

Good morning ladies and gentlemen,

I am so pleased to be here to share and to learn. I would like to thank Peter Hikhwa, Nkosana Ndlovu and all the members of Botswana Pension Society leadership for giving me this wonderful opportunity to come and be with all of you today. It is my great honor to share with you the passion and drive for heightened individual and professional ethics, market integrity and investor protection that we are seeing around the globe.

Many of you may not know about CFA Institute. We are a not-for-profit professional association. Our mission is to lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society. The CFA Institute community stretches around the globe, with more than 171,000 CFA charterholders in 163 countries and territories. They are working on the ground through 151 local CFA societies. Here in Africa, we have five societies and 3,200 members and are growing rapidly. Unfortunately, we do not have a society in Botswana yet, but we do have 23 CFA charterholders who work together with all of you to make a difference. As a community,

- We believe that investment professionals contribute to the ultimate benefit of society through the sustainable value generated by efficient financial markets and by effective investment institutions.
- We believe good stewardship and high ethical standards are necessary for trust and confidence to be secured and for society to be served. Financial markets should afford every investor the opportunity to earn a fair return.

- We believe financial markets are more effective with knowledgeable, diverse participants.
- We believe high ethical principles and professional standards are essential to positive outcomes, and that rules and regulations, while necessary, are not sufficient by themselves.

Because we are particularly interested in protecting investors, it is wonderful to see so many people here dedicated to providing the best retirement and pension services for the people of Botswana.

While I believe in the power of one. Yes, I firmly I believe that one individual can make a difference in the world. It can be done with vision, commitment, persistence and discipline. We have seen it many times. But as much as I believe in the power of one, I know that real sustainable change and growth comes from the collective that shares that vision, commitment, persistence and discipline. The power of the collective cannot be stopped. The world can be altered, and the lives of billions of people can be impacted in positive ways. All of you, the Botswana Pension Society, other dedicated professional associations like the CFA Institute, our Societies, and our industry partners, we are that collective. We are all striving to create a positive impact on the investment management business and all those who rely on the industry's success and integrity to secure their futures.

Each of you has the ability to lead change. Your vision, your leadership and your willingness to act for the good of society will impact our collective destiny. As leaders of our profession, we must speak with a bold voice, and our actions must back up our words.

This is particularly true for Botswana and most of Africa because the opportunity for growth is great. The growth of Assets Under Management is expected to be rapid in Africa and the Middle East. Growth in Assets from 2012 to 2020 is anticipated to be at 11.9%, well

above the growth rates of North America, Europe, Asia Pacific or Latin America. A significant proportion of the projected 1.5 trillion in US dollars could be tapped and utilized by the Asset Management Industry to support progress and security throughout the continent. While growth in Africa and the Middle East is expected to slowly decline to 9.5% by 2025 falling slightly behind Asia Pacific and Latin America, it will still be significantly above Europe and North America. Per the PwC Market Research Centre “All parts of the financial sector in Africa are expected to continue to expand to 2020 and beyond. Pension and insurance markets will mature as their products become more significant and the saving culture is established.” Botswana is seen to be a promising market for such growth. Gross Domestic Product per capita is expected to be strong throughout the region with a 3.7% growth rate in Botswana. With the Finance industry being a significant part of that GDP, over 15%. The World Bank Global Competitive index shows some strong indicators for overall growth in Botswana, particularly the rating of its macro economy. In fact, the World Bank listed Botswana as 5<sup>th</sup> in ease of doing business in all of Sub-Sahara Africa. This all looks opportune to enhance the value that the Asset Management industry can bring to society. A time of growth is a time of change and a time of opportunity.

To support growth, we should focus on the following four steps.

The first step is revising our business models.

Even after the great recession in the United States and the global disruption it brought to our industry, investment management firms still enjoy relatively high operating margins. With the rise of passive investing, those margins are under pressure. Some investors question the value that investment professionals deliver for the fees generated. We must address that issue head on.

All of us in the investment profession want to do more than just earn a good living. We are people driven to serve, to help our clients reach their investment goals – every client is important from the small investor to large institutions.

It is important that we make a difference in local communities and capital markets, like you are doing here in Botswana. While we strongly believe in fair compensation, we believe that our profession needs to be led by professionals with a sense of purpose. Our business models must align with that sense of purpose even if it means a contraction in profits.

This is particularly true when we think about the profound difference our profession can make when it comes to retirement security. Individuals and investors expect a well-funded retirement system. We know that in most parts of the world that is not the case.

