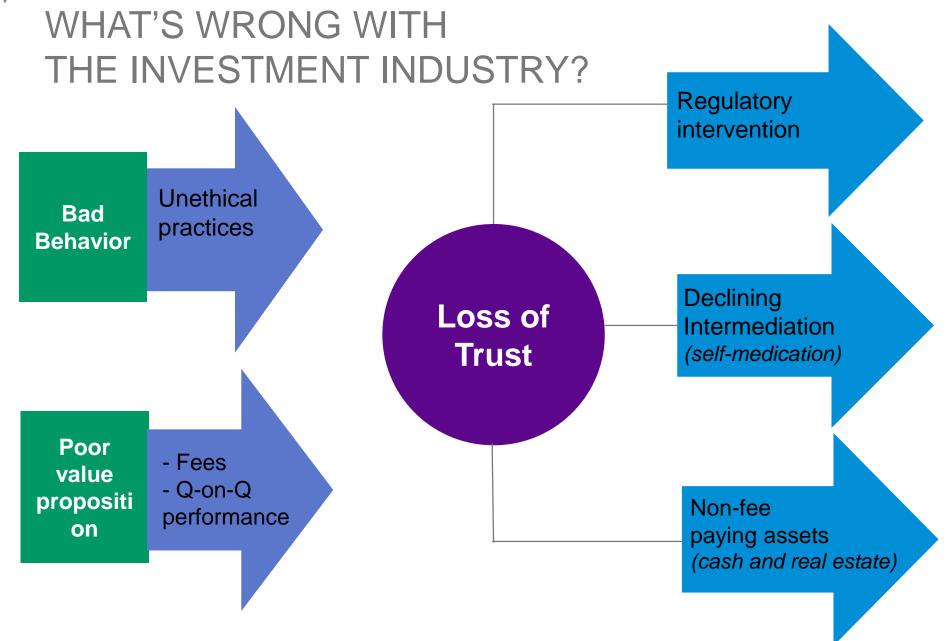
WOMEN AS PERCENT OF CFA PROGRAM CANDIDATES



WOMEN AS PERCENT OF CFA INSTITUTE MEMBERS







WHAT DOES CFA INSTITUTE DO?





Leads the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

GLOBAL MEMBERSHIP AND CANDIDATE REGISTRATIONS



More than 128,000 members in 150 countries; 145 member societies

63.2% AMERICAS

Members: 78,096

CFA Program

Registrations: 73,595

Societies: 86

19.8%

EUROPE, MIDDLE EAST, AFRICA

Members: 24,533

CFA Program

Registrations: 45,382

Societies: 40

16.8%

ASIA PACIFIC

Members: 20,839

CFA Program

Registrations: 91,401

Societies: 17 + CFA China





THREE STRATEGIC FUNCTIONS

CREDENTIALINGDeveloping Future Professionals



WHAT MAKES A PROFESSION

- A common body of knowledge that is widely accepted
- Certification that individuals possess such knowledge before practicing
- A code of ethics, with compliance monitoring and enforcement
- A commitment to use knowledge for the public good, not profit maximization
- Continuing professional development
- Seal of approval from society



THREE STRATEGIC FUNCTIONS

CREDENTIALINGDeveloping Future Professionals

MEMBER VALUE



GLOBAL INFLUENCE 145 SOCIETIES WORLDWIDE



FY2016 PRIORITIES

Increasing society funding by 50%

- Doubling the spending on brand
- Investing in technology improvements



THREE STRATEGIC FUNCTIONS

CREDENTIALING

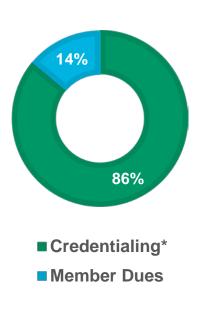
Developing Future Professionals

MEMBER VALUE

STANDARDS AND ADVOCACY

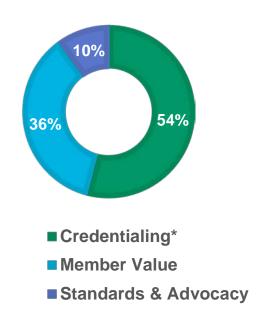
HOW MEMBER DUES AND REGISTRATION FEES ARE USED

FY2014 REVENUES BY STRATEGIC AREA



^{*} Includes curriculum

FY2014 OPERATING EXPENSES BY STRATEGIC AREA



^{*} Includes curriculum

WHAT ARE EMPLOYERS LOOKING FOR?



