

Balance the Narrative II

Broadening the Discussion on Active Management
Mutual Fund Directors Forum
February 15, 2022



Today's Speakers



Karen Barr

President & CEO
Investment Adviser Association



Ravi Venkataraman

Senior Managing Director,
Global Head – Investment
Solutions
MFS Investment Management
Chair
Active Managers Council



Simon Hallett

Vice Chairman
Harding Loevner LP
Chair, Research Task Force
Active Managers Council

Investment Adviser Association (IAA)

Leading organization advancing the interests of fiduciary investment advisers, from global asset managers to medium- and small-sized firms

- Advocacy before policymakers on critical issues facing investment advisers and their clients
- Connects investment advisers with latest information, resources, and opportunities to share best practices
- 600+ member firms that collectively manage over \$35 trillion in assets for all types of individual and institutional clients, including registered funds

www.investmentadviser.org

INVESTMENT ADVISER INDUSTRY SNAPSHOT 2021

*EVOLUTION REVOLUTION
REIMAGINED*

INVESTMENT ADVISER INDUSTRY
SNAPSHOT 2021

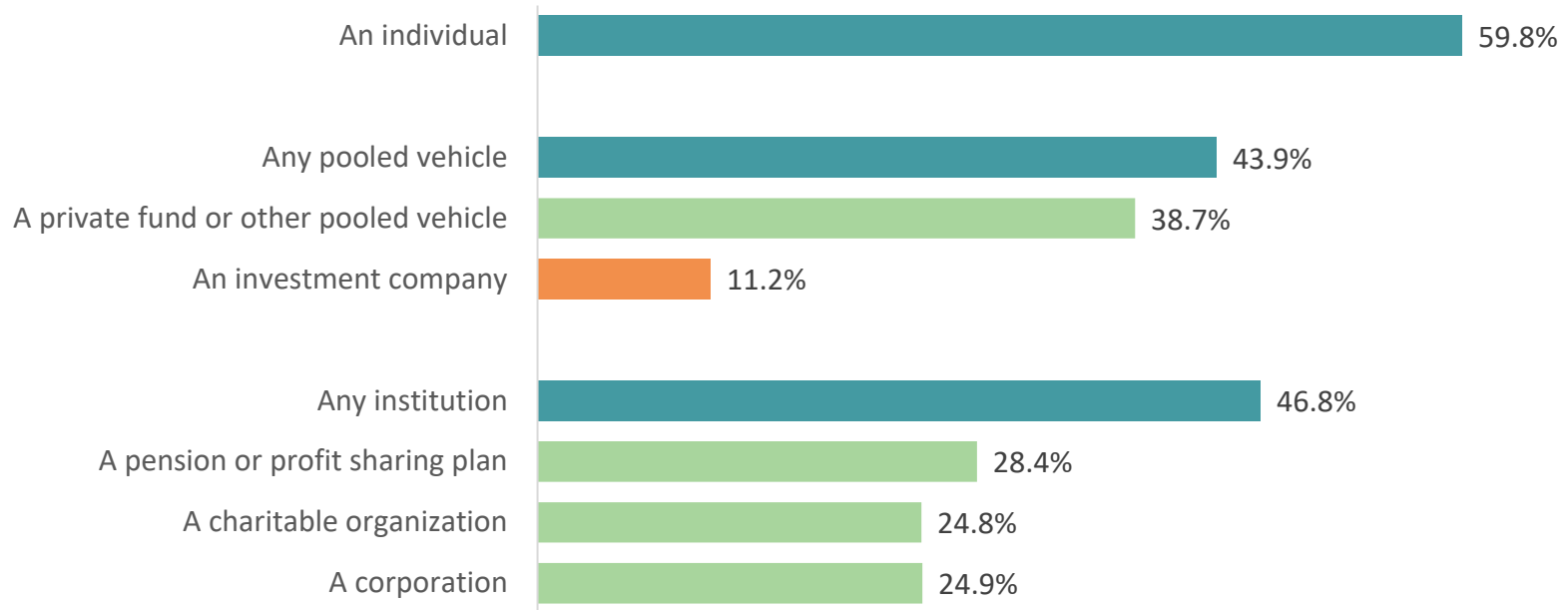
EVOLUTION REVOLUTION REIMAGINED

IAA INVESTMENT ADVISER

NRS

Percentage of Advisers that Have at Least One Client Who Is . . .

