INTERNATIONAL ASSOCIATION OF FINANCIAL EXECUTIVES INSTITUTES

The Premier Global Society of Financial Executives

QUARTERLY

54th Issue | January 2023

THE PREMIER GLOBAL SOCIETY OF FINANCIAL EXECUTIVES

www.iafei.org www.facebook.com/IAFEI

Message from the Chairman

Dear IAFEI members,

It is my pleasure to share with you the 54th issue of the IAFEI Quarterly. Greetings of hope, peace and prosperity as we welcome 2023.

2022 was a challenging year with new COVID-19 variants and another public health concern emerged, Monkey Pox. As we move to a new year, we must still be cautious and live our daily lives with care.

At this point, I would like to extend my gratitude for all the support for the previous year. I would like to commend the 2022 Officers for the support and service they provided to IAFEI and to the Advisory Council for the guidance in keeping the best interest of our members and the organization.

As we welcome 2023, I encourage all of you to extend the same level of support for this year's projects.

We always aim for value proposition initiatives and updates will be known soon. For any suggestions and comments, you may share it through the IAFEI Secretariat at mbvinluan.iafei@gmail.com and secretariat.iafei@gmail.com.

Thank you and all the best!

Sincerely,

XIAOJIANG PAN
Chairman

Table of Contents

CFO Vietnam Summit 2022 discusses transformation in Vietnam

By: Luu Huong

Originally published in Vietnam Investment Review on November 27, 2022

At the latest Vietnam CFO Summit 2022, the largest annual summit of its type, guest speakers, leading industry experts, and accounting and finance professionals in Vietnam presented cutting-edge research and shared innovative practices.

The Vietnam CFO Club and ACCA Vietnam collaboratively hosted the country's biggest annual CFO summit in Ho Chi Minh City on November 18 to connect professionals and address the rapid transformation and talent challenges of finance departments.

Specifically, more than 400 consultants and top-tier experts from prominent firms including Microsoft, PNJ, Deloitte, EY, RSM, Vinamilk, Sovico, Khanh Vy Homes, and DHG Pharma attended the event.

Phan Vu Hoang, former chairman of the ACCA Vietnam Members Committee and Tax partner of Deloitte Vietnam, highlighted that some of the most important soft skills for modern financial professionals include flexibility, adaptability, critical thinking, and business partnering, while the future technical skill set is expected to include budgeting, forecasting, and sustainable reporting featuring ESG criteria.

Moreover, data analytics and visualisation, cloud-based accounting solutions, data science, machine learning, AI, robotic process automation, and blockchain technology are also considered helpful skills to help finance professionals advance their careers.

Meanwhile, Saman Bandara, leader of Forensics and Forensic Technology Practice at EY Vietnam, noted that CFOs should evolve and become inspirational agents for change to drive organisational transformation.

"According to the Association of Certified Fraud Examiners, organisations could lose 5 per cent of their revenue annually due to fraud risks. There is a wide range of consequential costs that are very difficult to measure. Reputational impacts can lead to the loss of customers and impede the long-term strategy of organisations," he added.

A recent EY survey shows that 76 per cent of respondents revealed that while the role today is extremely challenging, there has never been a more exciting time to be a CFO.

“Meanwhile, 86 per cent said that they must balance the need to protect enterprise value today while also enabling future growth. In addition, 81 per cent said that an increasingly volatile risk environment has had a major impact on the CFO role,” continued Bandara.

On the flip side, despite the increasing importance of ESG, many CFOs have yet to recognise the importance and the impact of becoming more sustainable and implementing ESG criteria into their daily operations.

Tran Thi Thuy Ngoc, partner and leader of Sustainability and Climate at Deloitte Vietnam, pointed out some challenges to the preparation and presentation of ESG reports in Vietnam.

“First and foremost, Vietnam has no integrated reporting standard for ESG implementation. When there is no integrated and clear standard to centralise all reporting requirements, companies may react by providing little information so as to not affect their reputation. Secondly, limited information for the purpose of benchmarking and verification could make it difficult for investors to evaluate the operational efficiency, thus miss out on important information,” she said.

Finance professionals also discussed the volatility of the corporate bond market, including bond default risks, bond maturity, and practical solutions to counter potential problems.

“Companies often find it challenging to determine metrics to monitor, leading to over-monitoring without a way to explore and extract insights. They also struggle to navigate a different set of standards with different criteria for data and metrics," Ngoc said.

Preparing a comprehensive ESG report that is consistent with the requirements and principles of ESG standards requires companies to have a team of professionals with knowledge and experience in the market, which is still a constraint in Vietnam.

Le Khanh Lam, partner of RSM Vietnam, pointed out some significant risks in the modern tax landscape, including global tax changes, transfer pricing, pandemic-related tax risks, digitalisation of tax administrations, taxpayers’ data and document storage, organisation, and supply.

He also noted some recent tax modifications in Vietnam which CFOs should be warned about such as e-commerce trading floors' obligation to provide merchant information and the exemption of personal income tax returns.

According to Toan Kieu, director of SMC Segment (Microsoft), the implementation of cutting-edge technology would enable CFOs to efficiently enhance a more transparent strategic business plan. Hence, CFOs could provide the businessdevelopment department with thorough and helpful insights by analysing customers' data.

Nguyen Thanh Liem, head of Finance at PNJ, has an exclusive financial accounting system which could aid the firm's long-term development over a period of 5-10 years.

Luu Huong

On the 2023 board agenda: KPMG Board Leadership Center

This article is an excerpt from the KPMG Board Leadership Center publication entitled "On the 2023 board agenda" dated 12 December 2022.

Boards can expect their oversight and corporate governance processes to be tested by an array of challenges in the year ahead—including global economic volatility, the war in Ukraine, supply chain disruptions, cybersecurity risks, regulatory and enforcement risks, and social risks, such as pay equity and the tight talent market.

The business and risk environment has changed dramatically over the past year, with greater geopolitical instability, surging inflation, and the prospect of a global recession added to the mix of macroeconomic risks companies face in 2023. The increasing complexity and fusion of risks unfolding simultaneously, and the increased interconnectedness of these risks up the ante for boards to have holistic risk management and oversight processes.

In this volatile operating environment, demands from employees, regulators, investors, and other stakeholders for greater transparency and disclosure—particularly around cybersecurity, climate, and other environmental, social, and governance (ESG) risks—will continue to intensify.

Drawing on insights from our latest surveys and interactions with directors and business leaders, we highlight nine issues to keep in mind as boards consider and carry out their 2023 agendas:

• Maintain focus on how management is addressing geopolitical and economic risks and uncertainty.

This environment will call for continual updating of the company's risk profile and more scenario planning, stress-testing strategic assumptions, and analyzing downside scenarios. Leaders will need to assess the speed at which risks are evolving, their interconnectedness, the potential for multiple crises at the same time, and whether there is flexibility in the company's strategy to pivot.

• Monitor management's projects to build and maintain supply chain resilience.

Companies continue to navigate unprecedented supply chain stresses and strains with the ultimate goal of assuring supply—and survival. Amid ongoing supply chain turmoil, many companies are implementing efforts to address vulnerabilities and improve resilience and sustainability. Boards should help ensure that management's projects to rethink, rework, or restore critical supply chains are carried out effectively, such as:

- Updating supply chain risk and vulnerability assessments
- Diversifying the supplier base
- Reexamining supply chain structure and footprint
- Developing more local and regional supply chains
- Deploying technology to improve supply chain visibility and risk management
- Improving supply chain cybersecurity to enhance resilience from disruption and reduce the risk of data breaches, such as SolarWinds and Kaseya
- Developing plans to address future supply chain disruptions.

• Reassess the board's committee structure and risk oversight responsibilities.

Given this challenging risk environment, many boards are reassessing the risks assigned to each standing committee.

In the process, they are considering whether to reduce the major risk categories assigned to the audit committee beyond its core oversight responsibilities (financial reporting and related internal controls and oversight of internal and external auditors)—by transferring certain risks to other committees or potentially creating a new committee.

• Keep ESG, including climate risk and DEI, embedded in risk and strategy discussions and monitor U.S. and global regulatory developments.

How companies address climate change, DEI, and other ESG issues is viewed by investors, research and ratings firms, activists, employees, customers, and regulators as fundamental to the business and critical to long-term value creation. At a time of low trust in government and institutions, corporations are being asked to do more to solve societal problems—or run the risk of losing the social license to operate.

