



Investment Research
CHALLENGETM

2009

Sponsors:

Capital IQ
A Division of Standard & Poor's



Part of:

4th Global Investment Research Challenge



Presentation Index

- CFA Program
- Description of the 2st IRC - CFASB
- Summary of IRC's Rules
- Introduction to Ethics and Professional Standards



CFA Program

Mission Statement of CFA Institute:

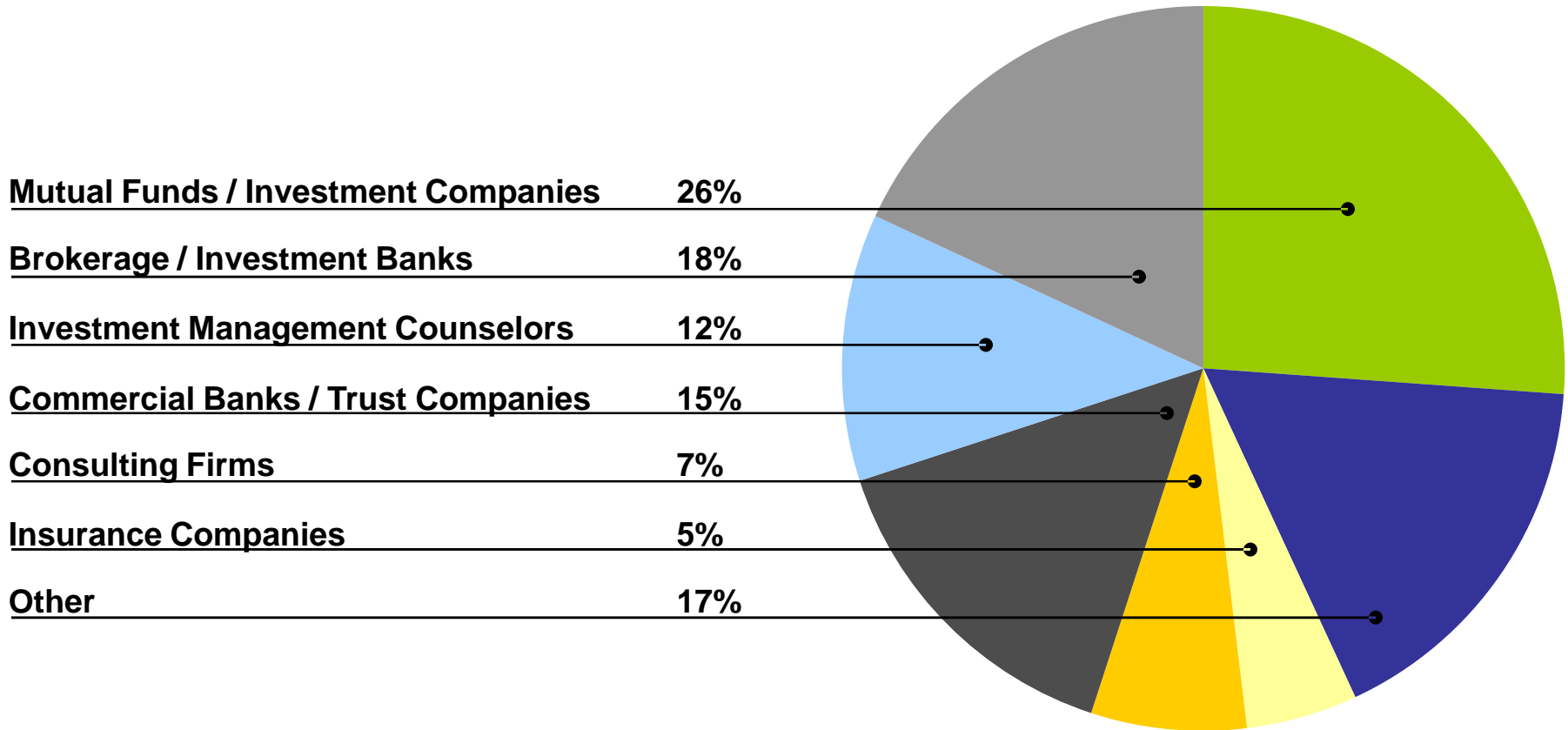
“To lead the investment profession globally by setting the highest standards of ethics, education, and professional excellence.”

Benefits of the CFA Program Respect and Credibility

Most common occupations of CFA charterholders

- CEO/Principal
- Chief Investment Officer
- Equity Analyst
- Fixed Income Analyst
- Investment Banker
- Investment Counselor
- Investment Firm Manager
- Portfolio Manager
- Portfolio Strategist
- Sales/Marketing Professional

Benefits of the CFA Program Diverse Career Opportunities



Benefits of the CFA Program Opportunity – Top 22 Employers

- UBS
- Citigroup
- JP Morgan Chase & Co
- Merrill Lynch
- RBC
- Bank of America
- Credit Suisse
- HSBC
- Morgan Stanley
- Goldman Sachs
- Deutsche Bank
- TD Bank Financial Group
- Wachovia
- CIBC
- Barclays
- BMO Financial Group
- Allianz AG
- FMR Corporation
- PricewaterhouseCoopers
- Lehman Brothers
- Mellon Financial
- ABN AMRO Bank

