



Coming next in the Journal of Asset Management

A Special Issue sponsored by the Association of Chartered International Investment Analysts (ACIIA)



Journal of Asset Management is an international forum for latest thinking, techniques and developments for the Fund Management Industry. Each issue publishes detailed, authoritative briefings, analysis, research and reviews by leading experts in the field, to keep subscribers up to date with the latest developments and thinking in asset management.

Specially commissioned by the ACIIA, this Special Issue of the **Journal of Asset Management** addresses issues that are both

topical and important for today's international investment professional.

The range of articles is impressive, covering areas such as asset allocation and portfolio selection, corporate governance, private equity and financial centre development. Reflecting the nature of the ACIIA, contributions are international in focus and have wide-ranging styles – from articles that are discursive and insightful, to ones that are more empirical and analytical.

Contents:

- Asia as a Financial Centre – opportunities and obstacles, **Shinichi Yoshikuni**
- Structural Positions and Risk Budgeting, **Ulf Herold and Raimond Maurer**
- Private Equity in Developing Nations, **Arindam Banerjee**
- Ownership, Governance Mechanisms, and Agency Costs in China's Listed Firms, **Michael Firth, Peter Fung and Oliver Riu**
- Ship Funds as a New Asset Class, **Wolfgang Bessler, Wolfgang Drobetz and Jorg Seidel**
- Portfolio Selection in an Expected Shortfall Framework during the Recent "Credit Crunch" period, **Lan-chih Ho, John Cadle and Michael Theobald**
- Portfolio Optimization: A Fuzzy Multi-Objective Approach, **Francesc Ortí and José Sáez**

This compelling issue will be published in July.

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March CIIA Examinations

The completion of the CIIA examinations on March 7th and 8th marked the fifteenth occasion in which the exams have been successfully administered.

The examinations were held in nineteen countries and many candidates endeavored to fulfill the challenge that the CIIA examinations represent.

Since the ACIIA first held the CIIA examinations in 2001 more than 3,800 candidates have successfully passed the designation and the exams have been conducted by 23 ACIIA Societies. To date the examinations have been sat in the following countries:

Argentina, Austria, Belgium, China, Chinese Taipei, France,

Germany, Greece, Hong Kong, Hungary, India, Iran, Italy, Japan, Korea, Luxembourg, Morocco, Poland, Russia, Spain, Sweden, Switzerland, Ukraine, United Kingdom and United States of America

The number of ACIIA Member Associations is increasing on a yearly basis and with the accessibility of the CIIA qualification spreading worldwide we are ever nearing the realisation of

the CIIA diploma becoming a truly international designation.



Students taking CIIA examinations Japan

EFFAS Summer School 2008 to be held in The Santander Financial City

Boadilla Del Monte, Madrid, Spain on 9 July – 11 July 2008

To enhance the networking between existing EFFAS designation holders, CIIA candidates and other investment professionals, EFFAS with the support of the Banco Santander, is organising this year EFFAS' Summer School in Madrid, in the Santander Financial City (Boadilla del Monte – Madrid), starting on Wednesday 9 July and finishing on Friday 11 July 2008.

The attendance of participants, as well as professors / lecturers

from various national associations gives the EFFAS Summer School a truly international character.

There will be simultaneous open sessions and workshops, lectures on current topics of interest will be given by professors and experts from various industry sectors and part of the event will comprise workshops covering previous CIIA examination questions and case studies on the different topic areas included in the CIIA's syllabus.

This Summer School is relevant to all investment professionals, it is also applicable for the various EFFAS and ACIIA designation holders and is also addressed to potential candidates for the CEFA, or the CIIA designation, or potential members of the respective national organisation.

Undoubtedly the EFFAS Summer School provides the opportunity for the European CIIA/CEFA alumni, for candidates that are



preparing for the various examinations, as well as for our personal members and potential members, allowing them to get an inside view of the EFFAS organisation and its activities!

