



Pfäffikon SZ, July 2009

Discussion:

Delayed pricing of investments: Consequences for performance measurement

LGT Capital Management – The Investment Experts of the LGT Group.





Initial situation

Change of system: Avaloq → Change of performance-calculation-method



A lot of questions from clients: different performance reports of same period



Analysis of need within the business

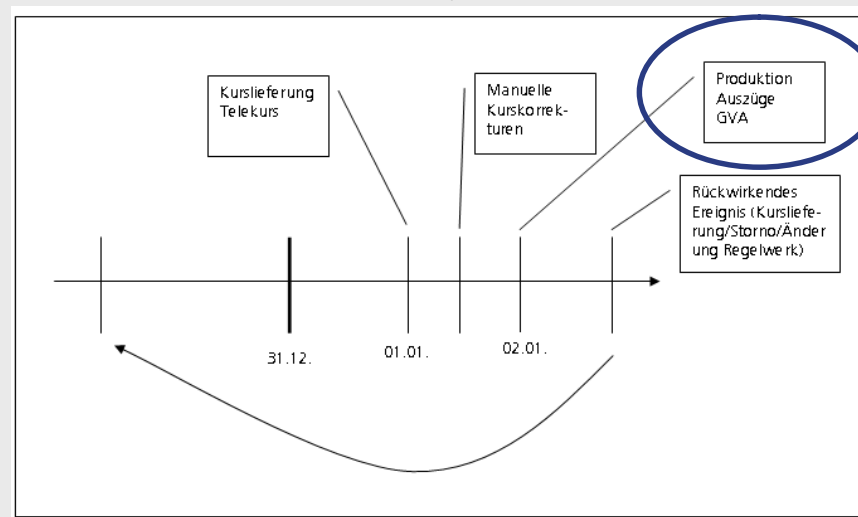
Questions	PB	AM
Freezing of valuation and performance at year end?	YES	NO



Findings

Two views about valuation at year end:

1. The valuation has to be corrected with delayed prices / new information (comparable with benchmark and attribution analysis) → **no freeze**.
2. The valuation **has to be frozen** in order to deliver clients all the time the same information. (there will be a recalculation only for material errors).





Use of estimated prices

- **„pro“** Estimates:
 - Estimated prices could be delivered by the first business day after „Ultimo“.
 -

- **„contra“** Estimates:
 - There can be material differences between estimates and effective figures.
--> recalculation of performance
 -



Discussion

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Decision

- **Freeze**
 - System must be able to handle on a portfolio level whether the performance will be frozen or not.
 - Following events will overrule a freeze:
 - Storno
 - Manual correction of wrong prices
 - Correction within set of rules of performance calculation
 - Backdated transactions

- **Estimate**
 - No estimates on performance reports.



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Picture description



"Equatorial Sundial", c. 1597/1600

ERASMUS HABERMEL 1540–1606

Erasmus Habermel was one of the 16th century's most renowned makers of sundials and technical equipment. In October 1594 he was appointed by Emperor Rudolf II to the position of astronomical and geometrical instrument maker in Prague. However, equipment made by him bear inscriptions which indicate that he must have been active in Prague prior to this in the years 1576 and 1580. The instrument is unusual for this epoch, as they were usually designed to be suspended, i.e. without a stand, although this had certain drawbacks in terms of legibility. Erasmus Habermel solved this problem by connecting the sundial's meridian ring to the stand and the compass. The stand is equipped with a compass, enabling the device to be aligned with the magnetic north pole. It also has a plumb line, for geocentric alignment. Once the instrument has been aligned with the points of the compass, its readings are unequivocal. The main parts of the instrument are the fixed vertical meridian ring, with the adjustable annular ring and the horizontal global equator ring. The annular ring is attached to the month slide. It was possible to perform numerous functions with this multifunctional scientific instrument.

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