

FALL 2016

**A MESSAGE FROM PRESIDENT PETER MAHER, CFA**

As the weather turns and the leaves begin to fall, your Society leadership have been busy on a number of fronts. In October, a small contingent of directors attended the CFA Institute's Regional Conference in Miami, where society leaders from across the Americas gathered to share ideas and experiences. The CFA Institute communicated some developments of its own, such as the re-branding of the Claritas certificate program as the CFA Institute Investment Foundations.

The CFA Institute intends to grow participation in the program through reduced fee levels, providing the material free-of-charge and dedicating additional resources to engage with large firms. CFA Institute President Paul Smith reviewed his 3-year plan, which targets the development of future professionals, delivering member value and building market integrity as the key strategies. Be on the look-out for an enhanced CFA Institute Jobline portal and a new member app, among other exciting developments.

Our Women's Advisory Committee (WAC) has been busy in 2016, hosting four events across the region. Women's Advisory Committee University Outreach Coordinator Christy Watkins, CFA has presented to a number of schools in the region, including the University of Delaware and Rutgers University, and interest in the Committee continues to grow. Look for additional events planned in the months to come.

Our event schedule to round out the year is robust as always. We are eagerly anticipating the 8th Annual High Net Worth and Family Wealth Conference on December 1. Also, please do not miss our Holiday Party on December 15. On January 12, Bob Pisani from CNBC returns for the

11th straight year to lead the panel discussion at our Annual Forecast Dinner. And as a reminder to our CFA Candidates, the mock exam will be held on November 19 at the Convention Center. The Society is pleased to announce the addition of a Level III course in January. Please see the CFAP website for registration details.

There are multiple opportunities to get involved with Society initiatives and committees of the Board of Directors. As always I urge you to reach out to the Society's Executive Director, Peter Connors, at [pconnors@cfaphil.org](mailto:pconnors@cfaphil.org) to learn more about how you can make a contribution.

I look forward to a great year for our Society and to seeing familiar and new faces at upcoming events.

Sincerely,  
Peter T. Maher, CFA  
President

**CFA Society of Philadelphia****Mission Statement:**

- To lead a preeminent community of investment and finance professionals who promote the highest standards of ethics, education and professional excellence.

**Vision Statement:**

We aspire to be a Society that:

- serves our members and other financial professionals who seek education, knowledge, professional development, connection and inspiration; sets the standard among Philadelphia-area investment and financial professionals on the topics of ethics and excellence of practice

**VOLUNTEER OF THE QUARTER: FLOYD SIMPSON****1. Please describe your personal and professional background.**

I came to Philadelphia four years ago from Chicago to pursue an opportunity as a Manager Research Analyst with FIS Group. FIS is a \$4.5 billion long only equity fund of funds based in Philadelphia. At FIS we concentrate on the smaller entrepreneurial managers, so I would describe my job as a healthy mix of equity analysis with a dash of venture capital. Before that I worked 10 years for Northern Trust doing various roles within the organization.

When I'm not at work I enjoy traveling, reading, watching sports, and exploring.

**2. What was your motivation for volunteering?**

Since moving to Philadelphia, finding organizations that I would like to participate with have been hard. The CFA Philadelphia Society allows me to help others, while doing something I am passionate about. From a young age I was taught that wherever I am in the world I should always participate within my community and the Society allows me to do that.

**3. Can you provide some details on your volunteer activities?**

I have had the privilege to participate in the financial literacy programs at two of the schools in Philadelphia, along with helping with the annual dinner and foundation and endowment conference. Through these experiences I have been able to meet other Society members and learn more about Philadelphia.

**4. How has volunteering been a rewarding experience?**

The most rewarding experience has been going into the classroom and helping young men and women understand how their daily decisions can have a positive/negative impact on their future circumstances. My high school never had any type of financial literacy program, so I feel fortunate to be able to inform others, while learning from other volunteers.

## VOLUNTEER OF THE QUARTER BIOGRAPHY

### Floyd R. Simpson, III, CFP®, CFA®

Manager Research Analyst, Growth Strategies



Floyd Simpson joined FIS Group in September of 2012 as a Manager Research Analyst, and possesses more than a decade of investment management experience. Prior to joining FIS, Floyd worked with Northern Trust where he spent 10 years in various investment and client servicing positions across their main business units. In his most recent role, Associate Relationship Manager with Northern Trust Investments, he provided investment advice and strategic solutions to institutional clients. Prior to that, he was an Analyst within the Wealth Management Consulting Group, where he provided in-depth performance analysis and manager commentary for Northern Trust clients.