EFFAS supports the Accounting Standards Committee of Germany DRSC in the survey on "Attitudes towards Fair Value and Other Measurement Concepts"

The Accounting Standards Committee of Germany (DRSC), with the support of the School of Business and Economics of the Humboldt University Berlin and the European Federation of Financial Analysts Societies (EFFAS) published a comprehensive survey on Attitudes towards Fair Value and Other Measurement Concepts.

The discussion of possible measurement bases to be used in financial accounting is considered by many to be an important issue. Fair Value Measure-

ment is in the focus of this discussion and recent developments in the context of the IFRSs demonstrate the ever growing importance of fair value measurement. The recent subprime crisis shows that the advantages and disadvantages of fair value measurement are viewed differently across users, preparers and standard-setters.

The survey examines the views of European analysts and professional outside investors towards fair value, based on an online questionnaire.

The findings put earlier results about the preferences of professional investors towards different measurement concepts into perspective: While the general opinions given in this survey confirm the results from earlier studies that fair value measurement is generally preferable over cost-based measurement, the detailed views on different measurement concepts give a more diverse picture: Users seem to distinguish between marked-based fair values and fair values that are determined using valuation techniques.



While fair values that are determined with a view to a market are viewed as very useful, the usefulness of model-based fair values is perceived to be much lower. According to the survey, model-based fair values are only acceptable to users for financial instruments.

Disclosing Intellectual Capital

EFFAS CIC was founded in 2006. It is a standing commission of experts under the aegis of EFFAS. In 2007 the commission developed the Principles for Effective Communication of Intellectual Capital.

Intangible assets – from staff skills to customer relations – have become the pivotal drivers of corporate competitiveness and growth in most industries. No news here. Yet their importance is poorly reflected in many companies' internal measurement and management systems, and even less so in today's disclosure and valuation practices (we all know goodwill is out of its depth here).

If this less than full treatment of intellectual capital is continued, the associated adverse effects could be far-reaching:

- Many companies' cost of capital could stay inadequately high, they might fall behind in the war for talent and lose traction with their customers – as they are not able to com-

municate their true (intangible) strengths to their stakeholders.

- Many investors and lenders risk missing out on potential opportunities, as they lack sufficient information on companies' crucial growth drivers.

To make the analysis, reporting, and valuation of intellectual capital standard procedure, action is needed on many fronts. ("Intellectual capital" denotes the total of a company's intangibles assets.) Academia has developed and tested various valuation methods. National governments, the EU and the OECD have developed guidelines for intellectual capital reporting, they have promoted the development of valuation tool kits and the realisation of pilot studies (covering some 150 to 200 companies so far).

But in order to make company reporting on intangibles truly useful, we as a community of financial professionals have to



CIC members

contribute our expertise and voice our needs. To this end, EFFAS established the Commission on Intellectual Capital (CIC) in late 2006. CIC bundles expertise on intangibles among European analysts and aims to:

- promote the measurement and disclosure of intellectual capital,
- foster the standardisation of intellectual capital disclosure, and
- boost the required expansion of financial analysts' valuation competencies.

As a first visible step, CIC has developed and published ten principles for the disclosure of intellectual capital. They are

meant to ensure the reported information is in line with capital market's demands, ranging from a "clear link to future value creation" to "effective disclosure placement and timing".

Next, CIC aims to develop sets of sector-specific indicators of crucial intangibles. They are meant to ignite collaborative further development with all relevant stakeholders, including disclosing companies and standard setters.

To join forces on a global scale in promoting and enhancing intellectual capital disclosure, the CIC commission actively supports WICI, the "World Intellectual Capital Initiative", an organisation set up in cooperation with major institutions from all continents, including the OECD, the Japanese Ministry of Economy, Trade and Industry, the US Enhanced Business Reporting Consortium, the Brazilian Development Bank, and Ferrara University.

The reporting and valuation of intellectual capital will not be standard procedure within a couple of months, however committed the efforts. But we have to tackle this pivotal challenge now if we want to stay competitive in the knowledge economy – which is all around us already.



Giampaolo Trasi, CIC Chairman and Alexander Welzl, CIC European Coordinator

Dr. Jan Hofmann,
Deutsche Bank
EFFAS CIC Member

All-round Expansion

The HKSI is expanding in terms of geographical reach, membership and activities.

