CFA Institute

INDUSTRY RESEARCH

A brief catalog of works
January–June 2020

cfainstitute.org/research

INTRO

The investment profession stands at an inflection point, and we can't rely on old models and maxims. From the leading journal on investment management practice, to thought leadership, to independent research on current issues, to a forum for useful analysis, CFA Institute provides in-depth insights on the world of today in order to push the industry into the future.

"We strive to produce the highest-quality research on the topics and emerging trends most relevant and influential to the investment management profession."

Rhodri Preece, CFA
Senior Head, Industry Research
CFA Institute

INDUSTRY RESEARCH FOUR KEY FUNCTIONS

Financial Analysts Journal

As the flagship publication of CFA Institute, the *Financial Analysts Journal* is the leading practitioner journal in the investment management community. Since 1945, it has advanced the knowledge and understanding of the practice of investment management through the publication of rigorous, peer-reviewed, practitioner-relevant research from leading academics and practitioners.
cfainstitute.org/research/financial-analysts-journal

CFA Institute Research Foundation

Since 1965, the CFA Institute Research Foundation has been providing independent, high-quality research that helps investment management professionals effectively fulfill their duties with prudence, loyalty, and care.
cfainstitute.org/research/foundation

Future of Finance

Future of Finance develops CFA Institute thought leadership to help shape a more trustworthy, forward-thinking investment profession that better serves society. The goals are to motivate and empower the world of finance to become an environment where investor interests come first, markets function at their best, and economies grow.
cfainstitute.org/research/future-finance

Enterprising Investor

For investment professionals by investment professionals, *Enterprising Investor* provides thoughtful and provocative analysis of current issues in finance and investing.
blogs.cfainstitute.org/investor

CELEBRATING 75 YEARS

The Dynamics of ETF Fees
Ryan Davis, Travis Box, Kathleen Fuller

Despite widely publicized fee reductions, average expense ratios of ETFs have remained relatively steady. Thousands of new funds have not led to lower fees. Investors should examine all available opportunities before choosing specific funds.

Looking Under the Hood of Active Credit Managers
Scott Richardson and Diogo Palhares

Credit investors beware: actively managed credit hedge funds may provide more beta than expected and mutual funds too little. This paper investigates just how much traditional risk premia is responsible for active credit manager fund returns.

When Managers Change Their Tone, Analysts and Investors Change Their Tune
Richard Zeckhauser, Marina Druz, Ivan Petzev, Alexander F. Wagner

The tone of managers' language during corporate earnings conference calls – particularly changes in negativity – reveals valuable clues about future company fundamentals. Analysts respond to these signals but not sufficiently.

Public Sentiment and the Price of Corporate Sustainability
George Serafeim

"Big data" measuring public sentiment about corporate sustainability performance can be useful in identifying "value" ESG (environmental, social, and governance) stocks.

The Efficient Markets Hypothesis, the *Financial Analysts Journal*, and the Professional Status of Investment Management
Stephen J. Brown

Before Fama's 1965 efficient markets hypothesis, it was considered easy to make money on Wall Street. We argue that his hypothesis is actually a call for a professional status for security analysis, the reason this Journal was established in 1945.

ETFs and Systemic Risks

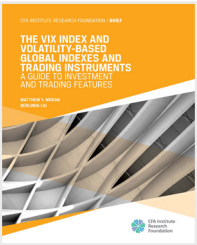
Ayan Bhattacharya and Maureen O'Hara

The growth of exchange-traded funds (ETFs) has raised questions about their effect on market stability. This publication examines the impact of ETFs on the financial system and proposes regulatory actions to mitigate risks.

The VIX Index and Volatility Based Global Indexes and Trading Instruments

Matthew T. Moran and Berlinda Liu

Tools based on volatility indexes are widely used for hedging, diversification, risk management, and alpha generation, but investors should carefully study the pricing, risks, and other key aspects before deciding to use such products.



ESG and Responsible Institutional Investing Around the World: A Critical Review

Pedro Matos

This survey examines academic research on environmental, social, and governance (ESG) investing. Focusing on the growing role of institutional investors, the analysis highlights the importance of assessing portfolio risk exposure to climate change.

Stocks, Bonds, Bills, and Inflation (SBBI®) dataset

Exclusive Member Benefit

The SBBI series considers its core aims to: 1) Document the history of security market returns; 2) Uncover the relationships between various securities returns by examining the components of returns; 3) Encourage deeper understanding of underlying economic history through graphs; and 4) Answer frequently asked questions.

FUTURE OF FINANCE

Earning Investors' Trust

The fourth edition of the global investor trust study surveyed 3,525 retail investors and 921 institutional investors to see how trust in the system, the financial industry, investment firms, and financial advisers is changing. The CFA Institute Trust Equation recommends actions to build trust with clients, centered around credibility and professionalism. Notably, the proactive use of technology can enhance trust, and those who trust the financial system are more likely to be early adopters of innovative products and technologies.

Investment Professional of the Future

This report focuses on the changing roles, changing skills, and changing organizational cultures facing investment professionals. The influence of technological innovation and the need for continuous learning are especially important. It offers a roadmap for individuals to proactively manage their careers and for employers to attract top talent.

INDUSTRY RESEARCH TRENDS & INSIGHTS

Investment Risk Profiling: A Guide for Financial Advisors

Amy Hubble, CFA, John E. Grable, and Robert W. Dannhauser, CFA

This report provides a comprehensive framework that financial advisors can use when developing investment risk profiles for clients. The guidelines can also help advisors incorporate commercial risk assessment tools and meet regulatory requirements.

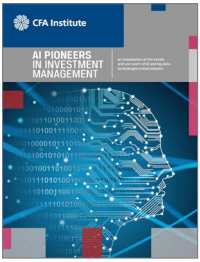
The NMC Health Debacle: Four Red Flags?
Binod Shankar, CFA
Could the predictive models have anticipated NMC Health's earnings manipulation and bankruptcy risk? Binod Shankar, CFA, shares his analysis.

Don't Panic! Coronavirus, GDP, and Unemployment
Laurence B. Siegel and Stephen C. Sexauer
This is no ordinary recession or depression, and it cannot be measured by ordinary means.

Aswath Damodaran on Valuations amid COVID-19: "Go Back to Basics"
Julie Hammond, CFA
Don't abandon valuation fundamentals during the COVID-19 crisis, Aswath Damodaran advises: "It is precisely times like these that they matter most."

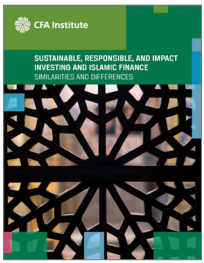
Decoding Private Equity Performance
Massimiliano Saccone, CFA
Why do the current private equity performance standards have benchmarking limitations and what might a potential solution look like?

INDUSTRY RESEARCH TRENDS & INSIGHTS



AI Pioneers in Investment Management
Larry Cao, CFA
Will robots replace human investment managers? As the investment industry stands on the cusp of arguably its greatest technological transformation, we set out to understand the current state of adoption of artificial intelligence (AI) and big data applications in investment management and to exemplify where and how such technologies can be put to use.

Sustainable, Responsible, and Impact Investing and Islamic Finance: Similarities and Differences
Usman Hayat, CFA
Although Islamic finance and sustainable, responsible, and impact (SRI) investing appear unrelated, they share key similarities. Emerging trends may enable financial services providers to develop products that satisfy criteria of both approaches.



CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials.

The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow.

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