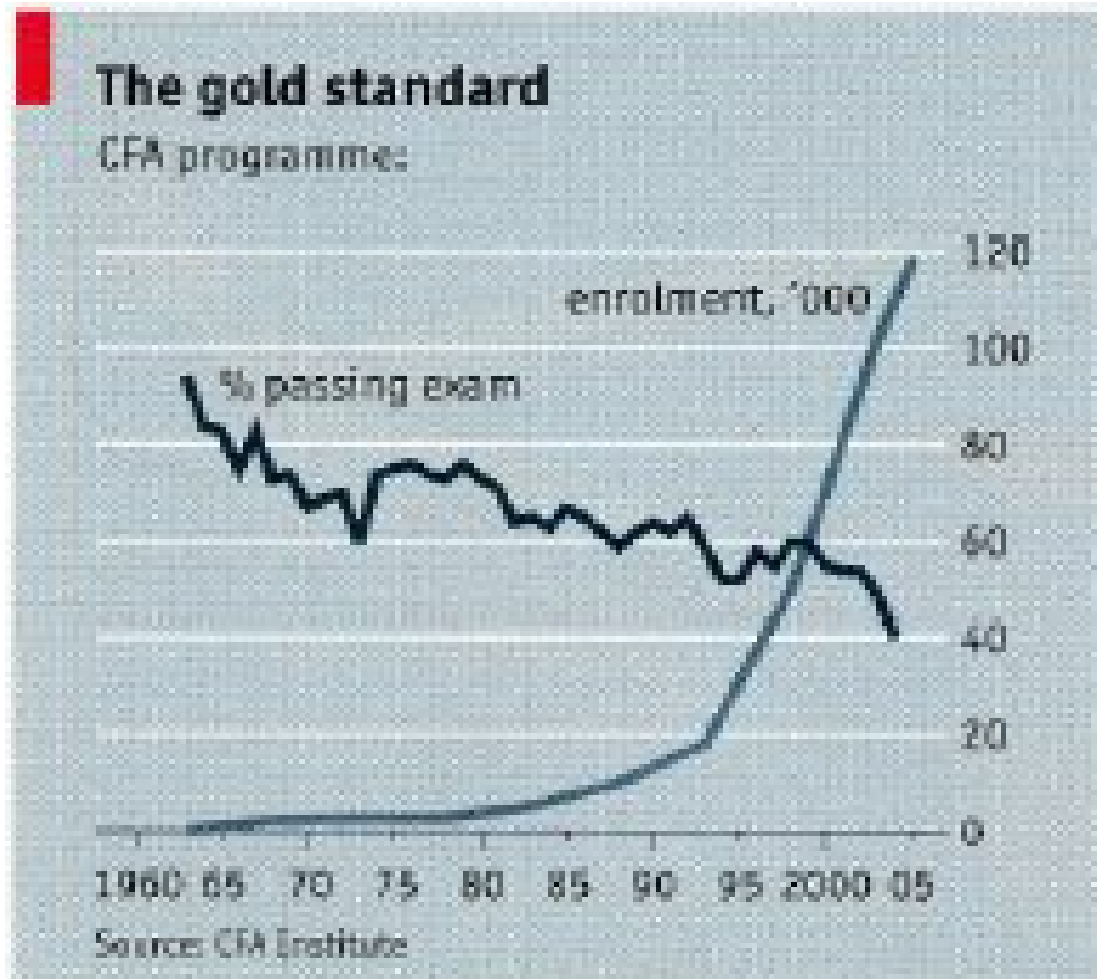
The Economist

“Whereas there are tens of thousands of finance degrees available around the world, ranging from the excellent to the worthless, there is only one CFA, managed and examined by an American association of financial professionals, the CFA Institute. It used to be just an American qualification. But explosive growth has made it, in effect, global currency.”