Floyd earned his MBA from DePaul University with a dual concentration in Financial Analysis and Strategy, Execution, and Valuation along with BA in Business Administration from Truman State University. He is a Chartered Financial Analyst (member of both Philadelphia and Chicago societies) and a Certified Financial Planner. Currently he serves as the Secretary for NASP Philadelphia and is on the Truman State University Foundation Board as an Investment Committee member.

**70<sup>TH</sup> CFA INSTITUTE ANNUAL CONFERENCE**  
Sharpen Your Investment Edge

21-24 May 2017  
Philadelphia, Pennsylvania, USA  
Hosted with CFA Society Philadelphia

Members use code **Society17** for best possible rate when you register before **3 March 2017**.

#CFAedge

## NEW MEMBERS

### Welcome New Members!

The following individuals joined the Society during the quarter:

Aaron Eunho Choi  
Adam Michael Newman  
Alexis Page Keister  
Andrew Giannone  
Andrew Norman Davis  
Andrew William Gibbs  
Anthony Dale Blair  
Arthur John Patten  
Bharath Srisailam Natteri  
Bradley Alan Wallick  
Brett Brooks Dutton  
Brian Edward Albers  
Brian Levy  
Carrie Ruth Biemer  
Chad Michael Sheaffer  
Charles Otto Posnecker IV  
Chen He  
Christine Davy Kim  
Christopher Ballard  
Christopher James Rachfal  
Christopher Krumenacker Jr.  
Christopher Williams Daniels  
Christos Tasopoulos  
Chunfang Zhao  
David Hunter Reed  
Dean Michael Joseph Jr.  
Douglas Ryan Allcorn  
Emily Luke Bless  
Erica Michelle Lisses  
Erich William Yost  
Erin Catherine Kelly  
Feng Suey Chen  
Gabriel David White  
Gary A. Reneau  
Gary Huber

Gregory Joseph Martell Jr.  
Haren Sentil Nayagan  
Henry Riley  
Isaac Esseku  
Jacob Daniel Summers  
James Balsamo  
Jennifer Lynn DiCandilo  
Jeremy Frank Chism  
Jesse David Chandler  
Jiaxi Chen  
Joseph Thomas Koebele  
Kamil Abdulayev  
Karleen Carlson Strayer  
Kase Edward Kinney  
Katherine Lamb Kellert  
Kenneth Jay Narzikul  
Kevin Boylan  
Kevin Paul Urban  
Luyao Li  
Mangove Brian Kudakwashe Vikayi  
Mark J Swartley  
Matthew A Paul  
Matthew John Callaghan  
Matthew O'Neill  
Matthew Robert Sheridan  
Matthew Tyler Brennan  
Maxine Allison Cuffe  
Maxwell Pomeroy Young  
Michael Edward Masterson  
Michael James Douglas  
Michael Montanez  
Michael R. Reese  
Michael Thomas Chance,  
Olga Victorovna Palermo  
Patrick Early

Patrick Joseph McCafferty  
Paul Alan Shaffer  
Penghui Sun  
Peter Kwasi Bawuah  
Priyal Vora  
Rahul Garg  
Ravi B Shah  
Reginald Amoa  
Robert Erik Immendorf  
Robert Ian Hoffman  
Robert James Cronin  
Runyu Ding, CFA  
Ryan Joseph Notvest  
Ryan Marcante  
Sankara Narayanan Lakshminarayanan  
Scott Edward Geiger  
Shuang Cao  
Simone Joseph Kurzum  
Stephen Andrew Myers  
Stephen Charles Mcloughlin  
Stephen Ralph Lombardelli  
Steven M. MacNamara, CFA  
Sung Jee Choa  
Tara Carin Talone  
Thomas Charles Tadley Jr.  
Timothy Edwin Smeltzer  
Tolga Guceri  
Travis Kelly Mahoney  
Wenqian Huang  
Xin Yu  
Yu Chen  
Yu Ming Hu  
Zhifeng Wang

## CFAP CHARTER AWARDS CEREMONY

On November 10, New Charterholders, Charter Pending Candidates and their loved ones took part in CFAP's Charter Awards Ceremony. The ceremony and dinner are designed to honor newly minted CFA Charterholders and Charter Pending Candidates for the tremendous effort in pursuing the CFA Charter. Fifty-one new Charterholders were honored at the dinner, and nine Candidates who passed Level III were also recognized. Charterholders also received a mini-charter at the ceremony. Congratulations to the New Charterholders and Charter Pending Candidates!

