

Investment profession's value not widely understood: key challenges around communication, transparency

- **CFA UK's new report into the "Value of the Investment Profession" finds that fairly positive view of profession by clients is not shared by wider society**
- **CFA UK creating four working groups to address the key issues identified by investment firms, their clients and policymakers**

The CFA Society of the UK (CFA UK), the professional body for investment management with more than 11,000 members, today launches its report into *The Value of The Investment Profession* which contains the views of key individuals and teams at investment firms, consulting firms, clients and companies as well as academics and policymakers. The report seeks to report to capture stakeholder views of the investment profession's role, its effectiveness and value and highlight the challenges it can and should address.

To coincide with the publication CFA UK asked members to comment on the regard in which they feel the profession is held by clients and by society more broadly. While most (54%) believe that clients hold the profession in fairly high regard (scoring 7 or more out of 10), few believe that the profession is held in high regard by society, with just 16% expecting that the profession would be given a score of 7 or more out of 10 by society more broadly. The respondents' average score for regard held by clients was 6.4/10, whereas regard by society more broadly was just 4.6/10.

Investment professionals were also polled on the importance that clients *actually* place on a potential investment manager's commitment to ethics and professionalism and the importance that clients *should* place on that commitment. Close to half (48%) of all respondents said that clients should score the importance of a commitment to ethics and professionalism as 10 / 10. However, only 18% of respondents actually believe that clients give it that weighting, with respondents on average indicating that they believed clients would score the importance of a firm's commitment to ethics and professionalism at 7.5 / 10.

Key themes and challenges identified by the investors, asset-owners and industry stakeholders for the *Value of the Investment Profession Report* include:

- The investment profession's value proposition is not well understood and should be communicated more effectively.
- The cost of investment is not easy to discern and there should be improved transparency and disclosures in relation to fees and charges.
- Incentive structures can impact behaviour across investment managers and consultants. These should be transparent and aligned with clients' interests.
- The market for new assets is competitive, but the market for historic assets is characterized by inertia. The economics of investment management encourages new fund launches, but discourages fund closures.
- Clients are not always equipped to work effectively with investment managers and would benefit from additional education and from scale.
- The investment profession is making progress on stewardship and ESG integration into investment decision-making, but is communicating this poorly.
- Short-termism among investment managers appears to be of diminishing concern to stakeholders.
- Professional qualifications and standards are demanded by clients and employers, but not yet extensively required by regulation.
- The profession should do more to make sure that it is recruiting and maintaining diverse teams.

- Stakeholders are broadly supportive of policy towards investment management and value effective regulation, but are concerned about the growing volume of regulation and the ultimate cost to clients.
- There are concerns that adapting to changing regulatory requirements is costly, time-consuming, acts a barrier to entry and that policy can be inconsistent.

In response to some of the challenges highlighted and the reputational issues associated with the low level of regard in which CFA UK members believe that wider society holds the profession, CFA UK is creating four working groups designed to develop recommendations address these. The working groups will focus on communication, clients, cost & competition and capital allocation.

Says Will Goodhart, CEO of CFA UK, “Our stakeholders believe that the investment profession perform an important social function, but one that is not well understood and that is widely criticised. Some of the criticisms directed at the profession are a consequence of our failure to explain ourselves; others are more fundamental and should be addressed. This report on stakeholders’ views is intended to open a discussion with members and stakeholders that will form the basis of our advocacy work over the next few years.”

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For further information

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The CFA Society of the UK

The CFA Society of the UK (CFA UK) represents the interests of more than 11,000 members of the investment profession. The society is a leading member society of CFA Institute (the global, nonprofit organization of investment professionals) and serves society’s best interests through the education of investment professionals, by informing policy-makers and the public about the profession and through the promotion of high professional and ethical standards. The society was founded in 1955.

CFA UK is the awarding body for the Investment Management Certificate (IMC), an entry level qualification for investment professionals. The IMC is a Level 4 qualification that meets the FSA’s requirements (either solely or in combination with other qualifications) for managing investment and advising on and dealing in securities and derivatives.

CFA UK promotes the CFA Program, but is not the awarding body for the CFA Program. CFA Institute is the awarding body for the CFA Program which is a graduate level, self-study programme designed to equip investment professionals with technical skills, practical knowledge and a clear understanding of ethics and professional standards.