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Anthony Howland

Chairman
introduces the
summer issue

Introduction

Welcome to the latest edition of **focus**, the newsletter from **performa**, keeping you in touch with the world of GIPS and all the latest news from **performa**.

A year ago, if you had asked someone in China what they thought of GIPS, you would have been more likely to get a response regarding Global IP Solutions or the Graduate Institute of Pharmaceutical Sciences rather than the Global Investment Performance Standards. However, this could soon be set to change.

Last year, a scheme was introduced into China which now allows domestic institutional investors, authorised by the government, to invest in the overseas capital markets under the foreign exchange control system in China. The scheme (the Qualified Domestic Institutional Investors or QDII) was initially proposed by the Hong Kong government but now has support from both the China Securities Regulatory Commission and the State Administration of Foreign Exchange. Even though this scheme is relatively new, enormous progress has been made over the last few months.

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In January of this year, the State Administration of Foreign Exchange announced an increase in the permitted amount of foreign currency fund conversion by a Chinese individual from \$20k to \$50k per annum. Such funds may be used to purchase QDII products offered

by commercial banks or by fund management companies in China. This increase can only serve to make QDII investment more popular.

There was further progress in May, when the Chinese banks were given the go-ahead to invest as much as 50% of their overseas investment quotas in equity funds endorsed by overseas regulators such as the Hong Kong Securities and Futures Commission. This latest liberalisation should make QDII products even more attractive. This is generally seen as a move to encourage capital outflows of foreign currency from the overheating Chinese economy through such funds.

With such impressive progress in the area of international money management and given the penchant of the Chinese for regulations, it would seem a natural step for this rapidly emerging country to adopt GIPS (I also imagine they will be in favour of mandatory verification!).

Only time will tell.

Finally, I would like to thank **Remco van Eeuwijk** of **ABN AMRO** for his interesting guest article that discusses the provision of simulated results under the GIPS umbrella.

*I do hope you enjoy this edition of **focus**.*



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A Standard for Simulated Returns?



Remco van Eeuwijk

ABN AMRO

GIPS is great. It provides an excellent minimum standard to ensure fairness and comparability in performance reporting to prospective clients. Most asset managers comply with GIPS and most of us are able to produce excellent GIPS compliant reports, using systems such as **performaglobal®**.

But what do prospects do? They rarely ask for our GIPS-compliant composite performance reports. It's not that they are not interested in reviewing the performance of portfolios that we have already managed. Instead, prospects want to get an impression of what the performance for their particular mandate would have looked like. And who can blame them? They don't want the standard product. Just like when I buy a new car or couch, they want a different shade of blue and they want to see what that shade looks like before buying it.

In the world of portfolio management, these different shades of blue may range from the requirement of a different benchmark, active risk level, or active risk profile (e.g. by hedging out certain exposures). *So what do you do in those cases?* Of course, you produce the performance information by doing a simulation of what performance would have been, using some combination of the prospect's mandate specifications, historical market data, and the historical returns of your own portfolios and/or composites. After all, it is a fair question to which the prospect deserves an answer.

If your outperformance versus one benchmark has been 2%, then why wouldn't it be 2% versus some other benchmark as well?

versus some other benchmark as well? Well, perhaps. Perhaps applying the same active strategy to a different benchmark means that you would have had short exposures to certain securities. That is no problem if you are allowed to take short positions and

if you actually take them if the strategy requires it, but one or both of these may not be appropriate. And if that is the case, then how fair is it to say that you will outperform the prospect's benchmark by 2%? If difficult questions arise even in a simple example like this, then it is obvious that simulations for different risk levels and profiles can lead to even more difficult questions that may be answered in different ways. All of which may lead to fair presentations, but presentations that are no longer comparable; let alone that we have already determined which disclosures to put around such simulated performance information.

You may expect that GIPS answers these difficult questions so as to ensure that the performance information we present to prospects is fair, comparable, and surrounded by proper disclosures. Wrong. In fact, on this point GIPS buries its head in the sand, stating that simulated returns are not allowed, while at the same time allowing us to present any returns, including simulated returns, using the catch-all cop-out: supplemental information.

