



# CFA INSTITUTE MEMBERS RATE KEY INDUSTRY TRENDS

**1** The impact of regulation on investment decision making

**2** The role of "Big Data" in financial analysis

**3** Low/negative interest rates

**13** The importance of Financial Market History to portfolio management

**12** ESG Integration into the investment decision making process

**11** Greater demand for active investment management

In a 2017 survey of CFA Institute Members\*, participants were asked to rate the impact that current industry trends will have on investment management practice over the next three years. Listed are **ranked results for the trends expected to have significant impact.**

**4** Pension funding shortfall on capital markets

**5** The use of Robo-Advisors in private wealth management

**10** "Smart Beta" investment strategies

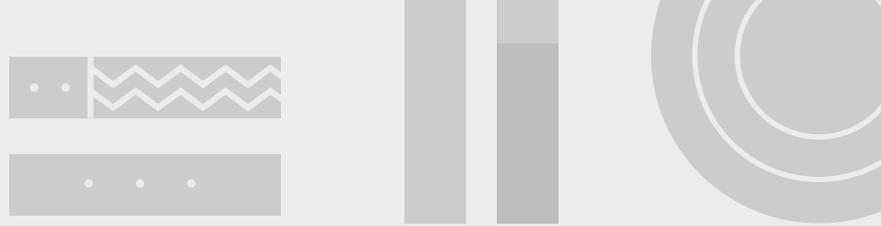
**8** The importance of investment managers possessing Fintech skills

**6** Increased global demand for alternative investments

**9** The importance of investment managers possessing Soft skills

**7** Risk-factor asset allocation approaches

\* Source: CFA® Program 2017 Practice Analysis Survey. Question: Please rate the degree to which you think each trend will impact investment management practice over the next three years. Scale: No impact, Slight Impact, Moderate Impact, Significant Impact.



# CFA INSTITUTE PRACTICE ANALYSIS: INVESTMENT INDUSTRY TRENDS

The primary objective of practice analysis is to identify the current set of competencies required by investment industry practitioners. However, because the CFA® Program needs to quickly respond to changes in practice, the process includes capturing trends that will likely influence the investment management industry over the near term. The inclusion of a forward-looking perspective in the practice analysis process better positions the CFA Program as the gold standard credential for investment management professionals.

In our recent "CFA® Program 2017 Practice Analysis Survey", CFA Institute members identified the top trends that may significantly impact investment industry practice over the next three years:

1. The impact of regulation on investment decision making
2. The role of "Big Data" in financial analysis
3. The negative (low) interest rate environment

## THE IMPACT OF REGULATION ON INVESTMENT DECISION MAKING

Regulation is vital for ensuring stability and confidence in financial markets. The 2008 global financial crisis revealed the excessive leverage of many major financial institutions. Resulting bailouts shifted risk from private creditors to public taxpayers. The new environment of increased financial market regulation and scrutiny has already challenged the investment industry and investment professionals who look to add value for their clients but operate within the tighter regulatory constraints imposed by these regulations, and these challenges will continue.

## THE ROLE OF "BIG DATA" IN FINANCIAL ANALYSIS

Investment managers are increasingly collecting and processing huge amounts of data. These large, often unstructured datasets will require different analytical techniques than those designed for relatively smaller, structured datasets. Advanced analytics are changing the financial analysis and decision-making processes. Investment professionals will increasingly need to understand machine learning and all the implications of using big data.

## THE NEGATIVE (LOW) INTEREST RATE ENVIRONMENT

The low, or negative, interest rate environment has rooted itself for the foreseeable future. The implications for investors and asset managers have been profound, affecting fixed-income markets as well as the full spectrum of asset classes. Investment managers are still struggling to fully incorporate this interest rate environment into the portfolio management process. In addition to discouraging savings, artificially low or negative interest rates compress margins for banks and financial institutions, transfer wealth from savers to borrowers, erode pension assets, and provide incentives to take on risk in search of yield. Investment professionals will continue to be challenged, needing to explore new paths and/or investment vehicles to add value for their clients.

See the following chart for a full list and ranked results of trends that may affect the investment management practice in the near future.



## Please rate the degree to which you think each trend will impact investment management practice over the next three years.

■ No impact (1) ■ Slight impact (2) ■ Moderate impact (3) ■ Significant impact (4)



Source: "CFA® Program 2017 Practice Analysis Survey." Please note percentages on the above chart may not add to 100% due to rounding.

### HELP SUPPORT THE PRACTICE ANALYSIS PROCESS AND SHARE YOUR INDUSTRY KNOWLEDGE

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