

PERFORMANCE PERSPECTIVES

with David Spaulding



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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 Chris Spaulding at CSpaulding@SpauldingGrp.com

CIPM PROGRAM REACHES AND SURPASSES MILESTONE

Hopefully, you're a believer in the adage, *better late than never*. Sadly, this idea didn't occur to me until recently, but I feel it's important to point it out.

The CIPM program has reached 1000 recipients! We have tried to identify this person, but haven't had any luck. And so, if you are or know who this person is, let us know.

The total number of investment professionals who have met the qualifications necessary to carry "CIPM" next to their name is approaching 1500! We think this is great news!

Recall that the program was launched in 2006. John Simpson, CIPM and I are two from the first "class," and were given, in addition to our certificates, "mini" versions in Lucite! You may recall that Douglas Lempereur, CFA, CIPM, FRM of Franklin Templeton was #1; this was because he was the first to pass the Expert Level exam and qualify for the certification. Unlike Douglas, who scheduled his exam for the very first date available, I waited until almost the very end, as I wanted as much time to study as possible! Douglas scheduled his early because he was taking the FRM exam that same summer (he's a glutton for punishment, I guess). There's some evidence to suggest that the order the Expert exam was taken and passed has something to do with the number:

- John Simpson's number is #54
- Neil Riddles is #73
- Mine is #75.
- And Carl Bacon is #78.

We continue to be big supporters of the exam. If you visit our website (www.SpauldingGrp.com) you'll see a display advertisement for a \$100 savings off the fee, something you should take advantage of, if you're considering taking the exam.

We firmly believe that all who consider themselves "performance measurement professionals" should pursue this important certification. As an incentive, we'll give #1500 a free pass to PMAR 2016! We will also give #1,000 a free pass to PMAR 2015,¹ if we can learn of his/her identity!



The Journal of Performance Measurement®

UPCOMING ARTICLES

Mind the GAP: Questioning the Investment Manager's Stated Benchmark

– Panagiota Balfousia, CFA

The Journal Interview

– Jenny Lor, CIPM, CFE, FRM

Residual Interaction Compounding: A New Term in Multi-Period Arithmetic Attribution

– Joseph D'Alessandro

Puzzles in Risk and Performance: Part 2

– Marcus Hedbring

Contribution of Initial Holdings and Transactions to Performance

– Laurent Cantaluppi

Exact Multi-Period Performance Attribution Model

– Carsten V. Berg

THE SPAULDING GROUP RECEIVES TWO WEALTH & MONEY MANAGEMENT AWARDS

We recently announced that we were the recipient of two awards from *Wealth & Finance International Magazine*. We were named Best for GIPS Consulting and Best for Performance Measurement.

**wealth&money
management**awards
twothousand&fourteen
winner

We were not aware of these awards until we were contacted in August and told of our selection: we were asked to keep this confidential until they published their awards supplement.²

The magazine also published a press release, announcing the award.³ We followed suit with our own press release.⁴

As I mentioned in a recent blog post,⁵ we thank Wealth & Finance International Magazine for this honor. We are humbled and much appreciative of this recognition.

NASDAQ CLOSING BELL CEREMONY

Patrick Fowler and Chris Spaulding joined me at NASDAQ last month for the closing bell ceremony. This event was part of the NASDAQ Institutional Insights Forum.



² See <http://viewer.zmags.com/publication/b9c0d46a#/b9c0d46a/1>

³ See <http://www.wealthandfinance-intl.com/the-spaulding-group--inc>

⁴ See <http://tinyurl.com/nnvlfjm>

⁵ <http://spauldinggrp.com/spaulding-group-receives-two-wealth-money-management-awards/>.



At the event I moderated a panel discussion on benchmark costs, that included

- Joe Nardulli, Northern Trust
- Jerry Garrett, Oklahoma Firefighters Pension & Retirement System
- John L. Jacobs, Nasdaq Global Indexes
- Lisa A. Massena, CFA, Senior Vice President, State Street Corporation
- Frances Barney, CFA, Managing Director, Global Risk Solutions Consulting – Americas, BNY Mellon Asset Servicing.

