



Unveiling the Future of a Renewed Professionalism

Laura MERLINI, CAIA, CIFD - Managing Director, EMEA at CAIA Association

The need for professionalism has never been more critical. Generational headwinds in capital market expectations, unpredictable geopolitical occurrences, soaring inflation, combined with a voracious appetite for exposure to less liquid, more complex, idiosyncratic asset classes, and strategies are raising the bar for professionals in all corners of our industry. While we agree with this evolution in principle, a demonstrated level of competency and a resolute commitment to a set of ethical standards is a minimum requirement to uphold the fiduciary duties within our industry. This is especially true in the realm of investor relations where professionals are entrusted with the critical responsibility of maintaining open and transparent lines of communication between an investment firm and end-clients. Investor relation professionals serve as the vital bridge ensuring that investors possess the information necessary to make pondered decisions, while simultaneously contributing to the cultivation and preservation of a positive reputation for the company and, as a consequence, the financial industry.

In response to these evolving dynamics, the CAIA Association has launched "A Renewed Professionalism," a forward-looking initiative, which encompasses six guiding principles that serve as a lighthouse for industry professionals navigating the complex waters of alternative investments. These principles are not exclusive to portfolio managers; they are equally applicable to those working in investor relationship roles, and they are the key attributes needed to confront the challenges of a dynamic industry.¹

1. *Cultivate a Transparent and Client-Centered Ethos*

As a legal standard, fiduciary duty means putting the client's interests front and center. As a professional, this standard should be core to your practice, business model, and culture; there should never be any doubt among your clients who you are serving

2. *Start with Purpose-Driven Portfolio Building Blocks*

Crafting a portfolio driven by goals and outcomes means evaluating all investment options without being confined to generic portfolio models. Customize portfolios to the client's unique goal and outcomes.

3. *Diagnose Your Client's Values and Embed Tailored Sustainability Factors in Your Process*

Recognize the impact of sustainability factors in understanding, managing, and optimizing risk and return for your clients. In particular, sustainability is not an overlay because, at a strategic level, it is far more substantive than ESG grades and investment exclusion lists. Sustainability is, in fact, a core component of the investment process. Approaching ESG as one element ignores the impact, importance, and even conflicts of the underlying components. Truly separate out the environmental, social, and governance factors and embed the analysis into the investment process.

¹ https://caia.org/sites/default/files/2022-10/CAIA_A%20Renewed%20Professionalism_OCT_6.pdf

4. *Treat Liquidity as a Feature Rather Than a Benefit*

Liquidity is neither inherently bad nor good. Professionals must evaluate the true liquidity needs of clients and ensure that the liquidity of the assets match the liquidity of the liabilities.

5. *Identify and Capitalize on Your Firm's Edge*

Organizations have unique advantages; make sure your value-add is known to clients and embraced by your employees.

6. *Invest with Integrity and Allocate to True Partners*

Allocating capital to organizations that do not put client interests first is a risk not worth taking, regardless of past performance. Simply put, professionals should only invest with other professionals.

Delivering purpose-driven returns for clients across market cycles hinges on your commitment to professionalism. Investor relation professionals, in particular, play a critical role in maintaining a direct connection and constant communication with end-clients and, therefore, must be grounded in solid training, ethical foundation, and behavioral principles that are the necessary fuel for meeting the residual investment outcome expectations of their investors. Not only professionals should be evolving and upskilling their competency tool set which is critical to long-term success in this industry but they must also embrace the benefits of collaborating with others, exhibiting a diverse set of cultural experiences and skills.