

COVID-19 AND ITS IMPACT ON THE INVESTMENT MANAGEMENT INDUSTRY

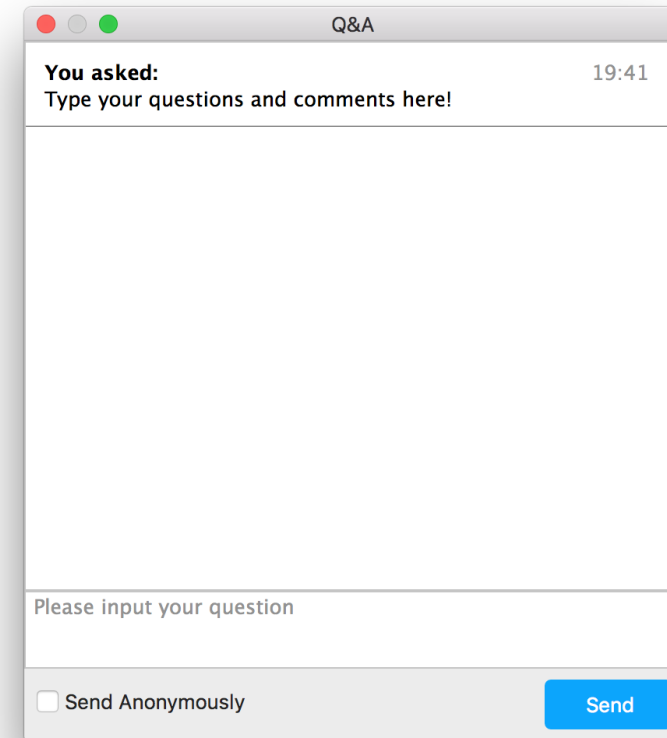
Presentation to CFA Society Pakistan

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HOUSEKEEPING

- Today's webinar is scheduled for 60 minutes including approximately 30 minutes of presentation and 30 minutes of discussion
- During the discussion part, please click the "Raise Hands" button if you would like to contribute. Please keep your observations concise (2-3 minutes) so we can give everyone an opportunity to speak
- Alternatively you can comment via the Chat button on your screen
- We will be running a few polling questions – you will be prompted to submit your answers
- This webinar will be recorded and the main presentation will be uploaded onto [CFA Institute Asia-Pacific Research Exchange \(ARX, www.arx.cfa\)](http://www.arx.cfa) and the CFA Society Pakistan website



A screenshot of a Q&A chat window. The window title is "Q&A". The header area contains the text "You asked:" on the left and "19:41" on the right. Below the header is a large text input area with the placeholder text "Type your questions and comments here!". At the bottom of the window, there is a smaller text input area with the placeholder text "Please input your question". To the left of this input area is a checkbox labeled "Send Anonymously". To the right is a blue button labeled "Send".

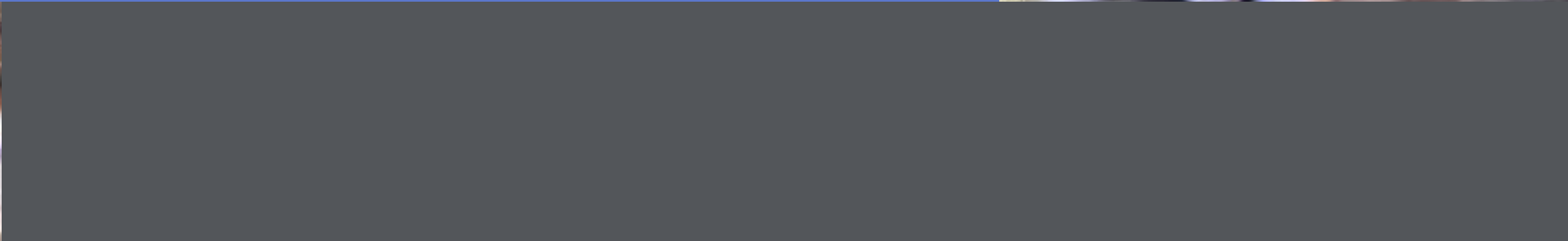
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- A Respondent demographics
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1. INTRODUCTION



COVID -19 AND ITS IMPACT ON THE INVESTMENT MANAGEMENT INDUSTRY

ABOUT THE SURVEY

CFA Institute wanted to conduct research on how the global pandemic is affecting capital markets at large, with a focus on the investment management industry and the impact of regulator' reaction.

METHODOLOGY

- An email invitation was sent to all eligible CFA Institute members.
- The survey was open from 14 April – 24 April 2020.
- Two reminders were sent to non-respondents on 20 and 23 April.

Overall Invites Sent	Overall Responses Received	GLOBAL Response Rate	GLOBAL Margin of Error
167,312	13,278	8%	±0.8%

Note: Only markets with a Margin of Error of $\pm 10\%$ and below are displayed in this report.

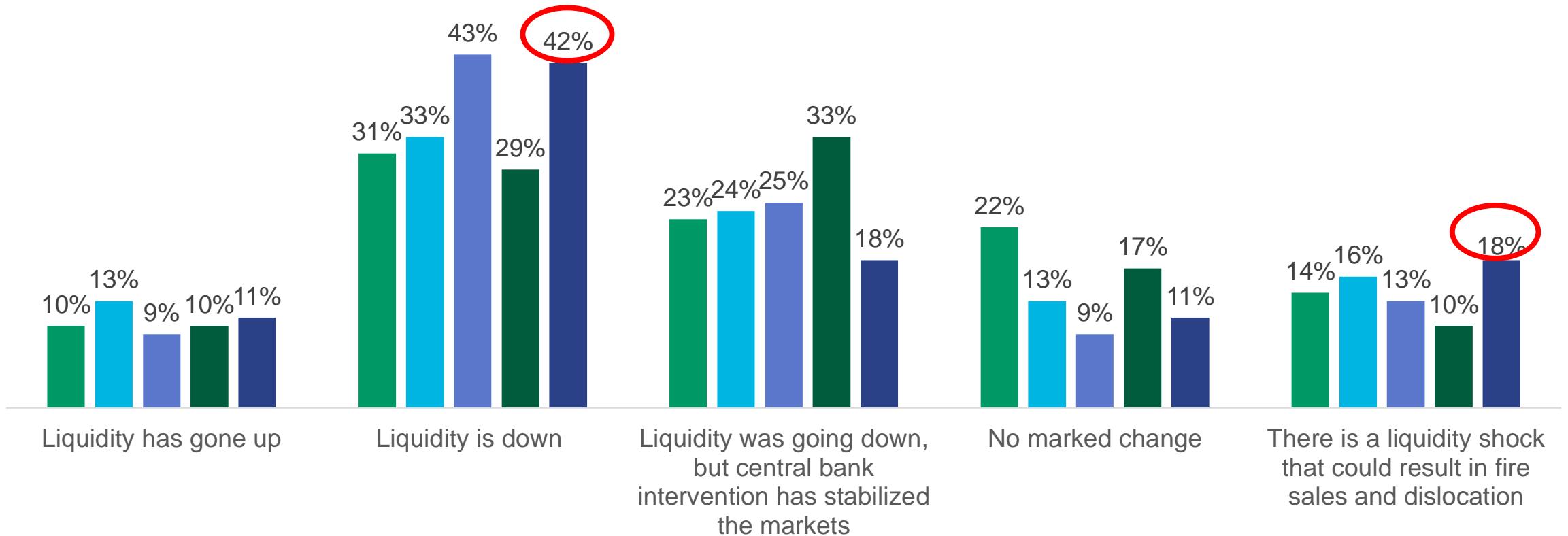
A nighttime cityscape featuring several tall skyscrapers with many lit windows. A prominent building in the center has a bright, glowing, conical top. The sky is dark, and the overall scene is illuminated by the warm yellow and orange lights of the buildings.

2. MARKET VOLATILITY, LIQUIDITY AND ASSET PRICE DISLOCATIONS

IN YOUR OPINION BASED ON YOUR RELEVANT TRADING EXPERIENCE, HOW HAS COVID-19 AFFECTED THE LEVEL OF MARKET LIQUIDITY IN EACH OF THE FOLLOWING SECONDARY MARKETS:

Global equities in developed markets

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN

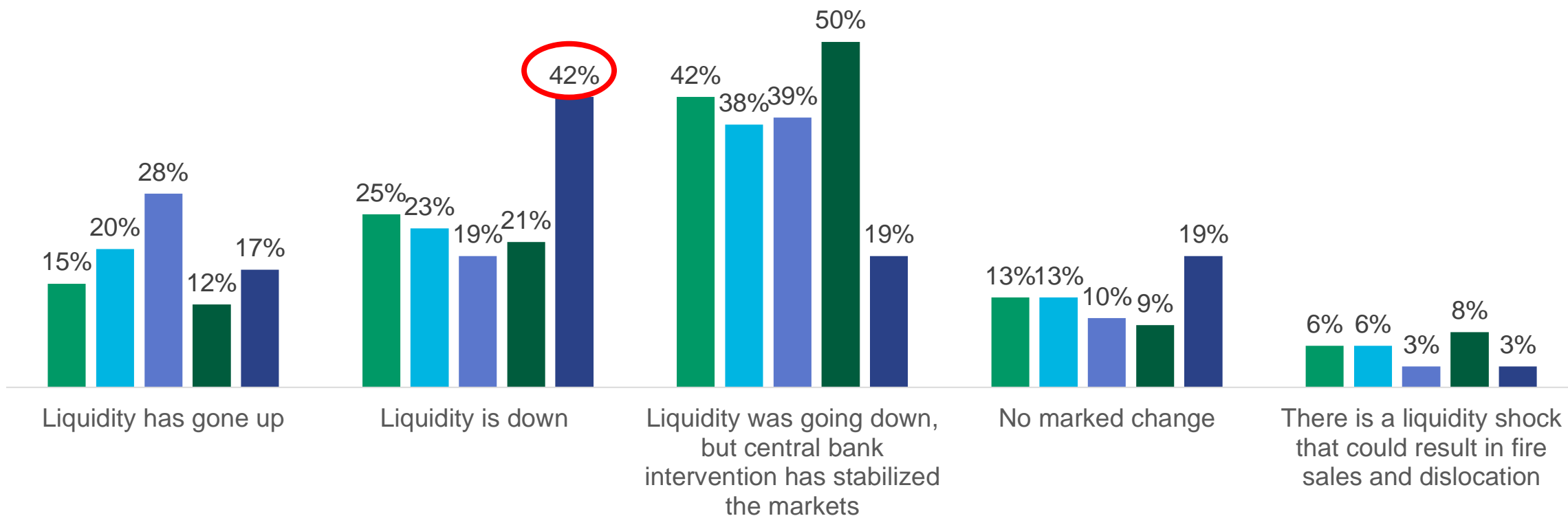


Note: Excludes "Don't know" and "Not relevant for me"

