


In This Issue

Congratulations

2012 Distinguished Member of the Year

Gary Walsh

Principal and Portfolio Manager at Luther King Capital Management Walsh is a Past President of the Society and recently chaired the Society Governance Task Force. He has been a member since 1995.

Spring Newsletter

Letter from Dan Meader, CFA

Chair, CFA Institute Board of Governors

I have had the privilege of meeting a wide cross section of our global membership over the past 18 years as a volunteer for both CFA Institute and CFA/DFW. These conversations are the beginning valuable friendships, and I am always struck by the high level of character and intellect our members have no matter where they come from or what they do. This year, I am serving as Chairman for the Board of Governors, and am inspired by the impact our members have in their countries and around the world. Let me give you an example.

In 2003, by chance, I sat next to a charterholder from South Korea during our annual conference in Phoenix. Visiting over lunch, we introduced ourselves and had a pleasant conversation about the conference. As the lunch progressed, we began to discuss our day jobs and the current movements of the capital markets. Within a 20-minute time frame, he told me what he thought was going to happen in the Korean markets in light of its unique political situation. His comments were well organized, original, and-most importantly-quite accurate. It was as if I were given a personalized look into the Korean economic crystal ball. At the time I remember enjoying the conversation for its content, but later I became increasingly amazed at the accuracy of this one conversation.

As investment professionals, one of our most important jobs is to create value for our clients. To accomplish this goal, we need an informed perspective on what is happening locally, nationally, and globally. The value creation that can occur when members interact is a tangible way to increase the value of our charters and the global impact of CFA Institute.

Consider the BRIC economies, and the contributions CFA Institute members are making in these countries. We have CFA candidates, testing centers, university partners, and societies in all four of these countries. India and China represent our two largest growth markets for candidates and members over the next decades. It is time to supplement those research reports about global capital flows with some personalized "on the ground" perspectives gained from member-to-member conversations and interaction.

But here's the rub-you actually have to get out there and talk to people. As financial analysts, many of us are more comfortable in front of our computers rather than reaching out in person. Success in our industry is often a function of establishing strong relationships with clients, colleagues, and those who will influence our future. Consider tapping into the vast and growing network of colleagues to assist you with your global perspective. That professional "edge" is there for the taking if you are willing to make the effort.

As we begin a new fiscal year at CFA Institute, I welcome your comments and feedback. Please feel free to contact me at dan.meader@cfainstitute.org.

Social Networking Update

Your Society has been making strides to connect with you in whatever way you may prefer. In addition to our redesigned website and our email updates, we have updated our other online presences. You can now view, join, share, click and like us on these new and/or improved sites:

Visit our website

Like us on Facebook:

Join us on our LinkedIn Company Page:

Members Only LinkedIn Group:

Follow us on Twitter:

Upcoming Programs

May 3, 2012
Happy Hour for CFA Level 2 and 3 Candidates ONLY!
Grimaldi's Pizzeria
6:15 PM - 8:00 PM

CFA/DFW Annual Forecast Dinner

Written by: Charles B. Grosvenor, CFA

Click here to view the photos.

The ninth annual Forecast Dinner is now in the books and can be counted as a great success. The all-star panel of John Maudlin, Woody Brock, Mark Yusko and Richard Yamarone painted a unified picture of caution and concern for the coming year, focusing on Europe's problems, U.S. debt, and the extreme partisanship in Washington. While acknowledging the improvement in economic numbers, they doubted the quality of those numbers. All is not lost, however, as our speakers are expecting better times by 2018-2022. How's that for a forecast?

Woody Brock, fresh off his book-signing tour during cocktails, led off and set the stage. He noted we need a win/win from Washington, not a left/right solution, that the stimulus tool has been used up and we need a Marshall type plan for growth, that the costs of healthcare are related to low supply and high demand (and now the President's plan is increasing demand), and that we are experiencing the perfect financial storm churned up by excessive leverage.

Mark Yusko continued the theme noting that it is foolish to predict what may happen, as one can only prepare for the incomprehensible. Mr. Yusko is not at all confident on domestic investments because assets + liabilities = equity and he is concerned that total liabilities are greater than assets right now for the domestic economy. He prefers the emerging markets over the submerging because the emerging markets are fiscally sound and actually growing. He does not see coming back domestically until 2022 when demographics support growth.

Richard Yamarone took the gloom/doom up a notch by emphasizing his view that things are worse domestically than they seem. He shared some anecdotal measures of economic strength including dining out, purchases of jewelry/watches, cosmetics/perfumes, women's dresses and casino gambling. Each, in their own way, showed a recent fallback in activity. This coupled with slowly improving employment and 45 million people on food stamps, indicates that consumer spending is waning and not going to provide the spark needed for growth.

