

A Productive Executive Committee Meeting in Shanghai

The Executive Committee met on 23 and 24 March in Shanghai, PR China, amidst the warm and generous hospitality of the SAAC. The meeting actively discussed 14 items of agenda which included, inter alia, review of ASAF's Long-Term Strategies; Annual Conference; Committee Progress Reports; Membership; International Issues; Six-monthly Management Reports & Financial Issues and ExComm Election Methods. Various Action Plans and discussion papers prepared by ExComm members responsible/ Committee Chairs were reviewed/debated with collective recommendations for either further review or recommendations to ASAF members. A copy of the minutes together with Action Plans/ discussion papers were dispatched to ASAF members on 24 May for their information.

The meeting was followed by a comprehensively organised series of social functions and sightseeing trips in Shanghai and Hangzhou, kindly hosted by various delegates of the SAAC.



Executive Committee meeting in progress in Shanghai March 2002



A token of appreciation from ASAF Chairman Mr Hagiwara to SAAC delegate/ SAC Sec. General, Dr Ma

ICIA News

At the **International Council of Investment Associations (ICIA)** meeting on **May 13, 2002** held in **Toronto**, a special item was added to the agenda which received welcomed enthusiasm from all members and initiated some lively discussions.

The discussion began with an acknowledgement of the significant role of the ICIA as a unique forum bringing together investment associations and federations from around the globe and which has, in the past, been instrumental in initiating dialogues and activities among them. It was observed that this forum should explore future directions for the ICIA with the aim to further increase the relevancy of ICIA to its constituencies and to initiate activities and programs beneficial to the development of the profession of investment managers and securities analysts.

While no particular resolution on the future direction of ICIA was intended at this first round of discussion, I raised as an example the cooperation which ASAF sought from ICIA members on **Corporate Disclosure** Information in conjunction with an Action Plan initiated and undertaken by our **Advocacy Committee**. **Mr. Bowman, AIMR Co-Chairman of ICIA**, invited all members to contribute to public comments and discussions on a number of new professional standards AIMR is promoting. Thus we got off to a good start.

It was agreed the Co-Chairs would serve as repositories for suggestions and proposals on how best to reach the full potentials of the ICIA forum.

We invite suggestions and ideas from ASAF members and look forward to breaking new grounds on making the ICIA even more relevant and beneficial to its members.

Vicharat Vichit-Vadakan
ASAF ICIA Co-Chair

Education Committee News

At the ExComm meeting in Shanghai, Mr Hagiwara, as ASAF Chair/EduComm Chair, presented **The Long-term Strategies** discussion paper for the EduComm. The paper proposes, inter alia, support and inter-member cooperation to enhance member societies' respective education programs, notably with regards to the promotion of the CIIA® program. To this end, Mr Hagiwara distributed to ASAF members, on 27 May, an **Action Plan** to be used as a basis for soliciting members' views as to how the Plan could be best implemented. A **questionnaire** will be distributed to members to collate information necessary for the compilation of a detailed Action Plan to be submitted to AGM 2002 for members' approval.

The CIIA® Examinations (March 2002)

In March 2002, the CIIA® Examinations were held in Frankfurt, Interlaken, London, Madrid, Mumbai, New York, Osaka, Rome, Sydney, and Tokyo. Many candidates sat for the exams and the results will be announced within this month. Successful candidates will accordingly receive the CIIA® designation. The next Examinations will be held on the 30th (Europe and the Americas) and 31st (Asia) August 2002. In addition to the existing ten national/regional members, the Polish and Ukrainian societies recently joined the ACIIA® as Associate Members and some ASAF/EFFAS member societies are now preparing to apply for ACIIA® membership. Participation in the exams continues to exceed targets.

Communications Committee News

The ComComm Co-Chair, Mr Bob Bunker, presented the Committee's progress report to the ExComm at the Shanghai meeting. Various issues and initiatives raised therein were discussed with the following recommendations:

- Newsletters to be published electronically **without hardcopies**;
- All members be encouraged to **participate more actively** in contributing news and views to the newsletters and E-journals on both regional and advocacy issues;
- All members with websites are to **create a hyperlink to ASAF's website, using standard verbiage** to be approved by the ASAF Chairman and ComComm Co-Chairs;
- All members requested to install **anti-virus software** to ensure that the entire intra-ASAF system is virus free.

As part of ASAF's **Long-term Strategies**, the Co-Chairs will draft an Action Plan for submission to the ExComm to be recommended for approval by AGM 2002. The Action Plan will focus on how best to utilize ASAF's various publications to achieve its objectives; how members could be encouraged to communicate more effectively and cost implications and coverage.

Advocacy Committee News

The AdComm met on 23 March in Shanghai, just before the ExComm meeting. Mr Mike Willis, with his SIA team, was able to chair the meeting via conference-call from Australia.