*(New Charterholders pose for a group photo at the Awards Dinner)*



CFA Institute

**YOU PUT INVESTORS FIRST. WE PUT YOU FIRST.**

**RENEW YOUR MEMBERSHIP**

## ECONOMIC UPDATE

Real gross domestic product increased at an annual rate of 2.9 percent in the third quarter of 2016, according to the “advance” estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 1.4 percent.

The third quarter of 2016 ended with a September unemployment rate of 5.0% which was 0.1% increase from the prior month. The unemployment rate for June 2016 was 4.8%. Total nonfarm payroll employment rose by 156,000 in September with increases seen in professional and business services as well as health care. The participation rate increased to 62.9% in September from the June 2016 rate of 62.7%.

U.S. existing home sales more than rose in September 2016 up 3.2% to an annual rate of 5.47 million in September from a downwardly revised 5.30 million in August 2016. However, sales fell 1.8% from the June 2016 rate of 5.57 million homes. Sales were up 0.6% from a year ago. The primary reasons given for the increase were a greater percentage of first time buyers and buyers eager to close prior to the new school year.

According to Freddie Mac, the average 30-year mortgage rate for September was 3.46%. The rate experienced a 9 bps decrease from June 2016. The September 2016 rate was 43 bps lower than the rate of 3.89% at the same time last year.

The Consumer Confidence Index continued to rally in September to 104.1 up from a reading of 101.8 in August 2016 and 98.0 in June 2016. The September reading represents the highest level since the recent recession. The Conference Board noted that “consumers are more upbeat about the short-term employment outlook, but somewhat neutral about business conditions and income prospects.”

After raising the target range (December 2015) for the federal funds rate by 0.25% and then keeping the target range at 0.25 to 0.50% through the first half of 2016, the FED announced in September that they would remain on hold in order to support “further improvement in labor market conditions and a return to 2 percent inflation.” The FED

noted “the committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives”.

The markets repeated the second quarter volatility, but again ended up for the third quarter of 2016. The temporary swoon late in the second quarter was primarily attributed to the “Brexit” vote in the UK. The S&P 500 continued to outperform the Dow with gains of 3.85% and 2.78%, respectively. Year to date, the S&P 500 was up 7.84% (2168.27) while the Dow was up a greater 7.21% (18,308.15). The NASDAQ Composite, after showing losses for the first half of 2016, experienced a gain and was up 9.37% for the quarter. For the first nine months of 2016 the index was up by 6.08%. Of the 9 sectors represented in the S&P, 7 sectors saw positive performance for the quarter, as measured by the SPDR sector ETFs. The best performing sector was Technology (10.60%), followed by Financials (4.74%), Industrials (4.79%), Energy (4.1%), Materials (3.57%), Consumer Discretionary (2.91%) and Health Care (0.88%). Underperforming sectors included Utilities (-5.94%) and Consumer Staples (-2.89%).

In Fixed Income, the Barclays U.S. Aggregate Bond Index continued to rally, but at a slower rate, through the third quarter ending up 0.46% after finishing up 2.21% for the second quarter of 2016. Through the first nine months of 2016, the index is up 5.70%. While longer term Treasury rates rose, the long end of the yield curve continued to flatten as U.S. Treasury yields increased with the 10-year note increasing by about 20 basis points while the 30-year bond increased by 2 basis points, ending the quarter at 1.60% and 2.32%, respectively. Inflation pressures decreased in the third quarter, reflected in gold futures prices experiencing losses from the prior quarter of about \$8.59 with a September 30 closing price of about \$1313.30 per ounce. Oil prices declined slightly through the quarter, decreasing \$0.55/bbl to end the third quarter at about \$47.72/bbl.

The WSJ Dollar Index remained relatively flat through the third quarter, decreasing by about 0.46 to 86.37.

## UPCOMING EVENTS

### Special Event: 8th Annual High Net Worth and Family Wealth Conference

12/1/2016

8:30 AM - 5:00 PM

The Hub at Cira Center  
(adjacent to 30th Street Station)  
2929 Arch Street  
Philadelphia PA

The CFA Society of Philadelphia (CFAP) will host its yearly program focused on private wealth and high net worth investors. This day-long conference will feature panel discussions and expert speakers from leading wealth advisors, trust and estate planners, asset managers and a host of experts in behavioral finance disciplines.