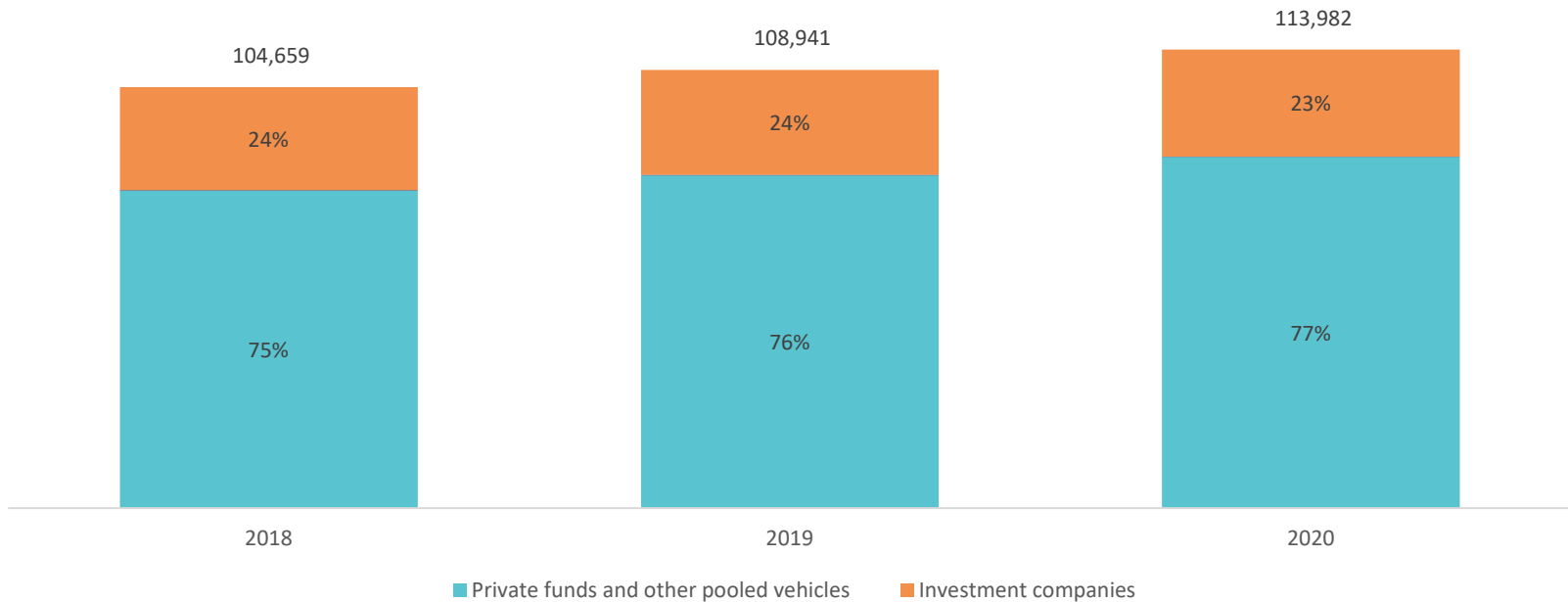
2020



Source: Form ADV Part 1A

Investment Companies Are Less than a Quarter of the Number of Pooled Funds . . .