A draft **Action Plan** for 2002, prepared by the SIA, was tabled and discussed. The meeting concluded with recommendations to engage all ASAF and ICIA members to provide input to enable the development of a regional policy on topical issues of relevance and significance, starting from **Corporate Disclosure** for 2002 to be overseen by the SIA, to be followed by **Analysts Independence and Code of Ethics** for 2003 and beyond.

An updated survey of ASAF members on the progress of the ICIA International Code of Ethics (ICE) was also conducted in May.

Special News Release: ASAF 2002 Conference in Mumbai, India, cancelled

The ExComm regrets to announce to all members that the 2002 Conference, to be kindly hosted by the ICFAI in October 2002, is now cancelled due to tension between India and Pakistan.

On behalf of all ASAF members, ExComm extends its heartfelt appreciation to the ICFAI for their kind generosity and efforts in endeavouring to organise the Conference against all odds.

ExComm will announce the venue and date of the 2002 AGM/Committee meetings as soon as they are finalised.

From the Desk of an Executive Committee member: Strengthening Corporate Governance: Thailand as an Example



Analysts have been increasingly looking at **Corporate Governance (CG)** when making investment decisions – e.g., Calpers' recent decision to cease further investments in several countries, in part based on CG factors, sent governments scrambling.

The **Thai Institute of Directors (Thai IoD)**, **McKinsey & Company**, the **Stock Exchange of Thailand (SET)**, and the **Thai Securities and Exchange Commission** recently reported on a project to strengthen CG in Thailand that others might learn from. **Securities Analysts Association in Thailand**, an ASAF member, was on the project's **CG Benchmarking Committee**.

Many sceptics of CG question the degree to which CG really pays in attracting and keeping investors. Thus, project organizers surveyed 84 investors in Asia with US\$1,050 bln. under management, and found that for investing in Thailand, 42% of respondents said that the quality of governance was a key concern; for other Asian countries, the percentages ranged from 17% (Japan) to 43% (Indonesia), with an average of 33%.

Also, the project evaluated 139 of the SET's largest firms on how they followed the five **OECD CG** principles (rights of shareholders, equality of shareholders, role of stakeholders, disclosure and transparency, and Board responsibilities) and found a clear correlation between good CG and market-to-book value, with the top quartile earning a 6.74 market-to-book value vs. just 4.65 for the bottom quartile; on average, the value was 5.47. This correlation held even after controlling for firm size, activities, investment, leverage, and industry.

The survey found substantial variation across the surveyed firms and categories. For example, among those scoring best in Board responsibilities, virtually all had audit committees – but few had stock options for management or a majority of independent directors. The survey also found significant scope for improvement in disclosure and transparency, as annual reports often didn't go beyond the basics, and key information on directors was not revealed.

Examples of "quick wins" to improve CG were to:

- Improve the quality of the annual report.
- Facilitate proxy voting by providing complete instructions.
- Provide clearer rationale for related-party transactions;
- Introduce multiple channels for investor relations (e.g., website/quarterly analyst briefings).

The project is proceeding by, e.g.:

- Seeking regulatory intervention on such matters as requiring disclosure of individual top executive remuneration, or company shareholdings of directors.
- Promoting education and dissemination of best practices in investor relations, oversight of management, and usage of board committees.
- Rewarding well-governed companies, as through lower fees or rating firms on CG.

Much remains to be done, but the project is off to a good start.

Burin Kantabutra
ASAF Director

Calendar 2002

27 June 2002

ACIIA® AGM
Rome, Italy

28 June 2002

EFFAS EGM/AGM
Rome, Italy

26 & 27 October 2002

ASAF AGM & Committee meetings
Venue to be advised

Members' Regional News

SIA — Ian Neal as New President



Mr Ian Neal was appointed **New President** of the SIA on 22 April 2002. Mr Neal has been a member of the SIA National Council since June 2000 and became its Vice-President on 3 March 2001.

A **Fellow member** of the SIA, he holds a **Bachelor's degree in Commerce** and joined the finance industry in 1978, working for some major organizations including the **First National Bank of Chicago** as senior credit analyst; **Australian Bank Ltd** and **McClintock Associates**. He is also the **co-founder and Managing Director** of **Nanyang Ventures Pty Ltd**.

Mr Neal's impressive list of current positions with the SIA include **Chairman of Marketing Financial Products and Services Task Force**; **Chairman of the Membership Advisory Committee**; member of the **Nominations and Remuneration Committee**; member of the **Disciplinary Committee** and member of the **NSW Regional Council**; past positions include **Chairman of National Treasury Sector Advisory Committee** and **Chairman of Federal Education Board**.

SIA — Brian Salter as New CEO

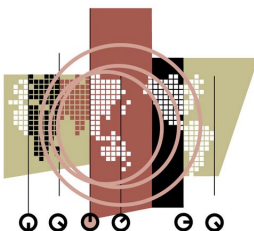
Mr Brian Salter was appointed the **new Chief Executive Officer** of the SIA on 15 April 2002. Mr Salter brings with him years of experience as a banking executive with some of Australia's major names in the financial services industry, including **Colonial Ltd**, **Colonial Trust Bank of Tasmania**, and as **Chief Manager of Banking Services**, **Commonwealth Bank of Australia**.