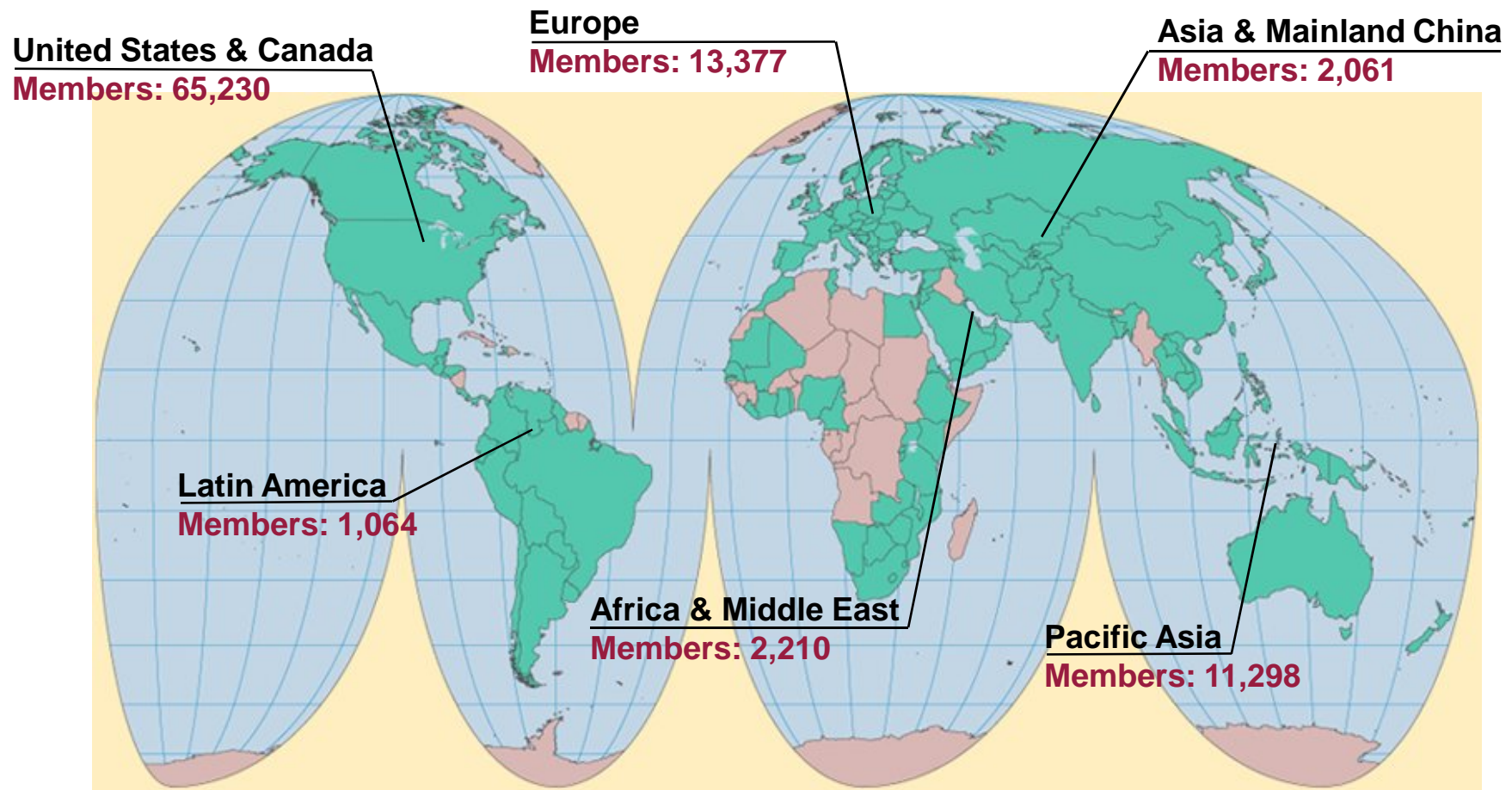
The Economist

Feb. 26-Mar 4, 2005

The Economist

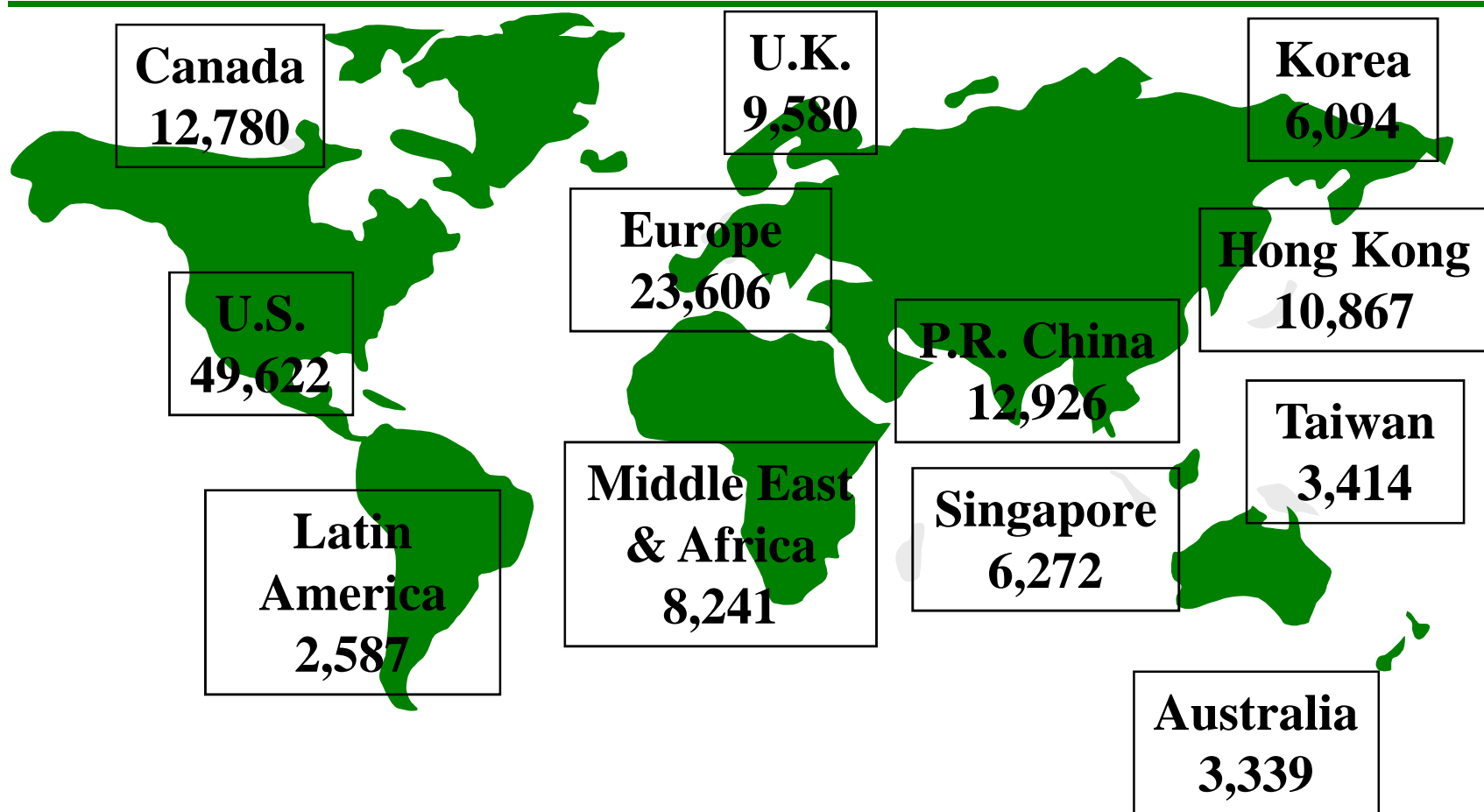


95,249 Members and 135 Societies Worldwide*



* As of May 1, 2008

Candidate Enrollments (for June 2007 and December 2007 exams)