Given the frequency with which simulated returns are presented to prospects in our industry and given the scope that exists for less than fair information that is not comparable between asset managers and lacks appropriate disclosures, I believe it is high time for standards on simulating returns. Ideally, these would be developed within the GIPS framework; and we had better do so quickly. As we have seen with UCITS III implementations by European regulators; if we don't act as an industry, they will. And the outcome, I promise, will be worse; not only for us as performance professionals, but for our employers and our clients as well.

performa relaunches its website

In August 2007, in line with the company's strategy of continual development and improvement, **performa** launched a completely updated and restyled website www.ePerforma.com.

Among its many new features, the website now includes the latest company news and a more detailed presentation of products and services, as well as detailed information about both GIPS and the performance industry, all in a user-friendly environment.

In today's high-tech information age, it was imperative for **performa** to procure the services of a leading independent website design company, so as to both embrace new technological developments and design a website that addresses the needs of our clients and partners. This company was Azexis.

Visitors to the www.ePerforma.com site will find the new look to be both more user-friendly and full of useful information for investment companies and individuals seeking information on how GIPS has developed, as well as how it can be used to streamline and improve business processes.

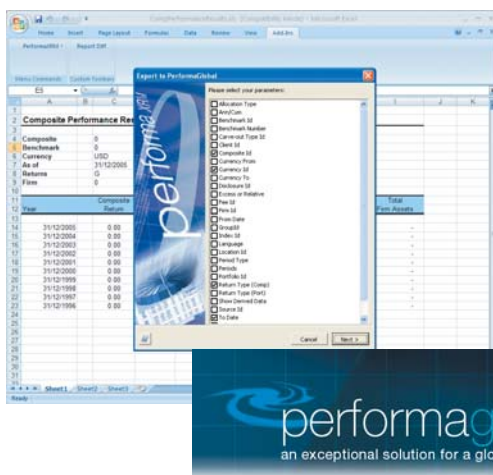


The site itself has four distinct sections displayed on the homepage, allowing investment professionals to navigate and locate targeted information relevant to their needs quicker and easier than ever before. These include sections provide detail on our product suite, information on **performa**, information around GIPS and company news. The homepage also has links to both our Client-only Website and Client Discussion Web-Forum.

Product Update

performa Product Suite R3.0.0 on target for October 2007 Release

The R3.0.0 release of the **performa** Product Suite is progressing as planned. This release sees the whole of the product suite move to the Microsoft.NET platform, as well as ensuring that all of the products are fully compliant with the new Microsoft Vista Operating System.



One of the main highlights of the release is the full integration of the **performaXRM** reporting tool into **performaglobal**, allowing clients full custom report creation capabilities for publication within the controlled environment of the **performaglobal** application.

Release information covering all changes and enhancements to the product suite will be made available to clients over the coming months.

performa Interview

Following on from the launch of this new feature in our last issue,



this month, the focus is on **Dale Purdon**, a Software Developer within the Technical

Development Department at **performa**.

Home

Where were you born and where do you now live?

I was born in Cape Town, South Africa and currently live in Golders Green, London (UK)

What was your favourite TV programme growing up?

If I had to pick one it would be none other than MacGyver

What is your favourite band?

Pennywise (American punk rock band named after a monster from a Stephen King novel - Ed.)

What team do you support?

The South African cricket and rugby teams

Work

How long have you been with performa?

1 yr 3 months

Where did you work before?

Technologic (based in Cape Town, South Africa)

What is your most frequently asked client question?

"What do you require in order to install **performaglobal/XRM** at our offices?"

Best client moment?

Every successful client installation is a best moment for me.

Best performa moment?

The successful release of **XRM 1.2** which I was quite heavily involved in soon after I joined **performa**, as well as the unforgettable **performa** Vision Day trip which was held in Barcelona this year.