We had begun discussions with Northern Trust's Joe Nardulli a couple years back, and were invited to join in this program, which is the first of several that will be held to provide greater insights and visibility into the high costs of market indexes.

Ring the bell and participating in this program was quite an honor and privilege.

THE 2015 RIMES BUY-SIDE SURVEY

Now in its third year, the RIMES Buy-Side Survey investigates data management trends for investment managers, hedge funds, custodian banks, insurance firms and pension funds. Every year, RIMES hosts over 30 Forums around the globe, engaging with its clients and other key decision makers: these have highlighted some important topics. This year's survey explores these topics. RIMES is hoping to gain the best possible picture of issues such as data quality & governance, incoming regulation and the growing cost of data.

Complete the Survey:

www.surveymonkey.com/s/RIMES

You should note that the privacy of your personal information will be kept strictly confidential.

To read last year's survey findings:

www.rimes.com/rimes-2014-buy-side-survey

GIPS FOR ASSET OWNERS WEBINAR

We held a webinar last month to discuss the new guidance statement to clarify the rules for asset owners who wish to comply with the GIPS standards. The turnout for the event was quite good, and we received several very interesting questions.⁶ If you'd like to listen to the audio, simply go to <http://spauldinggrp.com/media-coverage/>.

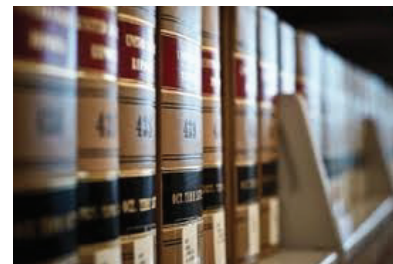
PERFORMANCE & RISK MEASUREMENT LIBRARY

I am a firm believer that professionals, in any profession, should have a library of texts that they can draw upon.

Think about lawyers ... what lawyer doesn't have a library of relevant books at their disposal?

Well, shouldn't investment and risk professionals have libraries, too, with a collection of books that they can draw upon when needed?

I was planning to list the performance measurement books I own, but thought I'd wait another month or so, and invite our readers to provide a list of theirs. And so, simply send me a note with the books you own: the one with the biggest count will win a prize (TBD)!



BLOOMBERG RADIO INTERVIEW

While at the NASDAQ event I was interviewed by Bloomberg radio. The problem with interviews is that you generally don't know what will be asked, and this was a live one, so no opportunity to say "can you ask me a different question" ... well, you CAN ask this, but it's less than ideal to do so.

I was quite fortunate in that the interviewer, Mike McKee, asked me about performance and what should be shown: this was an opportunity for me to briefly chat about time- versus money-weighted returns, one of my favorite topics! Future interviews are planned, so I'm sure other topics will be addressed.

If you'd like to hear the interview (it's short), go to <http://spauldinggrp.com/media-coverage/>.



⁶ While I gave my thoughts on all the questions, I did pass a few to the GIPS Help Desk; I'll share the questions and answers when they're received.

PUZZLE TIME

October Puzzle

Last month’s puzzle came from *The Moscow Puzzles*...in fact, it appears on the cover! It was obviously a bit more challenging, as very few of our readers made an attempt at it (one or two of those listed came close enough to qualify for their name to appear).

Purrer, the cat, has decided to take a nap. He dreams he is encircled by 13 mice: 12 gray and one white. He hears his owner say “Purrer, you are to eat each 13th mouse, keeping the same direction (i.e., clockwise or counterclockwise). The last mouse you eat must be the white one.”

Which mouse should he start with?

