

EIPC Guidance on Performance Attribution Presentation

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Guidance on
Performance
Attribution
Presentation:

Evolution of
the Idea

Why performance attribution guidance?

- Trend in the investment industry towards transparency and standardization (PPS, Ethical Standards of Practice, etc.)
- The 2002 Spaulding Performance Measurement and Attribution Survey showed significant support for attribution standards (51% of investment managers, 79% of plan sponsors, 75% of investment consultants)
- The 2003 PwC Swiss Investment Performance Survey among investment managers shows that:
 - 68% of respondents support the idea of performance attribution *disclosure* standards,
 - 62% of respondents also support the idea of performance attribution *calculation* standards.

Evolution of the idea of guidance on performance attribution presentation (1)

- Idea of Performance Attribution Standards was born within the Spaulding Performance Measurement Forum
- Early 2002: EIPC Working Paper „Guidance for Users of Attribution Analysis“ / a number of articles on attribution standards
- Late 2002: a first draft of attribution standards by D. Spaulding triggered further discussions on attribution standards in the investment industry

Evolution of the idea of guidance on performance attribution presentation (2)

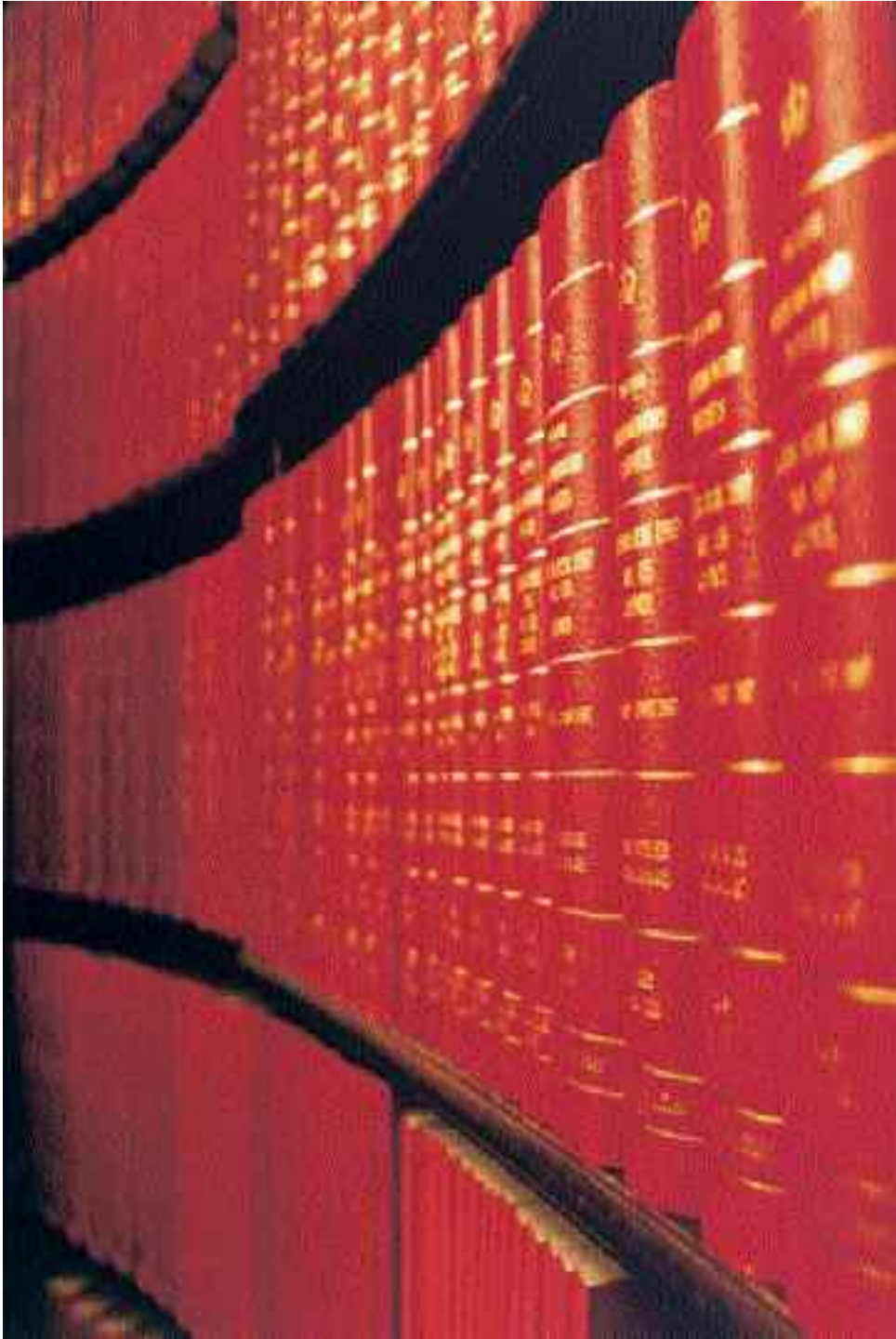
- Early 2003: EIPC takes the initiative to develop a draft of guidance on presentation of performance attribution. A Case for Attribution Standards of D. Spaulding is also published in the Journal of Performance Measurement
- June 2003: First draft of the Guidance on Performance Attribution Presentation is presented at the EIPC meeting in Warsaw. An EIPC working group on the Guidance is built.