What is the CFA Program? **Three Levels and Three Exams**

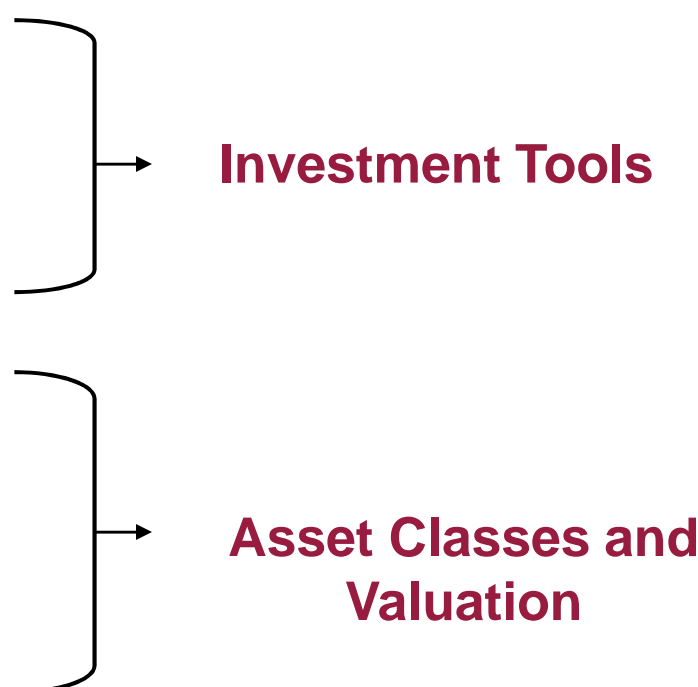
Level I – Knowledge and comprehension of fundamental investment tools and concepts

Level II – Application and analysis focused on asset valuation

Level III – Synthesis and evaluation of client needs and portfolio management issues

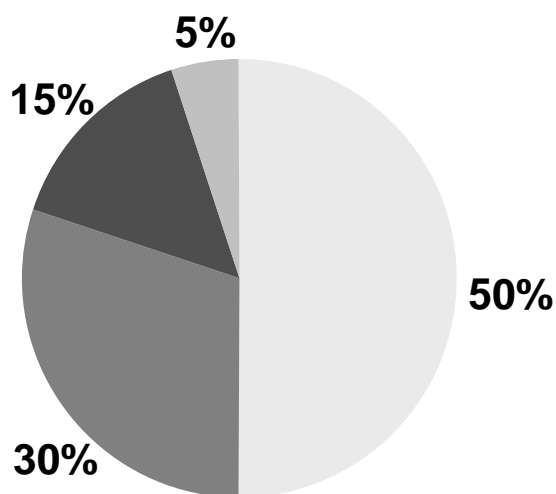
Ethical and professional standards are emphasized at every level.

The CFA Course of Study **CFA Body of Knowledge™**

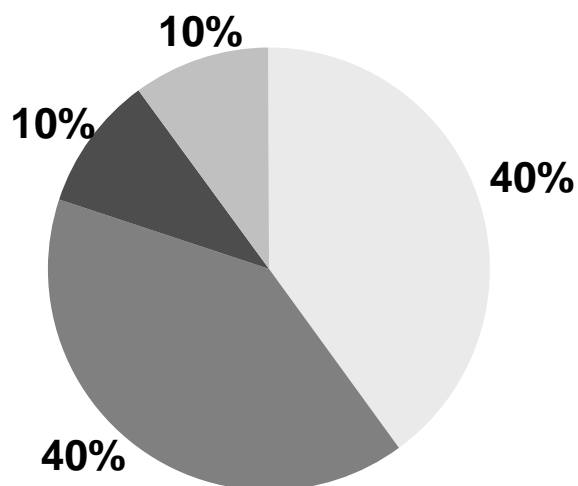
- Ethical and Professional Standards
 - Quantitative Methods
 - Economics
 - Financial Reporting and Analysis
 - Corporate Finance
 - Equity Investments
 - Fixed Income
 - Derivatives
 - Alternative Investments
 - Portfolio Management and Wealth Planning
- Investment Tools**
- Asset Classes and Valuation**
- 
- The diagram consists of two large right-facing curly brackets. The top bracket groups the first five bullet points (Ethical and Professional Standards, Quantitative Methods, Economics, Financial Reporting and Analysis, and Corporate Finance) and points to the text 'Investment Tools'. The bottom bracket groups the next five bullet points (Equity Investments, Fixed Income, Derivatives, and Alternative Investments) and points to the text 'Asset Classes and Valuation'. The final bullet point, 'Portfolio Management and Wealth Planning', is not grouped by either bracket.