Because typical retirement savings rates are shockingly low – as are most plans' investment returns – many people are either working longer or living their retirement years in sub-standard conditions.

We can and must do more to change this dynamic. Investment professionals need to lead the charge both to urge individual investors to plan for the future, give them tools and guidance on how to make that happen and to work with regulators, asset owners and institutional investors to better fund and support the retirement systems.

We must measure up – this is the theme of CFA Institute's global brand campaign. Simply put, business models must put investors first. If we are to measure up, we need to better align our interests with those of our clients and underlying beneficiaries. Plain and simple.

This leads to the second step we must take.

We think our professional community can and must take the lead in earning back trust and advocating for candor and transparency.

Leading with candor means being realistic and honest about our clients' potential outcomes and prospects, even when it may hurt us financially to do so. It means taking strong stands against products and practices that put investors at a disadvantage and are not suited to their needs.

It is important that as investment professionals we should be continually advocating for transparency. For those of us who have the opportunity to sit at the table with regulators, we need to promote investor protection when and where ever we can while maintaining a vibrant, responsible industry.

At CFA Institute, we are forceful advocates for aligning the profession with investor interests. Our advocacy work with other standard setters, legislators, regulators, and policy makers around the world truly makes an impact and advances the profession. We are only impactful because we are a collective with the focus of trying to do what is best for the investor and our profession.

As an industry we need to create a future that benefits not only the industry but provide more societal benefits. We need to be a professional industry. We must be trusted and value focused...an ethical and sustainable industry. Our reputation must be clean in order to enable the trust to grow and thus for us to grow as an industry.

We believe that if we work harder to put clients' interest at the forefront, we will re-establish the trust that is so essential to the future of our profession.

The third step we must take is recruiting more of the right kind of people. We need people who are not only smart, hard-working, dedicated but with a strong drive to do what is right. Maintaining and

being committed to an individual or professional Code of Ethic is absolutely essential. This means doing the right thing even when no one is watching.

We sometimes make unethical decisions not because we are “bad people,” but because psychological biases, social and organizational factors, and situational influences affect our decision making. Common factors leading to unethical behavior include obedience to authority. We have all seen this one. The desire to please authority can cause people, especially young people, to suspend their own ethical judgements. There is also conformity bias because as humans we have the natural tendency to “follow the crowd” and to conform our behavior to that of our peers. In our Professional Conduct cases, this is one we hear quite a bit.” It is the way the industry works.” “Everybody does it. We have to guard against incrementalism as it is so easy to gradually shift toward unethical behavior with excuses like “just this one time” or it “a small matter that has no material impact.” And there is, of course, overconfidence. Overconfidence is what usually hits us, older, or should I say, more experienced professionals. We have seen it all, solved so many problems, made the wrong right, that we no longer take the time to reflect on some of our decisions to ensure that we are not falling prey to unethical decision making. These biases, organizational factors, and situational influences lead to weaknesses in how we process information and make decisions which can lead to unethical behavior.

This may mean changing hiring practices so that the industry attracts and employs more people with strong ethics and a real sense of purpose. It is important to partner with employers and associations around the globe, who see the value of this approach.

Change must also happen with our demographics. We all know that diversification is a core investment principle, one that produces better outcomes. When we hire people of diverse backgrounds – including gender, ethnicity, culture, mindset, and work style – and ensure their inclusion in the discussions - we improve our chances to outperform.

Finally, the fourth step is embracing change, particularly new technologies. The ability to embrace change is especially important in this age of disruption

In public markets there is a clear drive from active to passive investment management. It is harder to find alpha in mature markets, so enjoy it where you can still find it. This is also creating pressure on investment management margins leading to more and more consolidations leaving a few large players having significant influence over the market. With the rise of new products, services and distribution channels like cryptocurrency, crowdfunding and blockchain. Regulators are struggling to define them, much less put into place meaningful regulation.

Some professionals fear new technology and see it as a threat to their futures. But we are far better off viewing new technologies as opportunities to expand our market and reach new investors. We must utilize, complement, and harness the forces of financial technologies.

While the rise of fintech may look like a shiny new thing, computer models and asset allocation tools have existed for decades. What's different is that while the models of the past were tools for PhDs and MBAs, today's fintech brings computer modeling to the forefront in a dramatically simplified fashion for the end user.

Our business continues to evolve, yet it remains at its core about people and relationships. No app, financial model, or online platform can provide the value that you as investment professionals can.