• Clarify when the CEO should speak out on social issues.

Consider what role the board should play in establishing parameters for the CEO as the voice of the company. Some boards have written policies; others have an informal understanding that the CEO will confer with board leadership before speaking on a controversial issue. Some companies have crossfunctional management committees to vet issues on a case-by-case basis to determine when speech is appropriate.

• Approach cybersecurity, data privacy, and artificial intelligence (AI) holistically as data governance.

Cybersecurity threats are dynamic and related impacts continue to intensify. The acceleration of AI and digital strategies, the increasing sophistication of hacking and ransomware attacks, and the lack of definition for lines of responsibility—among users, companies, vendors, and government agencies—have elevated cybersecurity risk and its place on board and committee agendas.

• Make talent, human capital management (HCM), and CEO succession a priority.

Most companies have long said that their employees are their most valuable asset. COVID-19; the difficulty of finding, developing, and retaining talent in the current environment; and an increasingly knowledge-based economy have highlighted the importance of talent and HCM—and changed the employer/ employee dynamic. This phenomenon of employee empowerment has prompted many companies and boards to rethink the employee value proposition.

Pivotal to all of these is having the right CEO in place to drive culture and strategy, navigate risk, and create long-term value for the enterprise. The board should help ensure that the company is prepared for a CEO change—whether planned or unplanned, on an emergency interim basis or permanent. CEO succession planning is a dynamic, ongoing process, and the board should always be focused on developing a pipeline of C-suite and potential CEO candidates. Succession planning should start the day a new CEO is named.

• Engage proactively with shareholders, activists, and other stakeholders.

The board should request periodic updates from management about the company's engagement activities:

- Does the company know, engage with, and understand the priorities of its largest shareholders and key stakeholders?
- Are the right people engaging with these shareholders and stakeholders—and how is the investor relations (IR) role changing?
- What is the board's position on meeting with investors and stakeholders? Which independent directors should be involved?

• Think strategically about talent, expertise, and diversity in the boardroom.

The increased level of investor engagement on this issue points to the central challenge with board composition: Having directors with experience in key functional areas critical to the business while also having deep industry experience and an understanding of the company's strategy and the risks to the strategy. It is important to recognize that many boards will not have "experts" in all the functional areas such as cybersecurity, climate, HCM, etc., and may need to engage outside experts.

This article is an excerpt from the KPMG Board Leadership Center publication entitled "On the 2023 board agenda" dated 12 December 2022.

The accounting and finance profession will play an increasingly important role in ESG.

By Dr.Jeremy Osborn, Global Head of ESG –FCMA, CGMA, CPA (Aust.) AICPA & CIMA
Vicky Li, North Asia Vice President – FCMA, CGMA, AICPA & CIMA

Rising in prominence since the early 2000s, environmental, social, and governance (ESG) information as part of corporate reporting is still a relatively new construct. Nonetheless, the accounting profession is leading the way in striving for reliable, comparable, and relevant ESG data.

Historically, ESG reporting has taken place outside of regulatory submissions. But with the increase in focus on reliable data from organizations by shareholders, communities, policy makers and other key stakeholders, efforts are now underway through the formation of the International Sustainability Standards Board (ISSB) to deliver a comprehensive global baseline of sustainability-related financial disclosure standards. These would provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.

Climate risk is increasing focus on sustainability matters.

We see the impacts of climate events all around us. Extreme weather, droughts, and wildfires, amongst other climate events, threaten to harm our environment and how we interact with it. The public is increasingly concerned as they recognize and experience the human health impacts of extreme weather, such as reduced air quality from rampant and widespread wildfires. Governments and policymakers continue to enact proactive measures but are often called to react to the aftermath of natural disasters.

The rise in attention to climate risk is just one of the reasons why the demand for sustainability information has grown over the past decade. It illustrates perhaps the most recognizable piece of the "sustainability puzzle," a confluence of issues that, when taken and addressed together, can help ensure progress meets the needs of the present but does not do so at the expense of the future.

Both businesses and governments are now starting to play an increasingly significant role in not only managing the negative impacts of climate events, but also by assessing sustainability-related risks and opportunities, and supporting the efficient and informed transition to a lower-carbon economy. At the same time, investors and financial institutions are looking for consistent, reliable data to support investment decisions. They view ESG matters as critical to understanding the full risk profile of a company and its business resilience.

Therefore, the nature of corporate reporting itself has changed. More often, companies are moving from strictly financial reporting to a more integrated approach, which includes information on an organisation's sustainability-related performance , such as its ESG data, and provides a more comprehensive picture of how an organization is creating value over time. A recent study presented by AICPA & CIMA in partnership with the International Federation of Accountants found that 91% of companies received external assurance on some degree of sustainability information. Business performance can no longer be judged purely on short-term financial returns to shareholders.

Groups, such as customers, employees, society, governments, and investors, all demand greater organisational transparency beyond the traditional financial metrics. Sustainability has fast become one of the lenses through which an organisation is judged. Being able to present information of this sort means organisations can strengthen stakeholder confidence in them by demonstrating their sustainability performance and how this contributes to long-term value creation for investors and other stakeholders.

AICPA & CIMA support a reporting system that produces globally consistent, comparable, reliable, and measurable sustainability information.

We know, however, that none of this works without strong, unified reporting standards, which will allow for consistent and transparent reporting. In order to properly evaluate the ESG data reported, we must be able to operate under a generally accepted set of international standards for sustainability-related financial reporting. Having such standards will allow the private and public sectors to work in concert in not only regulatory submissions, but also to create better protections across the globe for ESG-related matters, such as climate-related risk.

Therefore, we continue to work with international standard setters to support the development of a consistent set of global standards based on existing frameworks. We are supportive of a global approach to sustainability standards such as the approach being pursued by the IFRS Foundation, which is currently collaborating with other standard setters in order to leverage standards from existing global frameworks.

Accounting and finance professions play a crucial role.

The accounting and finance profession has long focused on assessing and managing financial risks. The global risks we are seeing today—climate-related risks in particular—are pushing our profession to expand its remit.

The sustainability call to action affects both management and public accountants. As core members of almost every business and non-governmental organisation, accounting and finance professionals have a pivotal role in providing sustainability-related and financial management information to drive business performance, develop strategies, and influence decision-making. They bring a unique set of skills and knowledge to the table and can work with stakeholders to integrate responsible and sustainable practices into their business and operating models. Without the rigour and business acumen of finance and accounting professionals, it may prove impossible to truly embed sustainability into “business as usual”. The profession’s very nature makes it a powerful force for supporting and implementing strategies and programmes aligned to organisational goals and assuring this information and the data systems which create it.

To increase stakeholders’ confidence in the reliability of a business’s ESG information, organisations are engaging auditors to provide robust assurance on their sustainability information. Independent auditors, in their public interest role, play a crucial role in the flow of reliable information for decision making. Because licensed professionals are held accountable to core values of integrity, objectivity, and independence, underpinned by a code of ethics to which they must adhere, they are required to follow rigorous assurance processes, and are subject to independent inspection making them uniquely qualified to help enhance the reliability of ESG-related disclosures.

The partnership between financial and auditing professionals is critical in guiding effective financial and sustainability-related decision-making for investors, as well as policy makers, governments, business leaders, and the public. As individuals, teams, and the finance function as a whole, we work together in the interests of the greater good. We “own” the processes, systems, data, management information, reporting, and assurance that will support our organisations’ transition to sustainable businesses. Enabled by our skill sets and powered by our knowledge of organisational governance, strategy, risk management, and performance, we are well positioned to report and assure ESG information.

AICPA & CIMA leading the way.

AICPA & CIMA have a longstanding commitment to providing relevant sustainability-related information and our work with corporate reporting framework- and standard-setters reflects this.
We will continue actively to engage with sustainability issues and play a central role in their development given the Association's role as a leading voice, influencer, and thought leader for accounting and finance professionals in the ESG space.

We are dedicated to providing educational resources and practical tools for finance and accounting professionals working on behalf of corporations and robust authoritative guidance for those who play an independent role providing auditing and assurance services. Some of the tools we have helped develop include: the Sustainability Toolkit; a series of briefs exploring sustainability, business, and the role of finance professionals; and research tools from the CGMA Sustainability and Business Research Programme.