The CFA Course of Study Three Levels – Topic Areas

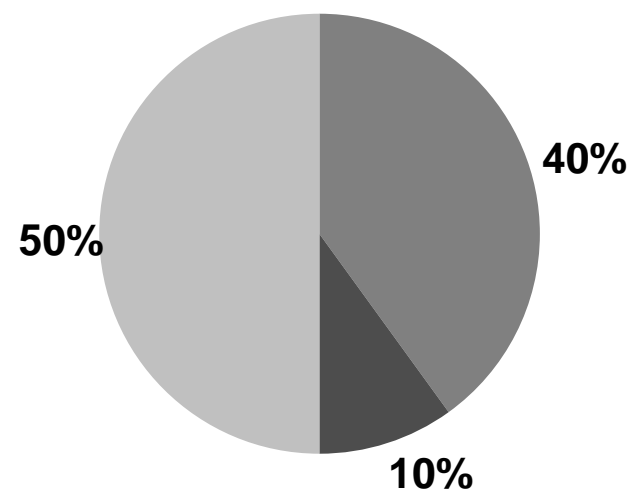
Approximate Percentage Breakdown



Level I



Level II



Level III

- Investment Tools
- Asset Valuation
- Portfolio Management
- Ethics & Professional Standards

Percentages are average approximations of the actual topic weights for exam purposes, which have a range of target weights. Actual content of future exams may vary.

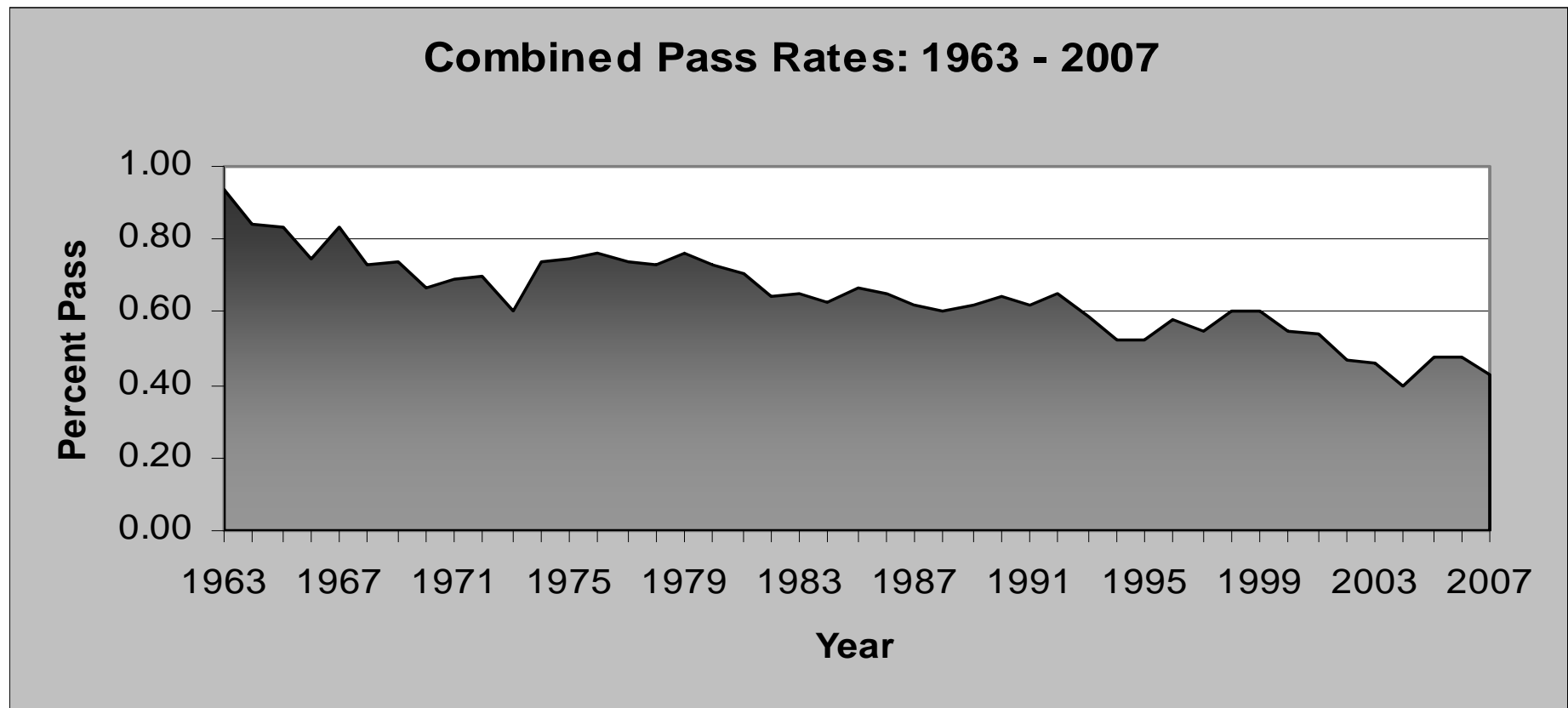
June 2007 Exam

Exam results

- Over 70,000 candidates from 163 countries sat
- 26% no-show rate (compared to a 10-year average of 27%)
- Pass rates –
 - 40% at Level I
 - 40% at Level II
 - 50% at Level III

CFA Program

Historical Combined Pass Rates



Registering for the CFA Program

CFA Charter Requirements

- Sequentially pass Level I, II, and III exams
- Have four years of acceptable work experience
- Provide professional references (Level III)
- Join CFA Institute as a member and apply for membership in a local CFA Institute society
- Submit professional conduct statement



Registering for the CFA Program

1st Year Program Costs – December 2008

Approximate Costs for New Level I Candidates *

Registration fee to enter CFA Program	US \$390
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Enrollment fee for Level I examination	<u>US \$600</u>
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- *Custom curriculum included!*

Approximate Total Costs for Level I	US \$990
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*Registration & Enrollment by 1st fee deadline.

