

Bringing it all together: Calculating Total Performance of an Asset Owner

A 3D rendering of a brown cardboard box, viewed from a slightly elevated angle. The box is oriented horizontally. On the front face of the box, there is a large, red, distressed stamp. The stamp consists of a circular border with a rough, ink-like texture. Inside the circle, the word "RETURNS" is printed in a bold, sans-serif font, also with a distressed, ink-like texture. The box is set against a plain white background with a soft shadow cast beneath it.

RETURNS

What's the question?

In order to decide what formula(s) to use, you need to first know what the question is.



Typical Questions

1. How did we, the asset owner, do in managing the assets?
2. How did our managers (internal and external) do individually?
3. How did the managers do collectively? I.e., how did our managers perform overall?

Let's consider each





How did we, the asset owner, perform?

- Ideally, you should use the IRR, as it takes the cash flows into consideration
- As you may know, GASB mandates this for public funds



How did our managers perform individually?

- Where the asset owner controls the flows, use TWR
- Where the manager controls the flows, use MWR (IRR)



How did our managers perform collectively?

- **This is a tough one!**
- **Some managers control the flows; others don't.**



How did our managers perform collectively?

- GIPS® requires TWR, but what does this actually measure?



How did our managers perform collectively?

- Might we want to asset-weight IRRs with TWRs?
- Some say you can't do this
- But why not?



WHAT'S YOUR STORY?

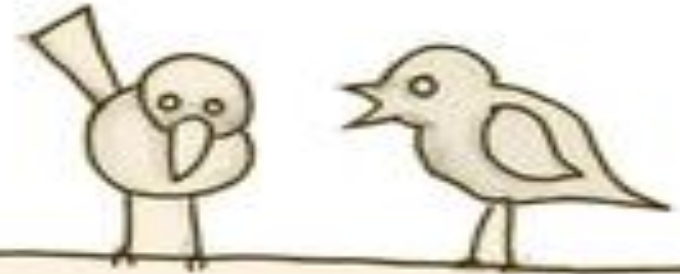
Questions to ponder perhaps

1. Are there other questions you need returns for?
2. If you calculate overall returns in multiple ways, why?
3. What formulas do you typically use for your returns?
4. Should alternatives be considered?



YOUR THOUGHTS?





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