Recently, we published the report Accounting for Nature – a new online educational brief designed to help accounting and finance professionals better understand natural capital, and how to measure it and how to integrate its value into business models. The report's launch marked the Finance and Biodiversity Day at the 15th Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity (CBD) and highlights the important role professional accountants have to play in this context.
Another resource to support the profession launch by AICPA & CIMA is Accounting for the climate horizon: A study of the TCFD implementation, which shows that the demand for climate-related financial disclosures is escalating rapidly.

Through the Association, we are also taking action ourselves on sustainability issues by signing the Accounting for Sustainability (A4S) Call to Action in Response to Climate Change, and have committed the Association to produce a plan to support the organisation in achieving net zero greenhouse gas emissions as soon as practicable. Leading by example is part of the drive to help members integrate climate change and ESG thinking into organisational strategy, finance, operations, and communications, as well as support sustainable decision-making, and provide sound advice and services in the context of ESG risks and opportunities.

Dr.Jeremy Osborn, Global Head of ESG – FCMA, CGMA, CPA (Aust.) AICPA & CIMA

Vicky Li, North Asia Vice President – FCMA, CGMA, AICPA & CIMA

Recalibrating the Roles of the CFO: From the Lens of the Board

by Sherisa P. Nuesa, Independent Director, Ayala Land, Inc.

(Originally printed in FINEX Journal 3rd edition in December 2022)

In a country and a world constantly tested by upheaval, we often wonder what it takes for the businesses we run to survive, and most of all, what a chief finance officer can do to help steer the company's path. Throughout two decades, as CFO and then, as a director serving some of the Philippines' largest companies, I, and other seasoned CFO colleagues whom I had the privilege of working with in my boards, share a common thread. We all held steadfast to our most valuable survival tool: strategic insight. This means an intimate knowledge of the business—what drives it, what determines its future, and what shapes its direction. Boards expect CFOs to use strategic insight as well to identify and manage the company's risks, even when there is a separate Chief Risk Officer, so they can better navigate the business through crises and prepare it to survive and thrive in the future.

When I assumed the role of Manila Water Company (MWC)'s CFO in 2000, the region was still reeling from the 1997 Asian financial crisis. It did not help that a severe El Niño compounded the effect of the then huge system losses, inherited upon turnover of the water services from the government to private enterprise. Both of Metro Manila's newly-minted water concessionaires had modest track records and did not hold title to the operating assets (ownership still retained by the government agency), thus making borrowing to fund MWC's significant capital expenditure requirements even more difficult.

The company had to power through the stark circumstances we faced. To secure financing, I worked with local banks to weave innovative terms into our loans.

Equally immersed in operations, I also headed the Bid and Capex Committee, which ensured fund support for the aggressive pipe replacement program, as well as a task force on cost reduction and a project team for MWC's expansion into Cebu. Soon, we engineered a significant turnaround. With the entire management team's eagle-eye focus, we reduced the system losses and significantly increased operating efficiency across the company. I brought in international loans from several institutions, including DEG, Germany's development bank, and the International Finance Corporation (IFC), as both lender and equity partner. This flurry of activity in the financial markets was capped by Manila Water's highly successful initial public offering (IPO) in 2005, the first international IPO in the country after the Asian crisis. The fresh funds also enabled our strategic expansion to several provinces, and soon to Vietnam.

In January 2009, amidst the Global Financial Crisis, Ayala transferred me to Integrated Micro-electronics, Inc. (IMI), again dealing with an industry among those badly hit. The company was then incurring losses and laying off workers. My finance team focused on cash cycles and tightened operating reviews across IMI's operations throughout the globe, including at our plants in China. By mid-year, the company's bottom line reversed into a profit, posting US$10 million by year end. The following year, in 2010, I also co-led IMI's IPO, a listing by way of introduction, which was extremely well-received by the market.

Today, I am a Board Director of both Manila Water and IMI, which continue to reap governance awards.

From a board perspective, and in more current times, I have been privileged to work with several seasoned CFOs. In helping shape a company's strategy right in the pandemic era, I would cite the notable contributions of Ma. Corazon Dizon of ACEN Corporation. As CFO, amidst the volatility caused by the COVID-19 pandemic, Cora has both initiated and co-headed several strategic financial and financing initiatives, that included two rounds of sustainability bonds, a stock rights offering, a follow-on offering, and the entry of a major equity investor, GIC Private Ltd, Singapore's sovereign wealth fund. Furthermore, Cora is part of the Business Development/Mergers and Acquisitions team that has embarked on a remarkable expansion in the renewable energy space, helping drive ACEN's market value from ₱17 billion at acquisition in 2019 to ₱323 billion in mid-July 2022, and propelling the company to the blue-chip Philippine Stock Exchange 30 (PSEI) and MSCI Philippines main indices.

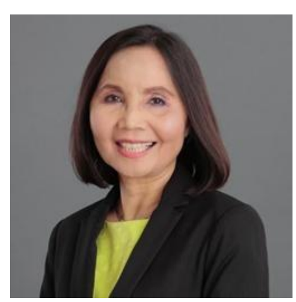
In ensuring financial strength during the crisis, I would give high points to Ayala Land CFO Augusto (Toti) Bengzon, who closed the issuance of several corporate bonds and co-piloted the launch of the country's first REIT. Ayala Land AREIT's IPO in August 2020 became highly oversubscribed amidst the then shaky financial and property markets.

Both Cora and Toti are solid examples of the CFO being a pillar to the CEO and the leadership team, as well as to the Board.

The themes from my experiences and those of my colleagues still resonate up to now. As a Board Director, I believe that the CFO must be the CEO's partner in these key non-traditional areas – first, as the co-pilot in strategy pivot or resilience, and in better execution, and second, as the navigator who will help the leadership team in crisis response or in risk management, which has evolved into a key strategic tool. Truly, in crafting and analyzing the business blueprint, a company—whether it is expanding, contracting, or reengineering—must dissect related threats or impediments.

Furthermore, a CFO should take on the role of an advocate in preparing the organization for what lies beyond. CFOs can help shape the organization's medium to long-term direction, even as the present environment remains fraught with the lingering effects of health predicaments, geopolitical disturbances, financial market turmoil, and supply chain shocks. The CFO should be at the forefront in mounting a recovery or a shift to a growth mode, and this forward thinking or visionary planning comes only with a CFO's good wiring within the business, as well as in the pertinent industry and markets.

Indeed, the CFO role has evolved; it continues to be challenging, multi-faceted, and complex. Above all, he or she should be able to adapt to the ever-shifting landscape, rise through the myriad of obstacles in trying times, and help lead the organization survive and thrive in an ambiguous future.



Sherisa P. Nuesa
Independent Director
Ayala Land, Inc.

Introduction | Global Structured Finance Outlook

Originally published by S&P Global Structured Finance 2023 Outlook

Overview

During 2022, global structured finance issuance totaled roughly $1,092 billion, down from the 2021 post-Global Financial Crisis (GFC) record of about $1,530 billion (see table and chart below). In 2022, the dip in global issuance volume was driven by a 24% year-over-year (y/y) decline in the United States, as market participants grappled with inflation and the interest rate hikes employed by central banks to fight it. Meanwhile, the Russia-Ukraine conflict continues to fuel supply-chain disruptions and cause uncertainty in the broader markets. The map on the previous page demonstrates that structured finance issuance forecasts for 2023 are mixed relative to realized values in 2022 as economic volatility persists, but the projected 15% decline in U.S. issuance drags our 2023 global issuance forecast down to $1,019 billion (-7% y/y). With recessions forecast in various countries, the focus is on commercial and consumer credit, with some of the key themes listed on the following two pages.