Registering for the CFA Program **Important Deadlines**

December 2008 Examinations (Level I Only)

March 17, 2008

First Deadline

August 15, 2008

Second Deadline

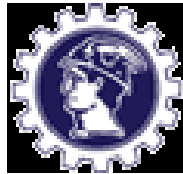
September 15, 2008

Final Deadline



IRC Description

Participating Universities



FEA-USP



-
- **Purpose of Challenge**
 - Key Components
 - Participants
 - Timeline

Purpose of Challenge

- Teaches best practices in research to the next generation of analysts.
- Provides experience in a real-world setting to complement students' academic curriculum.
- Develops interest in securities analysis and the investment profession at top business schools.
- Provides an opportunity for experienced professionals to give back.

-
- Purpose of Challenge
 - **Key Components**
 - Participants
 - Timeline

Key Components

- ➔ Seminars
- ➔ Mentoring
- ➔ Company Presentation
- ➔ Written Reports
- ➔ Grading
- ➔ Panel Presentation

Key Components

Seminars

What: Industry professionals provide a basic knowledge of the components of securities research and analysis

- *Ethics*
- *Internet as the Ultimate Securities Analyst Tool*
- *Research Report Writing – Buy and Sell-side Perspectives*
- *Presentation Skills*

When: August/September

Where: On campus at participating universities

Key Components

Mentoring

What: Each team is mentored by a professional analyst or portfolio manager who is either a Society member, a university alum, or both.

When: **Three face-to-face** meetings with the teams once a first draft of the report has been completed.

Why: Mentors advise students on the written reports to provide real-world advice from experienced professionals. Mentors emphasize best practices and ethical conduct.

Key Components

Company Presentation

What:

- Society selects a public company that has little analyst coverage to be the subject of the student reports. (note: some societies have students cover different companies)
- Teams research company and develop questions reviewed by mentors.
- Company management presents to student teams and answers student questions.

When: End of September

Why: Simulates a real-life Road Show

Key Components

Written Reports

What:

- Society provides students with a research template containing specific guidelines.
- Mentors review student reports and advise teams on content and style.
- Teams submit reports to Society for assessment by member volunteers.

When: Reports are due one month prior to finals.

Why: Train students in corporate analysis and to produce concise, accurate, convincing research reports.

Key Components

Grading

- What:** A team of 5-10 Society members volunteers to grade the written reports based upon a pre-determined points system for each section.
- When:** After reports are submitted, graders have two weeks to review and score all reports.
- Why:** The teams that receive the highest point total advance to the finals to present in front of the expert panel. The written report score counts for 50% of a team's final score. All teams receive written feedback on their reports from each grader.

