

PERFORMANCE PERSPECTIVES

with David Spaulding



VOLUME 15 – ISSUE 5

FEBRUARY 2018

Since 1990, The Spaulding Group has had an increasing presence in the money management industry. Unlike most consulting firms that support a variety of industries, our focus is on the money management industry.

Our involvement with the industry isn't limited to consulting. We're actively involved as members of the CFA Institute (formerly AIMR), the New York Society of Security Analysts (NYSSA), and other industry groups. Our president and founder regularly speaks at and/or chairs industry conferences and is a frequent author and source of information to various industry publications.

Our clients appreciate our industry focus. We understand their business, their needs, and the opportunities to make them more efficient and competitive.

For additional information about The Spaulding Group and our services, please visit our web site or contact Patrick Fowler at PFowler@SpauldingGrp.com

2018 YEAR *of the* ASSET OWNER

Perhaps you heard that in the Chinese calendar, 2018 is the **Year of the Dog**.

Picking up on this, we decided to proclaim 2018 the **Year of the Asset Owner**.

There's been a significant increase in interest from the asset owner space for in-house training, GIPS® (Global Investment Performance Standards) compliance and verification, as well as general consulting. We are also seeing an increased interest in our firm's Asset Owner Roundtable.

No doubt, the California Public Employees' Retirement System's (CalPERS) recent decision to adopt GIPS is behind the upsurge in interest in compliance. For some time, we've had discussions with a variety of asset owners about compliance. The standard question has been "why should we?" I suspect that in the not too distant future, for some asset owners the question will be "why aren't we?"

The most important reason to comply is that it's "best practice," and who is willing to settle for "second best"? Other reasons include the ethical principles behind the Standards, as well as its requirement for "full disclosure." It will, no doubt, provide greater confidence to the asset owner's board and those it serves.

As for training, John D. Simpson, CIPM and I were in Saudi Arabia in December conducting our week-long Performance Measurement Boot Camp for SAMA: Saudi Arabia Monetary Authority. We've conducted these classes for many asset owners, throughout North America, as well as in Europe and Australia.

Asset owners have devoted more of their investments in hiring performance and risk measurement professionals. In some cases, their teams and tools rival those of many of their managers. While they may rely heavily on their custodians, they also have their own infrastructure to provide much of what they require.

We decided to name **2018 the Year of the Asset Owner** to recognize this buildup in interest, as well as to demonstrate our dedication and commitment to this vitally critical segment of the investment market. For if there were no asset owners, there would be no market, yes?

And so, please look forward to future information coming your way regarding the **Year of the Asset Owner**.

<http://www.SpauldingGrp.com>

The Journal of Performance Measurement®

UPCOMING ARTICLES

Residuals on Duration-based Fixed Income Attribution

– João Sousa Dias,
Eagle Investment Systems

GIPS 20/20

– Carl R. Bacon, CIPM, StatPro

The Journal Interview

– Nick Sharp, Ph.D., MSCI

Net-of-Fee Performance Calculations

– Andre Mirabelli, Ph.D.,
Opturo and Krista Harvey,
CFA, CIPM, TIAA

A Measure for Evaluating the Distributions of Ex-Ante Forecast Returns

– Masahito Shimizu,
Tokyo Institute of Technology

Confronting the Challenges of Multi-Level Attribution

– David Spaulding, DPS, CIPM,
The Spaulding Group



We are very pleased to announce the winners of The Spaulding Group's GIPS Policies and Procedures Contest. GIPS, the Global Investment Performance Standards, requires compliant firms to have written policies and procedures. And preparing these P&P is often one of the most challenging aspects of achieving and maintaining compliance. We thought it would be fun to hold a contest, where firms would submit their GIPS Policies and Procedures, we would review them, and determine the top three. Well, the long wait is over, as we've identified these firms (and, if you read what appears above, you now know, too!).

The winner is **Appleton Partners, Inc.** It was actually their P&P that made me think of holding such a debate. I reviewed them a couple years ago, and was highly impressed. I mentioned this and suggested that perhaps we'd hold a contest. And while it took a bit of time to get it organized, I'm not surprised that they won.

Second place goes to **Fiera Capital Inc.** And the third place winner is **John Hsu Capital Group, Inc.**

We used several criteria to review each submission. This included:

1. The overall content, including
 - a. Completeness: has everything that is required
 - b. Rules are easy to understand; anyone taking over would know what to do.
2. Minor content characteristics, including
 - a. Grammar
 - b. Spelling
3. The P&P's organization
 - a. Materials well organized
 - b. Information flows well
 - c. Miscellaneous: pages numbered; has a table of contents; has a cover page
 - d. Aesthetics (its look & feel)

All three firms will receive trophies to commemorate their success. In addition, Appleton Partners will be awarded a complimentary spot at the PMAR (Performance Measurement, Attribution & Risk) conference of their choice (North America, Europe, or West).