Mr Salter has a **Master of Business Administration** degree from the **University of NSW** and has a successful track record in strategic business unit leadership, business development and alliances, business integration and technology adaptation, strategic planning, change management and cultural renewal.

SIA/AIMR Australasian Investment Management Conference: 23-24 Sept 2002 in Sydney

Australasian Investment Management Conference



2002

The inaugural conference of the **SIA and the Sydney and Melbourne Chapters of the AIMR**, this conference is designed to provide provocative insights and practical knowledge that directly affect investment professionals operating in global markets.

Prominent speakers include: **Abby Joseph Cohen**, chief investment strategist for **Goldman Sachs**, **Gifford Fong**, president of **Gifford Fong Associates**, **Richard Humphry**, CEO of the **Australian Stock Exchange Ltd**.

Apart from having the opportunity to hear from internationally renowned investment leaders, attendees will be able to participate in focused, interactive, and challenging sessions led by experts in the field. The plenary sessions will focus on broad industry issues and trends. Specialist sessions will address key investment management issues facing analysts, portfolio managers and other investment professionals.

For more information, visit: www.tourhosthosts.com.au/investment

HKSI — Alec Tsui as New Chairman



Mr Alec YW Tsui, elected as Chairman of the **HKSI** in December 2001, is the successor to **Dr Bill CP Kwok**, who held the post for three terms. Alec is a founder of **WAG Financial Services Group**, a Hong Kong based provider of financial and management consulting services. Alec is currently part of a panel working in assisting the **Malaysian Stock Exchange** to demutualise. He is also an **Adviser and Council Member** of the **Shenzhen Stock Exchange**. Alec's previous appointments include the position of **Chief Executive of iRegent Group Limited**, a Hong Kong listed company, and **Chief Executive of The Stock Exchange of Hong Kong Limited**.

HKSI — Gary Cheung as New CE

Gary Wai Kwok Cheung is the new chief executive of the HKSI. Gary brings to the Institute an extensive background in the financial services industry, and more than 20 years management experience in all aspects of operation and directorship. He most recently served as executive director of Sun Hung Kai & Co. Ltd., where he was a member of the main board and chiefly responsible for supervising management and operations of core business areas. At Sun Hung Kai Gary also served as a member of various committees, and assumed Directorship of no less than 20 companies. Throughout much of his career Gary has been heavily involved with Hong Kong trade affiliations, including serving on a number of committees for regulatory bodies and professional associations, including the HKSI.



SAAJ —

14th SAAJ-AIMR/JSIP Joint Seminar: 4-6 March 2002 Kisarazu City (near Tokyo), Japan

Together with AIMR/JSIP, SAAJ held a joint seminar under the theme "Managing Pension Funds" on 4-6 March in Kisarazu City, near Tokyo, with some 70 participants attending. Prominent Japanese and North American speakers gave top notch lectures on current issues and best practice in managing pension funds from both theoretical and practical viewpoints. Brisk Q&A in each lecture promoted participants' further understanding. For the case study presented by Prof. James A. Gentry, University of Illinois, participants were divided into small groups in which they lively discussed ideas and exchanged views until late at night. The seminar program was as follows:

Session I

The Investment Process and Investment Decision Making at Pension Funds

Tom Gunn, CFA

Senior Vice President, Ontario Municipal Employees Retirement System

Session II

Determining Manager Structure - Part I: The Case of an Endowment in North America

Alice W. Handy,

Treasurer, University of Virginia

Session III

Asset Allocation - A Risk Budgeting Approach

Michael de Marco,

Senior Vice President, Putnam Investments, LLC

Session IV

Impact of Restructuring of Pension Accounting Standards on the Behaviour of Pension Funds

Masaharu Usuki, CFA,

Executive Research Fellow, NLI Research Institute & Tomoki Kitamura, CMA/CFA, Researcher, NLI Research Institute

Session V

Determining Manager Structure - Part II: Theoretical Considerations

Yukihiko Asano

Professor, Faculty of Business Administration, Yokohama National University

Session VI

Issues on Pension Fund Benchmarks in Japan

Norimichi Matoyama, CMA/CFA

Chief Fund Manager, Pension Fund Association

Session VII

Alternative Investments: Roles and Investment in Practice

Roger G. Clarke,

Chairman, Analytic Investors & Harindra de Silva, CFA, President, Analytic Investors

Session VIII

Case Study

James A. Gentry

Professor, IBE Distinguished Professor of Finance College of Commerce and Business Administration, University of Illinois

Session IX

Best Execution

Junji Kawahara, CMA,

Senior Financial Engineer Nomura Securities, Financial Research Center

Session X

General Discussion Based on the Outcome of Session VIII

James A. Gentry &

Craig Ruff, CFA,

Vice President Association for Investment Management and Research



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