IN YOUR OPINION BASED ON YOUR RELEVANT TRADING EXPERIENCE, HOW HAS COVID-19 AFFECTED THE LEVEL OF MARKET LIQUIDITY IN EACH OF THE FOLLOWING SECONDARY MARKETS:

Government bonds in developed markets

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN

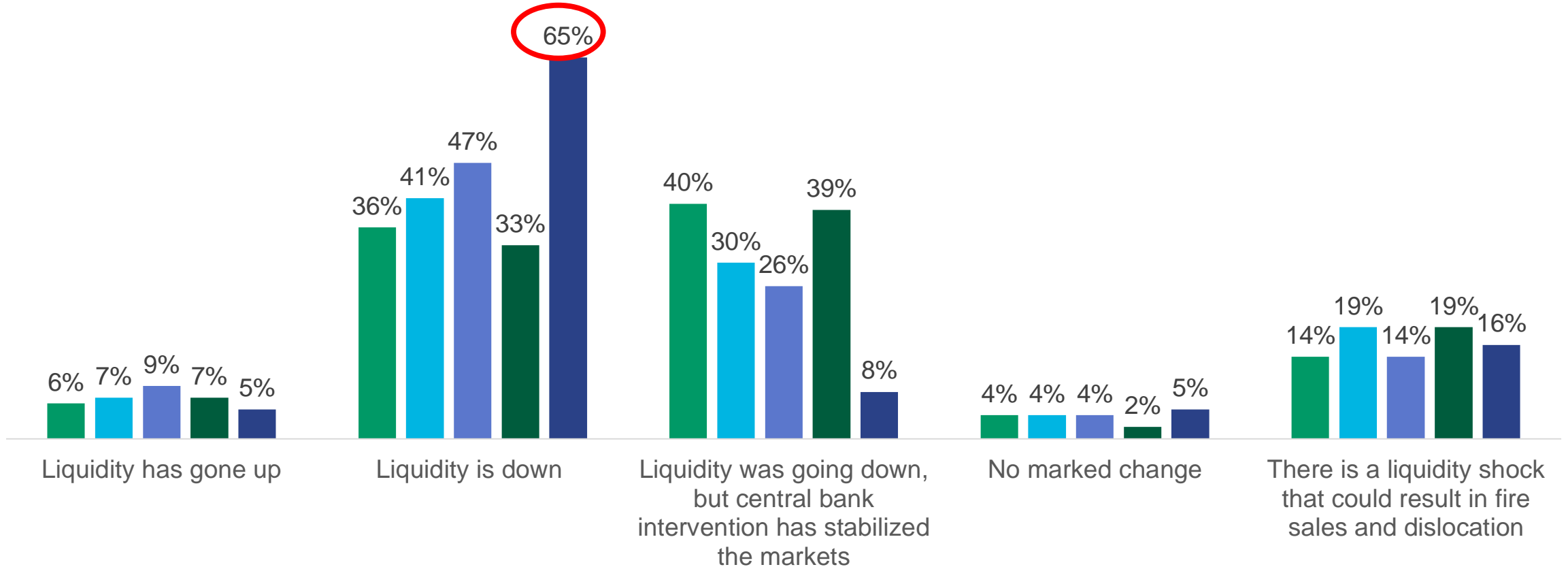


Note: Excludes "Don't know" and "Not relevant for me"

IN YOUR OPINION BASED ON YOUR RELEVANT TRADING EXPERIENCE, HOW HAS COVID-19 AFFECTED THE LEVEL OF MARKET LIQUIDITY IN EACH OF THE FOLLOWING SECONDARY MARKETS:

Corporate bonds (Investment Grade) in developed markets

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN

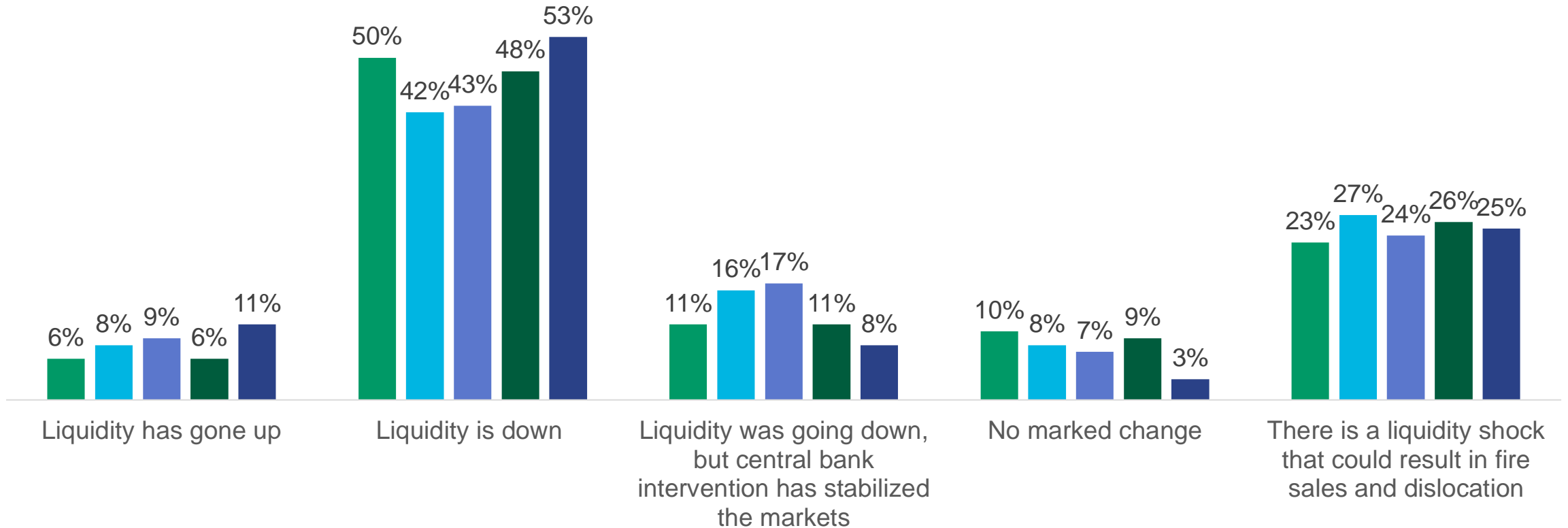


Note: Excludes "Don't know" and "Not relevant for me"

IN YOUR OPINION BASED ON YOUR RELEVANT TRADING EXPERIENCE, HOW HAS COVID-19 AFFECTED THE LEVEL OF MARKET LIQUIDITY IN EACH OF THE FOLLOWING SECONDARY MARKETS:

Emerging market equities

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN

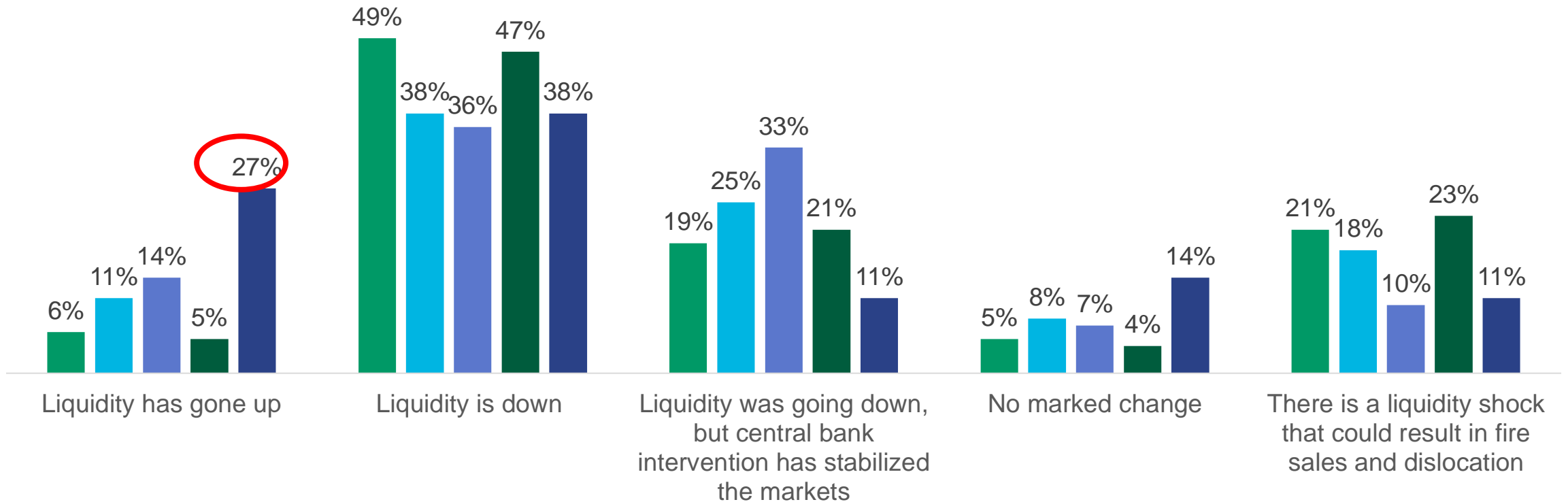


Note: Excludes "Don't know" and "Not relevant for me"

IN YOUR OPINION BASED ON YOUR RELEVANT TRADING EXPERIENCE, HOW HAS COVID-19 AFFECTED THE LEVEL OF MARKET LIQUIDITY IN EACH OF THE FOLLOWING SECONDARY MARKETS:

Government bonds in emerging markets

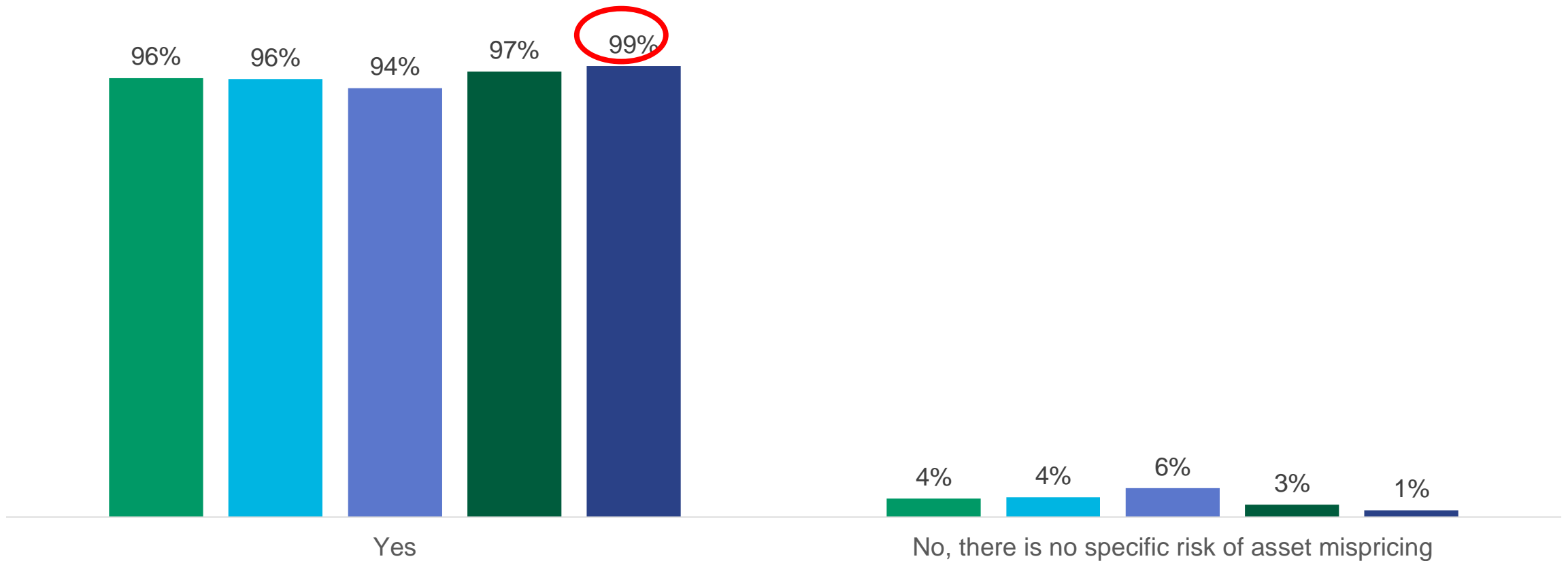
■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



Note: Excludes "Don't know" and "Not relevant for me"

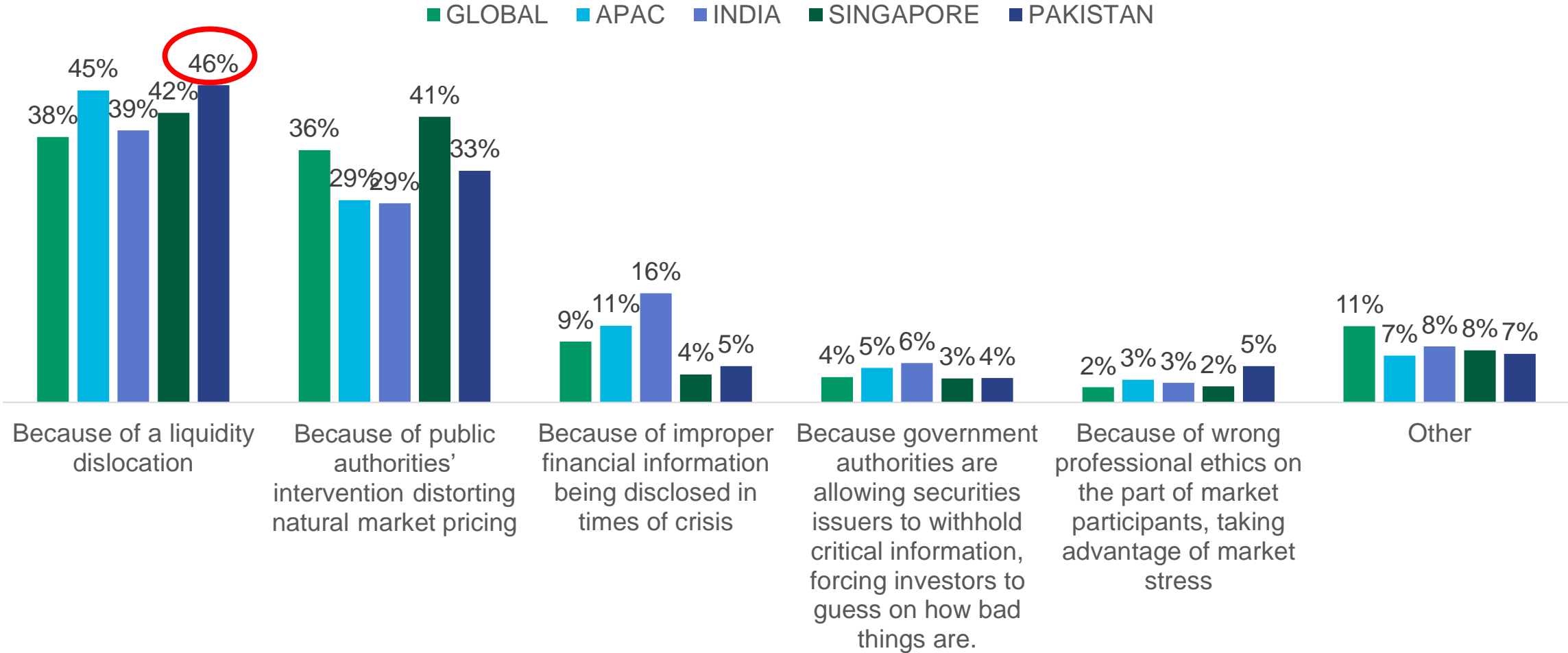
DO YOU THINK THE CURRENT CRISIS INCREASES THE CHANCE OF ASSET MISPRICING SPECIFICALLY RELATED TO THE CURRENT SITUATION OF FINANCIAL STRESS?

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



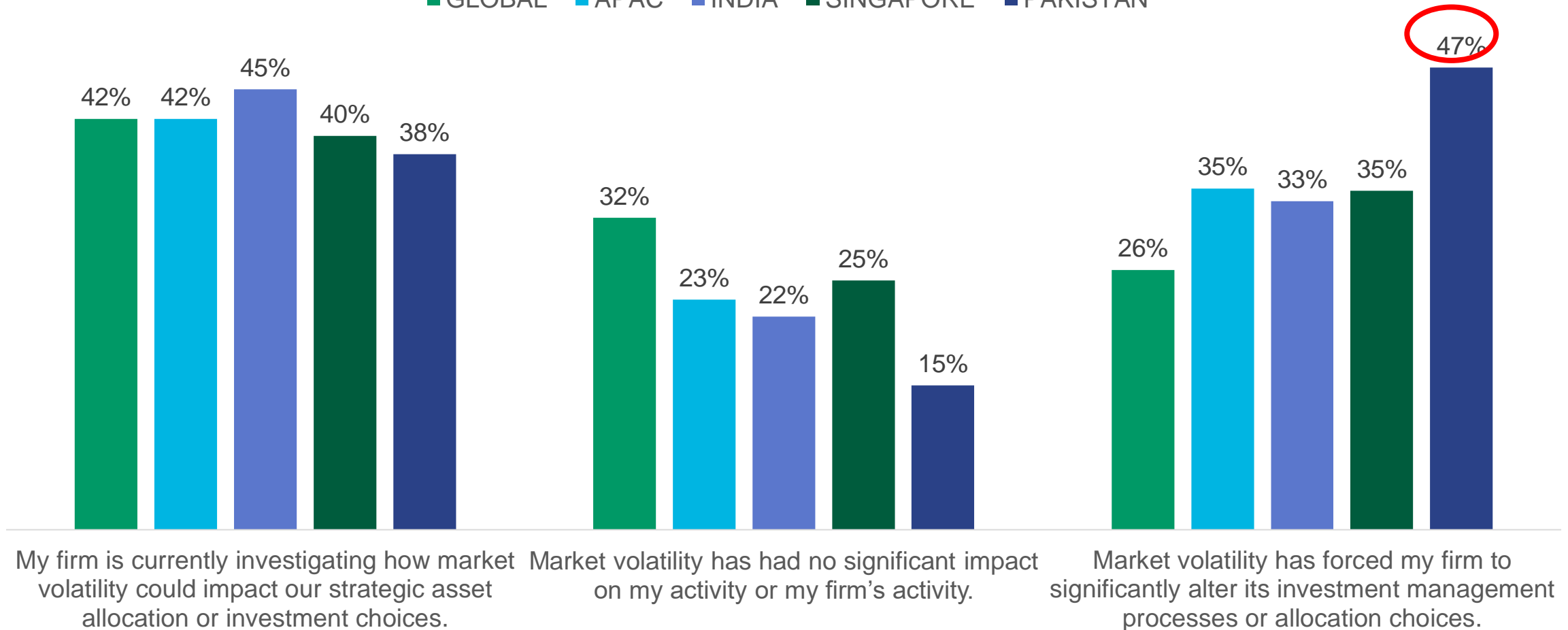
Note: Excludes "Don't know"

WHAT IS THE MOST LIKELY REASON THAT THE CURRENT CRISIS INCREASES THE CHANCE OF ASSET MISPRICING?