Approximate Global Structured Finance New Issue Volumes(i)

(Bil. $ unless otherwise noted)	2017	2018	2019	2020	2021	2022	2023f
U.S.	510	540	582	452	783	595	507
Canada (C$)	20	25	19	11	14	17	21
Europe (€)	82	107	102	69	114	81	80
China	220	292	334	432	485	299	310
Japan	48	56	61	60	61	45	45
Australia	36	23	31	22	38	32	31
Latin America	17	9	13	13	24	22	25
Approximate global new issue total	**930**	**1,050**	**1,150**	**1,070**	**1,530**	**1,092**	**1,019**

(i)We reserve the right to periodically revise these estimates retroactively as new information becomes available. Covered bonds, agency RMBS/CMBS, ABCP, TOBs, CRE CLOs, and CLO refinancings and resets are excluded from new issue totals. The issuance figures shown are rounded. f—Forecast. ABCP—Asset-backed commercial paper. TOB—Tender option bond. CRE CLO—Commercial Real Estate CLO. CLO—Collateralized loan obligation. Sources: S&P Global Ratings, Bloomberg, Finsight.

Affordability And Inflation

With a mild recession likely in 2023 and inflation still well above average and expected to remain high into the new year, we anticipate that, globally, borrowers with lower incomes and weaker credit scores will be the most vulnerable to declining affordability. Sectors such as U.S. subprime auto are therefore expected to come into sharp focus. While not yet apparent in the data, rising credit card debt and higher unemployment—should they materialize—are expected to propel delinquency levels up from historical lows. Structured finance obligors aren't immune to worsening economic conditions, and we generally expect to see weakening of collateral pool asset quality. However, given the current strength of the labor markets in the U.S. and Europe, and with our base-case macroeconomic forecast showing only a limited increase in unemployment and a mild decline in GDP for certain countries, our structured finance ratings are poised to remain resilient, with the greater risk for negative effects on speculative-grade ratings. If macroeconomic conditions worsen—especially in the labor market—this would result in deeper deterioration in collateral and ratings trends. Despite growing economic headwinds, consumer health has been largely resilient across the major securitization markets in Asia-Pacific. This is largely due to low unemployment, a cornerstone of stable collateral performance in consumer related securitizations. In Australia, household balance sheets have also been bolstered by a buildup in savings, delaying the impact of consecutive interest rate rises on debt serviceability.

Home Price Dynamics

After an increase of roughly 40% in the two years since the onset of the pandemic, U.S. home prices have started to cool, in large part due to the rapid rise in mortgage rates in 2022. While home prices are still supported by economic fundamentals, such as supply-demand imbalances, affordability is an issue that is impeding the purchase market. The consumer is in relatively good shape and unemployment remains low.

Should this change in 2023; however, we may see some performance deterioration in lower-rated tranches of residential mortgage-backed securities (RMBS). In several European countries, house price inflation has been running high but looks set to normalize in 2023, as higher interest rates lower purchasers' borrowing capacity and their savings and disposable incomes are absorbed by the higher cost of living. That said, we only expect single-digit percentage corrections to nominal prices in the U.K. and Ireland in 2023, while other significant RMBS markets—such as Spain and the Netherlands—should see a more gradual slowdown. In 2024 and beyond, we expect house prices in major European RMBS markets to resume modest rates of growth. As savings are drawn down in the Asia-Pacific region, inflationary pressures build, and house prices fall, household resilience will be tested in the year ahead. These challenges will be heightened in Australia, where most mortgages are variable rate. Despite the increasing economic uncertainty, most structured finance ratings in the Asia-Pacific region are poised to remain resilient, underpinned by stable employment.

Commercial Real Estate

Property prices began to fall from their peaks in 2022, and we expect that trend to continue in both the U.S. and EMEA. Lodging is on the mend after suffering through the pandemic, and retail is mixed, with some idiosyncratic and downward U.S. mall appraisals occurring despite signs of a broader recovery in the sector. The office market remains the open question, especially in the largest coastal U.S. cities, such as New York where utilization remains well below that of the prepandemic period and vacancy and availability (which includes sublease activity) are considerably higher.

Corporate Credit And CLOs

A mild recession may cause a significant portion of the 'B-' obligors—which now make up just over 30% of U.S. broadly syndicated loan (BSL) collateralized loan obligation (CLO) collateral and 25% in Europe—to move into 'CCC' territory, pressuring CLO credit. In the U.S

., we've recently observed historical highs for exposure to lower-rated credits and falling recovery ratings. CLO performance depends on the severity of the potential downturn; something more in-line with the current economic base case of a mild recession will probably keep rating actions contained to the speculative-grade categories, but a more severe economic scenario could lead to some creep upward into investment-grade tranches (see "How Resilient Are Middle-Market CLO Ratings (2022 Update)", published Oct 19, 2022, "How The Next Downturn Could Affect U.S. BSL CLO Ratings (2022 Update)", Aug 4, 2022, and "Scenario Analysis: How Bad Can It Get Before European CLO Performance Suffers?", Nov. 17, 2022)

LIBOR Transition

In 2022, the U.S. LIBOR transition remained largely on schedule for this key lending rate to cease publication by June 2023. The usage of the Secured Overnight Financing Rate (SOFR) in new lending arrangements, including securitizations, took hold in 2022; however, widening market spreads have slowed the pace of transition. While new issuances of asset-backed securities (ABS) and residential mortgage-backed securities (RMBS) used compounded SOFR (backwardlooking), and CLOs and single-asset, single-borrower (SASB) commercial mortgage-backed securities (CMBS) used term SOFR (forward-looking), the key question facing the securitization market is how easily the many legacy LIBOR transactions will transition to alternative rates.

The S&P Global 2023 Outlook in summary has the following key takeaways

• *Global structured finance issuance fell about 29% in 2022, and the declines were generally uniform in the largest global markets as high inflation, volatile interest rates, and geopolitical uncertainty kept issuers on the sidelines. We expect these conditions to continue to hamper issuance. Our 2023 global issuance forecast is down about 7% year-over-year.*

• *An expected slowdown in global economic growth, with a mild recession projected in the U.S. and EMEA, is likely to affect segments of both the consumer and commercial sectors underlying major structured finance asset classes.*

• *Throughout 2022, the largest global labor markets remained generally resilient, with unemployment in check. We did not observe meaningful weakening of collateral performance across most structured finance sectors. In 2023, we anticipate delinquency and net loss rates will trend upward from low bases across most asset classes as economic growth slows and unemployment rates edge higher.*

• *In 2023, we anticipate some ratings stress, albeit primarily in speculative-grade categories. A more severe than forecast recession, especially as it affects the employment picture, would naturally lead to more ratings movement higher up in capital structures.*

• *We also expect areas of focus to revolve around the strength of global housing markets and the potential magnitude of home price declines, the effect of the forthcoming economic slowdown(s) on leveraged loan and CLO credit quality, and the fundamentals of global office markets, to name a few*

Originally published by S&P Global Structured Finance 2023 Outlook

2023 Outlook: Was a Pound of Medicine Worth an Ounce of Cure?

By: **George Mateyo**, Chief Investment Officer Key Private Bank USA

Originally published by Key Bank, USA

As humans, we are wired to extrapolate the future based on the recent past. History has shown, however, that being overly reliant on the past can lead to sub-optimal results, or worse. Mark Twain is believed to have famously cautioned: "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so." Philosopher Nassim Taleb referred to this as "The Turkey Problem"[1] — the notion that we often mistake the continued absence of harm as evidence that there will be no harm.

With these concepts top of mind, we warily begin our 2023 Outlook by briefly looking backward. Doing so is inadvisable when driving a car (or any motorized vehicle) for a prolonged period. Nor is it customarily recommended when contemplating the positioning of investment portfolios, especially as markets tend to be forward-looking and are said to have "no memory." Our retrospection, therefore, will be brief and is offered mainly to provide some context about how we arrived at the present day.

This time a year ago, the general mood of the world was one of hope and optimism. Despite concerns over the Omicron variant, we were beginning to view COVID-19 as an endemic, something that could be treated the way other endemic viruses such as the flu are treated. Financial markets were also upbeat. The S&P 500 Index was marching to all-time highs and, despite rising inflation, markets believed that the Federal Reserve (the Fed) was on the job as measured by the yield on the 10-year US Treasury note, which stood at a benign 1.5%. That was an implicit endorsement of the Fed's projections, which anticipated interest rates rising in 2022, but only by about 1% or so.

Our assessment in late 2021 was one of muted optimism. In hindsight, we should have endorsed a more bearish outlook. Still, in our report, "Hot, Crowded, and Flat,"[2] we asserted that inflation would be hotter than expected, defining it as "the biggest macro risk to the economy," and would cause the Fed to lift interest rates more than projected. This, when combined with markets that were crowded (or concentrated) and richly priced, would cause broad asset classes to struggle to generate meaningful gains in 2022, we argued.

