



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.

Another word about the SEC Marketing Rule

Perhaps if you're like me, you're getting tired of hearing about the [not so new] SEC Marketing Rule.

I was responsible for posting several videos about it, as well as writing *ad nauseam* on it.

But what am I now doing? Writing yet again! [My God ... give it a break!]

But, alas, I find that I am compelled to offer this bit more.

A question that has pained many:

Must we show our risk measures using net-of-fee returns?

And another:

Must we calculate attribution using net-of-fee returns?

I answered this quite well [if I do say so myself] in a recent LinkedIn "Article."¹

Here's the short answer to both questions.

NO!

I could end this edition of our newsletter right now, but chances are, you're unconvinced. And so, let me spend a bit more on this topic.

The LinkedIn article summarizes a one-on-one conversation I had with two gentlemen from the SEC [okay, so it was one-on-two; don't be so literal]. They were kind enough to give me some of their valuable time, and I took advantage of it to ask these questions that I know many, who are subject to the SEC's enforcement, want answers to.

And, they answered; not as pithily as I do above, but essentially with the same meaning.

They see [as I've been saying for some time] that attribution is *analysis of the returns*, not the returns themselves. And risk, as well, isn't considered returns. Risk isn't returns; it's *a way to evaluate them*.

And so, you *do not have to calculate them using net-of-fee returns*.



1. <https://tinyurl.com/a4mv4xff>

The Journal of Performance Measurement®

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A caveat

They did suggest that in your Policies & Procedures (P&P) you provide your own justification for not doing so. Unclear why this is necessary, but still worth heeding this recommendation. Explaining that you read this newsletter or the LinkedIn article will probably not suffice, nor might “on the advice of David Spaulding [or TSG].”

But explaining that you do not consider attribution to be returns, but rather *analysis* of the returns; and that risk, *evaluates* returns. And on the risk side, you could add that in reality, the results, whether you use gross or net-of-fee returns, will likely be equivalent.

Okay, that’s it for me.

I won’t have anything further to say on the SEC Marketing Rule. Ever again!

Well, until next time ... sorry; can’t predict the future.

Hope you’re enjoying the summer.

TSG'S 2023
INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

DATE	EVENT	LOCATION
November 9-10, 2023	Performance Measurement Forum	Porto, Portugal
November 29, 2023	Asset Owner Roundtable	Orlando, FL
November 30 - December 1, 2023	Performance Measurement Forum	Orlando, FL
October 23-24, 2023	Fundamentals of Performance Measurement	Los Angeles, CA
October 25-26, 2023	Fundamentals Measurement Attribution	Los Angeles, CA

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