The conference will address many of the pressing issues facing wealth investors, including:

- Issues surrounding family philanthropy;
- The emotional investor: financial psychology for wealth advisors;
- How advisors can do a better job for women clients;
- Implications of direct investment by HNW families.

The conference includes breakfast, lunch, morning/ afternoon coffee breaks, and a networking reception.

The conference agenda will be available soon.

Interested in conference sponsorship opportunities? Click [here](#) to view the conference sponsor sheet with sponsor levels and corresponding benefits.

Thank you to this year's conference sponsors:

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**HARTFORDFUNDS**

Our benchmark is the investor.<sup>™</sup>

**OIC** The Options Industry Council



**WILMINGTON TRUST**

#### Registration:

CFAP Members: \$110.00  
Non-Members: \$220.00  
Candidate: \$110.00

Click [here](#) to register.

### Professional Development Webinar: Deliver Powerful Presentations that get RESULTS!

12/2/2016 12:00 PM - 1:00 PM

Whether presenting to your boss, business prospects, colleagues, or a potential employer, the best presentations share key features. And #1 on the list: they answer the question every audience member has—"how can this help me?" In this webinar, Robert Hellmann, author of PEAK Presentations, will give you the keys to a powerful presentation. He will share client case studies and Hellmann Career Consulting's RESULTS methodology to show you how to:

- Engage an audience from the start, and excite and motivate throughout
- Develop a compelling "story" that will dramatically boost your presentation's impact
- Use visuals the "right" way to boost information retention and interest
- Develop high-impact PowerPoint slides
- Organize your presentation for maximum impact
- Handle audience questions & "challenging" interactions
- Manage Presentation Anxiety

You'll leave this seminar with new techniques you can use immediately to engage and influence your audience, and create a memorable presentation that can boost your career.



**Robert Hellmann** has helped thousands to reach their career goals through his Presentations & Pitches workshops and private career and executive coaching practice. Rob is a certified Five O'Clock Club "Master" career coach, and has also been certified by LinkedIn as a Professional LinkedIn Recruiter; he co-developed the Club's career coaching program, and co-leads new coach training.

Click [here](#) to visit Rob's website.

Rob is a regular contributor at Forbes. His career-related insights have also appeared in The New York Times, the Wall Street Journal, the Washington Post, NBC News, ABC News, and more.

Rob combines his 20 years in corporate marketing, finance and organizational development roles (JP Morgan Chase, American Express, the Federal Reserve Bank of New York) with his coaching experience to help people market themselves in their careers. He has an MBA in Finance from Fordham University and a BS in Economics/Math from Binghamton University.

**Registration is free of charge.**

Click [here](#) to register.

### Financial and Valuation Modeling Boot Camp

12/9/2016 8:00 AM - 5:00 PM

Temple University Center City Campus  
1515 Market Street  
Philadelphia, PA 19102

- Learn Financial Statement Modeling, DCF and Excel Modeling Best Practices;
- Bridge the gap between academics and the real world;
- Receive focused, hands-on training by experienced investment bankers;
- Enrollment includes comprehensive training manuals and model templates.

## UPCOMING EVENTS (CONTINUED)

CFAP is pleased to offer, in partnership with Wall Street Prep, one of the investment profession's most popular courses. This goal of this program is to equip busy professionals and students with the financial skills they need on the job.

During this intensive 2-day training, participants will learn financial and valuation modeling in Excel using a hands-on, case-study approach.

Modeling methodologies covered include financial statement modeling, valuation & DCF modeling and trading & transaction comps modeling. Instructors are all practitioners (investment bankers, equity research analysts, etc.) with a passion for teaching and years of directly relevant real-world experience.

### Day 1: Financial Statement Modeling in Excel

Participants develop a model completely from scratch, inputting historical data and assumptions to project out financial statements using step-by-step instruction on selecting, locating, and developing appropriate projection drivers. At completion, participants will have developed a complete and comprehensive three-statement model using various supporting schedules.