We did not feel a period such as the early/mid-1970s (i.e., multiple years of double-digit inflation) would repeat. But we did believe that high housing and energy prices and rising wages would be more persistent than anticipated. Likewise, even though we estimated that the odds of a recession in 2022 were low given the then-robust economy, we expressed concern that the economy and the Fed were operating at different speeds. For this reason, we believed that the probability of a policy error was above average, which could trigger bouts of volatility with little forewarning.

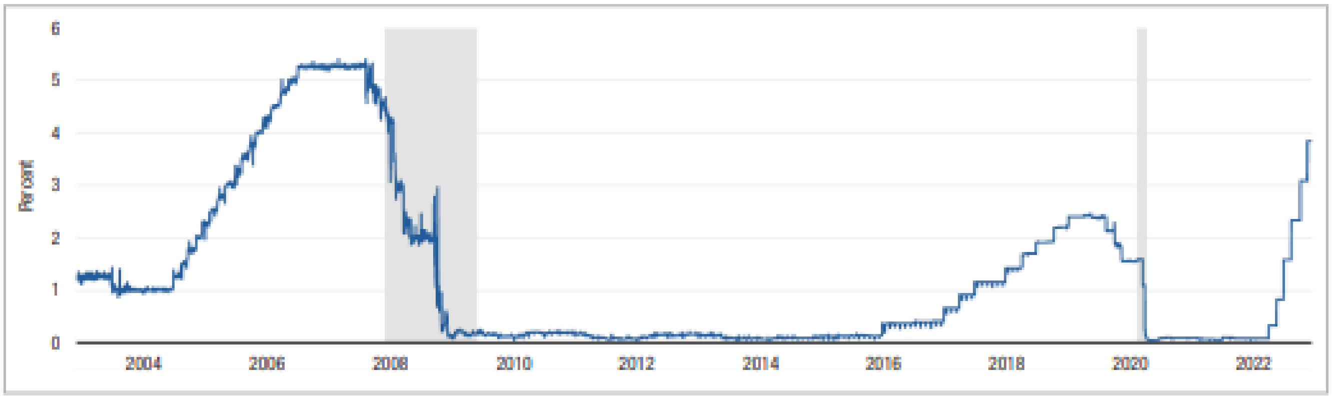
[1] Nassim Nicholas Taleb, The Black Swan: The Impact of the Highly Improbable
[2] See Key's 2022 Outlook: Hot, Crowded, and Flat

2023 Outlook: Was a Pound of Medicine Worth an Ounce of Cure?

More explicitly, we acknowledged that the Fed deserved commendation for responding forcefully and swiftly once COVID-19 began to accelerate. But we also noted that the Fed was slow to adjust its policy once the economy recovered. Consequently, the odds of a policy error were high, which could be manifested by inflation cooling at the same time that the Fed was beginning to raise interest rates.

As 2022 unfolded, a US recession did not officially materialize, although arguably, one came close,[3] and the risks of a policy error intensified. And so, too, has the risk of inflation prompting the Fed to raise interest rates to a level last observed 15 years ago and at a historically rapid pace. In all, interest rates rose nearly 425 basis points (4.25%) in the year, a dramatic contrast from where rates were when the year began.

Chart 1 — Federal Funds Effective Rate



Source: Board of Governors of the Federal Reserve System; Federal Reserve Bank of St. Louis (shaded areas indicate recessions)

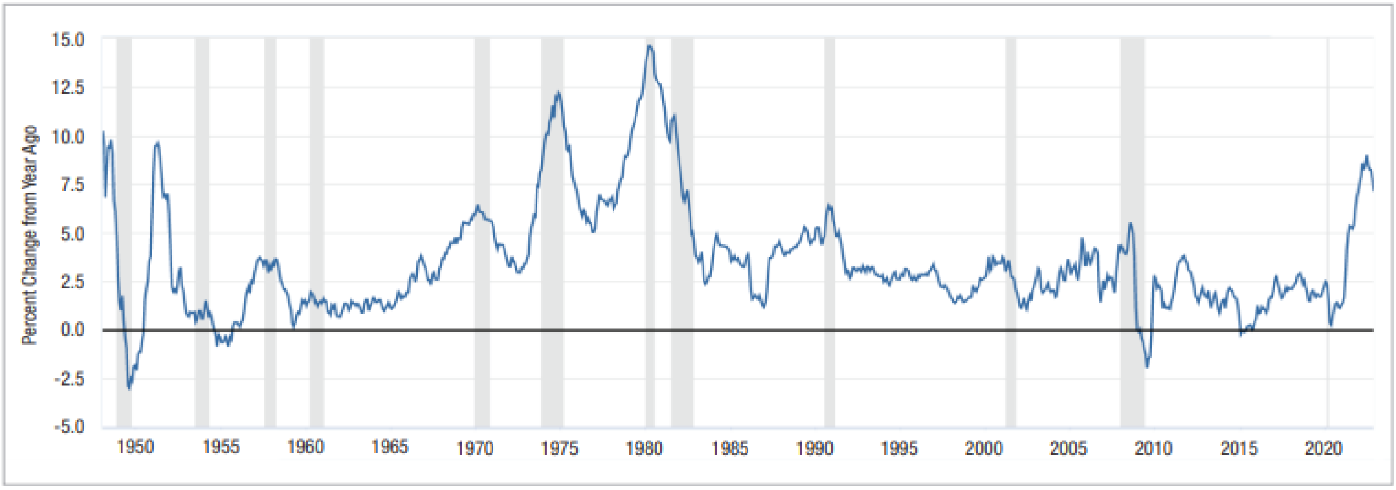
Despite these bold measures undertaken by the Fed, inflation has not eased materially, at least not according to some of the most commonly cited indicators. For instance, the Consumer Price Index (CPI), soared 9% on a year-over-year basis in July 2022 (See Chart 2 on page 3). Since then, the year-over-year increase in CPI has decelerated to 7%. This is welcome news, but such an increase is roughly twice the long-term average rate and is glaringly higher than the Fed's target rate of inflation of 2%. Other indicators exhibit similar patterns: After spiking rapidly in 2022, they are starting to wane, but they are well above normal and the Fed's stated objective. This invites the question:

> "Was a (metaphorical) pound of medicine administered by the Fed to squash inflation worth an ounce of cure" [the inverse of the popular advice attributed to Ben Franklin: "An ounce of medicine is worth a pound of cure"]?

Possibly not.

[3] It has become commonly accepted that two consecutive quarters of declining growth constitutes a recession. We believe that a recession is more nuanced. In 2022, the US economy did decline for two consecutive quarters, but a recession has not been declared as of this writing, largely because of the continued strength in the labor market and other factors, we believe.

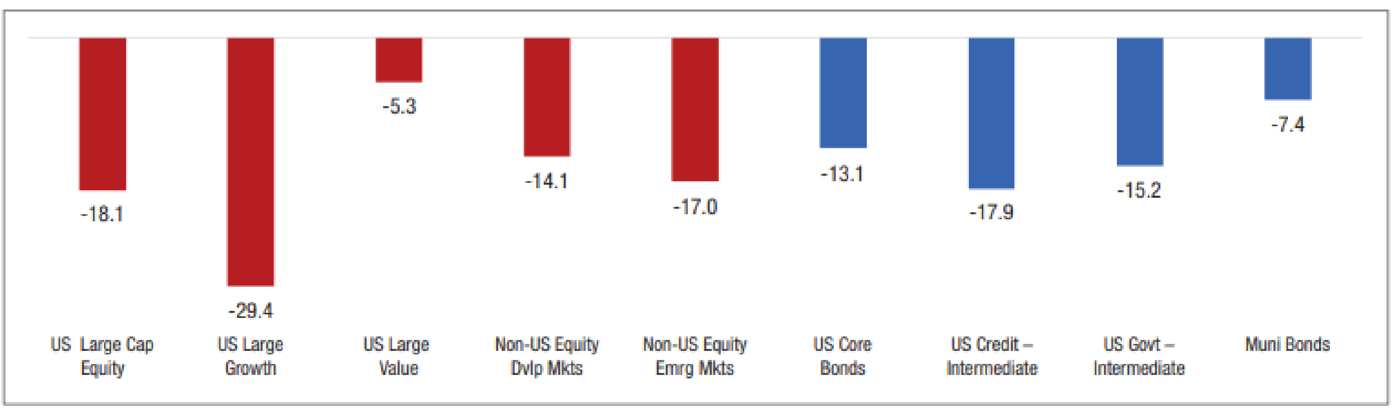
Chart 2 — Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



Source: US Bureau of Labor Statistics; Federal Reserve Bank of St. Louis (shaded areas indicate recessions)

Looking beneath the surface, the Fed's aggressive policy is beginning to inflict some serious economic pain. Housing activity, most especially, is collapsing. Similarly, demand for durable goods is also slowing rapidly. Positively, supply chains appear to be normalizing, but investors have taken it on the chin, with a great many equity and bond indices down more than **10%** in 2022.