Key Components

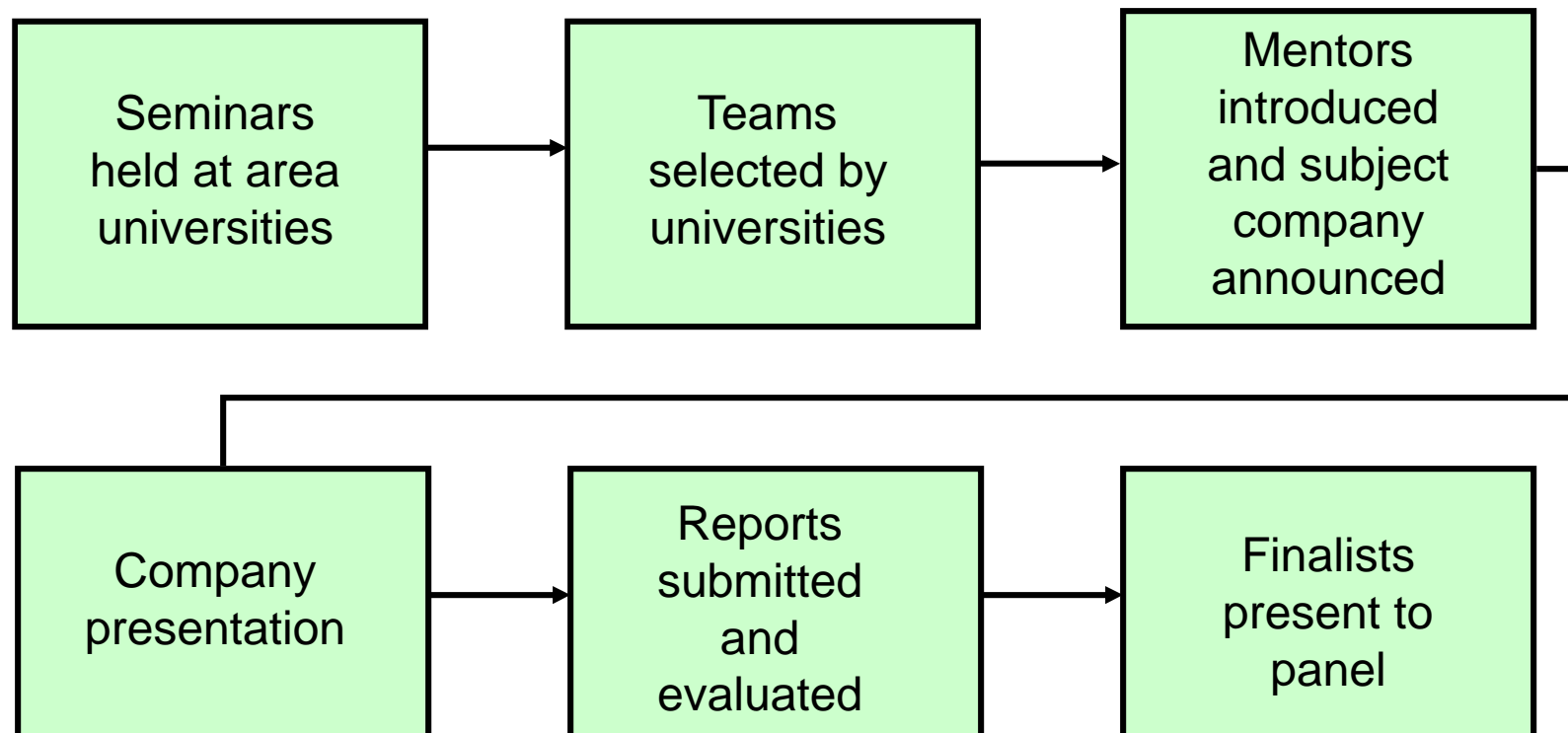
Panel Presentations

What: The four finalist teams present their research in front of a panel of experts – CIO's, Directors of Research, Managing Directors. Teams receive 10 minutes for their presentations and 10 minutes for Q&A.

When: November

Why: Prepares students to present and defend their written analysis through cogent verbal arguments. The panel scores represent 50% of final score. Winners are announced that evening.

Key Components



-
- Purpose of Challenge
 - Key Components
 - **Participants**
 - Timeline

Students

Responsibilities

- Attend Challenge-related seminars.
- Research subject company.
- Write an 8-10 page initiation of coverage research report.
- Present results in a 10-minute presentation with 10 minutes of q&a.

Benefits

- Learn best practices in research and report writing from experienced practitioners.
- Produce a research report to bring on interviews.
- Gain exposure to industry professionals, including mentors, graders, and panelists.

Faculty Advisors

Responsibilities

- Participate in decisions on local Challenge procedures.
- Provide venues for seminars.
- Select university teams for Challenge.

Benefits

- Raise profiles within their universities.
- Network with mentors and other volunteers to attract speakers to their classes/universities.
- Provide students with career enhancement and increase their universities' exposure to Wall Street firms.

-
- Purpose of Challenge
 - Key Components
 - Participants
 - **Timeline**

Timeline:

August/September

- Seminars at participating universities – 26/08 and 02/09(TBC)
- Internal competitions at universities to select teams.

September (first week)

- Company announced and team's members selected – by 05/09

September (last week)

- Company presentation

October

- Final reports are submitted and graded – by 15/10

November

- Finalist teams announcement – 07/11
- Panel presentation – 26/11 (TBC)



IRC's Rules Highlights

IRC Rules*

Teams

- Each university must select one student team
- Teams may consist of 3-5 members (graduate and/or undergraduate students).
- There can be no alternates.
- Students that present in a regional or global final must be the original members
- Past participants in the Investment Research Challenge are ineligible.

IRC Rules*

Teams (cont.)

- Students may not have been or currently be employed in a role whose primary duty involves fundamental company analysis;
 - exception: students who have been interning in that function for six months or less.
- CFA Charterholders are not eligible.
- Students must be enrolled in the current term at the school they represent.
- Students must disclose any ownership position in the securities of the subject company.
- Students must confirm that their participation in the Challenge does not represent a conflict of interest.

* Highlights of 1º Investment Research Contest – CFASB Rules

IRC Rules*

Research Process

- Students are bound by the CFA Institute Code of Ethics when conducting research.
- Students must not use material non-public information in their written reports or oral presentations.
- Contact with the subject company will be limited to the company presentation plus one follow-up contact.
- Teams may use their mentors and university faculty as resources, but may not enlist the help of any other investment industry professionals in conducting their research or writing their reports.
- The reports must be the original work of the students. Faculty members and mentors may provide comments, but may not write any part of the report.

* Highlights of 1º Investment Research Contest – CFASB Rules

IRC Rules*

Primary Research

- When conducting primary research, students must identify themselves as students and disclose their involvement in the Investment Research Challenge.
- Teams may contact the subject company's customers, competitors and suppliers. They must confine their conversations to corporate officers who normally interact with investors, such as IR officers, CEO's or CFO's. Any other entity must be approved by the Society.
- Faculty advisors may spend no more than 2 hours total in assisting students with this type of primary research.
 - Total faculty involvement with the student teams must not exceed 10 hours prior to the local Challenge final.

IRC Rules*

Mentor

-
- Each team will be assigned a mentor, who is an investment professional in good professional standing with experience in writing or reviewing research reports
 - Student contact will be limited to a maximum of 3 face-to-face meetings with their mentors, not to exceed 6 hours total, prior to submitting the written report.
 - Mentors will be allowed to review students' written work and provide comments only. Mentors will not be allowed to perform any research or write any portion of the report.
 - Mentors may not contact the subject company.
 - Mentors must disclose any ownership position in the securities of the subject company.