MARKET VOLATILITY HAS MOVED SHARPLY SINCE THE WORLDWIDE EMERGENCE OF THE COVID-19 CRISIS, FOR GLOBAL EQUITIES AND FIXED INCOME INSTRUMENTS. SELECT THE STATEMENT THAT BEST DESCRIBES HOW YOU FEEL ABOUT MARKET VOLATILITY:

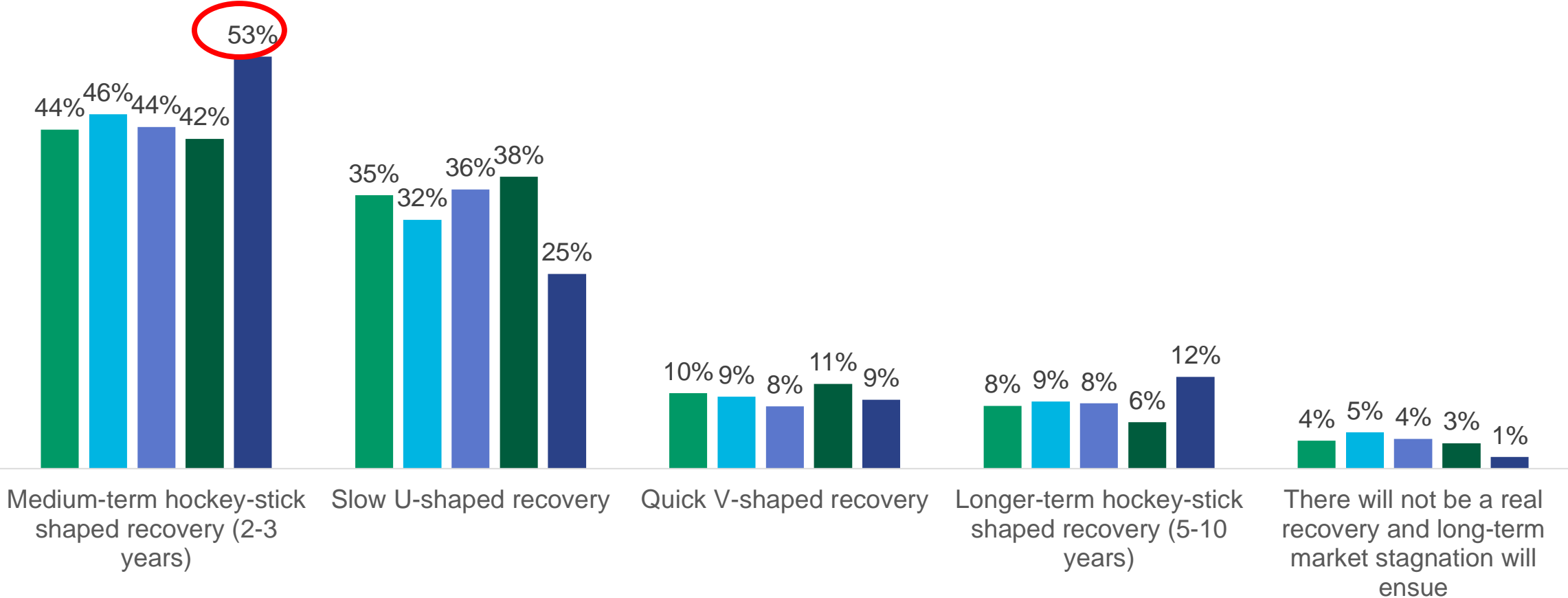
■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



Note: data excludes "Don't Know" and "Not relevant for me"

WHAT KIND OF RECOVERY DO YOU EXPECT POST THE CURRENT ECONOMIC AND FINANCIAL CRISIS INDUCED BY COVID-19?

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



Note: Excludes "Not sure"

POLLING QUESTION 1

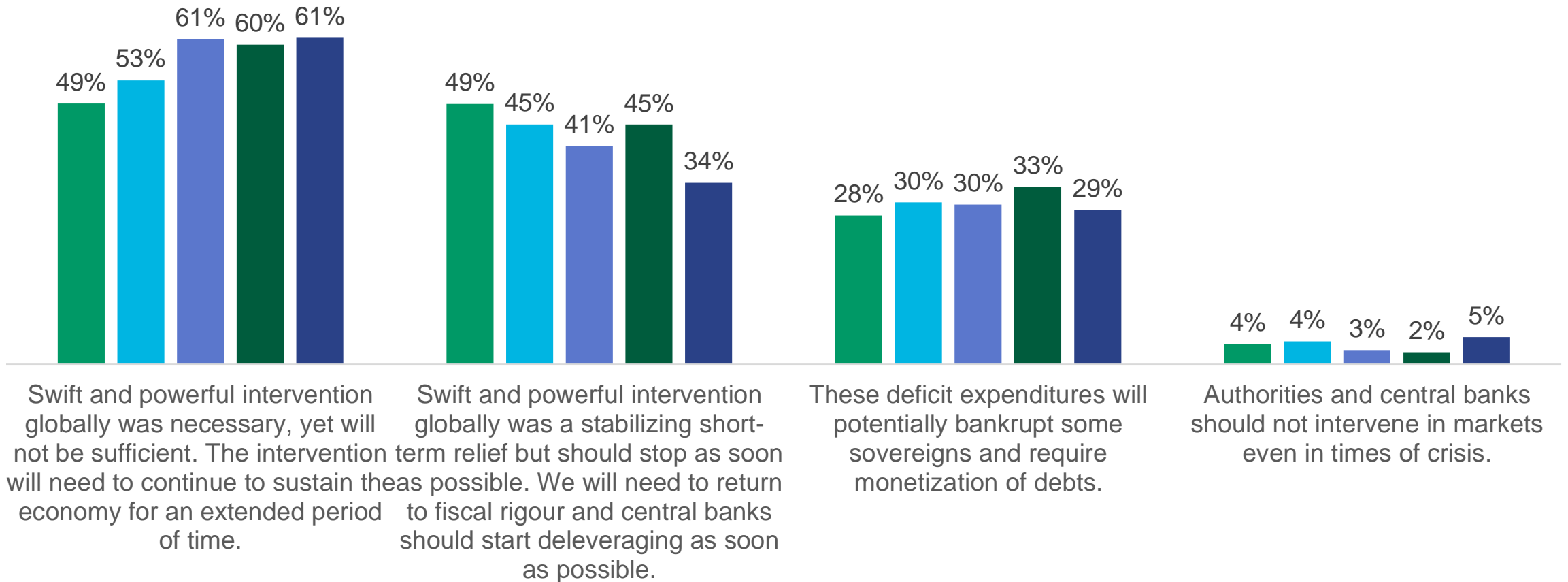
The Pakistan equity market has gone up sharply since March 2020, KSE 100 up by 44% and KMI 30 up by 52% (till 31st July) from their bottom levels in March 2020. Do you think

- A. Equity markets in Pakistan have risen too much given the economic situation and hence may take a big correction
- B. The survey underestimated the pace of recovery and market rise is in line with the pace of recovery of fundamentals
- C. The market performance is lagging behind the economic recovery and hence the rally should continue
- D. Other

3. GOVERNMENT AND REGULATORY INTERVENTION

ON THE DECISIONS MADE BY GOVERNMENTS AND CENTRAL BANKS TO RESPOND TO THE CRISIS WITH SIGNIFICANT RELIEF PROGRAMS, QUANTITATIVE EASING AND ECONOMIC STIMULUS PACKAGES, WHICH STATEMENT BEST DESCRIBES HOW YOU FEEL:

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



Note: Excludes "No opinion"

ON REGULATION OF FINANCIAL SERVICES (BANKING, ASSET MANAGEMENT) IN TIMES OF CRISIS,
PLEASE SELECT IF YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS:

SCALE: STRONGLY DISAGREE 1 TO STRONGLY AGREE 5

	Regulation on market conduct should be relaxed to encourage trading and liquidity			Regulators and policymakers should design new regulatory frameworks aimed at restarting normal market activity as soon as possible			Regulators should take a backseat and let the markets fix themselves			Regulators should take a proactive role and consult with firms on possible solutions		
	Disagree (1+2)	3	Agree (4+5)	Disagree (1+2)	3	Agree (4+5)	Disagree (1+2)	3	Agree (4+5)	Disagree (1+2)	3	Agree (4+5)
GLOBAL	50%	24%	26%	19%	27%	53%	56%	23%	21%	11%	19%	69%
APAC	41%	24%	35%	16%	25%	59%	61%	21%	18%	9%	16%	75%
INDIA	43%	23%	34%	14%	18%	68%	71%	16%	12%	8%	13%	79%
PAKISTAN	30%	14%	56%	9%	14%	78%	68%	14%	18%	7%	9%	84%
SINGAPORE	48%	22%	29%	14%	22%	64%	63%	20%	18%	8%	13%	79%

WHAT, IF ANYTHING, ARE THE MOST IMPORTANT THINGS THAT SECURITIES REGULATORS SHOULD OR SHOULD NOT BE DOING? (1/2)

NOTE: EXCLUDES "NO OPINION"

	Ban companies who receive emergency support from distributing dividends, conducting share buybacks and paying executive bonus compensation.		Conduct a review of Exchange Traded products (ETFs, ETPs, ETNs) behavior during this crisis, to determine if they help provide liquidity and price discovery, or if they contribute to extreme volatility and/or panic selling.		Focus on educating the public about risks of investor fraud in conditions where they could be taken advantage of		Focus on market surveillance and proceed with rulemaking, compliance exams, and enforcement actions		Suspend non-essential rulemaking and examinations until the health and market crises pass	
	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do
GLOBAL	75%	25%	84%	16%	94%	6%	82%	18%	59%	41%
APAC	72%	28%	86%	14%	95%	5%	83%	17%	66%	34%
INDIA	71%	29%	88%	12%	96%	4%	83%	17%	71%	29%
PAKISTAN	76%	24%	89%	11%	96%	4%	72%	28%	73%	27%
SINGAPORE	84%	16%	89%	11%	94%	6%	85%	15%	64%	36%

WHAT, IF ANYTHING, ARE THE MOST IMPORTANT THINGS THAT SECURITIES REGULATORS SHOULD OR SHOULD NOT BE DOING? (2/2)

NOTE: EXCLUDES "NO OPINION"

	Ban short selling		Impose securities market "holidays" (i.e. closing markets)		Temporarily permit companies to delay reporting on changes in their operations and/or financial condition		Other	
	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do	SHOULD do	SHOULD NOT do
GLOBAL	17%	83%	18%	82%	27%	73%	77%	23%
APAC	28%	72%	19%	81%	40%	60%	69%	31%
INDIA	30%	70%	28%	72%	41%	59%	86%	14%
PAKISTAN	52%	48%	20%	80%	33%	67%	100%	
SINGAPORE	26%	74%	20%	80%	35%	65%	50%	50%

POLLING QUESTION 2

Are you in favour of banning short selling in times of heightened market volatility?