Why EIPC to develop attribution guidance?

- As a sub-committee of IPC provides for a greater acceptance of such a guidance in the investment industry
- Ensures a greater geographic representation of opinions / comments
- Better organisational infrastructure and resources availability to develop the guidance
- Independent, which provides for greater credibility

EIPC Attribution Guidance vs. the Spaulding Attribution Standards?

- EIPC attribution guidance is not an alternative or a counter-proposal to the standards of D. Spaulding. The idea is to incorporate the ideas of David as well as of other specialists and to work together
- The current draft of the Guidance includes most of the matters that D. Spaulding has compiled in his article
- D. Spaulding has agreed to cooperate on the further development of the Guidance



Guidance on Performance Attribution Presentation:

Main Features

Main features of the Guidance

- Pure *disclosure* standard (only some very general definitions are provided). Elaborations on calculation models, etc. are left out for performance scientists to deal with...
- No segregation in requirements and recommendations: the Guidance does not require to calculate or present attribution... but if you do, it requires to explain what you calculate and present. Hence, the Guidance mostly uses „*must's*“ and not „*should's*“ ...
- The Guidance deliberately distinguishes between *return* and *risk* attribution and provides separate guidelines accordingly
- The Guidance includes a sample attribution report to illustrate the provisions

Structure of the Guidance (1)

- *Definitions:*
 - a number of basic definitions are provided to understand the terminology used in the Guidance
 - no intention to establish any dogmas
- *Guiding Principles:*
 - Attribution analysis must follow the investment decision process and mirror the investment style
 - An appropriate *ex-ante* benchmark must be used
 - If managers are unable to follow the above principles, they should refrain from using the attribution results for external marketing purposes

Structure of the Guidance (2)

- *Disclosures:*
 - Separate provisions for *return* and *risk* attribution
 - Structure of disclosures within both return and risk attribution sections:
 - Investment process
 - Attribution model
 - Underlying data
- *Relation to Performance Presentation Standards*
- *Example of an attribution report*

Please refer to a copy of the Guidance draft in your hand-outs for details!



Guidance on
Performance
Attribution
Presentation:
Next Steps

Next steps

Activity	Deadline
Review of the current draft of the Guidance by the EIPC members and submission of their comments to the Working Group	30.9.2003
Integration of the comments to produce a final draft of the Guidance	31.10.2003
Approval of the final draft by EIPC	14.11.2003
Submission of the Guidance to the IPC for further consideration / approval	open

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