

PERFORMANCE PERSPECTIVES

with David Spaulding



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MAY 2012

Since 1990, The Spaulding Group has had an increasing presence in the money management industry. Unlike most consulting firms that support a variety of industries, our focus is on the money management industry.

Our involvement with the industry isn't limited to consulting. We're actively involved as members of the CFA Institute (formerly AIMR), the New York Society of Security Analysts (NYSSA), and other industry groups. Our president and founder regularly speaks at and/or chairs industry conferences and is a frequent author and source of information to various industry publications.

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

For additional information about The Spaulding Group and our services, please visit our web site or contact Chris Spaulding at CSpaulding@SpauldingGrp.com

“I'M LATE! I'M LATE! FOR A VERY IMPORTANT DATE! NO TIME TO SAY HELLO, GOODBYE! I'M LATE! I'M LATE! I'M LATE!”

The line, of course, was spoken by the White Rabbit in “Alice's Adventures in Wonderland.” As we were closing out the month of May, Patrick Fowler inquired into the status of our monthly newsletter. With all the prep work for our conferences and spring Performance Measurement Forum meetings, it slipped through the cracks! But, we still have a May edition, though a few days late; sorry.



IS THE WORLD GETTING RISKIER?

At this year's North American Performance Measurement, Attribution & Risk (PMAR) conference, two Rutgers University professors, Ben Sopranzetti and John Longo, spoke on the subject of risk. Ben focused on what's occurring in Greece, and I thought it would be worth spending a few minutes touching on this subject here.

You'd have to have been totally “out of it” not to know that Greece is at risk of going off the euro. I must confess that I thought this would be the best thing for this struggling country, because by virtue of being tied to the euro, they have limited options to address their economic difficulties (with their own currency, they can devalue, as many other struggling countries have done over the years). In anticipation of Greece departing, many of its residents have moved their euros out of the country, in anticipation of this occurring (that is, the euro being converted to the drachma, and then it being devalued). Interesting that Bloomberg is preparing for the drachma's return.¹



“Professor Ben” suggested that such an event would be devastating, to both Greece and other countries in the region. But will Germany and France continue to provide funds to keep it afloat?

Interesting that this past week the WSJ suggested that Spain may depart the euro even sooner than Greece, because its larger economy couldn't be supported as Greece's has.

Several years back, as the EU countries began to move to the euro, many investment firms had to deal with currency conversions for their assets, which wasn't an easy undertaking. My colleague, John Simpson, worked at Integrated Decision Systems at the time, and was one who offered guidance on handling the conversion. Going the other way will require additional guidance, no doubt, and John will surely be up to the task, once again.

<http://www.SpauldingGrp.com>

¹ <http://blogs.wsj.com/eurocrisis/2012/06/01/bloomberg-tests-post-euro-greek-drachma-code/>

The Journal of Performance Measurement®:

UPCOMING ARTICLES

A General Framework for the Business Requirements of an Investment Performance Measurement System

– Timothy P. Ryan

The Journal Interview:

– Frances Barney

High Frequency Equity Performance Attribution

– Ricky Cooper and Tingting Li

Differences in Fund Trackers' Performance Rankings: A Mean Variance Perspective

– Michael Stutzer

Asset Allocation vs. Security Selection

– Renato Staub and Brian Singer

GIPS HELP HAS GOTTEN EASIER!

The Spaulding Group has created a website, where investment professionals can post questions about GIPS® (Global Investment Performance Standards):

<http://gipshelp.com/>. While our responses may not be “official doctrine,” we have confidence that they are consistent with the Standards.

We decided to do this because we regularly get inquires about various aspects of the Standards, only clarifying that all isn't clear about what is required. The Standards were never intended to be overly prescriptive, meaning a fair amount of interpretation is necessary; and what we offer is the interpretations of John Simpson, Jed Schneider, and me. Since we've all had a decade or more involvement with the Standards, we feel qualified to offer our thoughts and insights.



One of the most frequently reviewed questions is the following: “If 100% of the portfolios are non-fee paying, can a firm simply disclose, for example, that ‘100% of the portfolios in the composite are non-fee paying between the period 1999 and 2011’ as opposed to listing out the same percentage for each annual period?” And Jed replied “Yes. This disclosure is fine and does not appear to be in violation of the standards.”

Dealing with an issue you'd like help with? Simply visit our site and post your question. While our firm's verification clients get priority and have their own special section to visit, anyone, including other verifiers, are invited.

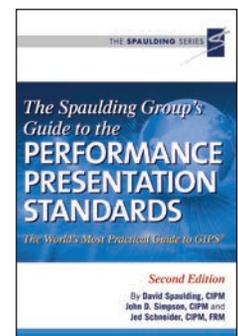
SPEAKING OF GIPS, WHERE'S THE HANDBOOK?

During a recent GIPS Executive Committee call, I asked what the status was of the long-awaited revision to the GIPS Handbook. Some great news: It will be available online at no cost! Thus, searching it will be quite easy. As for its arrival, it appears to be planned for around the middle of August.

Since this book is part of our firm's *GIPS Orientation Kit*™, we, for one, are eagerly anticipating its debut.

GIPS GUIDE IS HERE...