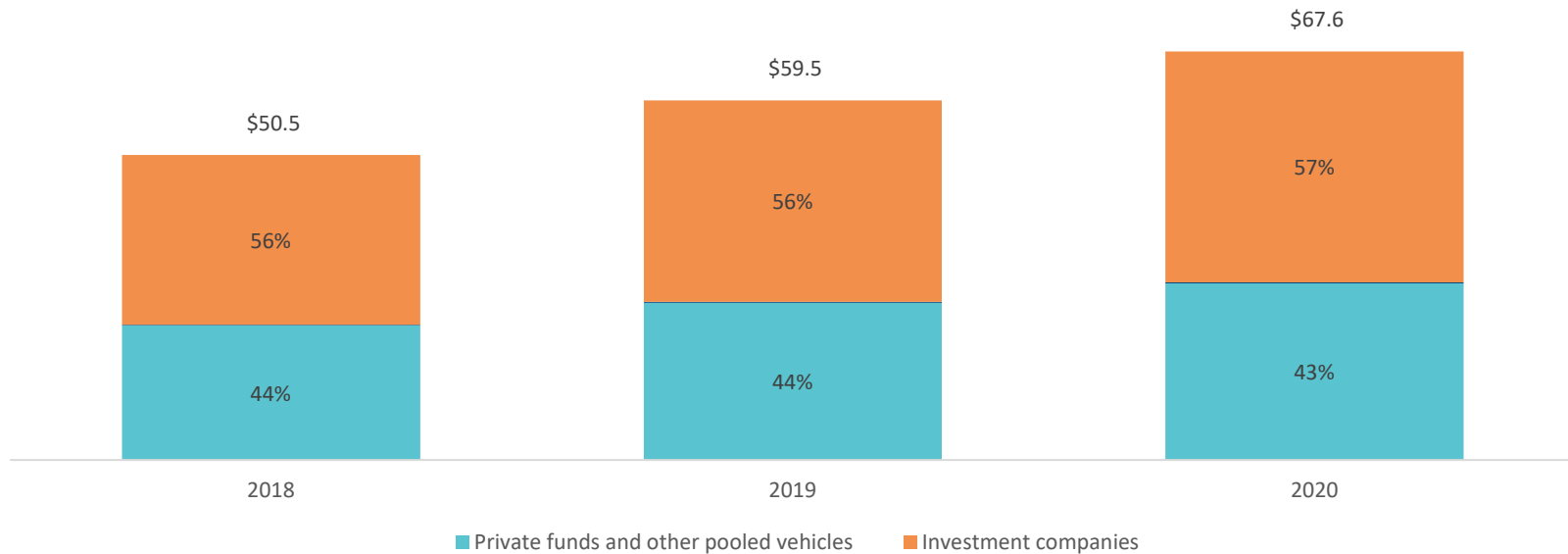
Number of Clients, 2020



Source: Form ADV Part 1A

... But Investment Companies Account for More than Half of Assets in Pooled Funds

Assets, \$ Trillions, 2020



Source: Form ADV Part 1A

Active Managers Council

Launched in 2018 by IAA member firms, the Council is the premier industry voice for active investment management.

Mission:

- Advocate for a more balanced narrative on active and passive management
- Provide education and research about the benefits of active management and its vital importance to the securities market

www.activemanagers.com

Typical Headlines

TRADER TALK

In one of the most volatile markets in decades, active fund managers underperformed again

PUBLISHED MON, NOV 1 2021-7:07 AM EDT UPDATED MON, NOV 1 2021-12:28 PM EDT



Bob Pisani
@BOBPISANI

WATCH LIVE

INVESTING

Active Funds Bleed Assets While Passive ETFs Gain

MAX CHEN NOVEMBER 13, 2017

NEWS 401(k)

Active funds are a potential hazard in 401(k)s, guidebook for sponsors says

S&P 500 Index is More Concentrated than in Years Past



12/31/2001	% Weight
General Electric	3.8%
Microsoft	3.4%
Exxon	2.6%
Citigroup	2.5%
Walmart	2.5%
Top 5 Holdings: Total	14.8%

12/31/2021	% Weight
Apple	6.9%
Microsoft	6.3%
Google	4.2%
Amazon	3.6%
Tesla	2.1%
Top 5 Holdings: Total	23.0%

Source: FactSet Portfolio Analysis. LHS – Monthly data from 31 January 2000 to 31 December 2021.

The information included above as well as individual companies and/or securities mentioned should not be construed as investment advice, a recommendation to buy or sell or an indication of trading intent on behalf of any MFS product.

