



Since 1990, TSG, an employee-owned business, has had an increasing presence in the money management industry.

TSG 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. TSG 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.

### Maybe Warren has a point?

Perhaps you've seen the LinkedIn posts quoting the famed investor Warren Buffett decrying the world of private equity.<sup>1</sup>

One of the criticisms of private equity is that “the clock starts,” in terms of performance, when the first investment is made; that is, the committed capital isn't included.

I've challenged this idea, myself. If an asset owner commits, let's say, \$20 million, to a partnership, that will exist for seven-to-ten years, where performance only includes actual invested capital, isn't the return overstating the actual performance?

The reason we use the Internal Rate of Return (IRR) for private equity is because the P/E managers do not take the cash into consideration; they don't ever hold it. This, of course, makes sense. Or at least has, for decades. But, is it time for a “paradigm shift”?



When I've brought this up in the past, the response has been of general disinterest. Perhaps because “this is how everyone does it.” But should the entire commitment be ever present, until it is reduced at some late date in the partnership, when no further investing will occur? And, perhaps, should time-weighting be used? Wouldn't that make life a lot easier?

We'll always have to deal with the lagged valuations. But if we could justify a switch to time-weighted performance, that would permit the grouping of private and public assets.

Your thoughts are welcome. I'll have more to say on this.

### A preview of an upcoming article

One criticism I've had for decades has been with the reporting of net-of-fee performance in GIPS® reports. And my reasoning is pretty simple:

- when actual fees are used, if the manager uses a tiered fee schedule [which most do], the resulting return has zero meaning; it cannot be interpreted
- when model fees are used, while we can interpret the results [since we know what the fee is that was used], it will likely be a lower return than what would occur using actual fees, which no one really likes to see.

# *The Journal of Performance Measurement*<sup>®</sup>

## UPCOMING ARTICLES

---

Making Sense Out of  
Net-of-Fee Returns  
- *David D. Spaulding, DPS, CIPM*

---

Best GIPS 2020 Policies &  
Procedures Contest Winner  
- *CalSTRS*

---

The Journal Interview  
- *Jocelyn Gilligan, CFA, CIPM*

---

TSG Time Transcript -  
*An Interview with Stephen  
Campisi*

---

Fixed Income Attribution -  
Toward a Generic Model?  
- *Part 2 by Paul Giles*

---

PLEASE SEE OUR CURRENT  
ISSUE:  
<https://tsgperformance.com/free-journal-of-performance-measurement/>

I've suggested, on multiple occasions, that managers use actual fees and include the "asset-weighted fee" (AWF)<sup>2</sup>. Perhaps you're not familiar with the AWF. It was once required by the predecessor to the GIPS standards, the AIMR-PPS<sup>®</sup>. Unfortunately, it wasn't brought along. That doesn't mean firms cannot report it.

Look for an article in an upcoming issue of *The Journal of Performance Measurement*<sup>®</sup> where I will demonstrate why this statistic should be shown. Hope you find it of interest.

Consider this a "teaser"!

1. See, for example, [tinyurl.com/kxp6cycc](https://tinyurl.com/kxp6cycc)
2. For example, in my comment letter on the proposed 2020 version of the GIPS standards. I can provide you a copy of my letter, if you'd like.

TSG'S 2023  
INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

| DATE                              | EVENT  | LOCATION            |
|-----------------------------------|--|---------------------|
| May 23, 2023                      | Launch of Women in Performance (Cocktail reception)<br><a href="https://spauldinggrp.com/events/women-in-performance-group/">https://spauldinggrp.com/events/women-in-performance-group/</a> | New Brunswick, NJ   |
| May 24-25, 2023                   | PMAR North America   | New Brunswick, NJ   |
| June 22-23, 2023                  | Performance Measurement Forum  | Edinburgh, Scotland |
| November 9-10, 2023               | Performance Measurement Forum  | Porto, Portugal     |
| November 29, 2023                 | Asset Owner Roundtable   | Orlando, FL         |
| November 30 -<br>December 1, 2023 | Performance Measurement Forum  | Orlando, FL         |

For additional information on any of our 2023 events, please contact Patrick Fowler at 732-873-5700.

[Register now for PMAR!](#)



...quote



**PMAR Cosponsors**