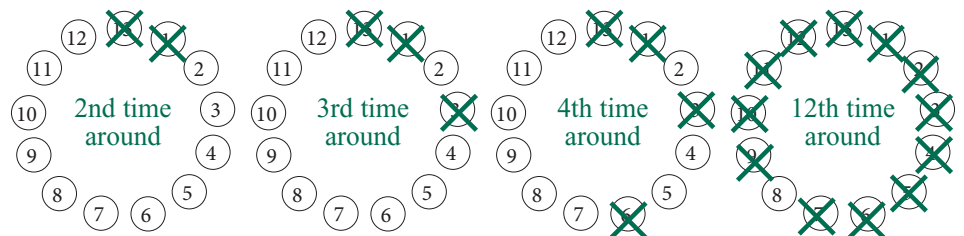
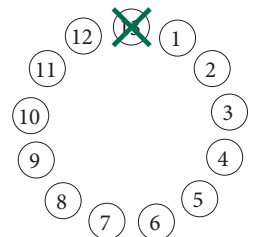
It is unfortunate that this puzzle doesn’t involve anything other than raw muscle to figure it out: there doesn’t appear to be an elegant solution, which is unfortunate, because what if there were 100 mice?

Anyway, the book suggests the following:

Refer to the following figure. Start from the cross in the diagram (position 13) and go clockwise through positions 1, 2, 3 ..., crossing out each 13th dot: 13, 1, 3, 6, 10, 5, 2, 4, 9, 11, 12, 7, and 8. Call position 8 the white mouse, and Purrer starts clockwise from the 5th mouse clockwise from the white mouse (i.e., position 13 relative to position 8). Or, he starts counterclockwise from the 5th mouse counterclockwise from the white mouse.

If that isn’t clear, let’s try this; please refer to the next figure.

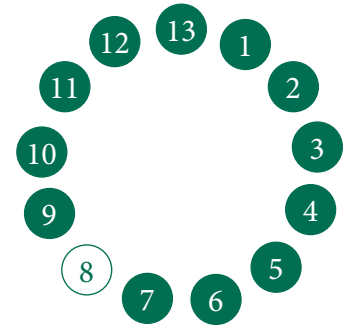
The 13 circles represent 13 mice; at this time, we don’t know of them 13 which is the white one. Starting with the first mouse, we count 13 and cross of the 13th. We then continue to do this. For example:



KEEP THOSE CARDS & LETTERS COMING

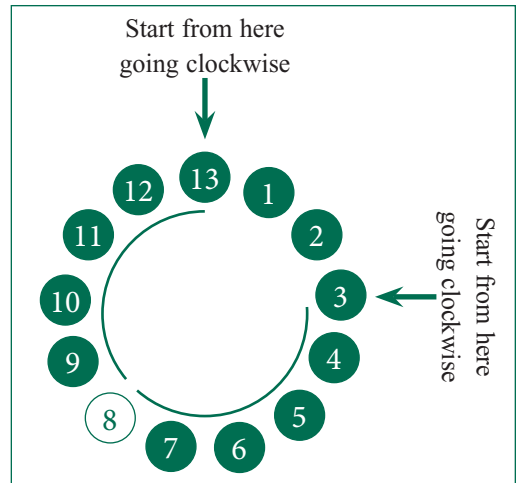
We appreciate the emails we receive regarding our newsletter. Mostly, we hear positive feedback while at other times, we hear opposition to what we suggest. That's fine. We can take it. And more important, we encourage the dialogue. We see this newsletter as one way to communicate ideas and want to hear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

- the first time around, we crossed off #13.
- the second time around, we crossed off #1.
- the third time, #3.
- the fourth time, #6
- and then, continuing clockwise, we strike off, in order, 10, 5, 2, 4, 9, 11, 12, 7.
- what's remaining is #8. Since the last mice is to be the white one, then #8 is it.



We started with position 13, and that is the fifth mouse clockwise from the white one. If we choose to circle the mice counterclockwise, then we would select the fifth mouse counterclockwise from the white one (#8).