John Maudlin finished the opening comments citing Schumpeter's favorite American economist Irving Fisher. His theme: "debt is bad." One does not give a drunk more drink to cure his problem. John is expecting a debt implosion in Europe in 2013 that will lead to a deflationary spiral where the Fed and the ECB will only be able to spin their wheels. In his opinion, economic models are now "garbage." He expects Greece to leave the Euro following an orderly default assisted by Germany and fears for France should Francois Hollande unseat Sarkozy. However, he goes bullish in 2018 after all of this is evident.

May 15, 2012
The Winter of our Discontent - Foreign Exchange, Currency Policy and the Euro Zone
Presented by:
Simon Derrick,
Chief Currency Strategist, The Bank of New York Mellon
Locations:
Fort Worth Club
8 AM Program
Dallas-Crescent Club
Noon Program

May 23, 2012
Outlook for Municipal Bond Credit Trends and Defaults in Texas and Nationally
with
Michael Ginestro
Vice President and Senior Municipal Credit Analyst, Wells Fargo Wealth Management Group
Location:
Dallas-Crescent Hotel
Noon Program

Please click here to register and view all upcoming Programs

CFA Exam Day
June 2, 2012
Candidates are invited to a post-exam party at the Gingerman Pub (in Dallas) from 4-6 PM

Frontier Emerging Markets

Written by: Todd S. Terry, CFA

Larry Speidell, founding partner and CIO of Frontier Market Asset Management spoke on December 1st, 2011 to CFA members and guests about frontier markets.

Frontier markets have produced excellent returns over the last 10 years. Over 85% of the world's population lives in emerging and frontier markets but only 33% of the world's GDP comes from them, indicating vast potential. He expects long term growth rates of 5+% versus the U.S. at 2-3%. Also, developed markets have an aging population whereas many frontier markets have a young population yet to reach their peak production. China's population shows a large number in the age range for top earnings. India will have the same over the next 10 years. Mr. Speidell notes that as middle classes develop, demand is spurred.

Frontier market equity valuations are below that of the developed markets and show higher ROE. And market volatility in the frontier markets is lower than that of the emerging markets with low correlations. So, a basket of frontier market investments gives good diversification and return.

Chinese Equities and Corporate Governance Issues

Written by: Todd S. Terry, CFA

Andy Martel, founder and managing director of Pacific Sun Investment Management and good friend of Marc Faber, spoke on December 7th, 2011 to CFA members and guests.

Andy expects Hong Kong IPOs this year and next to be very strong and mentioned 6 major themes: the urbanization rollout, domestic consumption spurring the economy, internationalization of the RMB, stronger asian currencies, expanding investment choices and extremely low equity valuations.

Andy said that Chinese domestic consumption would be up to 16.4% of total global consumption by 2015 and up to 21.1% by 2020. China is spurring domestic consumption by rebates for appliances, discounts on cars and raising the minimum wage. He sees the risk factors to be geopolitical events /relations, excess liquidity/inflation, fraud and corruption, nationalism/regionalism and social unrest.

What is a Fiduciary?

Written by: Charles B. Grosvenor, CFA

Eugene Maloney from Federated Investors spoke to the Society in January about what it means to be a fiduciary, the SEC actions on applying full fiduciary status to all investment managers and current SEC efforts to introduce new rules on money market funds.

While noting all CFA charterholders pledge to put clients first, the recent action by Congress to have the SEC review whether brokerage firms need to apply a greater standard of fiduciary care greater is being indefinitely postponed. Having worked on this topic with the SEC, Mr. Maloney shared that the SEC cannot reach a decision on whether brokers need to do anything more than determine initial appropriateness of an investment, so they are no longer dealing with it.

2012 Membership Survey

Please **click here** to complete a general membership opinion survey for all members for the CFA Society of Dallas/Fort Worth if not done so already.

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What they are dealing with is a proposal to require money market funds to move to a floating net asset value. This is a direct result of the money funds which broke or nearly "broke the buck" during the financial crisis. This requirement would drastically change the money market industry and is being aggressively discussed by the industry and the SEC. Stay tuned.

Emerging Managers - Creation and Evaluation

Written by: Charles B. Grosvenor, CFA
and Jeff Harrington

Brian Bares of Bares Capital recently spoke to the Society about the benefits of emerging managers. Emerging managers are defined as new asset managers with low AUM still run by their founders as owners/operators. He notes that the characteristics of such firms or hedge funds (focused/dedicated talent, unencumbered by legacy positions, ability to exploit niche/style and flexibility) allow them to outperform similar larger AUM managers. Low barriers to entry in the investment management business means there are plenty of these managers around if you can find them and analyze them.

The challenge for an emerging manager with a good process is getting that process known. The owner/operator also has to be the sales person and overcome lack of an investment record with a conviction in their ability and ideas. He considers submitting performance to database providers a necessary and occasionally helpful process, but finds outside marketers expensive and redundant as any potential investor will still want to talk to the manager. The other big challenge is managing growth. Large AUM can become a detractor from performance for many reasons, not all investment related.

As with all investment firms, the key elements of success are people, philosophy and process. With emerging managers, this is all they have.