IRC Rules*

Report

- Reports must conform to the format of the Investment Research Challenge Template
- Reports may be 8-10 pages, including an investment summary.
 - Any additional charts and/or graphs will be included in the appendix. There is no limit to the length of the appendix.
- All reports will be based on the same subject company.
- Reports must represent the original work of the student teams, and may not be copied from another source.
- The name of the University will not be listed on the report, but each university will receive a letter to identify them (Team A, Team B, etc.)
- All reports and appendix should be written in English.

IRC Rules*

Assessment

- Assessment will be based on the written reports and an oral presentation to a panel, both judged according to pre-determined criteria.
 - Student teams will be given these criteria before they begin their research.
- The written reports will be assessed by a team of graders selected by the Society.
 - Grading will consist of a blind process in which the identity of the university is not known to the graders. The teams that receive the top [number] scores will be selected as finalists.
- The finalist teams, selected on the basis of the written report scores, will make an oral presentation of their research to a panel of experts.
- A winner will be selected from the finalists based on the combined scores received for the written reports and the oral presentations.
 - The scores will be weighted 50% for the written report and 50% for the oral presentation.
- In the event of a tie, the team receiving the highest score on the presentation will be the winner.

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* Highlights of 1º Investment Research Contest – CFASB Rules

IRC Rules*

Presentation

- Each finalist team will make a presentation in front of the panel of experts selected by the Society.
- Each presentation will last 10 minutes with 10 additional minutes of panelist q&a.
- The presentations and q&a will be timed, and teams may not exceed the time allotted.
- Presentations should be written in English.



Introduction to Ethics and Professional Standards

Index

- The Code of Ethics
- Standards of Professional Conduct

Code of Ethics

- *Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.*
- *Place the integrity of the investment profession and the interests of clients above their own personal interests.*
- *Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.*
- *Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.*
- *Promote the integrity of, and uphold the rules governing, capital markets.*

Standards of Professional Conduct

- I. Professionalism*
- II. Integrity of Capital Markets*
- III. Duties to Clients*
- IV. Duties to Employers*
- V. Investment Analysis, Recommendations, and Action*
- VI. Conflicts of Interests*
- VII. Responsibilities as a CFA Institute Member or CFA Candidate*

I. Professionalism

- *Knowledge of the Law (know laws and regulations; disassociate from activity which violates laws and regulations)*
- *Independence and Objectivity (exercise reasonable care; avoid situations that might create the appearance of conflicts of interest)*
- *Misrepresentation (avoid misleading clients; avoid making false statements or omitting important facts in investment recommendations or analyses)*
- *Misconduct (avoid committing fraud or other improper activity)*

II. Integrity of Capital Markets

- *Material Nonpublic Information (take no action based on information that a reasonable investor may want to know but which is not yet public)*
- *Market Manipulation (avoid activity that may artificially affect the price of a security or its trading volume)*

III. Duties to Clients

- *Loyalty, Prudence and Care (place clients' interests above one's own interests)*
- *Fair Dealing (treat all clients fairly when making investment recommendations or taking investment actions (such as allocating shares))*
- *Suitability (understand clients' investment experience and risk/return tolerances; investment suitability taken in context of overall portfolio)*
- *Performance Presentation (ensure that it is accurate and complete)*
- *Preservation of Confidentiality (preserve confidentiality, unless client permits disclosure or for legal investigation)*

IV. Duties to Employers

- *Loyalty (act for benefit of employer)*
- *Additional Compensation Arrangements (obtain employer approval, or otherwise avoid direct compensation from a client or another party for services rendered)*
- *Responsibilities of Supervisors (ensure that subordinates comply with the Standards, applicable laws and regulations, etc.)*

V. Investment Analysis, Recommendations, and Action

- *Diligence and Reasonable Basis (exercise diligence, be thorough, be independent, have a reasonable & adequate basis)*
- *Communication with Clients and Prospective Clients (disclose investment process and any subsequent changes; separate fact from opinion)*
- *Record Retention (maintain documentation to support investment decisions)*

VI. Conflicts of Interest

- *Disclosure of Conflicts (to clients and to employers for activity such as an analyst's personal ownership of stock(s) researched)*
- *Priority of Transactions (client transactions have priority over personal transactions)*
- *Referral Fees (disclose to clients and employer the receipt of referral fees from outside parties)*

VII. Responsibilities as a CFA Institute Member or CFA Candidate

- *Conduct as Members and Candidates in the CFA Program (do not engage in any activity that reflects poorly on the CFA Institute or that impairs the integrity of the CFA program)*
- *Reference to CFA Institute, the CFA Designation, and the CFA Program (references to the CFA designation are permitted and encouraged, but should not be exaggerated).*

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Easy way to glue these concepts to your memory: PEJMAR

- **Priority** – *Your interests always come second to your clients.*
- **Encourage** – *Practice and encourage others to act professionally and ethically to reflect credit on yourself and the profession.*
- **Judgment** – *use reasonable care and judgment when performing all professional activities.*
- **Maintain** – *keep your knowledge up to date and encourage other professionals to do the same.*
- **Actions** – *employ integrity, competence, diligence, and respect in an ethical manner with everyone.*
- **Rules** – *promote the integrity of capital markets by following the rules.*

Rationalization Risks

1. *Denial of Responsibility (What can I do?)*
2. *Denial of Injury (No one was really harmed.)*
3. *Denial of Victim (They deserved it.)*
4. *Social Weighting (Others are worse.)*
5. *Appeal to Higher Loyalties (A higher-order value)*
6. *Metaphor of the Ledger (We've earned the right.)*



**Obrigado
e
Boa Sorte!!!**