- A. Yes, because it ensures market order
- B. Yes, because it protects investors from losses
- C. No, because short selling is important for price discovery
- D. No, because banning short selling sends the wrong signal to the market

A nighttime cityscape featuring a multi-lane highway with light trails from traffic. On the left, a modern building with a curved glass facade is visible. A prominent green banner with white text is overlaid across the upper portion of the image. The background shows various city buildings and streetlights.

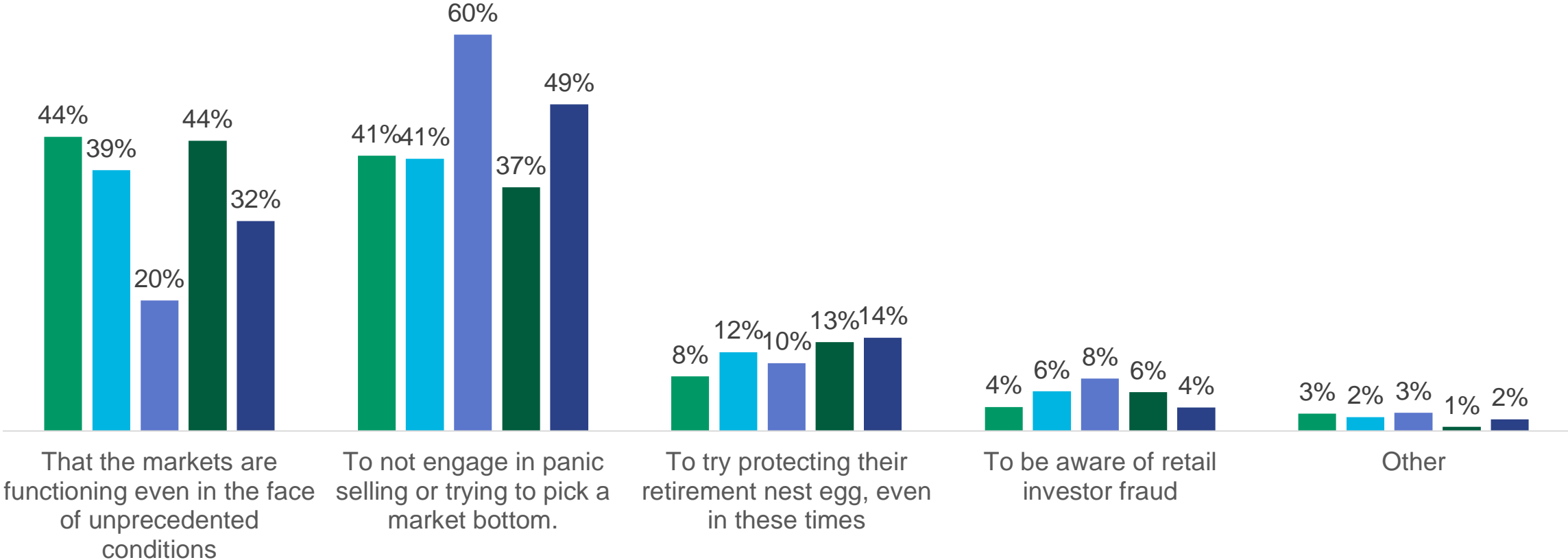
4. IMPACT ON THE FINANCIAL INDUSTRY

WHAT, IF ANY, WILL BE THE BIGGEST LONG-TERM IMPACT(S) OF COVID-19 AND MARKET CONDITIONS ON THE FINANCIAL SERVICES INDUSTRY?

	GLOBAL	APAC	INDIA	SINGAPORE	PAKISTAN
Large-scale bankruptcies	39%	42%	38%	48%	36%
Acceleration of operations automation and scaling through outsourcing, to reduce fixed costs	38%	39%	46%	42%	54%
Large-scale consolidation of firms	34%	36%	46%	40%	27%
Further divergence of economic/financial development paths between developed and developing (emerging) markets	33%	34%	31%	40%	30%
Less globalization of financial markets and investment flows (e.g. fewer transnational trading operations and lower international activity)	32%	35%	28%	36%	30%
Loss of investor and public confidence in financial markets and the financial industry	20%	22%	20%	20%	21%
Return of active investing	20%	18%	20%	18%	20%
Deregulation that will reduce disclosures which investors need to make informed decisions	3%	4%	2%	5%	11%
Other	5%	2%	3%	2%	2%
I don't expect a major long-term impact	6%	4%	4%	4%	4%

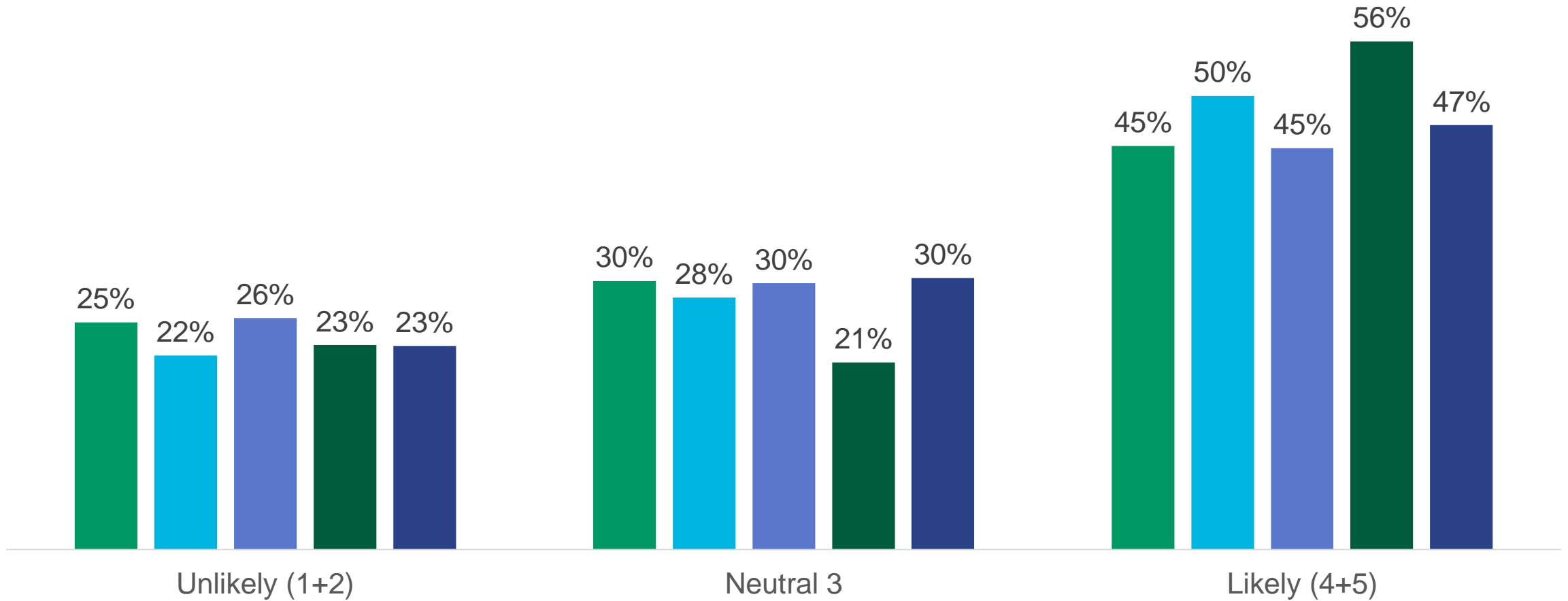
WHAT IS THE SINGLE MOST IMPORTANT MESSAGE THAT THE FINANCIAL INDUSTRY SHOULD DELIVER TO THE PUBLIC?

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



HOW LIKELY IS THE RISK THAT FINANCIAL HARDSHIPS IN THE FINANCIAL INDUSTRY WILL RESULT IN UNETHICAL ACTIONS ON THE PART OF THE INVESTMENT MANAGEMENT INDUSTRY?

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



Scale: Very unlikely 1, Somewhat unlikely 2, Neutral 3, Likely 4 and Very likely 5 and don't know Note:

Excludes "Don't know"

POLLING QUESTION 3

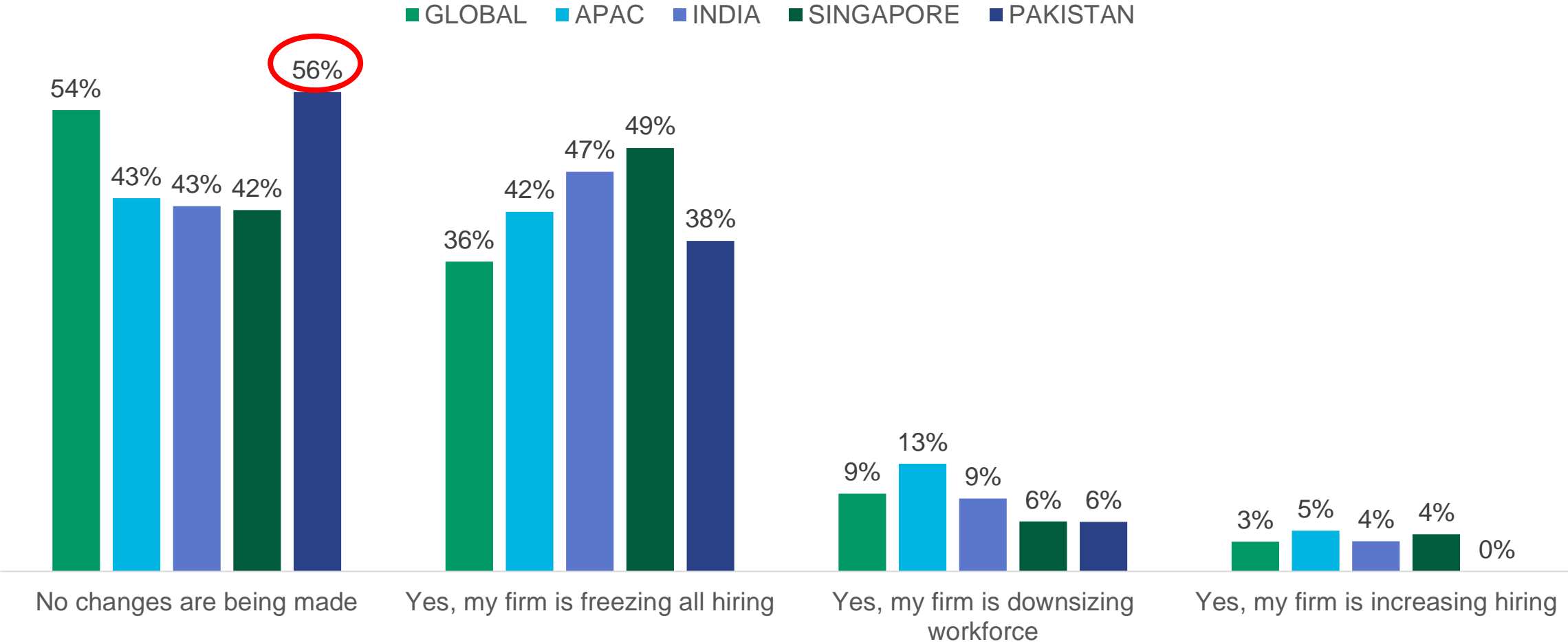
In which part of the value chain do you think unethical action is most likely?

