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## iPARM AUSTRALIA 2014

# Investment Performance Measurement, Attribution & Risk Management Forum

15th-17th October 2014, Grace Hotel Sydney



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### Hear from these thought-leaders:



**MADHU GAYER**  
Head of Asia Pacific Investment Reporting and Performance, BNP Paribas Securities Services



**KYLE RINGROSE**  
General Manager, Investment Operations, QSuper



**MARC RUBENFELD**  
Head of Performance Measurement Engineering, Eagle Investment Systems



**MICHAEL WALSH**  
CEO, UCA Funds Management



**DAVID SPAULDING**  
CEO, The Spaulding Group, USA



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**MICHAEL DAWSON**  
Portfolio Analytics specialist, FactSet



**SIMON ELIMELAKH**  
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**NARESH SUBRAMANIAM**  
Head of Investment Services, Asset Servicing National Australia Bank



**EMMA JONCESKI**  
Senior Investment Analyst, Christian Super



**ELSKE VAN DE BURGT**  
Managing Director, Investment Performance group, Ortec Finance

### POST-CONFERENCE WORKSHOP - 17TH OCTOBER Introduction to Performance Attribution

#### Introduction to Performance Attribution

**DAVID SPAULDING, CEO, The Spaulding Group, USA**

David Spaulding, DPS, CIPM, is an internationally recognized authority on investment performance measurement. He's the Founder and CEO of The Spaulding Group, Inc., and founder and publisher of The Journal of Performance Measurement®.

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Researched & Developed by:



# Investment Performance Measurement, Attribution & Risk Management Forum

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## Conference Day-1

15th October 2014  
Wednesday


### 8:55 Opening Address from the Chair

 **Marc Rubinfeld, Head of Performance Measurement Engineering, Eagle Investment Systems**

### 9:00 RISK REGULATORY LANDSCAPE - IMPACT AND OPPORTUNITIES FOR INSTITUTIONAL INVESTORS

 • Regulations in AU, NZ, Asia and Europe  
• Key implications in risk & performance measurement and management  
• Challenges, and opportunities for the industry  
**Madhu Gayer, Head of Asia Pacific-Investment Reporting and Performance, BNP Paribas Securities Services**

### 9:30 REVELATIONS ABOUT THE TRUTH BEHIND HOLDINGS AND TRANSACTION BASED ATTRIBUTION


 • Clarification on the differences between holdings- and transaction-based models  
• Why firms typically choose one versus the other  
• What does and what does not contribute to the existence of residuals  
• A revelation of hidden risks with holdings-based models  
• A case for all firms to employ transaction-based methodologies.  
**David Spaulding, CEO, The Spaulding Group, USA**

### 10:00 "LONG HORIZON PERFORMANCE MEASUREMENT"

- What is LHPM?
- Why is it so relevant to superannuation funds?
- What are the controversial aspects?
- What are the arguments against LHPM?

### 10:30 Morning Coffee

### 11:00 "A CASE STUDY - BUILDING A MODEL FOR LONG HORIZON PERFORMANCE MEASUREMENT IN A SUPERANNUATION FUND"

 • How to relate the outcomes to the member options performance  
• How to accommodate leverage and derivatives  
• The distinction between income and earnings  
Case study of an actual LHPM model  
**Kyle Ringrose, Head of Investment Operations, QSuper**

### 11:30 "HOW TO DEFINE BENCHMARKS FOR LONG HORIZON OR ABSOLUTE RETURN INVESTING"

- Is peer relativity appropriate
- How does this apply for pension funds
- What are the shortcomings of traditional benchmarks
- Correlating the benchmark with the end objectives


#### Panelists:

**Kyle Ringrose, Head of Investment Operations, QSuper**

#### Panel Members:

**Madhu Gayer, Head of Asia Pacific-Investment Reporting and Performance, BNP Paribas Securities Services**  
**David Spaulding, CEO, The Spaulding Group, USA**  
**Peter James, Performance Analytics, QSuper**

### 12:00 ATTRIBUTING PERFORMANCE IN A MULTI-ASSET CLASS PORTFOLIO

 • Top Down  
• Balanced  
• Macro Attribution  
• When to best utilize each, based on the investment process?

**Michael Dawson, Portfolio Analytics specialist, FactSet**

### 12:30 Lunch

### 1:30 HOW PERFORMANCE, RISK AND ATTRIBUTION IS HELPING FUNDS BETTER MANAGE THEIR INVESTMENTS AND MEET THEIR REGULATORY OBLIGATIONS

- The Investment Performance Measurement, Attribution & Risk Management needs of funds are expanding
- There is strong debate on how these needs are met
- One school of thought says funds have a responsibility to take more control of processes and data
- An alternate view is the custodian is the natural holder of these data and processes and that custodians should expand their offerings
- However, all agree a fund needs much greater awareness of its investment data and the risk levels in all its holdings
- Funds cannot relinquish responsibility for knowledge and accountability to consultants or custodians
- So, where are we as an industry?



