

PERFORMANCE PERSPECTIVES

with David Spaulding



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Since 1990, The Spaulding Group, Inc., an employee-owned business, has had an increasing presence in the money management industry.

The Spaulding Group, Inc. is the fastest-growing verification firm, serving clients around the globe, with assets ranging from less than \$100 million to more than \$1 trillion. We provide an array of other performance measurement services and products, including consulting, publishing (The Journal of Performance Measurement®), research, and training. We also host the Performance Measurement Forum, the Asset Owners' Round Table, and the Annual PMAR™ Conferences.

We are actively involved as members of the CFA Institute and other industry groups. The Spaulding Group has also led the charge for the industry in the handling of error correction, attribution guidelines/ standards, and Investment Performance Measurement Analyst Certification (since handed over to the CFA Institute and now called the CIPM program).

Several of our senior staff regularly speak at and/or chairs industry conferences. Our founder and CEO, David Spaulding, is a frequent author and source of information to various industry publications. Our firm continues to make huge contributions to our industry, in terms of valuable content, innovative ideas, and volunteer activities.

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

NOT THE YEAR WE PLANNED FOR OR ANTICIPATED

By now, you're probably sick of hearing about COVID, so I won't mention it.

I will say that I'm too many months behind in getting this out. The year began with so much travel and activity that it was difficult to find the time to work on the newsletter. When March hit, I had to stop traveling, not because of the pandemic, but because my wife of nearly 48 years, Betty, needed me home.



She had been diagnosed with idiopathic pulmonary fibrosis (IPF) nine years earlier, and was now on oxygen. It was no longer possible for me to be away, and so I did all of my work remotely. We had hoped she'd be able to get a lung transplant, but that process did not go very smoothly. By mid-June, her condition had worsened to the point that she was declared "borderline frail," meaning that a transplant would have added risks. She had finally gotten on the list, when she decided to take herself off. And, the pulmonologist from the lung transplant team told us she was making the right decision. At that time, she was given but one or two months to live. And sadly, she passed away on July 19. As you might imagine, her death has been quite difficult for me and my family.

We are approaching the four month anniversary of her passing, and I am trying to return to as much normalcy as possible. I've done a few videos, and decided it was time to get this newsletter completed. That said, it's a bit shorter than normal, but at least I'm getting one out!

HOUSEHOLDING ACCOUNTS

In the wealth management space, there are often times when a family will have two or more accounts that are combined to make the portfolio which ultimately goes into a composite. For example, this could be, for John & Mary Smith:

- John Smith's IRA
- Mary Smith's 401K
- John & Mary Smith's joint brokerage account

The Journal of Performance Measurement®

UPCOMING ARTICLES

Mastering the Dimensions of
Correlations

-Hens Steehouwer

Ch – ch – ch – ch – Changes!
Transitioning Roles from Head
of Performance to Verifier

- Jennifer Barnette, CIPM and
Todd Juillerat, CFA

Re-Engineering Karnosky-
Singer: Utility, Versatility, and
Insight for Practical Multi-
currency Management

- Mark David, CFA

The Journal Interview

- Steve O'Brien

What's in Your Platform (of
Funds)

- Stephen Campisi, CFA

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measurement/](https://spauldinggrp.com/free-journal-of-performance-measurement/)

In order to get a household invested into one of their strategies, it is often necessary for a firm to combine two or more of these sub-accounts. And depending on their portfolio accounting and/or composite systems, it may not be possible to use the combination in a composite, meaning that the individual parts are included, rather than the combination.

For the composite rate of return, this isn't a problem, since the math will get the same result, whether the pieces are combined or separate. However, there are two statistics that will yield incorrect information: dispersion and the number of portfolios at year-end.

For each, the result will likely be higher than it should be.

As a result, you are not permitted to include the individual pieces; rather, you must combine them.

If your system doesn't permit it, then you'll need to impress upon your vendor that they must make the necessary changes to allow this to be done. One possibility is to include the individual sub-accounts into a family composite, and then include that composite in the firm's strategy composite. This "family composite" is really for administrative purposes only, and would not be included in your list of composite descriptions.

INTRODUCING THE BARNETTE RATIO

Our colleague, Jennifer Barnette, came up with a valuable ratio that we feel is an important tool to use to compare our firm's expertise with that of other GIPS® verifiers:

$$BarnetteRatio = \frac{Expertise}{UnitOfCost}$$

This is an assessment of the value you get from your verifier. When you contract with your verifier, consider what you're truly getting. You want this ratio to be as high as possible, because you are looking to get the most expertise for the amount you're investing.

Expertise may be somewhat difficult to quantify, though there are some ways to do it. For example, if we use number of years, if two verifiers were charging the same amount, the one with the greater number of years would yield a higher result.

Because we only use senior level verifiers, who have decades of experience, we know that we offer the greatest value to our clients. And this metric is a simple way to express it.

MONTHLY PUZZLE

I apologize, but there is no puzzle for this month. Not quite ready to do this; sorry. Hopefully, next time!

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.



**Thinking about
GIPS compliance?**



**Click Here for a
no obligation proposal**

THE SPAULDING GROUP'S 2021
INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

| DATE | EVENT | LOCATION |
|-----------------------|--|----------------------------|
| January 11-14, 2021 | Performance Measurement Attribution | Virtual |
| May 10-11, 2021 | Fundamentals of Performance Measurement (in-person training) | Philadelphia, PA |
| May 12-13, 2021 | Performance Measurement Attribution (in-person training) | Philadelphia, PA |
| May 12, 2021 | Asset Owner Round Table (Members only) | Philadelphia, PA |
| May 13-14, 2021 | Performance Measurement Forum (Members only) | Philadelphia, PA |
| June 22-23, 2021 | PMAR North America | Philadelphia, PA |
| June 25-26, 2021 | Performance Measurement Forum (Members only) | Amsterdam, The Netherlands |
| September 21-22, 2021 | PMAR Europe | London, England |
| November 17, 2021 | Asset Owner Roundtable (Members only) | Orlando, FL |
| November 18-19, 2021 | Performance Measurement Forum (Members only) | Orlando, FL |
| November 2021 | Performance Measurement Forum | Porto, Portugal |

For additional information on any of our 2020-2021 events, please contact Patrick Fowler at 732-873-5700.

TRAINING...

Gain the Critical Knowledge Needed for Performance Measurement and Performance Attribution

TO REGISTER:

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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:

May 10-11, 2021 – Philadelphia, PA

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 7-10, 2020 – Virtual

May 12-13, 2021 – Philadelphia, PA

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 4,500 individuals have participated in our training programs, with numbers increasing monthly.

For more details please contact Patrick Fowler at: PFowler@spauldinggrp.com

NOW'S THE TIME TO TRAIN YOUR TEAM

"We approached the Spaulding Group with specific training needs for our diverse, global Performance and Analytics team and The Spaulding Group exceeded our expectations. Not only did they deliver quality content, exercises, and practical case studies, but we were able to weave our own narrative into the course which increased the value and application to our team. I'm a repeat customer of services provided by The Spaulding Group and appreciate their adaptability and breadth of support. There really is only one choice when it comes to Performance, Attribution, and Risk training, and it is The Spaulding Group."

– Jeffrey Mortimer, Invesco