



Necessary but not sufficient



When I started my investment career more than 2½ decades ago, I could not even spell chartered financial analyst (CFA); a few years later, I was one myself.

I still have fond memories of those days at Old Mutual in Pinelands in the mid-1990s: only a few pioneers of the SA asset management industry had managed to obtain the CFA qualification at that stage. But this changed soon enough: by the turn of the millennium, it seemed like every fresh-faced analyst (including yours truly) had joined the rush to add those coveted three letters to their CV.

Now, this has all changed. According to an article in the Financial Times (FT) last month, there were “only” 125,775 candidates who registered for the first year of the exam in the year to August 2021. This represents a decline of more than 20% compared with the number a couple of years earlier.

I sometimes get asked by friends and acquaintances to impart career advice to their colleague’s nephew or their neighbour’s daughter. Without exception, these are smart kids, straight As, strong personalities, very ambitious. And with a passion for investment.

It’s that last point that I always interrogate: if the candidate can show me a portfolio and a track record (real or notional), I might believe them; winning the stock-picking competition at the local mall is even better. But often these individuals cannot offer anything to illustrate their passion. It turns out that what they really have a passion for is money ... and someone must have told them that an investment career can be a lucrative one.

But not everybody in the industry earns upwards of R100m a year (like Hendrik du Toit does, as was revealed in Ninety One’s most recent annual report). In fact, I believe it is reasonable to expect that, in real terms at least, most investment professionals will make less money in future than their counterparts from yesteryear. Asset management revenues are under pressure as cost-conscious clients (often assisted by gatekeepers) find a voice and negotiate fees downwards.

Ticket to play

In the meantime, expenses are rocketing: with lots of complicated new regulations, the cost of compliance keeps going up. Add to that IT spend, with system after complicated system having to be added to practically every firm’s infrastructure yearly (not to men-

tion an expensive migration to the cloud). The terrible trifecta is completed by markets that have been rolling over (to put it mildly). Expect a profit warning or two from leading industry players if we don’t see a significant and sustained bounce in security prices in the next few months.

Going back to those smart kids looking to join the wonderful world of investments: my advice used to be that they should give the CFA qualification a go – not so much to “set themselves apart” (as practically everyone seems to be doing it), but as a “ticket to play”. Or, as a mathematician might put it, the CFA has become a necessary qualification for an investment career, but far from a sufficient one.

But as the CFA exam statistics illustrate, it turns out that tens of thousands of young professionals around the world have now changed their minds on the value of this qualification. That same FT article links this trend to millennials lacking in endurance, and pushing their employers for protected weekends and guaranteed vacation days as a result.

This may or may not be the case, but I would also suggest that the CFA curriculum is battling to keep pace with a fast-changing investment landscape. According to the smartest industry players I know, decentralised finance is already the next big thing, for example. The CFA materials are yet to add a chapter on the topic, though.

What to focus on, if not the CFA? My updated advice is to get acquainted with coding: being able to use a programming language like Python to automate tasks and conduct data analysis has become the new necessary (but not sufficient) skill for a young professional, in my view.

They used to say that if you fail your final CFA exam, you’re miserable for a year, and if you pass it, you’ll be miserable for the rest of your life. But there’s no such risk if you never enter for the exam in the first place. ✕

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