Appleton Partners' P&P will be published in an upcoming issue of *The Journal of Performance Measurement*®. We expect to publish the other two, as well. We know that many firms will want to see what they look like, and perhaps "borrow" some of their ideas.

When I conduct GIPS verifications, I am frequently asked for samples. Our proprietary GIPS Orientation Kit™ used to have a few, but over time, with changes to the rules, they became less than ideal.

Want to see the winner's P&P? If you're a subscriber, you'll automatically get a copy. And, if you're one of our firm's 200+ verification clients, simply mention to your verifier that you'd like a copy. If you're neither a subscriber nor a verification client, then we encourage you to become one!

I am hopeful that this particular issue of the Journal will include one or two articles specifically devoted to the topic of GIPS policies and procedures. Then, in addition to having access to the winning article, you'll be provided with additional helpful information about this important topic.

We congratulate Appleton Partners, Inc.; Fiera Capital Inc.; and John Hsu Capital Group, Inc. We greatly appreciate their participation in this contest. In addition, we thank the other firms who participated.

Please read our press release regarding this topic:

<http://www.spauldinggrp.com/press-release-appleton-partners-wins-best-gips-policies-procedures-contest/> or <https://tinyurl.com/yb35m8eo>

The Journal of Performance Measurement®
WOMEN
in Performance & Risk Measurement
Awards
2018

We are very pleased to announce that *The Journal of Performance Measurement*® is initiating an annual **Women in Performance & Risk Measurement Award**. This award will recognize outstanding women in our segment of the investment field, who have contributed to its growth and met with personal success.

The Spaulding Group is proud of our efforts over the years in seeking to promote women in the industry. We have regularly sought qualified women speakers for our events, assisted women seeking employment and advancement, and recognized women through interviews within the journal. As the publishers of the only publication dedicated to investment performance and risk measurement, it seemed quite appropriate for us to initiate this award, which will be given annually.

We are hopeful that this award will not only recognize these contributors, but also serve as a way to encourage other women to enter this growing and exciting field.

The Journal's Advisory Board will vote on the nominations. If you'd like to nominate someone, even yourself, please send the name, along with some biographical information, to the Journal's editor, Douglas Spaulding (DougSpaulding@SpauldingGrp.com) by March 15th.

We hope to announce the inductees in April. They will be invited to attend the PMAR (Performance Measurement, Attribution & Risk) conference of their choice, where they will receive their award. Please contact Douglas with any questions you may have.

PUZZLE TIME!

January Puzzle

We were asked to solve this puzzle:

It's helpful to insert some letters, so we can solve it algebraically:

$$\begin{array}{rcl} \boxed{A} & + & \boxed{B} = 8 \\ + & & + \\ \boxed{C} & - & \boxed{D} = 6 \\ \parallel & & \parallel \\ 13 & & 8 \end{array}$$

$$\begin{array}{rcl} \boxed{} & + & \boxed{} = 8 \\ + & & + \\ \boxed{} & - & \boxed{} = 6 \\ \parallel & & \parallel \\ 13 & & 8 \end{array}$$

Since $A+B = 8$, and $B + D = 8$, we must conclude that $A = D$, and so we have:

$$\begin{array}{rcl} \boxed{A} & + & \boxed{B} = 8 \\ + & & + \\ \boxed{C} & - & \boxed{A} = 6 \\ \parallel & & \parallel \\ 13 & & 8 \end{array}$$

And now, it's a matter of algebra. We know that $A+C = 13$; we also know $C-A = 6$. From this we can rearrange the terms so that we have $C = 13-A$ and $C = 6 + A$. We can then set the two respective right sides equal to each other: $13-A = 6 + A$. We can then complete the process to find that $A = 3.5$. Knowing this, it's not difficult to complete the puzzle:

Our puzzle solvers were Daniel Kempf, Robert Paterson, Matthew Rayner, Mark Rothermel, Anthony Howland, and Hans Braker.

This puzzle came from the I Love Mathematics page of Facebook.

$$\begin{array}{rcl} \boxed{3.5} & + & \boxed{4.5} = 8 \\ + & & + \\ \boxed{9.5} & - & \boxed{3.5} = 6 \\ \parallel & & \parallel \\ 13 & & 8 \end{array}$$

KEEP THOSE CARDS & LETTERS COMING

We appreciate the emails we receive regarding our newsletter. Mostly, we hear positive feedback while at other times, we hear opposition to what we suggest. That's fine. We can take it. And more important, we encourage the dialogue. We see this newsletter as one way to communicate ideas and want to hear your thoughts.