Top holdings today are more homogeneous and more correlated

Recent Commentary

Pensions & Investments

INDUSTRY VOICES

December 29, 2021

Commentary: “Do no harm” is not nearly enough

By Karen Barr

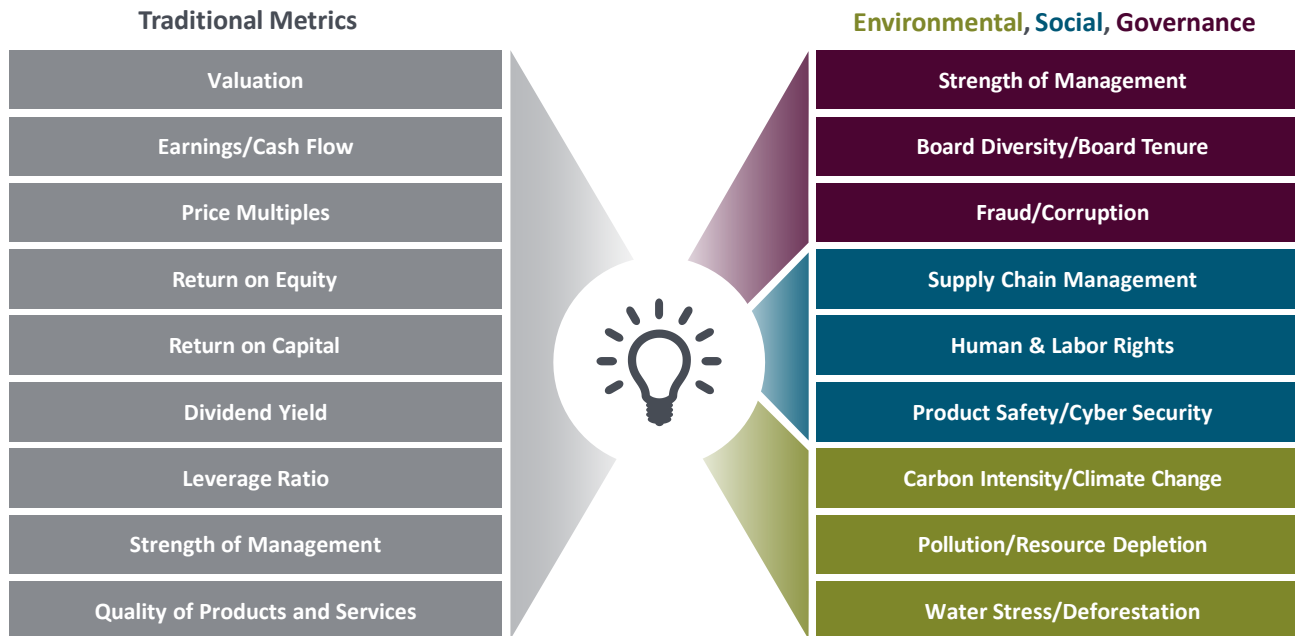
Regulatory Landscape

Advocacy for a level playing field:

- Build Back Better Act: Original version limited investment choice
- Department of Labor rule proposals on ESG: Original version contained misstatements about active management and fostered false dichotomy
- Hart-Scott-Rodino rulemaking: Proposed disparate treatment for actively managed funds

Fundamental Research

ESG information is fundamental data





A case study on shifting the performance evaluation mindset
On Board With a Long-Term View

October 2019

Time Horizon

Authors



Carol W. Geremia
President



Robin A. Stelmach
Vice Chair

Exhibit 4: Sample equity funds report

Before (July 31, 2016)

Sorted on 3-year with 3-year highlighted

Fund/Benchmark name	Annualized total return [^]				Percentile ranking [^]				Total net assets (Mil)	Fund manager	Mgr. start date
	YTD	1 year	3 year	5 year	YTD	1 year	3 year	5 year			

After (July 31, 2018)

Sorted on 5-year with 5-year highlighted

Fund/Benchmark name	Annualized total return [^] A share class at NAV (IC for VIT)				Percentile ranking [^] A share class at NAV (IC for VIT)				Excess return I share class (IC for VIT)				Total net assets (M)	
	10 year	5 year	3 year	1 year	10 year	5 year	3 year	1 year	10 year	5 year	3 year	1 year		

	Lipper rankings				Excess return
	10 year	5 year	3 year	1 year	Excess return
Funds with Lipper rankings at or better than	40th	30th	20th	20th	Greater than 2.5%
Funds with Lipper rankings at or worse than	60th	70th	80th	80th	Less than -2.5%

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Time Horizon

Authors



Carol W. Geremia
President



Robin A. Stelmach
Vice Chair

Exhibit 5: Rolling performance results, as of 12/31/18

Date range from 12/31/98 to 12/31/18

Ten years	Positive	Negative	Total
% Periods – Benchmark	%	%	
% of Periods – Outperformance	%	%	
Average Relative Performance (excess return)			%
Contribution to Alpha			

Five years	Positive	Negative	Total
% Periods – Benchmark	%	%	
% of Periods – Outperformance	%	%	
Average Relative Performance (excess return)			%
Contribution to Alpha			

Three years	Positive	Negative	Total
% Periods – Benchmark	%	%	
% of Periods – Outperformance	%	%	
Average Relative Performance (excess return)			%
Contribution to Alpha			

One year	Positive	Negative	Total
% Periods – Benchmark	%	%	
% of Periods – Outperformance	%	%	
Average Relative Performance (excess return)			%
Contribution to Alpha			

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Active Management and the Markets



All investors, both active and passive –
as well as the real economy –
benefit from the efforts and
cost expenditures of active managers.

