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# BENCHMARKING TRENDS

Performance Measurement Forum

June 13, 2024

Las Vegas, Nevada USA

# Level-Setting of Terminology

- Definition / Differentiation of Working Terms
  - Indices
  - Other Benchmarks

# Characteristics of an Appropriate Benchmark

An benchmark is appropriate if it reflects the investment mandate/strategy.

Important elements of a valid benchmark include it being:

- Specified in advance: Not determined after-the-fact
- Relevant: Reflective of the investment strategy
- Measurable: Quantifiable
- Unambiguous: Constituent components are clearly identified and priced
- Investable and representative of current investment options: Constituents could be acquired
- Complete: Provides a broad representation of the segment of the market to which it pertains

# Potential Options in Response to Ongoing Trend of Increased Index Market Data Costs

- Switching to different (less expensive) vendors
- Self indexing (In-house / Outsourced)
- Peer universes
- Hurdle rates
- ETFs
- Pass-through of fees to clients
- Others (??)

# Additional Benchmark-related Trending Topics

- Benchmark data management: Central repository; multiple databases; spreadsheets
  - Who “owns” benchmark data quality within the organization?
- Incorporation of transaction costs/fees into benchmark data and calculations
- After-tax (bespoke, potentially to account-level specificity of flows, tax factors, etc.)

# Further Discussion

- What else are you observing?
  - Pain points experienced
  - Best practices or suggestions