Chart 3 — No Place to Hide: Year-to-Date Financial Market Performance as of Dec. 31, 2022 (%)



Source: Bloomberg (red = equity market indexes; blue = fixed income market indexes)

Simultaneously, new challenges have emerged:

- The Ukraine war is approaching its first anniversary with no imminent signs of peace.
- Europe faces immense energy pressures.
- China's zero-COVID policy is not only taking a large toll on the global economy, but it is also fueling domestic tensions, the likes of which have not been seen in over three decades.

In short, while 2022 began on an optimistic tone, it finished on a far dimmer one.

2023 Outlook: Was a Pound of Medicine Worth an Ounce of Cure?

Looking forward to 2023?

Looking ahead, some believe the worst is behind us. They argue that inflation has peaked, and the Fed will soon pivot away from its tightening stance and begin to lower interest rates. Indeed, as noted above, inflation has come off the boil. Energy prices have retreated, various anecdotal/survey data also imply that inflation is cooling and some members of the Fed have suggested that the pace of future interest rate increases should be less austere going forward.

This has all been greeted with enthusiasm: In the first two months of the fourth quarter, equity markets rallied over 10%, largely premised on a Fed pivot unfolding. Bond prices moved higher, credit markets strengthened and the US dollar (typically a beneficiary of higher interest rates) retreated, easing some of the pain felt by multinational companies and foreign countries alike.

That said, while some components of inflation have waned, others remain elevated. Prices of durable goods, for example, are rising at an annual rate of 5%, down from an unparalleled increase of nearly 20% at the beginning of this year. Again, welcome news. Prices of services in the aggregate, however, have declined from a record 16% increase, but are still rising more than 10%, an uncomfortably high level.

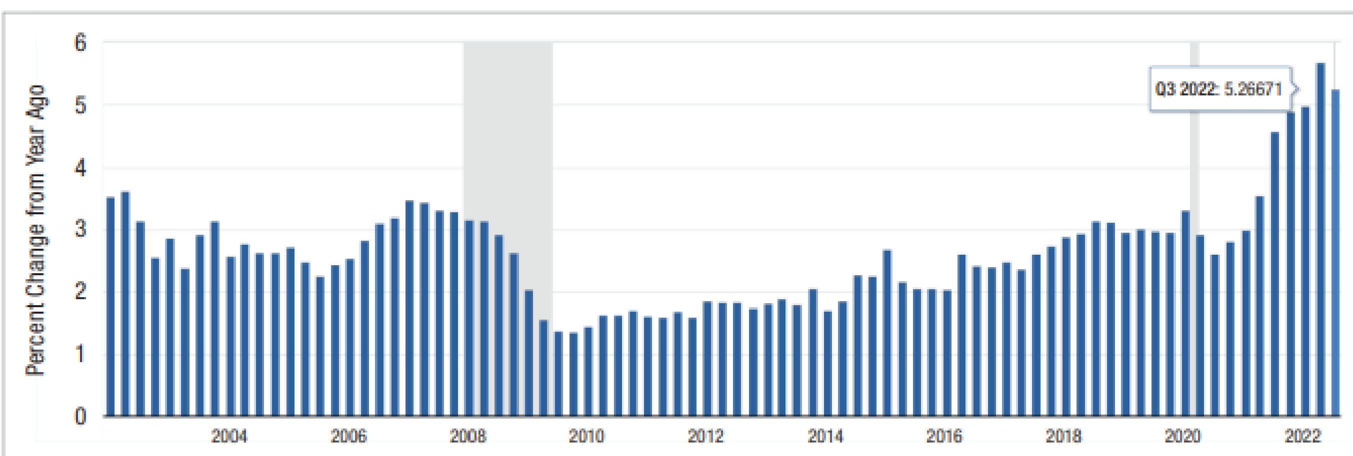
A similar description could be applied to wages, a key ingredient in the Fed's calculus when eyeing inflation. Here, after spiking above 5.5% for the first time in a generation, wage growth eased to 5.3% in the most recent quarter, a positive development in the overall inflation discussion (See Chart 4). But wages are still rising at too fast a pace for the Fed to fully remove its feet from the brakes and lower interest rates in the near term.

In sum, inflation is moderating and will likely continue to moderate further in 2023. But that, in our view, is not the key issue investors must grapple with.

> The real issue is how quickly inflation will fall and to what level, and without a contraction in demand, getting inflation back to the Fed's target rate of 2% will prove difficult. It may also take a considerable amount of time.

As evidence, a recent study that examined numerous episodes of inflation across 14 countries drew our attention. Here, its authors concluded the following: "Reverting to 3% inflation is easy to achieve from 4%, hard from 6%, and very hard from 8%." Moreover, when inflation starts above 8%, "it takes between six and 20 years with a median of 10 years for inflation to revert to 3%."[4]

Chart 4 — Employment Cost Index: Wages and Salaries: Private Industry Workers



Source: US Bureau of Labor Statistics; Federal Reserve Bank of St. Louis (shaded areas indicate recessions)

[4] Research Affiliates: "History Lessons: How 'Transitory' Is Inflation?"

Said differently, to get inflation down to what the Fed deems to be a more acceptable level may require considerable patience and, as Treasury Secretary Janet Yellen noted, "great skill and some good luck." Complicating the situation is that the true effect of the Fed's "pound of medicine" is not immediately felt, nor is its impact directly linear. Rather, Fed policy works with "long and variable lags," as legendary economist Milton Friedman once noted. In other words, the impact of interest rates on the economy is unknowable ex-ante; they will take time, and they will not impact the economy evenly.

So, how will the Fed respond and how will the economy perform? Will we have a recession?

Given the unpredictable nature of interest rates and their effect on the economy, at some point the Fed will likely step down from its current pace of interest rate hikes. Higher rates are still likely, but the Fed will likely ease off the brakes incrementally to measure its actions so far.

At the same time, however, with stickier prices within the services sector, and wage inflation unlikely to abate quickly given many industries experiencing labor shortages, we also believe **the Fed will likely keep interest rates higher for longer. Hence, we believe a pause is likely, but a pivot is not** so long as financial markets generally remain orderly, and unemployment does not rise too high too fast.

Additionally, investors are not out of the woods as the odds of a recession have risen as financial conditions have tightened, demand has begun to slow, and margins will likely come under pressure. A recession is not a foregone conclusion.

There are three things we can measure to help assess this risk.

First, energy prices have fallen. In fact, while they had become a significant headwind several months ago, they have now reversed and could pose as a salutary tailwind. Second, employment trends have remained robust, which not only explain the higher wage numbers but help justify the economy's durability. These are all generally positive indicators for now.

The third indicator, however, offers a more cautionary outlook and requires some explanation.

To many in the investment community, an inverted yield curve carries a degree of legitimacy for it has historically proven prescient at predicting recessions. Normally, long-term bonds yield more than short-term bonds to compensate investors for the risks associated with owning longer-term obligations. This is a normally sloping or positively sloping yield curve.

Throughout the business cycle, it is customary for short-term yields to move faster than longer-term yields as the Fed lifts interest rates to slow the economy down. As the business cycle matures, short-term yields often trade above long-term yields, resulting in an inverted yield. And once this occurs a recession has usually followed.

Chart 5 — 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

Source: Federal Reserve Bank of St. Louis (shaded areas indicate recessions)

The timing of a recession based on an inverted yield, however, is variable. On average, a recession has occurred within 10 months of an inverted yield curve, with a range of six months. In other words, a recession could materialize anywhere between spring 2023 and spring 2024, if this historically accurate indicator proves true. Nevertheless, because an inverted yield curve has a proven track record of acting as a leading indicator of a recession, we should pay it respect and consider a recession to be a likely outcome within the next 12 – 18 months as the impact of the Fed's heavy hammer is fully felt.