“Active Investment and the Efficiency of Security Markets”

Russ Wermers

Journal of Investment Management 19 (1)

January 2021

Winner of the 2022 Harry M. Markowitz Special Distinction Award

Questions?

Contact Karen Barr
President & CEO
Investment Adviser Association
Karen.Barr@investmentadviser.org

A summary of many of the topics discussed today is available in the Council's publication, *A More Balanced Narrative: Broadening the Discussion on Active Management*.



Karen L. Barr

*President and Chief Executive Officer
Investment Adviser Association*

Karen Barr is President and Chief Executive Officer of the Investment Adviser Association, the leading association representing the interests of investment adviser firms. The IAA serves as the voice of the investment management community on key policy issues before Congress, the SEC, DOL, and other policymakers, and connects investment advisers with information, resources, and opportunities to share best practices. The IAA's members manage more than \$35 trillion in assets for individual and institutional clients. Before assuming the role of President & CEO in 2014, Ms. Barr served as the IAA's General Counsel for 17 years, with responsibility for the wide range of legal and regulatory matters affecting the Association and its members.

Prior to joining the Investment Adviser Association, Ms. Barr was in private practice at Wilmer, Cutler & Pickering (now WilmerHale), where she represented clients in SEC investigations, securities class action litigation, internal corporate investigations, and securities regulatory matters. Ms. Barr received her B.A. from the University of Pennsylvania and her J.D. from the University of Michigan Law School.

Simon Hallett, CFA
Vice Chairman
Harding Loevner LP

Simon Hallett, CFA, is Vice Chairman of Harding Loevner LP, a Partner of the firm, and a member of the Executive Committee, where he advises on strategic matters for the firm. Hallett also contributes actively to Harding Loevner and our clients by engaging in thought leadership activities and communicating to audiences on vital investment questions. Hallett has over 40 years of investment experience including managing global portfolios for individuals and institutions and, as Harding Loevner's former CIO, overseeing investment teams and risk management. He began his career in 1979 in the investment management department of London-based Buckmaster and Moore before moving to Hong Kong in 1981 to concentrate on Asian markets. In 1984, Hallett joined Jardine Fleming Investment Management where he ultimately directed a team of portfolio managers investing in the markets of Southeast and North Asia. Hallett joined Harding Loevner in 1991 and was a PM for the International Equity strategy from 1991 to 2011 and for the Emerging Markets Equity strategy from 1998 to 2013. He served as Chief Investment Officer (CIO) from 2003 to 2016, and Co-CIO from 2016 to 2021, when he was named Vice Chairman. Hallett is a CFA Charterholder and an honors graduate of Oxford University (1978) with a BA degree in Politics, Philosophy, and Economics.

Ravi Venkataraman

Senior Managing Director, Global Head – Investment Solutions

MFS Investment Management® (MFS®)

Ravi Venkataraman, CFA, is a senior managing director and global head of Investment Solutions for MFS Investment Management® (MFS®). In this role, he leads a global team dedicated to working with clients to develop solutions, asset allocation strategy and portfolio construction, as well as to provide views on capital markets, industry trends and MFS investment platform insights. He is also responsible for MFS' thought leadership efforts globally. He serves on the Global Distribution Management Committee and is chair of the MFS Retirement Investment Committee.

Ravi joined MFS in 2009 as global head of consultant relations and institutional defined contribution. He assumed his current role in 2016. He previously spent 19 years at Mercer, most recently as president and worldwide partner in its US asset management division. Before that, he served as the division's chief investment officer, responsible for asset allocation and manager selection for Mercer funds across all asset classes. In this role, and as regional consulting head before that, he brought solutions and consulting expertise to a broad range of investors. He began his career in the financial services industry in 1990.

Ravi earned a Bachelor of Arts degree in economics from St. Xavier's College and a Master of Arts degree in economics from Tufts University. He holds the Chartered Financial Analyst (CFA) designation. He is the chair of the Steering Committee of the Active Managers Council and was the past chair of Generation Citizen New England.