

# PERFORMANCE PERSPECTIVES

with David Spaulding



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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 Patrick Fowler at [PFowler@SpauldingGrp.com](mailto:PFowler@SpauldingGrp.com)

## SO MUCH GOING ON, SO LITTLE TIME

Okay, so we didn't manage to get out an August newsletter, and our September is a bit delayed: we'll try to get back on a monthly regime, but it has been extremely hectic of late. No, it's not because we haven't had things to offer: just overly busy (not that we're complaining, mind you).

If you haven't heard, the GIPS® 2020 (or is it 20/20) Exposure Draft is now out for public comment. You have until December 31, 2018 to comment. It is extremely important that you review what's being proposed.

And don't stop with the roughly 50 *Requests for Comment*, as they don't address all of the changes. It's therefore important for you to read through it and discover the changes. Note that the framers of this document have done you a favor, by highlighting, with "New," anything that is, well, new!

My colleagues, Ashley Reeves, CIPM and Jennifer Barnette, CIPM, will host a webinar on Tuesday, October 2 to discuss the key changes that are being suggested. Later in the month, I will provide my thoughts on much of what is proposed.



### Complimentary Webinar GIPS® 2020 Exposure Draft *What you need to know*



Tues, Oct 2, 2018 12:00 PM - 1:00 PM EDT

Join Ashley Reeves, CIPM and Jennifer Barnette, CIPM for a synopsis about the GIPS 2020 Exposure Draft

Topics will include:  
The Highlights • Asset Owners • Pooled Funds  
Alternative Investments • Advertising Guidelines • Next Steps

[www.spauldinggrp.com](http://www.spauldinggrp.com)



### Complimentary Webinar GIPS® 2020 Exposure Draft: A Candid Commentary *Insights and opinions from an industry veteran*



Thurs, Oct 25, 2018 12:00 PM - 1:00 PM EDT

Please join David D. Spaulding, DPS, CIPM for a review of some of the critically important proposed changes that you need to know more about

The Good, the Bad, and the Ugly:  
• Format Changes  
• Money-Weighted Return Issues  
• Portability Loopholes  
• Ambiguities Needing Clarity  
• Error Correction

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Dave's views are his own, and not necessarily those of any committees on which he serves

# The Journal of Performance Measurement®

## UPCOMING ARTICLES

### Residuals on Duration-based Fixed Income Attribution

– *João Sousa Dias,*  
*Eagle Investment Systems*

### GIPS 20/20

– *Carl R. Bacon, CIPM, StatPro*

### The Journal Interview

– *Nick Sharp, Ph.D., MSCI*

### Net-of-Fee Performance Calculations

– *Andre Mirabelli, Ph.D.,*  
*Opturo and Krista Harvey,*  
*CFA, CIPM, TIAA*

### A Measure for Evaluating the Distributions of Ex-Ante Forecast Returns

– *Masahito Shimizu,*  
*Tokyo Institute of Technology*

### Confronting the Challenges of Multi-Level Attribution

– *David Spaulding, DPS, CIPM,*  
*The Spaulding Group*

## REBALANCING BENCHMARKS – WHEN TO

The GIPS standards require firms that blend two or more benchmarks together to indicate their rebalancing process; that is, the timing. What should it be?

My thinking is quite simple: whenever you rebalance the portfolios within the composite. If you rebalance monthly, then rebalance the benchmark monthly; if quarterly, then quarterly for the benchmarks, too.

Some managers rebalance irregularly, based on what's occurring in the market; if this is the case, indicate it. Perhaps a simple “we rebalance the benchmark whenever we rebalance the underlying portfolios, which tends to be monthly” should prove helpful, I would think.



## CAREER PATH IN PERFORMANCE

I was asked to offer a presentation at last month's annual GIPS Conference in Austin, Texas, along with Acadian's Matthew Lyberg, CFA, CIPM. It seemed to go over well, and I greatly appreciated both the opportunity to share my thoughts, as well as the feedback I received.



I've decided to expand upon my part of the talk, and offer it as a webinar, which we're planning to present before year-end.

Having been in performance measurement for more than 30 years, I've had the chance to interact with hundreds of performance measurement professionals. And, having worked, in general, for over 50 years (counting jobs during school), I've arrived at many ideas and beliefs about advancement, which I will share. More information will follow.