### Day 2: Valuation and DCF Modeling

Valuation represents the heart of the investment banking and corporate finance skill set. Before building valuation models, participants will learn the conceptual underpinnings of the valuation framework:

- Enterprise valuation vs. market valuation
- Intrinsic valuation vs. relative valuation
- Participants identify and analyze the elements of the financial statement that are key to the value of an enterprise.
- Treatment of options, preferred stock, minority interests, debt, cash and marketable securities
- An overview to market-based and intrinsic valuation, including comparable company analysis and comparable transaction analysis using appropriate equity and enterprise value multiples (PE, EV/EBITDA, etc.), as well as DCF and LBO valuation.

Modeling exercises will address common pitfalls and the status of changing accounting treatments, and typical adjustments required for arriving at pro forma financial projections.

Wall Street Prep works with CFA societies across North America to provide the highest level of financial training available. Click [here](#) to view more information on Wall Street Prep.

**Registration:** \$1,199.00

Click [here](#) to register

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**Annual Holiday Party**  
**12/15/2016 6:00 PM - 8:00 PM**  
**Racquet Club of Philadelphia**  
**215 South 16th Street**  
**Philadelphia, PA 19102**

Experience the holidays in Center City with the CFA Society. Our venue, The Racquet Club, is a Philadelphia landmark. Its soaring ceilings and club atmosphere make it a great place to relax and meet new colleagues. And it is sure to be decked out for the holiday season!

Refreshments, an assortment of appetizers and desserts will be served.

### Registration:

Members: Free

Non-Member: \$25.00

Click [here](#) to register.

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**Special Event: Annual Forecast Dinner**  
**1/12/2017 5:00 PM - 8:00 PM**  
**Sheraton Philadelphia Downtown Hotel**  
**201 North 17th Street**  
**Philadelphia, Pennsylvania**

The CFA Society of Philadelphia will host its 13th Annual Forecast Dinner from 5:00 PM to 8:00 PM. Join us to hear our panelists offer their thoughts on the financial markets and on the economy for the year ahead.

This year's Forecast Dinner will be held at the Sheraton Philadelphia Downtown, conveniently located at 17th and Race Streets in Center City. The Sheraton boasts one of the largest ballrooms in the city, and has on-site self-parking and valet service available.



**Bob Pisani**, CNBC "On-Air Stocks" Editor, will moderate the panel. A CNBC reporter since 1990, Bob Pisani has reported on Wall Street and the stock market from the floor of the New York Stock Exchange for more than a decade. Bob covered the real estate market for CNBC from 1990-1995, then moved on to cover corporate management issues before moving to the New York Stock Exchange in

1997.

We are excited to have the following panelists for this year's Forecast Dinner:

**Ted Aronson, CFA**  
**Founder, AJO**



In 1984, Ted Aronson founded AJO, an institutional investment manager with \$27 billion under management. Ted joined Drexel Burnham Lambert in 1974 while still a graduate student. He was a member of the Quantitative Equities Group, which provided innovative practical applications of Modern Portfolio Theory and quantitative portfolio management. This group managed the Revere Fund, the first actively managed fund registered with the SEC to employ Modern Portfolio Theory.

Prior to forming AJO, Ted founded Addison Capital Management. Ted was past chair of the CFA Institute and the Association for Investment Management & Research and is a CFA charterholder. He chaired AIMR's Trade Management Guidelines Task Force. Ted is a trustee of Spelman College and chair of its investment committee. He was a Lecturer in Finance at The Wharton School and is a frequent speaker on Wall Street issues, especially innovations in trading methods to minimize transaction costs including a session at Salomon Brothers' training program. Ted received his MBA and undergraduate degree from the Wharton School of the University of Pennsylvania.

## UPCOMING EVENTS (CONTINUED)

### Richard Bernstein CEO, Richard Bernstein Advisors LLC



Richard Bernstein is the chief executive officer/chief investment officer of Richard Bernstein Advisors LLC.

Mr. Bernstein founded Richard Bernstein Advisors LLC (RBA) in 2009. The firm utilizes a unique top-down approach to investing, focusing on macro trends rather than individual stock selection. RBA, with AUM of approximately \$3.0 billion as of 6/30/16, partners with some of the world's leading financial institutions.

Mr. Bernstein has over 35 years' experience on Wall Street, and was formerly the Chief Investment Strategist at Merrill Lynch & Co. Prior to joining Merrill Lynch in 1988, he held positions at E.F. Hutton and Chase Econometrics/IDC.