February Puzzle

Now this month's puzzle came from an interesting source: my own head! Actually, I awoke one morning realizing that it came to me through a dream: weird, right? Anyway, here it is:

Put the numbers 1 to 5 in order, in the simplest way, such that each number is not larger than the one to its left, nor smaller than the one to its right.



www.spauldinggrp.com/bacon-vs-spaulding

THE SPAULDING GROUP'S 2018 INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

DATE	EVENT	LOCATION
March 13-14, 2018	Fundamentals of Performance Measurement	San Francisco, CA
March 15-16, 2018	Performance Measurement Attribution	San Francisco, CA
April 25, 2018	Asset Owner Roundtable	Denver, CO
April 26-27, 2018	Performance Measurement Forum	Denver, CO
May 15-16, 2018	PMAR North America	Philadelphia, PA
May 17, 2018	Bacon vs. Spaulding	Philadelphia, PA
June 11-12, 2018	PMAR Europe	London, England
June 13, 2018	Spaulding vs. Bacon	London, England
June 14-15, 2018	Performance Measurement Forum	Dublin, Ireland
July 16-20, 2018	Performance Measurement Boot Camp	New Brunswick, NJ
August 14-15, 2018	Fundamentals of Performance Measurement	Chicago, IL
August 16-17, 2018	Performance Measurement Attribution	Chicago, IL
October 15-16, 2018	Fundamentals of Performance Measurement	San Diego, CA
October 17-18, 2018	PMAR West Coast	San Diego, CA
November 15-16, 2018	Performance Measurement Forum	Luxembourg
November 28, 2018	Asset Owner Roundtable	Orlando, FL
November 29-30, 2018	Performance Measurement Forum	Orlando, FL
December 5-6, 2018	Fundamentals of Performance Measurement	Mumbai, India
December 11-12, 2018	Fundamentals of Performance Measurement	New Brunswick, NJ
December 13-14, 2018	Performance Measurement Attribution	New Brunswick, NJ

For additional information on any of our 2018 events, please contact Patrick Fowler at 732-873-5700

TRAINING...

Gain the Critical Knowledge Needed for Performance Measurement and Performance Attribution

TO REGISTER:

Phone: 1-732-873-5700

Fax: 1-732-873-3997

E-mail: info@SpauldingGrp.com



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FUNDAMENTALS OF PERFORMANCE MEASUREMENT

A unique introduction to Performance Measurement specially designed for those individuals who require a solid grounding in all aspects of performance measurement. The Spaulding Group, Inc. invites you to attend Fundamentals of Performance Measurement on these dates:

March 13-14, 2018 – San Francisco, CA

August 14-15, 2018 – Chicago, IL

October 15-16, 2018 – San Diego, CA

December 11-12, 2018 – New Brunswick, NJ

15 CPE & 12 PD Credits upon course completion

CFA Institute has approved this program, offered by The Spaulding Group, for 12 CE credit hours. If you are a CFA Institute member, CE credit for your participation in this program will be automatically recorded in your CE tracking tool.



PERFORMANCE MEASUREMENT ATTRIBUTION

Two full days devoted to this increasingly important topic. The Spaulding Group, Inc. invites you to attend Performance Measurement Attribution on these dates:

March 15-16, 2018 – San Francisco, CA

August 16-17, 2018 – Chicago, IL

December 13-14, 2018 – New Brunswick, NJ

15 CPE & 12 PD Credits upon course completion

CFA Institute has approved this program, offered by The Spaulding Group, for 12 CE credit hours. If you are a CFA Institute member, CE credit for your participation in this program will be automatically recorded in your CE tracking tool.



IN-HOUSE TRAINING

The Spaulding Group has offered in-house training to our clients since 1995. Beginning in 1998, we formalized our training, first with our Introduction to Performance Measurement class and later with our Performance Measurement Attribution class. We now also offer training for the CIPM program. To date, close to 3,000 individuals have participated in our training programs, with numbers increasing monthly.

WORKING ON YOUR 2018 BUDGET?

Don't forget to make room for conferences. And why not the Trifecta of Performance Measurement Conferences?



PMAR, Performance Measurement, Attribution & Risk, is the #1 performance measurement conference. If you've never experienced it, you owe it to yourself and your firm. And if you have, then you know the great value it is. And now, there are three to choose from!

So please set aside funds in your 2018 budget to participate in PMAR!