New Office in Shenzhen

There are some interesting new developments in HKSI. The first concerns the extension of the presence of HKSI to our neighbouring city: The Institute recently obtained the necessary approval certificate and business license to open an office in Shenzhen and the preparations to launch it are now in their final stage. The 1,200 square feet office is located just a block away from the Shenzhen Stock Exchange. The opening ceremony will be held sometime in the second quarter of this year. The HKSI aims to position itself as a springboard to other cities – Shenzhen is going to be the first point of entry. In the future HKSI may open similar liaison offices in other major cities such as Shanghai and Beijing.

PDFM launched in Shanghai

Towards the end of February HKSI Chief Executive Mr Gary Cheung flew up to Shanghai and launched its Professional Diploma in Financial Markets (PDFM) in that city in response to market demand. The Institute has signed an agreement with the East China Normal University (ECNU), which will, in conjunction with the HKSI and HKU SPACE, administer this program, by providing training and conducting the examination.

The PDFM is recognised by Hong Kong's Securities and Futures Commission (SFC) as meeting its requirements. The PDFM is also accepted further afield including The Association of Certified International Investment Analysts (ACIIA), The Investment Dealers Association of Canada, The Association of Chartered Certified Accountants, The Napier University in Scotland, and The Curtin University of Technology in Australia.

Since its launch in 2006, the Diploma has been well received

by the market and proved to be very versatile, providing a one-for-all qualification to work in the Hong Kong financial industry. Around 500 students have so far enrolled in the examination in Hong Kong.

All this gives us a good opportunity to market the Diploma in China. Unlike other international qualifications, the PDFM has a Chinese-language version, which means that it has a much wider audience. The launch of the qualification in Shanghai will involve the provision of both structured training and the examination itself. The Institute sees it as in keeping with our vision to provide a high-quality program to facilitate the raising of standards in the financial industry.

New Membership Requirements for a Wider Talent Pool

For years, HKSI's membership requirements have been benchmarked with industry qualifications. As is prudent, the Institute started to review the requirements last year in order to keep them current and reflect the growth in the industry. A one-year review of membership requirements was recently concluded, with key changes made to facilitate the Institute's outreach to practitioners in different functional areas within the industry.

"The financial services industry is not a simple one," says HKSI member James Hughes. As a matter of fact, the success of the finance industry depends on the concerted efforts of practitioners and professionals from various disciplines. Accounting and legal professions are two segments that are increasingly important to the fund raising business in Hong Kong. IT and operations practitioners are in high demand due to the im-

proved speed and capacity of clearing and settlement systems. Expanding recruitment to these new membership bases is therefore a logical and necessary step for the HKSI to meet the different and changing needs of the industry. As in any dynamic process, diversity is the key. Hence, a broad-brush approach to membership qualifications is being implemented.

Recognition of Academic and Professional Qualifications

Qualified accountants and practicing lawyers with three years of relevant work experience are now eligible to apply for HKSI Ordinary membership. Holders of the SII's Investment Administration Qualification (IAQ) – an internationally recognised qualification for support and operations staff – are also eligible to apply for HKSI Affiliate membership.

Further, the Institute is aware of the fact that talented people come from all kind of disciplines. This being the case, the Institute has further revised the membership requirements – degree holders of all disciplines are now eligible to apply for Ordinary membership if they have acquired three years relevant work experience.

By expanding the membership requirements for all sectors of the finance industry, the HKSI is helping to widen and deepen the talent pool. This not only encourages best practices at all levels in the many financial and securities services fields as well as for individual professional development, it helps to insure Hong Kong's status as a premier financial centre.

Please visit our website at http://www.hksi.org/eng/membership/requirement_om.html for details about the new membership requirements.

Changes Bring in New Faces



"I am looking forward to be able to contribute back to the securities industry in Hong Kong by being an active membership of the institute."