While the handbook is still en route, you can obtain your copy of the second edition of *The Spaulding Group's Guide to the Performance Presentation Standards*. I wrote the earlier edition by myself, and was very pleased to be joined by John D. Simpson and Jed Schneider on this, much expanded, 2nd edition.. We're sure you'll find the book helpful, whether you're new to the Standards or an “old pro.” To obtain your copy, you can visit <http://spgshop.com/>.



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GIPS ISN'T THE ONLY STANDARD IN TOWN...

Obviously, we support the Global Investment Performance Standards; we recognize their huge value to the industry, and serve as the verifier for roughly 100 firms. Thus, we have no interest in seeing its role diminished.

However, we recognize that GIPS doesn't apply to all sectors of our industry. And because it's been the only standard, many mistakenly think it applies to them. But with only one set of rules, what else should they do?

Well, The Spaulding Group and BrightScope teamed up to develop a standard for the retail, brokerage, high net worth sector: Universal Advisor Performance Standards. I posted our press release in my blog a few weeks ago,² and offered a second post to provide some additional insights.³

You can learn more about these standards, and obtain a copy of the draft white paper, by visiting the UAPS website: <http://www.uapstandards.org/>.



The Journal of Performance Measurement[®] is beginning a series on performance measurement professionals, and we need your help to identify the folks we should include. We plan to focus on one or two people in each issue, but want the list to be driven by input from other PMPs.

And so, please contact our editor, [Doug Spaulding](#) (732-873-5700) with your suggestions.

² <http://investmentperformanceguy.blogspot.com/2012/05/announcement-new-performance-standard.html>

³ <http://investmentperformanceguy.blogspot.com/search?q=uaps>.

THE SPAULDING GROUP'S 2012 INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

DATE	EVENT	LOCATION
June 11, 2012	GIPS® Workshop	London, England
June 12-13, 2012	Performance Measurement, Attribution & Risk Conference (PMAR Europe)	London, England
June 21-22, 2012	Performance Measurement Forum	Dublin, Ireland
July 10-11, 2012	Fundamentals of Performance Measurement Training	San Francisco, CA (USA)
July 12-13, 2012	Performance Measurement Attribution Training	San Francisco, CA (USA)
August 13-14, 2012	CIPM Principles Exam Prep Course	New Brunswick, NJ (USA)
August 15-17, 2012	CIPM Expert Exam Prep Course	New Brunswick, NJ (USA)
September 18-19, 2012	Fundamentals of Performance Measurement Training	Boston, MA (USA)
October 23-24, 2012	Fundamentals of Performance Measurement Training	Chicago, IL (USA)
October 25-26, 2012	Performance Measurement Attribution Training	Chicago, IL (USA)
November 8-9, 2012	Performance Measurement Forum	Istanbul, Turkey
November 29-30, 2012	Performance Measurement Forum	San Francisco, CA (USA)

For additional information on any of our 2012 events, please contact Christopher Spaulding at 732-873-5700

*Join us
this Month
in London!*

The Journal of Performance Measurement®
In Association with RIMES Technologies

PMAR III

**Performance Measurement,
Attribution & Risk Conference**

EUROPE

12 - 13 June 2012 – London

TRAINING...

Gain the Critical Knowledge Needed for Performance Measurement and Performance Attribution

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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:

July 10-11, 2012 – San Francisco, CA
September 18-19, 2012 – Boston, MA

October 23-24, 2012 – Chicago, IL

15 CPE & 12 PD Credits upon course completion

The Spaulding Group is registered with CFA Institute as an Approved Provider of professional development programs. This program is eligible for 12 PD credit hours as granted by CFA Institute.



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:

July 12-13, 2012 – San Francisco, CA

October 25-26, 2012 – Chicago, IL

15 CPE & 12 PD Credits upon course completion

The Spaulding Group is registered with CFA Institute as an Approved Provider of professional development programs. This program is eligible for 12 PD credit hours as granted by CFA Institute.



IN-HOUSE TRAINING

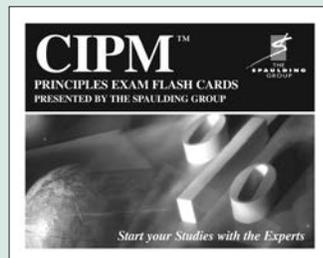
The Spaulding Group has offered in-house training to our clients since 1995. Beginning in 1998, we formalized our training, first with our Introduction to Performance Measurement class and later with our Performance Measurement Attribution class. We now also offer training for the CIPM program. To date, close to 3,000 individuals have participated in our training programs, with numbers increasing monthly.

We were quite pleased when so many firms asked us to continue to provide in-house training. This saves our clients the cost of transporting their staff to our training location and limits their time away from the office. With the discounted tuition for in-house training, it saves them even more! We can teach the same class we conduct to the general market, or we can develop a class that's suited specifically to meet your needs.

The two-day introductory class is based on David Spaulding's book, Measuring Investment Performance (McGraw-Hill, 1997). The attribution class draws from David's second book Investment Performance Attribution (McGraw-Hill, 2003).

UPDATED CIPM Principles and Expert Flash cards are now available on our web store. Please visit www.SpgShop.com today to order your set.

Our performance experts have created a study aid which can't be beat: **flash cards!** These handy cards will help you and your associates prepare for the upcoming CIPM Principles Exam. Unlike a computer-based study aid, you can take them anywhere to help you test your knowledge.



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