## PUZZLE TIME!

### July Puzzle

Perhaps a bit simpler puzzle for a month where you should be spending more time relaxing!

$$3x - 1 = \frac{x + 3}{2}$$

Solve this equation:

- A.  $x = 4/5$
- B.  $x = 1$
- C.  $x = 2$
- D.  $x = 7$

## KEEP THOSE CARDS & LETTERS COMING

*We appreciate the emails we receive regarding our newsletter. Mostly, we hear positive feedback while at other times, we hear opposition to what we suggest. That's fine. We can take it. And more important, we encourage the dialogue. We see this newsletter as one way to communicate ideas and want to hear your thoughts.*

I was a bit surprised that more folks didn't try this one, as it involves algebra. Granted, some of us haven't actually *taken* any algebra classes for many years (I did take a graduate level course, from the University of Hawaii, when I was stationed on Oahu in the early 1970s, but since then, nada), but *like riding a bicycle*, one would think most of the rules would still be present.

That said, let's walk through the math:

$$3x - 1 = \frac{x + 3}{2}$$

$$2(3x - 1) = x + 3$$

$$6x - 2 = x + 3$$

$$6x - x = 3 + 2$$

$$5x = 5$$

$$x = \frac{5}{5} = 1 = B$$

Neil Riddles and Anthony Howland got it right. Surely more could have!!!

### September Puzzle

Okay, so let's see if you'll like this month's! It's a guest submission, from Ivana Bertuzzelli, who we thank for sharing it with us.

$$\begin{array}{ll} 0\ 0\ 0 = 6 & 6\ 6\ 6 = 6 \\ 1\ 1\ 1 = 6 & 7\ 7\ 7 = 6 \\ 2\ 2\ 2 = 6 & 8\ 8\ 8 = 6 \\ 3\ 3\ 3 = 6 & 9\ 9\ 9 = 6 \\ 4\ 4\ 4 = 6 & 10\ 10\ 10 = 6 \\ 5\ 5\ 5 = 6 & \end{array}$$

Make each equation true using common mathematical operations.

1. You cannot introduce any new digits (for example,  $\sqrt[3]{}$  is not allowed).
2. You must have the result be equal to 6 (you cannot use the  $\neq$  symbol).



THE SPAULDING GROUP'S 2018  
INVESTMENT PERFORMANCE MEASUREMENT CALENDAR OF EVENTS

DATE	EVENT	LOCATION
October 15-16, 2018	Fundamentals of Performance Measurement	San Diego, CA
October 17-18, 2018	PMAR West Coast	San Diego, CA
October 25, 2018	GIPS® 2020 Exposure Draft: A Candid Commentary	Webinar
November 14, 2018	Asset Owner Roundtable	Luxembourg
November 15-16, 2018	Performance Measurement Forum	Luxembourg
November 28, 2018	Asset Owner Roundtable	Orlando, FL
November 29-30, 2018	Performance Measurement Forum	Orlando, FL
December 5-6, 2018	Fundamentals of Performance Measurement	Mumbai, India
December 11-12, 2018	Fundamentals of Performance Measurement	New Brunswick, NJ
December 13-14, 2018	Performance Measurement Attribution	New Brunswick, NJ

*For additional information on any of our 2018 events, please contact Patrick Fowler at 732-873-5700*

## TRAINING...

### *Gain the Critical Knowledge Needed for Performance Measurement and Performance Attribution*

#### TO REGISTER:

**Phone: 1-732-873-5700**

**Fax: 1-732-873-3997**

**E-mail: [info@SpauldingGrp.com](mailto:info@SpauldingGrp.com)**



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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:

October 15-16, 2018 – San Diego, CA

December 11-12, 2018 – New Brunswick, NJ

15 CPE & 12 PD Credits upon course completion

CFA Institute has approved this program, offered by The Spaulding Group, for 12 CE credit hours. If you are a CFA Institute member, CE credit for your participation in this program will be automatically recorded in your CE tracking tool.



#### 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:

December 13-14, 2018 – New Brunswick, NJ

15 CPE & 12 PD Credits upon course completion

CFA Institute has approved this program, offered by The Spaulding Group, for 12 CE credit hours. If you are a CFA Institute member, CE credit for your participation in this program will be automatically recorded in your CE tracking tool.



#### 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.

#### PMAR WEST II

If you missed out on the attending PMAR North America, or if getting to the East Coast wasn't convenient for you then you need to be at PMAR West this October 17-18 in San Diego, CA

ATTENTION ALL PERFORMANCE PROFESSIONALS

#### When you compare: PMAR is simply the best option

PMAR is simply the top performance event in our industry, filled with interesting actionable presentations practical discussions, vast networking opportunities, and industry leading speakers. Our event is loaded with valuable take-home materials. Plus, it's the most reasonably priced conference in the industry.

Register before September 1, 2018 and take an additional 20% off. Just use discount code PMARWEST at checkout.

Go to: [www.SpauldingGrp.com/PMAR-WEST](http://www.SpauldingGrp.com/PMAR-WEST) to register today