A much-noted expert on equity, style and asset allocation, Mr. Bernstein was voted to Institutional Investor magazine's annual "All-America Research Team" eighteen years, and is one of only fifty analysts inducted into the Institutional Investor "Hall of Fame". He was also twice named to both Fortune magazine's "All-Star Analysts" and to Smart Money magazine's "Power 30", and was a member of Registered Rep's "Ten to watch" for 2012. His book "Style Investing: Unique Insight into Equity Management" is widely viewed as the seminal book on style-oriented investment strategies. He donates the profits from that and his other book, "Navigate the Noise: Investing in the New Age of Media and Hype," to charity.

Mr. Bernstein is chair of the Alfred P. Sloan Foundation endowment's Investment Committee (~\$2.0 billion) and sits on the Hamilton College endowment's Investment Committee (~\$900 million); he is a trustee of both institutions. He is also a member of the Journal of Portfolio Management's Advisory Committee, and recently retired from the adjunct faculty of the NYU/Stern Graduate School of Business.

Rich holds an MBA in finance, with Beta Gamma Sigma distinction, from New York University, and a BA in economics from Hamilton College. He has lectured on finance and economics at numerous colleges, universities and professional forums.

### Tobias Levkovich Chief US Equity Strategist Citigroup Global Markets



Tobias M. Levkovich is a managing director and the chief US equity strategist for Citi Investment Research & Analysis and is a member of Citi's Investment Strategy Committee. Among other duties, he is responsible for assessing the direction of the market, setting the firm's investment sector allocations and compiling its Recommended List, a list of specific investments that he expects to appreciate in value.

Prior to assuming his current role in 2001, Mr. Levkovich spent 13 years analyzing the engineering, construction and machinery industries. Mr. Levkovich began his career as an assistant vice-president in the research department of L.F. Rothschild. He holds a bachelor's in commerce from Concordia University in Montreal and attended Boston University's Graduate School of Management.

You can now purchase a table for the dinner on-line! Simply follow the registration link below to reserve your table. Don't have your guest list ready? No problem. You can send your list up to 48 hours before the event. Send to [pconners@cfaphil.org](mailto:pconners@cfaphil.org).

Is your company interested in sponsoring the Forecast Dinner? Click [here](#) for a list of available sponsorships.

#### Registration Fee:

CFAP Members:	\$75.00
Non-Members:	\$90.00
Table of Ten Seats:	\$750.00

Click [here](#) to register.

Thank you to our sponsors of the Annual Forecast Dinner:

#### Prime:

# Delaware Investments<sup>®</sup>

A member of Macquarie Group



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#### Table Sponsors:

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Our benchmark is the investor.<sup>™</sup>

## PAST EVENT AND LUNCHEON SUMMARIES

### Downtown Luncheon: The FBI and the Bernard Madoff Investigation

9/20/2016



On September 20, the CFA Society of Philadelphia hosted Patrick J. Duffy, a Special Agent (SA) with the Federal Bureau of Investigations (FBI), to discuss the fascinating details and the intricate complexities of an investment scandal that cost its victims billions of dollars. SA Duffy walked through some of the key players involved in the scandal, including Frank DiPascali, Bernie's number two man at the firm, Daniel Bonventre, director of operations at Madoff Securities, and two computer programmers, George Perez and Jerome O'Hara, who altered software codes enabling the fraud to go undetected.

During the presentation, SA Duffy described the complex details of how the scheme was set up, outlining how Bernie Madoff created a secret ghost account, which was never reported to investment regulators. SA Duffy provided actual case evidence demonstrating how the majority of trading at the firm was phony and how trade books and other trade confirmations were altered after the fact to show fictitious trade information, including fake trade dates and incorrect prices.

In total, the Bernie Madoff Ponzi Scheme resulted in \$17.5 billion losses to investors and according to SA Duffy, over \$15.0 billion was able to be recovered by the FBI. The trail lasted for 174 days resulting in the convictions of five defendants on thirty-one counts. Bernie Madoff received the stiffest penalty, a sentence of 150 years in prison, with restitution of \$170 billion.

### Wilmington Luncheon: Market Structure and Where to Invest? 10/19/2016



Niall O'Malley presented at the Wilmington luncheon "Market structure and where to invest?" at Hotel DuPont in Wilmington, Delaware. Niall O'Malley founded Blue Point Investment Management, LLC, in 2006. He served as President of the CFA Society of Baltimore, and now serves on the Board and the Program Committee. As an Adjunct Professor at Towson University's College of Business and Economics, he has taught "Investments and Equity Security Analysis". Niall earned a B.A. in Political Science from Acadia University in Nova Scotia, Canada. He studied for a year at the Institute for European Studies Vienna, Austria, and received an MBA in Finance and Investments with minors in Business Law and Taxation from George Washington University.