This puzzle is classified as “difficult,” and it was, I think, because you’re probably looking for some mathematical formula to solve it; perhaps there is one.



November Puzzle

A fisherman, wearing a large straw hat, was fishing from a rowboat in a river that flowed at a speed of three miles an hour. His boat drifted down the river at the same rate.

“I think I’ll row upstream a few miles,” he said to himself. “The fish don’t seem to be biting here.”

Just as he started to row, the wind blew off his hat and it fell into the water beside the boat, but the fisherman didn’t notice his hat was gone until he had rowed upstream five miles from his hat. Then he realized what must have happened, so he immediately started rowing back downstream again until he came to his floating hat.

In still water, the fisherman’s rowing speed is always five miles per hour. When he rowed upstream and back, he rowed at this same constant speed, but of course this would not be the speed relative to the shore of the river, because the water was also in motion. For instance, when he rowed upstream at five miles an hour, the river would be carrying him downstream at three miles an hour, so he would be passing objects on the shore at two miles an hour. And when he rowed downstream, his rowing speed and the speed of the river would combine to make his speed the equivalent of eight miles an hour with respect to the shore.

If the fisherman lost his hat at two o’clock in the afternoon, what time was it when he recovered it?





BEHIND THE SCENES AT TSG

Sue Kneller

What do you do? I am currently the Office Liaison at TSG. I assist in training new hires with administrative duties and assist with projects where needed.

How long have you been with the firm? I started working at TSG in July 2000. I was the Office Manager in charge of administrative duties. In addition, I was Subscription Manager for The Journal of Performance Measurement. My duties included invoicing, processing orders, managing Journal subscriptions, administrative duties, preparation of training materials and making travel arrangements for colleagues.

After ten years, I retired in May of 2010 to devote more time to my family, however returned part-time in April 2011.

What do you like about working for us? Prior to joining TSG I was employed at HIP Health Plan of New Jersey for 13 years. I was Manager of the Customer Service Department.

Working at TSG was quite a change for me coming over from the Medical field. However, it was great learning about Performance Measurement. Working here makes you feel like part of a “family.” It is a wonderful feeling to be a part of a growing Company. I had known The Spaulding’s and the Fowlers for several years, so working with them has been a good fit for me. I missed them when I retired and was thrilled to have the opportunity to come back.

Family: I have been married to my husband for 41 years. We have two wonderful sons, Michael and Brian. Our sons and their beautiful wives have blessed us with six amazing grandchildren, Emma, Oliver, Olivia, Garrett, Zoey and Evan.

Education: Since I married my husband and started our family at a young age I didn’t attend college. I have learned on-the-job. Over the years I have taken several classes in Customer Service and Administration. Most recently I completed an on-line program through Penn Foster in Travel and Tourism.

Hobbies /Past Times: I enjoy spending time with my husband and family. Playing with my grandchildren is my favorite thing to do. I enjoy cooking, crocheting and Blogging stories about my grandchildren.

THE SPAULDING GROUP’S 2014 INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

DATE	EVENT	LOCATION
December 9-10	Fundamentals of Performance Measurement	New Brunswick, NJ (USA)
December 11-12	Performance Measurement Attribution	New Brunswick, NJ (USA)

For additional information on any of our 2014 events, please contact Christopher Spaulding 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:

December 9-10, 2014 – 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:

December 11-12, 2014 – 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.

UPDATED CIPM Principles and Expert Flash cards are now available on our web store. Please visit www.SpgShop.com today to order your set.

Our performance experts have created a study aid which can't be beat: *flash cards!* These handy cards will help you and your associates prepare for the upcoming CIPM Principles Exam. Unlike a computer-based study aid, you can take them anywhere to help you test your knowledge.

Benefits of Flash Cards:

- Work at your own pace
- Immediate feedback
- Strengthen and reinforce core CIPM principles

These cards are a *must have* for anyone preparing to take the CIPM Exams.