Mr Phil Tye, MHKSI

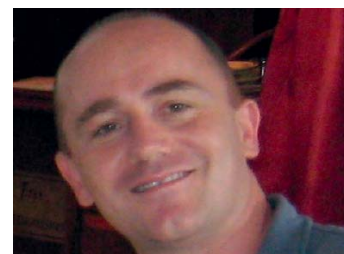
Partner & COO,
Dragonback Capital Ltd



"With the HKSI membership, I could broaden my horizon and continue to enhance my market knowledge via various activities like trainings and sharing among members."

Mr Lai Ho Keung, MHKSI

e-Trading Product Specialist,
Fimat International Banque, SA,
Hong Kong



"Apart from being a formal demonstration of my professionalism, I think that the HKSI will provide excellent networking opportunities. Contacts are what business is all about – especially in financial services, which is not a simple industry."

Mr James Hughes, MHKSI

Managing Director,
Emerging Market Property,
Hong Kong

Chinese Capital Market

- The total number of listed companies in Shanghai and Shenzhen Stock Exchange amounted to 1550 at the end of December 30, 2007. The market capitalisation reached 32.17 trillion RMB and the trading value reached 9.31 trillion RMB. The total amount of fund raised through the stock market aggregated to 772.8 billion RMB. The Shanghai Composite Index closed at 5261.56 points, up to 99.66% while Shenzhen Component Index closed at 17700.62, up to 166.29%. The number of Fund Management companies reached to 59, with a total of 3.28 trillion RMB AUM.
- China International Capital Corporation (CICC) Limited issued Collective Asset Management Product in China on January 16 of 2008. This is the first QDII product issued by Chinese securities firms. CICC aims to raise 4 billion US dollars through this IPO and a total of 5 billion RMB in its duration. The minimum amount for an investor to subscribe is 100000 RMB and the minimum for added amount is 10000 RMB. Regarding on the stock allocation, the maximum percentage in HK stocks to be invested is 85% of the whole asset and the minimum is 25%.
- Securities Association of China established exclusive fund for investor education which aims for public benefit related to investor's education. Guojin Securities Co., Ltd. Contributed 1 million RMB to the Fund as the initial part of the Fund.
- Securities Association of China carried out CIIA exam in Beijing, Shanghai and Shenzhen successfully on March 8, 2008. This is the fifth exam in China since March, 2006. The total number of registered candidates for exam I and exam II was 139, among which 88 for exam I and 51 for exam II, slightly above that in last year.

As of 2007, there were 37 successful candidates who obtained their CIIA certificates. CIIA exam is the most advanced-level exam held by SAC so far. Those who got the certificates demonstrated great analytical and practical ability in economics, accounting and financial statements analysis, valuation and analysis for stocks, fixed income products and financial derivatives, corporate finance and investment portfolio. From the current response, it is found that many SAC members and practitioners from other industries have realised the significance of CIIA exam for the area of investment and quite a number of CIIA certificates holders have already been engaged in much higher level jobs.

Activity in Spain

Some time ago the Spanish Institute of Financial Analyst (IEAF) initiated some time ago a cycle of special projects on updated topics related to Innovation on the Financial Markets. The first was about Best practices in Private Banking and took place in the Madrid Stock Exchange in

2006 – There was a good turn out showing interest in the subject. The second was about Best practise in Corporate Finance and was delivered on the 13th February with the same success. The Chairman of the IEAF, the Director of the Paper and several personalities representing

the sponsor firms (Telefonica, Lehman Brothers and Riva y Garcia) attended the event as well as a representative of Ernst & Young who was in charge of the field investigation. The main objective of those projects is to enhance the services given to the members of the IEAF and to contribute to the best professional practises in Economic and Finance as well as increase

the number of new members and potential candidates for CIIA designation.

Finally a new CIIA course has been tailor made for the Nº 1 insurance group in Spain (MAPFRE). The program is attended by participants both in Spain and in several other places in South America and includes an additional topic in insurance.

Activity in IberoAmerica



Presentation in Madrid Stock Exchange



Dr. Lopez Zaballos has scheduled for another visit to the Pacific University of Lima (Peru) in the near future where the first sitting of the Foundation exam have taken place last March. In due course those candidates who have successfully passed this level will sit for the Final level. In this country Dr. Lopez Zaballos plans to give some lectures and to make some promotional activities about ACIIA and the CIIA designation.