Mr. O'Malley's presentation focused on macroeconomic trends including implications of cultural, societal and governmental actions that likely impact future asset prices. Niall's investment approach is top down and he aims to find overlooked opportunities or areas that can provide sustainable growth at a sector level. Mr. O'Malley kicked off the presen-

tation with a brief history overview of how the equity markets evolved from a need in the merchant and trade between western and eastern civilizations during the 17th century and how different countries have historically had preferences between equity (United Kingdom) versus debt markets (Germany).

Niall then transitioned into how paying attention to meaningful macro trends would have resulted in identifying a significant investment opportunity - China. In his presentation, Niall argued that the world has benefited from China's economic growth. From 1982 - 2011, China's GDP grew from \$282 billion to \$9,185 billion - a more than 32x increase - while its urban population more than doubled from 21% to over 50%. This expansion in the East provided many industries huge growth potential. Take the car industry for example. While the Asia-Pacific region only made up 4% of global vehicle sales in 1996, it now makes up 49% of global vehicle sales. It would have been worth paying attention to macro trends during this time period and making investments accordingly. Also, China growth created huge increases in commodity prices between 2003 - 2011 as demand exceeded available supply. China supported commodity prices during the 2008 financial crisis.

Mr. O'Malley then turned our attention to the current global economic state. While the presentation was filled with in-depth, thought provoking information, Niall's key message was that the world is more economically interconnected than it has ever been. While he sees opportunities in the technology and infrastructure sector, Mr. O'Malley is bullish on cash. In a weakened bull market, cash (delayed alpha) is an important asset class as the benefits of financial engineering diminishes (e.g. corporate share repurchases and M&A). Critical macro data points that were discussed during the presentation included:

- China - What does the future hold for China? Niall cautioned whether China will be able to experience similar growth in the future given China is attempting to migrate to a much more consumer dependent economy.
- Energy - As a result of technology advances, the US is now the world's largest energy producer. Is it then a coincidence that Saudi Arabia intentionally collapse the price of oil?
- Money Supply - Balance sheets of central banks have ballooned post 2008 financial crisis due to increase money supply. Now the gap between the net worth of US households (higher) and GDP growth (lower) has grown even wider than during the housing bubble in 2007. Central banks are reaching their limits in providing more money. Have we arrived at an inflection point?
- Global Debt - Excessive debt is weighing down on governments and consumers. China's debt burden is increasing at a faster pace than its GDP growth. Global trade imbalances mean that the US consumer is a critical global demand driver but US consumer credit is growing and is now higher than it was during the financial crisis. US student debt is soaring, impacting the biggest future consumer. What will happen to future economic growth as debt service cost becomes an ever bigger portion of governmental and consumer financial budgets?

Market Makers -The proliferation of algorithmic trading has resulted in several flash crashes in the recent past. But prices were lifted as a result of enough buyers on the other side trade. Will the buyers be there the next time?

## CALL FOR VOLUNTEERS: TECHNOLOGY TASK FORCE

Do you consider yourself tech savvy? Do you use social media in your personal and professional lives? CFAP is forming a Technology Task Force, and we are in need of member volunteers.

The Technology Task Force was created by the CFA board of directors to assess how the Society can better utilize technology in fulfilling its mission. The Task Force will identify specific areas in which technol-

ogy can be used; assess the Society's current technology capabilities; and make recommendations for upgrades and enhancements to our technology.

If you are interested in volunteering for the Technology Task Force, please e-mail [info@cfaphil.org](mailto:info@cfaphil.org).

## THANK YOU VOLUNTEERS!

The volunteers of the CFA Society of Philadelphia are a great resource to the Society and its members. Their efforts have proven to be invaluable in all activities conducted by the Society. The board members would like to take the opportunity to thank the following volunteers for their assistance on recent events:

Robert Keller, CFA  
George Sarianos, CFA  
Floyd Simpson, CFA  
Bruce Self, CFA  
Steve Lyons, CFA

We are currently looking for additional volunteers to assist with future events and activities. There are openings within committees that may be of interest to you. Feel free to contact Peter Conners or logon to the CFA Society of Philadelphia website for information.

## WE CAN'T DO IT WITHOUT SPONSORS!

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