**Naresh Subramaniam, Head of Investment Services | Asset Servicing | Products & Markets, National Australia Bank**


### 2:00 'THE FIVE THINGS EVERY PERFORMANCE MEASUREMENT PROFESSIONAL MUST KNOW

Round Table:

- Modified Dietz
- Geometric Linking
- Annualization
- Standard Deviation
- Time vs. money-weighting


**David Spaulding, CEO, The Spaulding Group, USA**

### 2:30 COMMUNICATING INVESTMENT RISK TO BOARD AND TRUSTEES

-  • Ten different investment risks Boards need to understand  
• Explaining variability of returns  
• Formal written reporting versus face-to-face  
• Range of Board's investment knowledge  
• Effective communication to Boards - what works.  
**Sean McGing, Director, McGing Advisory & Actuarial**

### 3:00 Afternoon Tea

### 3:30 LIQUIDITY RISK AND WHAT IT MEANS FOR INVESTORS

-  • Why is Liquidity risk a topic worth discussing?  
• When does Liquidity risk become an issue?  
• What investments are most susceptible to Liquidity risk and why?  
• How do you reduce Liquidity risk and how is it most suitably managed?

**Stuart Hill, Investment Operations Manager, Local Government Super**

### 4:00 INSTITUTIONAL INVESTORS ASSET ALLOCATION AND RISK MANAGEMENT TRENDS

- Challenges, opportunities for risk and performance analytics
- Drivers of change and repercussions for asset allocation
- New frontiers in analytics and reporting such as smart beta and ESG

Panel discussion:

#### Panel Members:

**Madhu Gayer, Head of Asia Pacific-Investment Reporting and Performance, BNP Paribas Securities Services**  
**Kyle Ringrose, Head of Investment Operations, QSuper**  
**Stuart Hill, Investment Operations Manager, Local Government Super**

### 5:00 Closing remarks from the chair

### 5:00 to 6:00 Networking drink (One hour)





## Conference Day-2 16th October 2014 Thursday

### 8:55 Opening Address from the Chair



*Marc Rubinfeld, Head of Performance Measurement Engineering, Eagle Investment Systems*

#### Opening Address:

### 9:00 CONTRASTING TIME- AND MONEY-WEIGHTED PERFORMANCE

- What do time- and money-weighting really mean?
- A review of the common approaches to calculating time- and money-weighted returns
- Why time-weighted methods are the dominant method employed today
- A review of the trends in the methods' employment
- A demonstration of three case studies employing both approaches
- A case for money-weighting, based on historical evidence as well as the nature of the two approaches



*David Spaulding, CEO, The Spaulding Group, USA*

### 9:30 TAX EXEMPT INVESTMENT STRATEGIES AND RISK MANAGEMENT

- Tax exempt investors – it's not just about tax
- Implications for asset allocation
- Do sophisticated and derivative techniques have a place?
- Risk profiling methodologies for tax exempt investors
- Reassessing the total return, income and capital growth mix in the tax exempt investor's world



*Michael Walsh, Chief Executive Officer, UCA Funds Management*

### 10:30 Morning Coffee

### 11:00 "ARE FRANKING CREDITS REALLY FOR FREE OR IS THIS AN ILLUSION?"

- What are franking credits and how large are they?
- The value of franking credits to different investors
- The pricing of franking
- Assessing performance of tax effective off-market buy-backs
- Factoring franking into performance attribution



*Don Hamson, MD, Plato Investment Management*

### 11:30 THE FRANKING CREDIT EFFECT: WHAT ARE THE RISK AND PORTFOLIO COMPOSITION IMPACTS OF A GROSS-FRANKING APPROACH TO MANAGING AUSTRALIAN EQUITIES

- Why funds are moving to managing Australian equities gross-franking
- The impact on portfolio returns – absolute and benchmark relative (alpha) – and the importance of the right gross-franking benchmark calculation methodology
- Other impacts on portfolio attributes – tracking error, volatility, information ratio
- Differences between accumulation and pension equities portfolios
- What this means for a performance analyst



*Raewyn Williams, Director-Research & after-tax Solutions, Parametric Australasia*

### 12:30 Lunch

### 1:30 MULTI-LEVEL ATTRIBUTION

- Handling multi-asset and multi-currency portfolios
- Understand the investment decision process
- Combining bottom up and top-down attribution
- Quantify all investment decisions
- Include overlays and other special investments



*Elske van de Burgt, Managing Director, Investment Performance group, Ortec Finance*

### CASE STUDY

### 2:10 "A CASE STUDY - INSOURCING PERFORMANCE ANALYTICS" – CHRISTIAN SUPER

- Why did we decide to insource our performance analytics?
- What are the benefits of insourcing Performance analysis?
- What have been the challenges?