Hold the back page! Special Edition...

performa sports - a little culture! news

the latest news from performa



performa invitation football 2007

On Friday 6th July, the third **performa Invitation Football competition** took place on a fortunately dry evening! All of the eight teams that took part in the previous year were welcomed back for another closely fought battle in N1, London.

The tighter of the two leagues was League A which saw extremely tough matches between the top 3 finishing teams (Pictet, performa and Blackrock). The bully boys of Pictet won through holding both performa and Blackrock to a draw and trouncing AXA Framlington 5-1. Second place was contested by the performa vs Blackrock grudge match, with performa nicking the win after slotting home in the final minutes.

League B was a true clash of youth and experience, with the youthful RLAM taking top spot. Second place was effectively decided by the convincing win of F&C over Northern Trust, with F&C sticking three past the experienced Northern Trust team. F&C held the Schrodgers squad to a last game draw to seal second place.



Both Semi Finals saw fatigue set in. RLAM beat performa in the "strictly no subs" battle with two outstanding goals to performa's one. Pictet pinched the second Semi Final to ensure top teams met in the final.

The final was like a 12th round heavyweight bout, with both teams slugging it out. The Art of Defence pre-occupied both teams and the inevitable penalties were to be the decider. The RLAM boys showed the necessary composure to overcome Pictet 2-1, completing their title reign to 2 out of 3! **Congratulations!**



More hot golf!

performa organised its fourth Golf Day in June at Selsdon Park in leafy Surrey. It was always going to be hard to match the excitement, emotion, standards and, of course, the heat that most of those playing had witnessed the previous year but to some extent we managed it (all bar the heat!)

Standards were alarmingly high suggesting that today's performance teams have successfully deployed technology and outsourced performance requirements to such an extent in their workplaces that they are able to spend most of their time on the golf course! The longest drive was won by **John Dolder** of **Aberdeen Asset Management**, who also got extremely close to the pin. The best individual score was won for a second year in a row by **Grant Strang** of **Hermes** who amassed 41 Stableford points. **Well done everyone!**

An Ode to GIPS

*Imagine a world where chaos abounds
Marauding savages rampaging towns
Oceans swarming with dark pirate ships
Investment Management - before we had GIPS
So the CFA met (it was called AIMR then)
Drew up some paper and pulled out a pen
They drafted the Standards and all did agree
To full disclosure and transparency*

*Many years have now passed since
those standards were set*

*Many guidance statements we all
should have met*

*But, what's this - we hear that they're
changing again!*

It's OK for now, it's not 'til 2010

Author (Anon)

If you would like to make a contribution (poetic or otherwise), please contact MarshareeMayadeene@performa.co.uk

performa

summer 2007 calendar of events

PLACE: InterContinental Chicago, Chicago, Illinois, USA

DATE: 27-28th September

EVENT: GIPS® Standards Annual Conference
Industry experts outline the benefits and challenges of compliance, as well as where the industry is headed. Those who have relatively little experience with the Standards will also benefit from the preceding workshop.
www.cfainstitute.org/memresources/conferences/Event_1828



PLACE: Athens, Greece

DATE: 8th-9th November

EVENT: Performance Measurement Forum

A platform for money management industry professionals to voice their opinions, suggestions and questions. Members explore strategies, plans, and solutions that directly apply and influence their proficiencies and effectiveness.
<http://www.spauldinggrp.com/forum.htm>



PLACE: Radisson SAS Portman Hotel, London

DATE: 12th-14th November

EVENT: PARM15 - Performance, Attribution, Risk Management Forum 2007

Tools and techniques to improve investment decision-making. Keynote speakers offer insights into the changing investment landscape.
<http://www.financial-conferences.com/events/e44809.htm>



PLACE: Vancouver Convention & Exhibition Centre, BC, Canada

DATE: 11th-14th May 2008

EVENT: CFA Institute Annual Conference
The 61st Annual Conference brings together investment professionals from around the world. Experts examine trends, uncover new opportunities, and deliver practical advice.
<http://www.cfainstitute.org/memresources/conferences>



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