- A. Designing / manufacturing of unsuitable products
- B. Misleading claims and advertisements
- C. Advice that doesn't put the clients' interest first
- D. Other

5. JOBS AND EMPLOYMENT



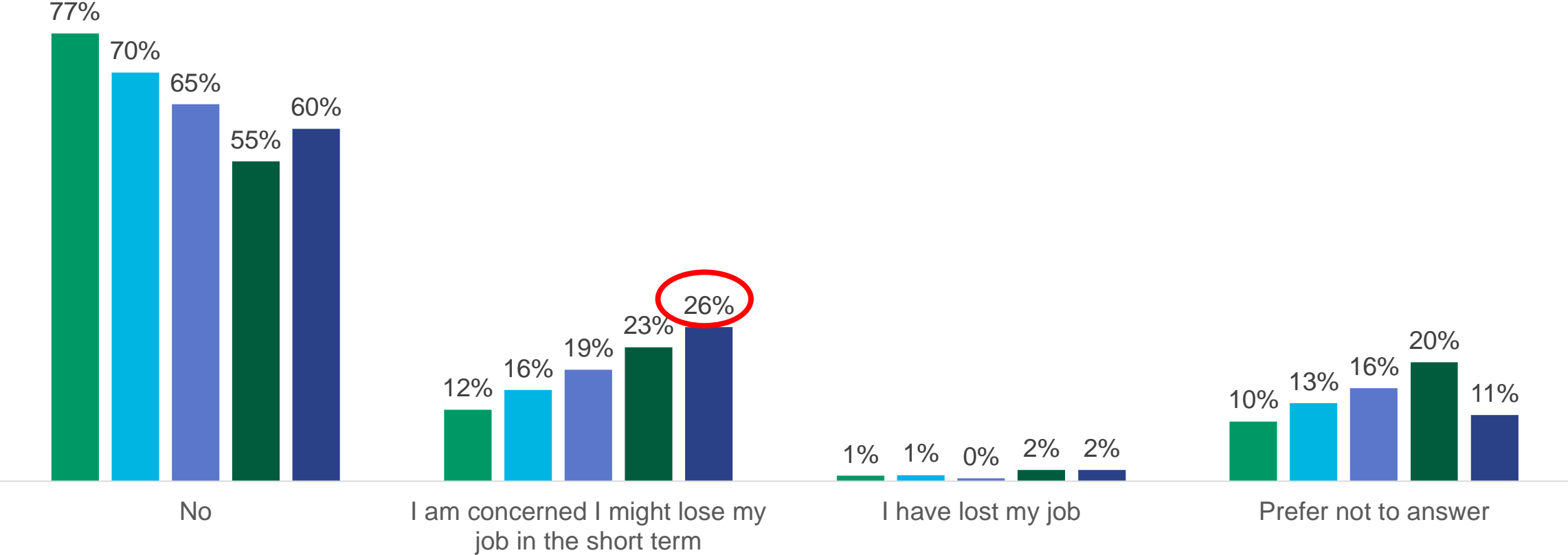
ARE YOU AWARE OF YOUR FIRM MAKING SIGNIFICANT CHANGES TO ITS HIRING PLAN BECAUSE OF THE CRISIS?



Note: Excludes "Don't know"

ABOUT YOUR EMPLOYMENT SITUATION, IS THE CRISIS AFFECTING YOUR JOB?

■ GLOBAL ■ APAC ■ INDIA ■ SINGAPORE ■ PAKISTAN



POLLING QUESTION 4

Have your firms made any changes to their staff levels?

- A. Yes, headcounts have been reduced by more than 20%
- B. Yes, headcounts have been reduced by less than 20%
- C. No, there are no changes in headcounts
- D. No, my firm has been hiring

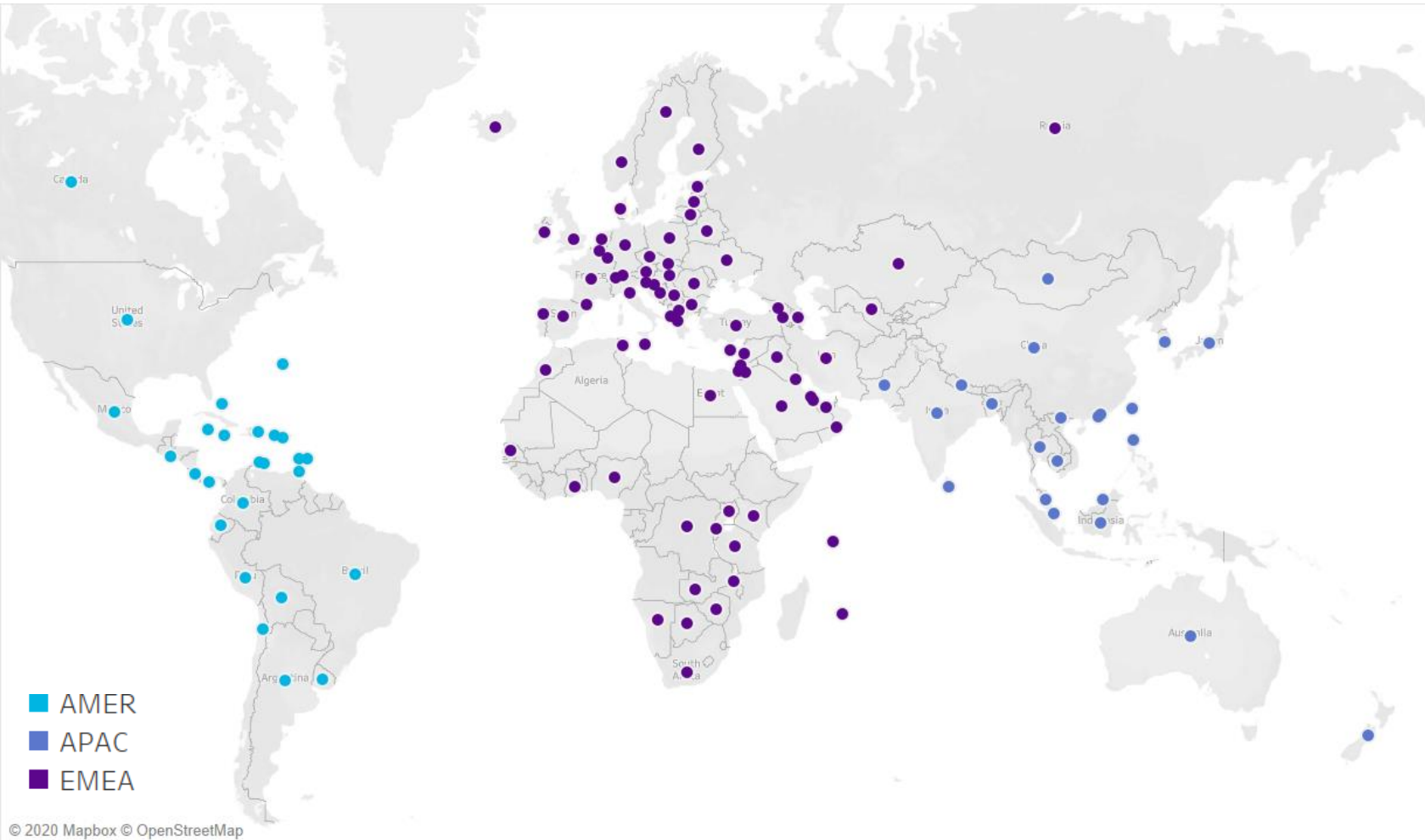
OTHER DISCUSSION POINTS

- Observations in market liquidity
 - Developed versus emerging markets
 - Equities versus bonds
- Shape of the economic recovery
- Reasons for asset mispricing
- Future of the industry: attitude toward acceleration of operations automation
- Government and/or regulatory interventions