*Emma Jonceski, Senior Investment Analyst, Christian Super*

### 2:40 HOW PERFORMANCE, RISK AND ATTRIBUTION IS HELPING FUNDS BETTER MANAGE THEIR INVESTMENTS AND MEET THEIR REGULATORY OBLIGATIONS

#### BI-SAM

### 3:10 Afternoon Tea

### 3:40 "GETTING ADDITIONAL INSIGHT INTO MANAGERS BY COMBINING RISK AND PERFORMANCE ANALYSIS"

- Importance of time series risk analysis
- Case study: following changes in factor exposure for a global equity manager
- Attribution of factor exposure changes
- Attribution of volatility and tracking error changes
- Attribution of performance to risk taken by managers



*Simon Elimelakh, Head of Investment Risk, JANA*

### 4:10 THIS WILL BE AN INTERACTIVE SESSION WHERE DELEGATES WILL GET THE OPPORTUNITY TO DISCUSS KEY ISSUES RELATED INVESTMENT PERFORMANCE MEASUREMENT-PERFORMANCE ANALYSIS: PAST, PRESENT AND FUTURE'

- How has performance measurement evolved over the past years?
- What are the different techniques available today across different asset classes?
- What is the ideal operating model?
- How will the role of performance teams change in the future?

### Round Table:

#### Moderator

*Marc Rubinfeld, Head of Performance Measurement Engineering, Eagle Investment Systems*

### 4:45 Closing Remarks from the chair

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Conference Day-3

17th October 2014  
Friday

Post-Conference Workshop-17th October

# Introduction to Performance Attribution

Registration: 8:40am

Workshop timings: 9:00 am - 4:45 pm

(Morning Coffee, Lunch &amp; afternoon tea will be provided)

Performance attribution has become a standard part of investment performance measurement and reporting. It is a critical component of performance analysis, as it explains the sources of return. There's a general expectation that both leading asset managers as well as their clients will produce performance attribution results. In spite of this, attribution is a rather complex subject, with many different facets and alternative approaches which must be considered in order to ensure it's properly implemented and employed.

## This session will address a number of aspects of performance attribution, including

- Absolute attribution (also known as contribution) – how it's done and how it's used, from both a holdings- as well as a transaction-based perspective
- Equity Attribution – a review of the Brinson models
- Fixed Income Attribution – an overview of the subject, plus a review of a model
- Arithmetic versus geometric attribution – what the different approaches mean, including a review of a geometric model
- Multi-period attribution – a discussion on various methods to extend single period results across time
- Transaction- versus holdings-based attribution – contrasting the methods
- Multi-currency attribution – a review of two approaches including the Karnosky-Singer model.

This workshop will provide students with a solid footing on this subject. It will provide sufficient substance for students to understand the differences between the Brinson models, why fixed income requires its own model, the differences between arithmetic and geometric approaches, why arithmetic models do not easily link as well alternatives to extend single period results across time, as well as different approaches to multi-currency attribution.

DAVID SPAULDING  
CEO, The Spaulding Group (USA)



## David Spaulding,

CIPM, is an internationally recognized authority on investment performance measurement. He's the Founder and CEO of The Spaulding Group, Inc., and founder and publisher of The Journal of Performance Measurement®. He consults to clients throughout the world on investment performance and risk issues. In addition, he teaches classes on performance measurement and attribution, and regularly conducts GIPS® verifications. Dave is a prolific writer, having written numerous articles for various publications. He's also the author of four books: Measuring Investment Performance (McGraw-Hill, 1997), Investment Performance Attribution (McGraw-Hill, 2003), The Handbook of Investment Performance (TSG Publishing, 2005), and The Handbook's second edition (2011); co-author of The Spaulding Group's Guide to the Performance Presentation Standards: Second Edition (TSG Publishing, 2012); contributing author of Performance Measurement in Finance (Butterworth-Heinemann, 2002); and is a co-editor and contributing author of Readings in Fixed Income Attribution (TSG Publishing, 2007) and Classics in Investment Performance Measurement (TSG Publishing, 2009).

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15th-17th October 2014, Grace Hotel Sydney



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### POST-RETIREMENT 2014 FORUM

21st 22nd October 2014, Grace Hotel Sydney



**ALT-INVEST 2014**

### Alternative Investments 2014 Conference

5th-6th November 2014, Grace Hotel, Sydney



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