Advice, financial products, and client solutions are more than data and computing power. The talent of our industry needs to harness fintech and artificial intelligence to supplement human intelligence – not replace it.

You have the competencies to listen to clients' long-term goals, to assess their risks, to help them invest wisely, and to address their fears. You provide the expertise to help them achieve their goals, whether that is saving for a university education, living well in retirement, or running their own business.

Technology does not erase your role or value as an investment professional. Instead it can help you serve your clients more efficiently and effectively.

We are all facing many challenges as we look to provide service to our clients. As a not for profit organization, CFA Institute, is here to help to meet those challenges.

Ethics is so fundamental to who and what we are that we have a division called Ethics, Standards and Professional Conduct. In our division, we produce and maintain the Global Industry Performance Standards (GIPS), the Asset Manager Code, the Pension Trustee Code of Conduct, the Endowments Code of Conduct, Ethics Education, and Professional Standards. We also enforce the Professional Conduct requirements of our members.

GIPS has been adopted by over 1900 investment management firms around the globe and provide a uniform best practices methodology for presenting investment performance. We are currently updating the

GIPS standards and producing the GIPS 2020 standards. It went out for public comment in September of 2018 and we have received close to 5000 individual comments. We are incorporating and responding to the comments and will have the final version out on June 30, 2019 with an effective date of January 1, 2020. One of the big changes in the GIPS 2020 standards is it provides more guidance for hedge funds, private equity, and private wealth managers to become GIPS compliant. This is particularly important to asset owners, like yourselves, who wish to be able to make comparisons between different asset classes and product lines.

We also have a global CFA Institute Code of Conduct for Asset Managers. The Code outlines ethical and professional responsibilities of an investment management firm. Its purpose is to help standardize an investment manager's code of conduct, which allows the client to have confidence in what behaviors the firm is saying it values. There are asset owners in the United States that require that all firms soliciting to manage assets must attest to CFA Institute's Code of Conduct for Asset Managers.

One of our most relevant Codes is the CFA Institute Pension Trustee Code. It sets forth the best practices for those who govern pensions. Adoption of the code establishes an ethical framework for governing board members and reflects their commitment to the best interests of pension beneficiaries. We have been putting resources toward this over the last few years as we see more and more cases of misconduct around pension fiduciary responsibilities. The Code specifically addresses a trustee's fiduciary responsibilities to act in good faith in the best interest of the Plan, act with prudence and reasonable care and act with skill, competence, and diligence. It addresses conflicts of interest and the trustee's ongoing duties. We are currently focusing some of our resources on piloting a pension trustee training program,

particularly in the area of understanding investments and the ability for a trustee to see red flags when a portfolio is not performing as expected. While we have routinely put on pension trustee training in the past, we hope this new product, a comprehensive turnkey version that can be delivered either in person by our societies or can be accessed online, will provide additional value to pension trustees. Our goal is to make it as accessible as possible so that more trustees have the training they need to carry out their responsibilities and protect the plan's beneficiaries.

We also have a CFA Institute Code of Conduct for those that operate charitable trusts, endowments, Independent Foundations, Non-Governmental Organizations, Philanthropies, and Public Funds. It is, of course, very similar to the responsibilities of the Plan Trustee but addresses the differing levels of responsibility and timelines.

As many of you know, CFA Charterholders are required to comply with the CFA Institute Code of Ethics and Standards of Professional Conduct. It is a large part of our educational program and exam. We have 25 investigators in our Professional Conduct department that enforce compliance with the exam rules and our Code and Standards. To help our members and others we also have multiple ethics education programs. We have in-person training for investment firms and universities. We have an on-line ethical decision-making course that is also given to universities utilizing case studies. We are currently in the process of piloting a Giving Voice to Values course that is an on-line program that takes the next step in understanding what you can do if you find yourself embroiled in an ethical dilemma. Our members were telling us that they could often identify an unethical situation, sometimes know the right thing to do but don't know how to go about convincing others why the ethical route would be the choice to make. This new course gives tools to help address that problem.

I would like to conclude with a reminder, that our goal as an organization is to lead the investment profession by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society. We must strive to not only seek the best outcomes for our clients but strive to work to serve a greater purpose and for a better future for our profession and for society as a whole. When we, the Collective, advocate and work for professionalism and bring the ideals of serving others, earning trust, and being a force for good through our work – we all rise and we all prosper.

Thank you