What kind of recession will it be? Not painless, but not historic.

The last two recessions were among the most notable as they were several degrees of magnitude worse than the prior 11 recessions since World War II. They were also, stating the obvious, the most recent, and to guard against recency bias, we should expand our aperture and assess other recessions for potential parallels. When doing so, a better hypothesis can be made about the future.

In 2008, the economy shed over 8.5 million jobs causing the unemployment rate to more than double from 4.4% to 10.0%. That recession was also elongated, spanning 18 months before the next recovery began. Once it began, however, the expansion endured for over 10 years, the longest on record, only to be interrupted in February 2020 by COVID-19. During this episode, approximately 22 million employees lost their jobs. While that deficit still is not fully closed, the COVID recession officially lasted two months, the shortest on record.

With this background in mind, we believe that the next recession, whenever it occurs, will not be painless, but it will not be historic, either, for the following reasons:

- Corporate and consumer balances are generally in good shape.
- The financial sector is also on a stronger footing.
- Trends such as de-globalization and onshoring, while inflationary, will also serve as a boost to capital spending, thereby potentially dampening the downside of a recession.

On the other hand, policymakers are constrained by high inflation and thus may be less able to intervene if a protracted recession ensues. Additionally, while balance sheets are generally strong, debt levels are high at the same time that financial conditions are tightening at the fastest pace in 40 years. These factors could emerge if a more severe recession takes hold, but to reiterate, our base case is a milder one.

So, what does this mean for your portfolio?

2022 was a year unlike many others, for in the simplest of terms and for many investors, there were few places to hide, based on broad asset classes, at least. This was encapsulated by a leading financial publication recently exclaiming "A classic investment strategy has fallen apart."[5]

Herein, the author profiles how a well-utilized investment approach of structuring a portfolio with 60% allocated to large-cap US stocks and 40% to investment-grade, fixed income securities has previously served investors well. In 2008, for example, stocks crashed nearly 40% that year, as the Global Financial Crisis ignited the worst economic decline since the Great Depression. Yet, as the Fed aggressively lowered interest rates to zero, bond prices rose nearly 20%, thereby providing some salvation to investors, although their portfolio was still down that year.

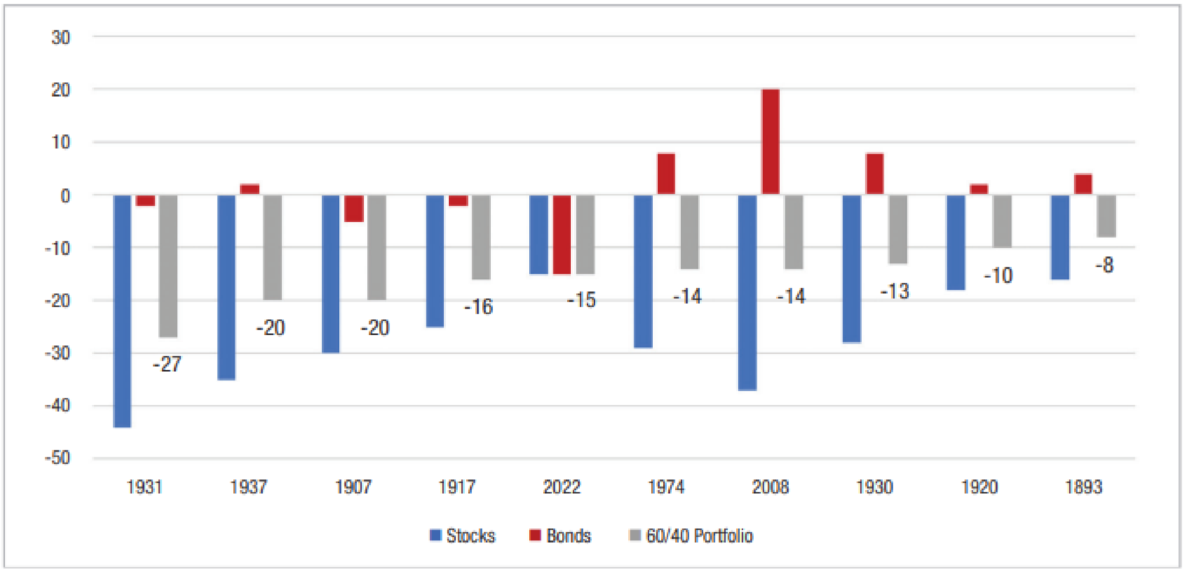
In 2022, stocks did not fare as poorly as they did in 2008. However, bonds offered little support, as they too declined by roughly the same amount. That's consistent with the view we articulated in our 2022 Outlook when we stated the following:

> "While we believe that bonds can act as an effective hedge against deflation, if inflation persists and the Fed is compelled to act more aggressively, given their already low yields, bonds may no longer be seen as providing risk-free returns, and instead be viewed as assets that offer return-free risk."

[5] The Wall Street Journal

In fact, the above-referenced 60/40 portfolio experienced one of its worst declines on record, leaving many investors bruised and confused.

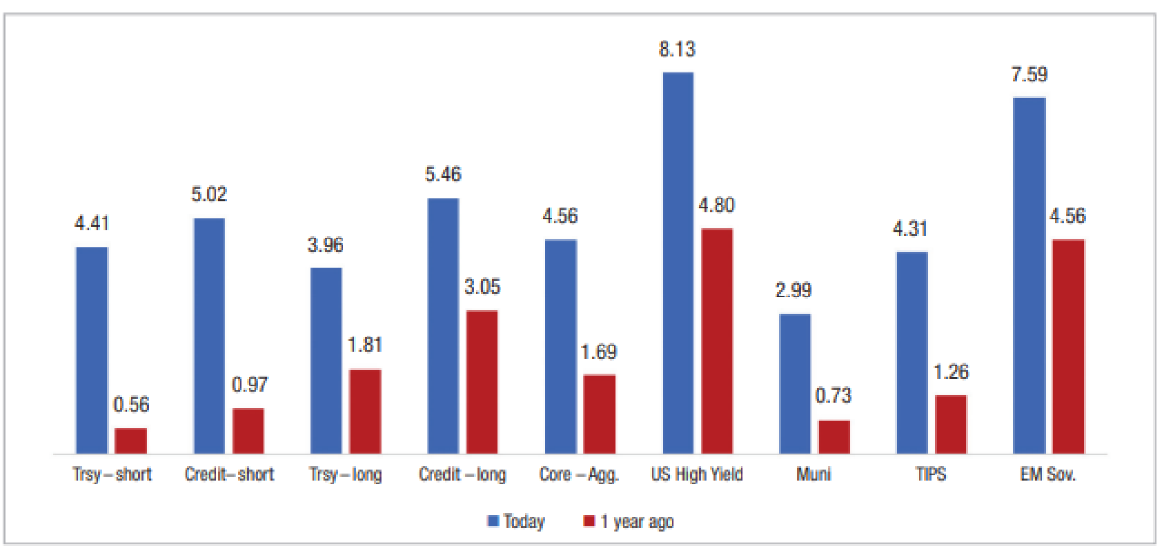
Chart 6 — Annual Returns (%)



Source: Bloomberg; KeyBank Investment Center

Positively, with the Fed raising interest rates, bond yields have meaningfully moved higher and now offer attractive coupons, leading us to report recently: "There is income in fixed income again." At the same time, equity valuations are less demanding than they were a year ago. These two facts underlie our long-term capital market assumptions, which, when combined, imply a 60/40 portfolio has a reasonable chance of earning 6% per annum over a long-time horizon. In contrast, a year ago, mainly because of the low level of interest rates at the time, this same 60/40 portfolio would likely fail to earn 4%. In sum, **long-term prospective returns are more favorable today than they were at this time last year.**

Chart 7 — Yield (%)



Source: Bloomberg; KeyBank Investment Center

2023 Outlook: Was a Pound of Medicine Worth an Ounce of Cure?

That said, in the short run, we believe that the volatility experienced in 2022 will likely persist in 2023; thus our base case for 2023 envisions flattish returns for broad US equity markets once again. Steve Hoedt, Head of Equities, provides greater detail on this topic in an accompanying piece to this Outlook. Rajeev Sharma, Head of Fixed Income, offers a companion article on the outlook for the bond market in the year ahead. But in brief, the inflation boost to corporations in the form of higher revenues will likely fade as inflation in the aggregate also descends. At the same time, however, costs likely will fall at a slower pace, thereby pressuring margins and earnings, which could put additional pressure on stock prices.