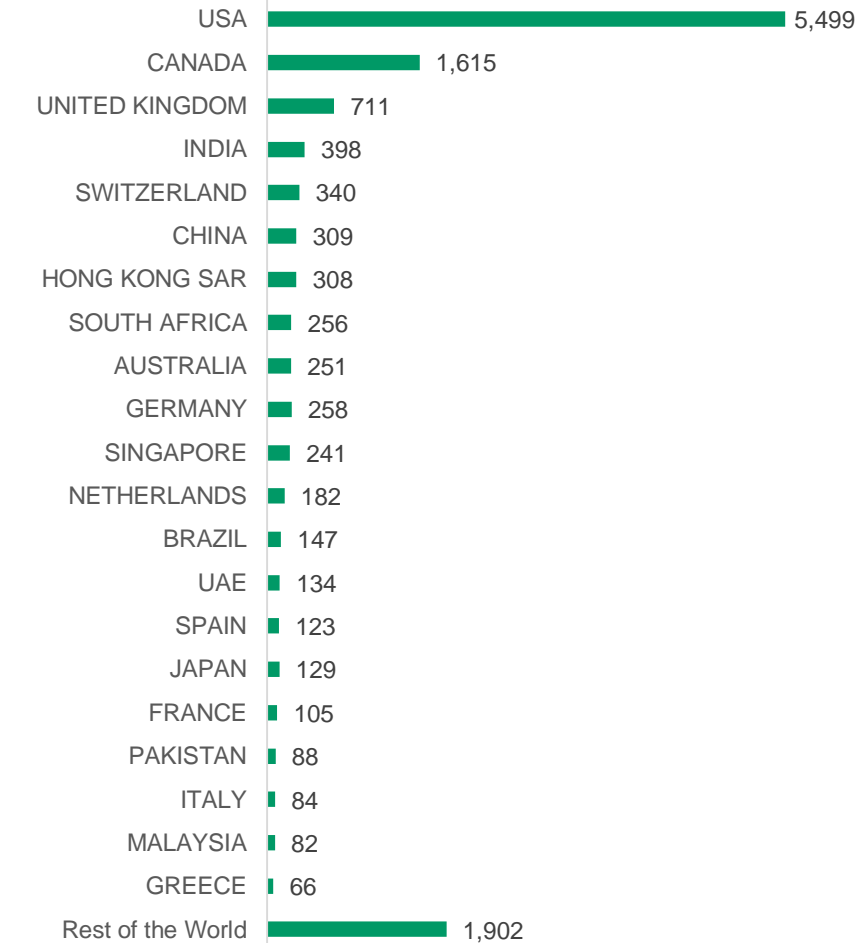
A nighttime cityscape featuring a multi-lane highway with light trails from traffic. On the left, a modern building with a curved glass facade is visible. In the background, there are various city buildings, including a large white structure and a tall building with a green light. A green banner with white text is overlaid on the top left.