Another event which is worth mentioning here is the ceremony of delivering the Diplomas in Buenos Aires to the new CIIA holders. It is the fourth year of promotion in Argentina. The Secretary General of the IEAF, Mr. Rafael Sarandeses and the General Manager of the Training School, Dr. Jesus Lopez Zabal-

los, travelled to Argentina to be present at this event. The Chairman of the IEAF (the Argentinean Institute of Financial Executives) Juan Prgich chaired the act and was accompanied by Douglas Elespe and other leading figures and authorities. Meanwhile Dr. Lopez Zaballos and Mr. Sarandeses had several

meetings with monetary and financial authorities. All of them are invited to the Seminar which will take place in Buenos Aires next November taking advantage of the coincidence of the ACIIA Council Meeting, which as you know this year will take place in Argentina.

Finally the Board of Director of the IEAF in its last meeting on March allowed Dr. Lopez Zaballos to start conversations with potential partners in order to initiate the CIIA courses in Colombia. With this action Spain complies with the mandate given by our International Association in order to incorporate new Latin-American countries to the ACIIA.

ASAF Executive Committee Meeting held in Hanoi

ASAF Executive Committee Meeting held in Hanoi



Courtesy call on Chairman of the State Securities Commission, Dr Vu Bang (5th from right)

ASAF held an interim Executive Committee Meeting on Saturday 29th March 2008 at Hotel Nikko Hanoi, Hanoi, Vietnam. Prior to the meeting, members of the Executive Committee paid courtesy calls on the State Securities Commission (SSC), the State Bank of Vietnam (SBV), and private securities companies such as Bao Viet Securities and FPT Securities. The meeting with Mr. Dzung Vuchi of the State Securities Commission was arranged through the courtesies of Dr. Jean-Claude Dufournet of the Swiss Financial Analysts Association. We invited the SSC and its training arm, the Securities Research Training Center, to

send observers to the ASAF and ACIIA® annual general meetings.

During the Executive Committee Meeting, members actively discussed ASAF strategy and reviewed the aims and objectives with a view to reflect recent rapid changes in the capital markets. At the end of the meeting it was decided to amend the Constitution to be able to accept more than two full members from one country/region through minimum related adjustments such as voting method at the AGM, etc. The meeting also studied possible future activities to enhance the ASAF brand.



20th SAAJ-CFA Institute/CFA Joint Seminar Held

Each year, the Security Analysts Association of Japan (SAAJ) and CFA Institute organise a joint seminar in March, and 2008 saw the 20th such event since the launch in 1989. In celebration of the 20th anniversary, a special three-day program was organised during 12–14 March 2008, one day longer than usual, under the theme “New Challenges in Fund Management”, at the Tokyo Conference Center, Tokyo, Japan.

Mr. Yukio Suzuki, Chairman of the SAAJ and Mr. Jeffery J. Diermeier, President and CEO of CFA Institute, made a commemorative speech.

Simultaneous interpretation in Japanese and English were available for the seminar.

Main topics were as follows:

- New frontiers in asset management – new tools, techniques, and strategies
- The future direction of the investment management industry in Japan
- The direction of the investment profession
- Asset allocation in an individual’s life cycle – designing effective retirement strategies
- DB versus DC plans – comparison of behavior as investors
- New approaches for seeking alpha



Through a combination of lectures, panel discussions, and case studies, the program explored the future direction of the investment management industry and challenges it faced amid the rapidly changing investment landscape, in particular after the subprime problem. Experienced and prominent professors and practitioners from Japan, the US, and Switzerland presented and discussed various topics. It should be noted that the SFAA-AZEK (Swiss Financial Analysts Association) sent an excellent speaker to the seminar though they are not a promoter.

- Investment in real estate securitised products
- Case Study: Asset allocation based on various alternative assets for pension investment
- Panel Discussion: New developments and challenges in the investment management industry – after the subprime problem

More than 100 people from Japanese and foreign investment professionals, university professors, etc. attended the seminar.