SKILLS AND ATTRIBUTES FUTURE PROFESSIONALS NEED TO HAVE

- Analytical ability
- Broad knowledge
- Ability to communicate
- Ability to reason
- Out-of-the-box thinking
- Humility

Source: Investment Management: A Science to Teach or an Art to Learn CFA Institute Research Foundation, 2014



LET'S GROW OUR IMPACT WITH INDUSTRY EMPLOYERS

Investment firms worldwide want to adopt the highest standard of professionalism, competence, and client service for their own success.

We are in a unique position to help them meet these standards and improve their performance.



PROMOTE ETHICS, EDUCATION, AND PROFESSIONAL EXCELLENCE

PROGRAMS:

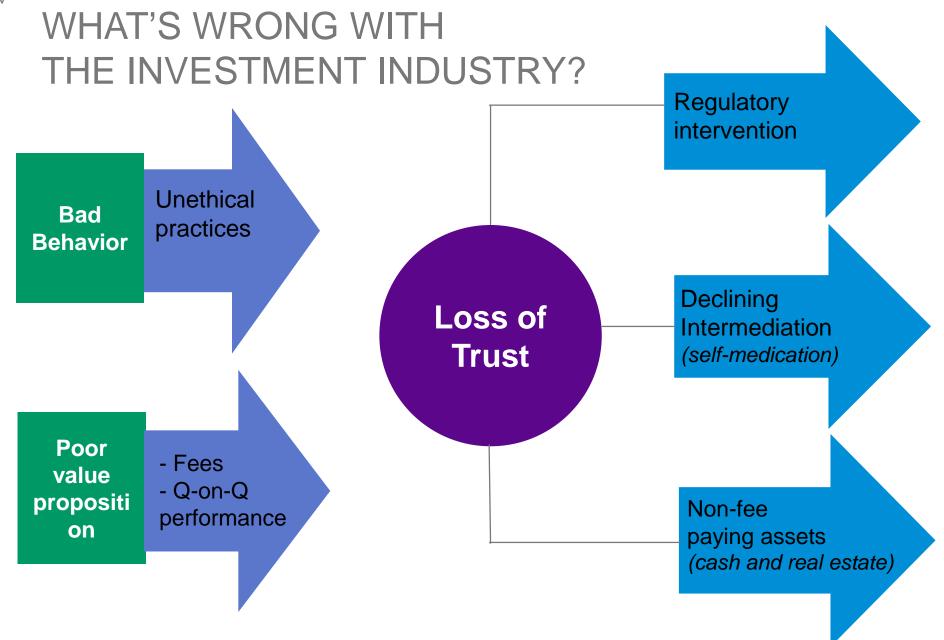
- CFA® Program
- Claritas[®] Investment Certificate
- CIPM® Program

THOUGHT LEADERSHIP & STANDARDS:

- Code of Ethics and Standards of Practice
- Pension Trustee Code of Conduct
- Asset Manager Code of Professional Conduct (AMC)
- Capital Markets and Financial Reporting Policy
- Global investment Performance Standards (GIPS)
- Continuing professional education

PROVING OUR VALUE TO SOCIETY







WHAT CAN WE DO?

Demand high entry standards

Credentials for all in the chain

Be best pros we can be

- CPE
- Local community impact

Engage with local society

Volunteer!

Change business models

- Combat short termism
- Investors first
- Services, not products

Ensure future of the profession

- Prove value to society
- Engage with employers & regulators

"We are in the twilight zone of a great transition."

- Unni Krishnan, CEO, Long Brand