APPENDIX A: RESPONDENT DEMOGRAPHICS

RESPONDENT DISTRIBUTION

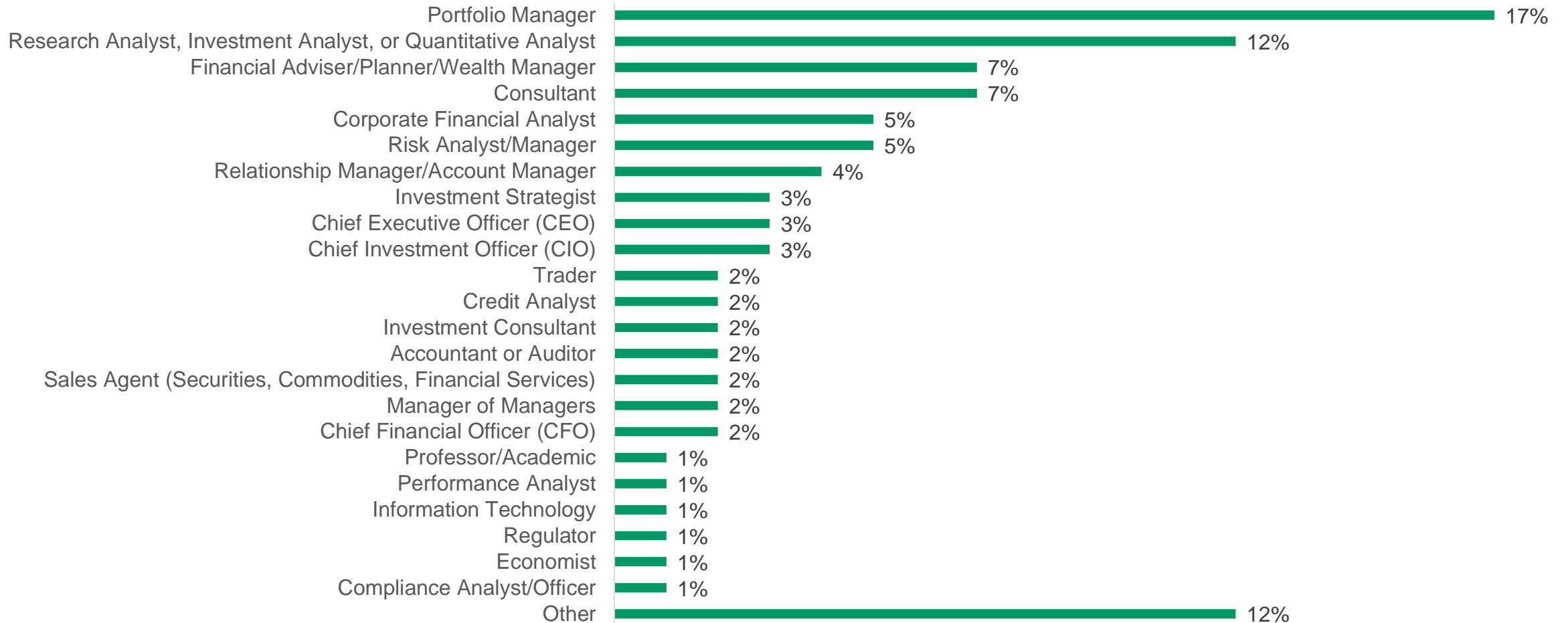


RESPONSES BY MARKET*

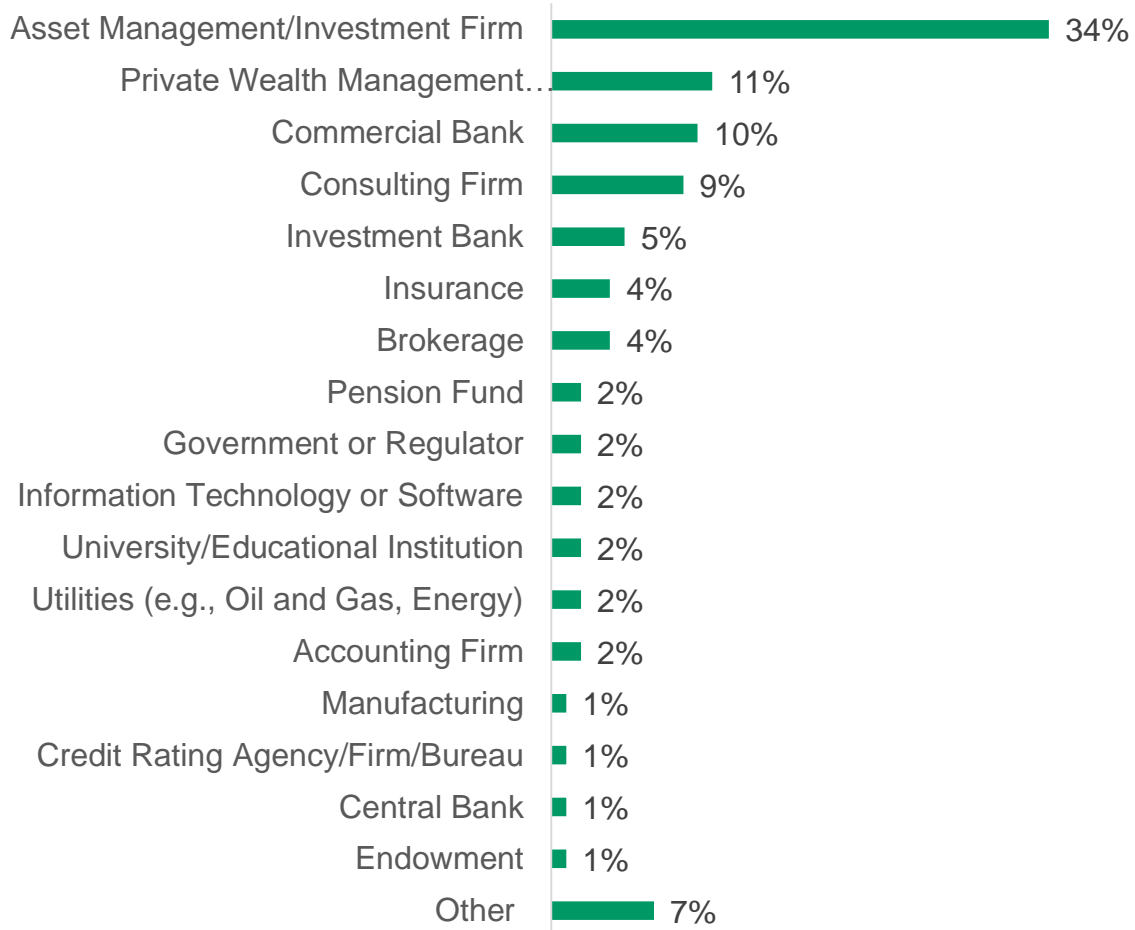


*Only displaying markets which had a Margin of Error (MOE) of $\pm 10\%$

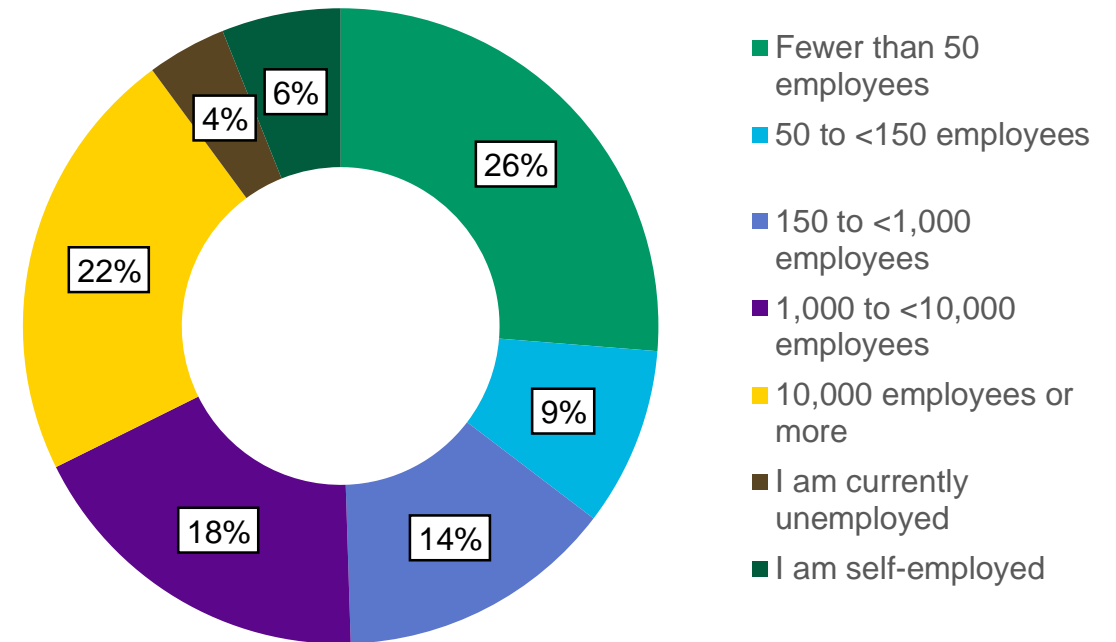
OCCUPATION



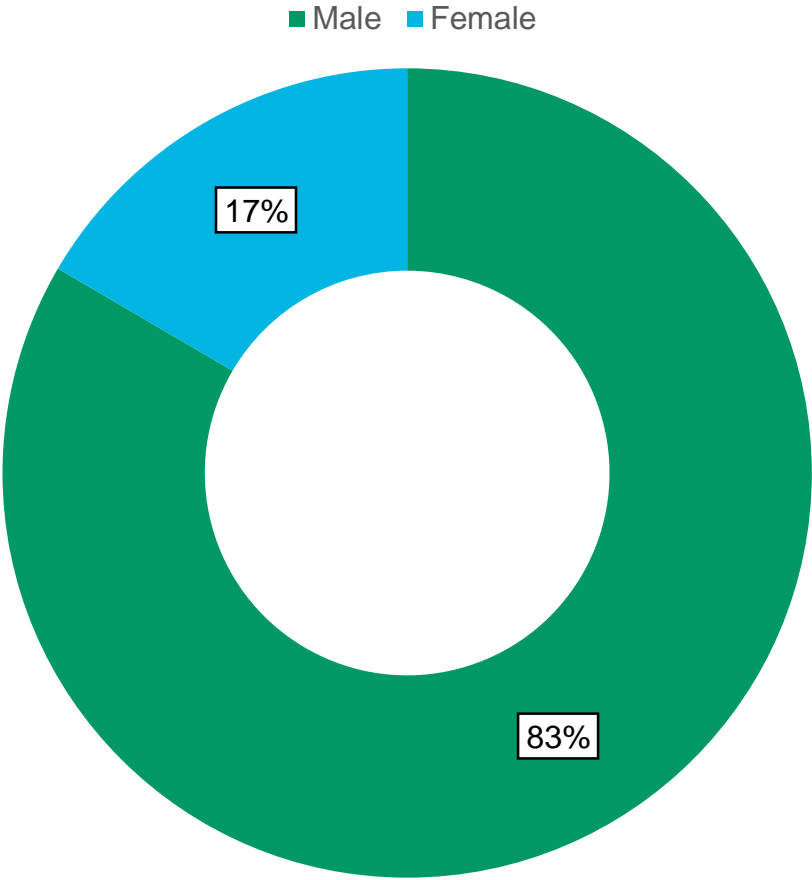
FIRM TYPE



FIRM SIZE



GENDER



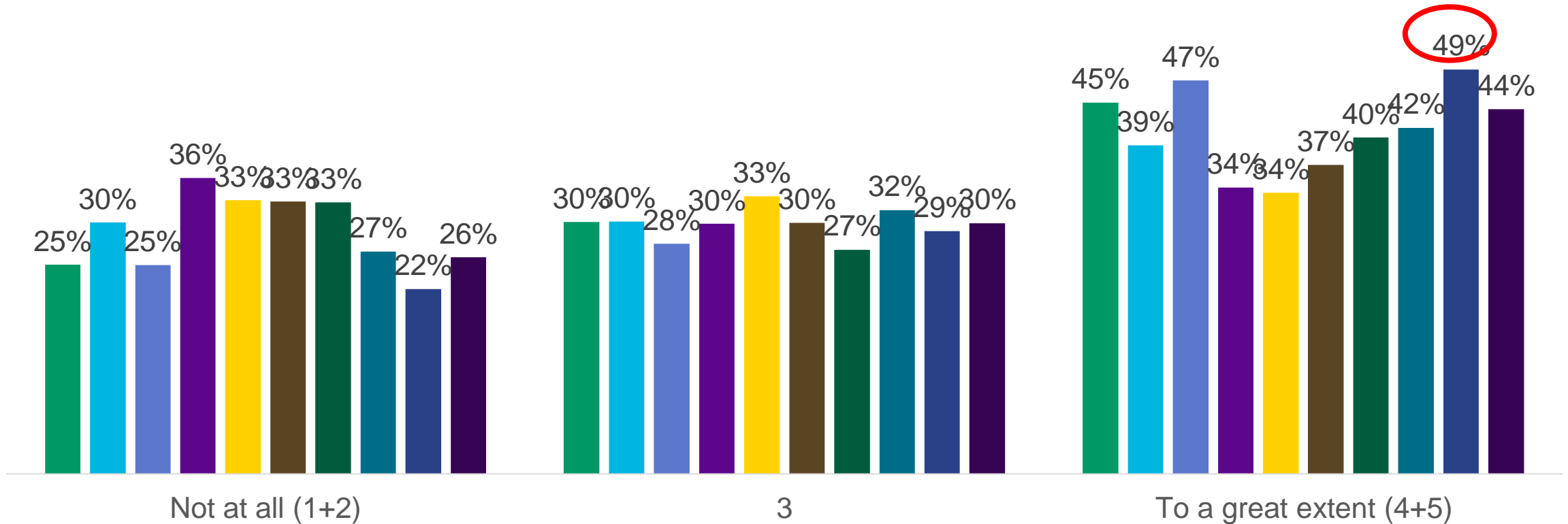


APPENDIX B: OTHER THEMES



TO WHAT EXTENT ARE "CIRCUIT BREAKER" RULES SUCH AS HALTING TRADING IN PRE-DETERMINED VOLATILITY CONDITIONS FUNCTIONING AS INTENDED AND ENSURING FAIR, EFFICIENT AND ORDERLY MARKETS UNDER CURRENT CONDITIONS?

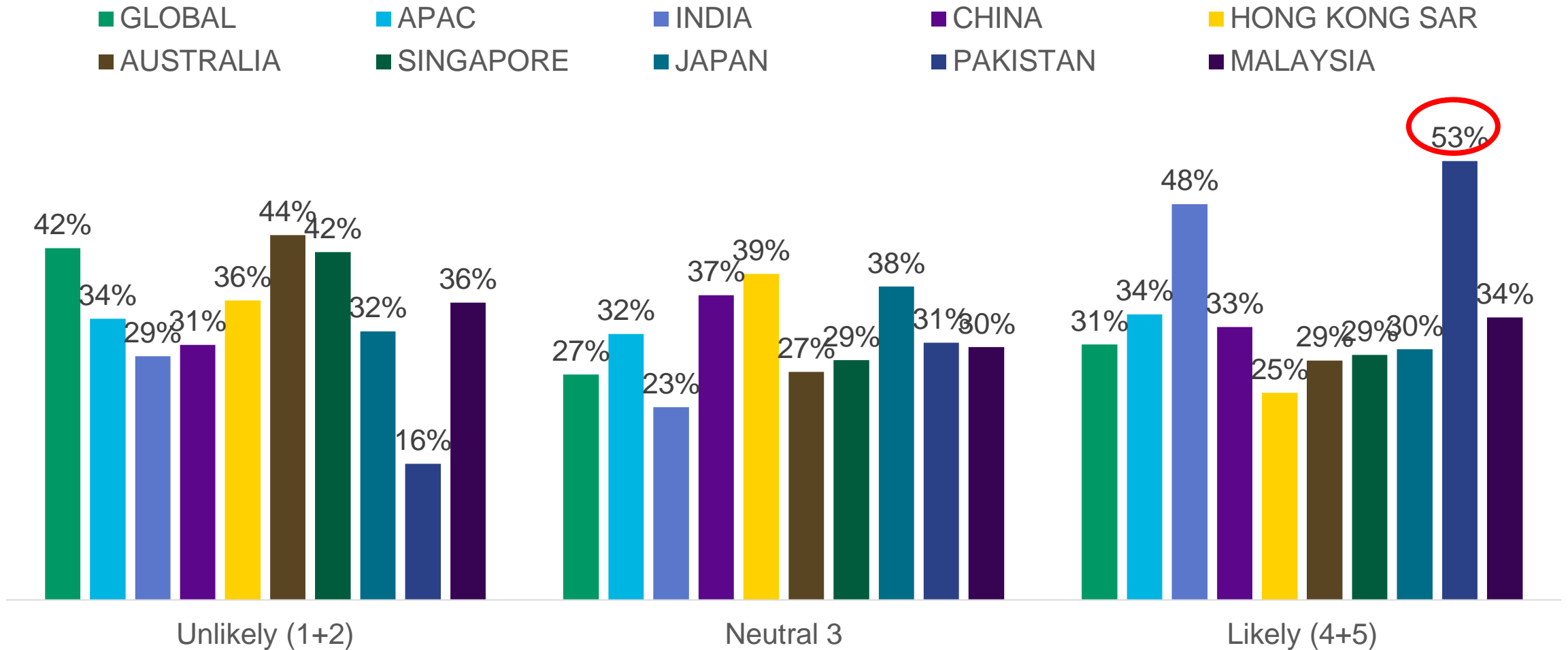
- GLOBAL
- APAC
- INDIA
- CHINA
- HONG KONG SAR
- AUSTRALIA
- SINGAPORE
- JAPAN
- PAKISTAN
- MALAYSIA



Scale: Not at all 1 - To a great extent 5 and don't know

Note: Excludes "Don't know"

HOW LIKELY IS IT THAT THE MARKET IMPACT OF COVID-19 WILL REVERSE THE STEADY SHIFT INTO PASSIVE INVESTMENT VEHICLES FROM ACTIVE INVESTING:



Scale: Very unlikely 1, Somewhat unlikely 2, Neutral 3, Likely 4 and Very likely 5 and Don't know

Note: Excludes "Don't know"