International Program of Investment Analyst Certification

The Certified International Investment Analyst (CIIA) certification in Ukraine is presented by the non-profit organisation «Ukrainian Society of Financial Analysts» (USFA), associated member of EFFAS, the European Federation of Financial Analysts Societies. USFA signed an agreement with the «Center for Professional Standards Development» (CPSD) for the implementation of the CIIA programme.

Victor Tyrkalo, Director of CPSD and National Secretary-General or USFA, made more than 30 presentations of the CIIA Programme in 2007 for employers of Ukraine. It is very important for the employers and specialists of these companies, that the CIIA programme becomes better known. Due to the high quality of



the CIIA qualification and the ethical conduct, employers in the Ukraine should send their employees to the CIIA programme.

The development of the CIIA needs time but for CPSD the CIIA is a priority programme. To date, 36 participants are registered in

the Ukraine, whereas an increasing interest in 2008 can be observed. The interest from financial and investment analysts to the CIIA Programme will further increase in the months to come when the process of creating a network of providers for CIIA participants speeds up. In 2008, for example, the Kiev Business School (www.kbs.kiev.ua) will join as a provider for the CIIA courses. The educational materials from ILPIP will be used. CPSD and USFA negotiate with the National Regulative Institution for the exemption of the CIIA holders from examinations for the necessary license to work in Ukraine.

Victor Tyrkalo
Director CPSD
National General-Secretary USFA

ACIIA's Council Meeting and AGM in Paris

Tuesday June 24th to Thursday June 26th

The main representatives from ACIIA's various associations will be present in Paris from Tuesday June 24th to Friday June 27th to attend the ACIIA meetings. EFFAS representatives will also be present.

The 3 day meetings will include in particular:

- Tuesday 24th, the meeting of the Promotion and Marketing Commission (PMC) as well as the Board of the ILPIP. Both events will take place at SFAF's Headquarters (24 rue de Penthièvre), located in central Paris close to the Elysées palace (house of the President of France).
- Wednesday 25th, ACIIA's Council Meeting, and on Thursday 26th, the ACIIA Annual General Meeting. These two events will take place in the old Paris Stock Exchange located in Brongniart Palace



with lunches to be held in the former traditional restaurant house of the Paris stockbrokers.

EFFAS will also hold its Annual General Meeting on Friday 27th in Brongniart Palace as well.

For this occasion, SFAF is happy to invite ACIIA and EFFAS's representatives to a welcome cock-

tail on Tuesday 24th at Brongniart Palace from 18:30. Its students that successfully passed the last March Final exam will receive their CIIA diplomas in presence of Patrick Leguil, SFAF's Chairman and ACIIA delegates.

On Thursday 26th, SFAF will also invite ACIIA and EFFAS representatives to a traditional French dinner in the old La Pépinière Palace (Place St Augustin) from 7pm. This place has hosted (and is still hosting) the French army officers Club for over a century.

The French association is looking forward to hosting this event in our beautiful city for all our associations.

Vincent BAZI
SFAF's Deputy Chairman & CEO.

Agenda

Meetings and Events

25 June 2008
ACIIA Council Meeting, Paris, France

26 June 2008
ACIIA Annual General Meeting, Paris, France

CIIA Final Examination Dates

September 2008
Friday 19, in Europe, New York and Americas;
Saturday 20, in Asia

Members' Meetings and Events

CIFA
28 – 30 April 2008
CIFA International Forum, Investor's Freedom or Consumer's Protection Prague

XBRL
5 – 8 May 2008
17th XBRL International Conference, "Evolution in financial Reporting XBRL in Action" Eindhoven, Netherlands

TBLI
29 – 31 May 2008
TBLI Conference Asia 2008, Bangkok, Thailand

IFRS
25 – 26 June 2008
IFRS conference, Amsterdam

EFFAS
27 June 2008
EFFAS Annual General Meeting 2008 Paris, France

EURO FINANCE WEEK
17 – 21 November 2008
Frankfurt am Main

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Association of Certified International Investment Analysts ACIIA
Feldstrasse 80
8180 Buelach/Zurich
Switzerland
T +41 44 872 35 43
F +41 44 872 35 32
info@aciia.org / www.aciia.org

Layout
azollinger.ch

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