In addition, stocks typically do not bottom *before* a recession starts, suggesting additional pain may lie ahead. But importantly, stock prices do recover before the economy does, meaning that if investors wait for the recession to end before putting capital to work, they will be too late. Therefore, while we believe the range of outcomes may be wider next year, we don't believe most investors will be well-served to underweight equity risk relative to their strategic asset allocation targets; nor should they attempt to time when the market may reach bottom as such attempts have repeatedly led to underperformance.

For these reasons, we continue to recommend selectivity and quality. We counsel investors to revisit actively managed solutions and incorporate "New Tools" to remain fully diversified. As noted earlier, long-term, forward-looking returns for stocks and bonds both appear to be higher versus this time last year. However, with interest rates poised to remain "higher for longer," stocks and bonds are likely to remain more highly correlated with each other, meaning that nontraditional strategies such as absolute return vehicles, private credit, real assets and others may provide critical diversification amid an uncertain environment for investors.

Conclusion: Not your father's recession, but perhaps your grandfather's?

At the onset, we advised becoming overly reliant on the past when contemplating the future. The Federal Reserve, when assessing the state of the economy, should heed such advice as well, and avoid looking into the rearview mirror for too long. To date, on the surface, the Fed has applied a "pound of medicine" to bring inflation down, which has seemingly resulted in a modest "ounce of cure."

If the Fed ventures to look forward, it will likely see inflationary pressures beginning to ebb, which may justify an eventual pause in raising interest rates in 2023. Notably, however, a pause should not be presumed to be a pivot and by our lights, inflation will cool but remain above pre-COVID levels for some time, suggesting that interest rates will be higher for some time, too.

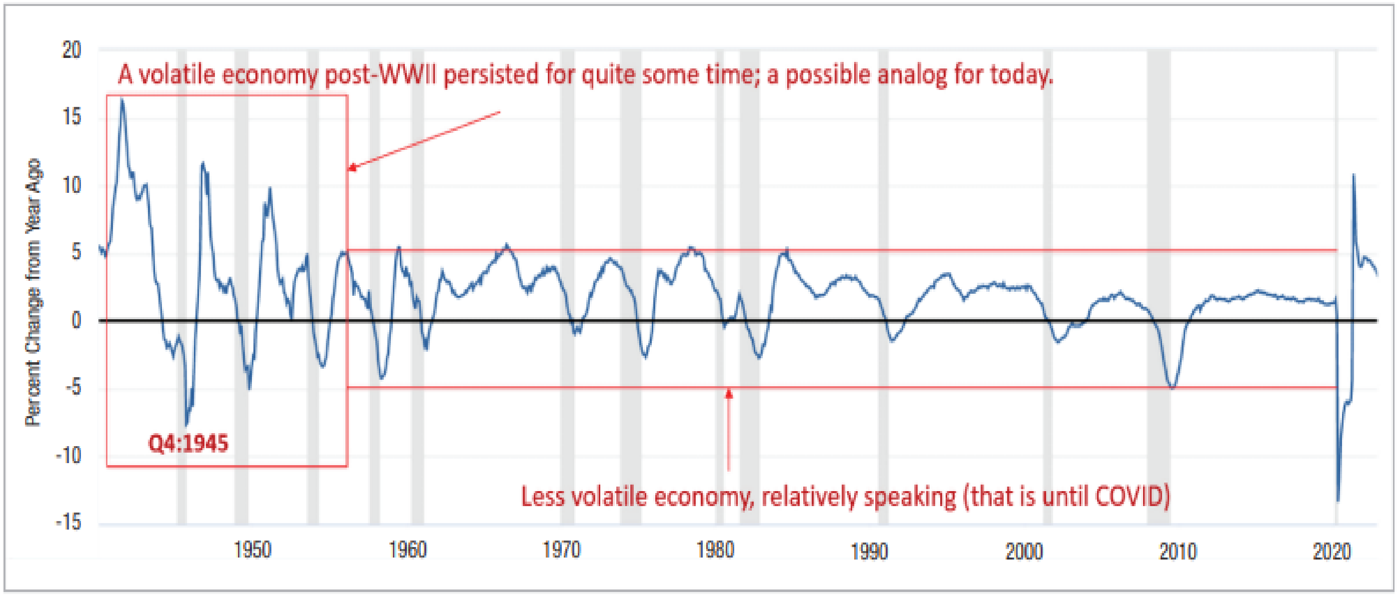
Against this backdrop, financial assets will be volatile as the economy itself may prove equally volatile, complicating matters for policymakers. And if financial conditions remain overly restrictive for too long, a recession may prove inevitable.

Such a recession will not be painless, but we don't believe it will be historic nor will it resemble your father's recession (circa 2008-09). However, it may resemble your grandfather's recession or the period spanning the mid-1940s/1950s (See Chart 8 on page 9).

In both cases, exogenous shocks (World War II and COVID) triggered enormous amounts of stimulus being injected into the economy — both in the form of zero interest rates and large fiscal deficits. Armed with this stimulus, consumers' pent-up demand propelled a massive spending boom once these shocks faded, setting the stage for higher inflation then and now.

In the short run, we believe that the volatility experienced in 2022 will likely persist in 2023; thus our base case for 2023 envisions flattish returns for broad US equity markets once again.

Chart 8 — All Employees, Total Nonfarm



Source: Federal Reserve Bank of St. Louis (shaded areas indicate recessions; annotations by Key Wealth Management)

In the years after WWII, when policymakers initially confronted rising inflation, they adjusted interest rates frequently, causing five recessions in just 16 years (1945 to 1961). Such on-again/off-again policy moves caused the economy to experience above-average levels of volatility as depicted in the chart which illustrates annual changes in the size of the US labor market (a possible precursor to today's widely used unemployment rate). These observations bring forth two important considerations for investors today: First, even though recessions occurred with great frequency, they were generally shorter and shallower. Yet given such volatility, equity risk premiums were higher, implying valuations were lower.

The past is not always a prologue, and, as we have cautioned repeatedly, investors (and policymakers, too!) should avoid the temptation of extrapolating the past as a shortcut to forecast the future. Moreover, the economy today is vastly different (in both size and composition) than it was seven decades ago.

Still, if the post-WWII experience proves to be a useful reference for today's post-COVID world, it could portend a shift in the underlying investment landscape. Such a shift, we believe, would be defined by a shift from a relatively stable economy and low inflation to one characterized by a less stable economy and higher inflation. Should such a shift occur, it should stand to reason that the investment solutions that worked the best in the past may not be the ones that outperform in the years ahead.

On behalf of my colleagues, I wish you good health, peace, prosperity, and continued optimism in the year ahead.

For more information about how to adjust your strategy based on this outlook, please contact your advisor.

George Mateyo,
Chief Investment
Officer

IAFEI EXECUTIVE COMMITTEE

Chairman	Xiaojiang Pan
Vice Chairman	Duong Hai
Area President for Asia	Tsutomo Mannari
Secretary and Treasurer (Interim)	Abelardo V. Cortez

IAFEI QUARTERLY ADVISORY COUNCIL

Chairman	Xiaojiang Pan
Immediate Past Chairman	Eduardo V. Francisco
Advisory Council Chairman	Conchita L. Manabat

IAFEI QUARTERLY EDITORIAL BOARD

Area President for Asia	Tsutomo Mannari
Secretary and Treasurer (interim)	Abelardo V. Cortez
Head of Secretariat	Michael Vinluan

IAFEI SECRETARIAT
c/o FINEX Philippines Office
U1901, 19/F, 139 Corporate Center, Valero St.,
Salcedo Village, Makati City
E: secretariat@iafei.org
T: +63 2 8114052 / 8114189
F: +63 2 8114185
url: www.iafei.org

Disclaimer:
The opinions expressed here are the views of the writers and do not necessarily reflect the views and opinions of IAFEI, its officers and its members.