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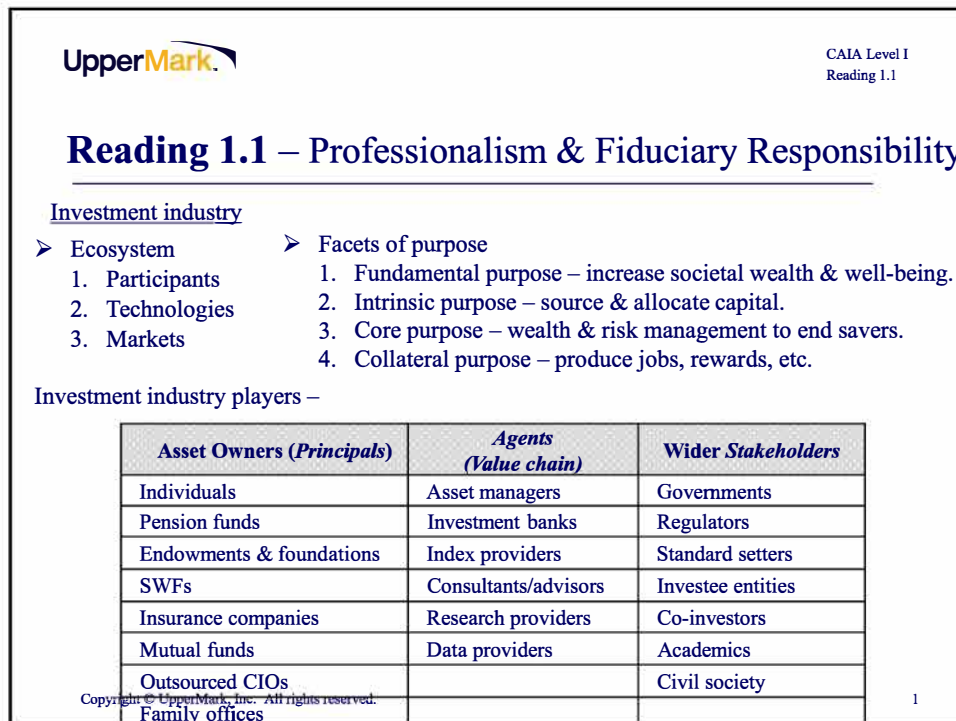
# CAIA™ Level I Final Review

**TOPIC 1**

## CAIA Ethical Principles

- 1.1 Professionalism and Fiduciary Responsibilities
- 1.2 Ethics

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CAIA Level I  
Reading 1.1

## Reading 1.1 – Professionalism & Fiduciary Responsibility

Investment industry

- Ecosystem
  1. Participants
  2. Technologies
  3. Markets
- Facets of purpose
  1. Fundamental purpose – increase societal wealth & well-being.
  2. Intrinsic purpose – source & allocate capital.
  3. Core purpose – wealth & risk management to end savers.
  4. Collateral purpose – produce jobs, rewards, etc.

Investment industry players –

Asset Owners ( <i>Principals</i> )	<i>Agents</i> ( <i>Value chain</i> )	<i>Wider Stakeholders</i>
Individuals	Asset managers	Governments
Pension funds	Investment banks	Regulators
Endowments & foundations	Index providers	Standard setters
SWFs	Consultants/advisors	Investee entities
Insurance companies	Research providers	Co-investors
Mutual funds	Data providers	Academics
Outsourced CIOs		Civil society
Family offices		

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## Qualifying Traits of Asset Owner/Allocator

- Traits –
  1. Work for beneficiaries (or savers or investors) as manager of assets in fiduciary capacity under delegated responsibility.
  2. Work with sponsoring entity.
  3. Work within law & have implicit societal license to operate.
  4. Deliver mission-specific outcomes to beneficiaries & stakeholders.
  5. Use business models that combine governance budget & risk budget.
- Pension funds – largest group of qualifying asset owners.

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## Value Creation in the Investment Industry

- Industry's two key activities –
  1. Wealth & risk management (most significant) – build portfolios & manage risk (mostly point-in-time) with focus on relative risk.
  2. Stewardship – engage with management.
- ⇒ Higher value creation score for #1 than for allocating capital.
  - Better score if risk management is on through-time & absolute risk.
- Organizations share client-first mission; contribute in unique ways.
  - Purpose reflects 3 factors: passion, competencies, and success of profit & performance drivers.
- **Sustainability** meets present needs without compromising future generations' needs.
- Financial & broader goals may overlap ⇒ 2 ways to create value –
  1. Financial: investing for sustainability can lead to improved financial outcome.
  2. Impact: value creation that investment strategy generates on real-world issues.

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