performa

focus*

SUMMER ISSUE 2002

* the newsletter from performa the leading provider of software tools and professional consultancy for GIPS™ compliance

*"Complying with the **Global Investment Performance Standards** will give asset managers more than just a marketing tool"*

Patrick McBratney
Technical Director
introduces the summer issue

Introduction

Welcome to the summer edition of focus, the quarterly performa newsletter, which will keep you abreast of industry developments and events in the world of GIPS and indeed with the services and growing structure of performa.

As it is the season for growth, I am pleased to report that performa is growing appropriately along with the client list. You may have attended our recent party to celebrate moving into new premises in Lombard Street but you may not be aware that as a result of expansion in the development and technical support teams, they too have relocated to a larger office in Clerkenwell, EC1. They continue to develop innovative ideas and products to ensure that performaglobal remains the premier solution to assist Firms in achieving and maintaining GIPS compliance, and they provide the level of support upon which we place so much importance.

> performaglobal *remains the premier solution to assist firms in achieving and maintaining GIPS compliance*

This edition's industry comment comes from **Roy Stockell**, Partner at Ernst and Young. Roy raises the interesting subject of GIPS from a CEO's perspective asking how concerned they are about it and what can be done to raise its profile. We also include a case study on **INVESCO** and how they are blazing the trail for global compliance. *I hope that you find this and the rest of the newsletter interesting and that you enjoy the rest of the summer.*

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Roy Stockell
Partner for Ernst and Young's
dedicated Investment Management Group,
based in London

Industry Comment

Is GIPS on your Chief Executives agenda?

In an environment of inconsistent markets, reducing revenues and cost controls, how does the performance team ensure that their projects remain firmly on the Chief Executive's agenda? More importantly, how do they ensure that they have the appropriate budget allocated, and keep that budget, to ensure they meet their GIPS objective?

Obviously it is important to ensure that the Chief Investment Officer and the Marketing Director are involved in, and support, GIPS compliance. However, if it can be demonstrated that GIPS compliance can meet a wider agenda, then clearly this will further protect the performance budget. In particular, if it can be demonstrated that GIPS compliance can support the Chief Executive's agenda, the performance team can have a higher level of confidence that their allocated budgets will be maintained.

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Most asset managers are facing many competing issues including:	
Recession	*better performance for less cost*
Distribution	*more product to more markets at a lower unit cost*
Operational efficiency	*maintaining quality in an ever more demanding and regulated environment whilst controlling the cost*
A well-managed and consistently implemented GIPS project *can enhance each of these areas*	

A consistent internal calculation and presentation methodology for performance will, as a minimum, contain costs. *Indeed, cost reductions can be achieved if the organisation looks for economies of scale with regard to systems, people and process.* This will avoid the need to have multiple, often independent, calculations, for each of an asset manager's target markets.

AIMR have identified GIPS as the superior set of standards. As a result, over 20 countries have adopted GIPS. *By achieving compliance, asset managers can more readily market to, and service, global mandates.* In particular, when marketing in North America, GIPS compliance is mandatory and therefore, not being compliant will inhibit marketing to that market.

In a world where regulation is increasing, and the pressure for the industry to self regulate intensifies, an asset manager can demonstrate their *commitment to transparency of the investment performance by adopting and promoting GIPS compliance.*

The role of the performance professional is no longer a supporting role for the investment managers. It is incumbent upon them to ensure that they promote the full benefits of GIPS compliance to the entire top team within their organisation, including the Chief Executive. Once that attention has been gained, *it is critical that the compliance project is run as a* ***project****, adopting all the communications, controls, disciplines and metrics of any well managed project.* It is also important to ensure that peoples' expectations are well managed. GIPS compliance is neither easy nor quick. Indeed it is a complex project. *However, once implemented the benefits are easy to realise.*

Case Study

INVESCO - blazing the trail for Global compliance

Background - INVESCO Global (INVESCO) is part of the AMVESCAP Group, one of the world's largest investment management organisations. Compliance with the Global Investment Performance Standards (GIPS) was in line with the overall objective of AMVESCAP. In its efforts to achieve compliance, INVESCO has abided by the global Firm definition in accordance with the Standards and this definition incorporates a large number of offices, including London, Tokyo, Hong Kong and Frankfurt.

Scope - Given the size, history and complex nature of the business, INVESCO *felt that it needed additional expertise to manage the GIPS project internally.* As a result, the **performaglobal** system as well as **performaconsultancy** services were employed to assist INVESCO in meeting its objectives. Performa's senior consultant, Lindsey Young, was appointed in November 2000 to run the GIPS project out of London, with Simon Squires running the overseas projects. Reza Asghar, Head of Risk and Performance, was the overall Project Director.

The projects involved an initial review of all business units to assess procedures and controls and to determine the data integrity of general marketing output. *However, recognising the association with the* **performaglobal** *software, Lindsey was also involved with the database manager to ensure awareness, functionality and content of the software.* A very successful global training day was organised, where the members of INVESCO's performance teams from around the globe were brought together providing the opportunity for procedure rationalisation. *Given the limited knowledge of GIPS from the overseas offices, Lindsey's role extended beyond offering expertise in project management to encompass that of an educator, supporter, advisor and implementer within all areas of the business.*

Issues Identified - In managing the project, Performa identified a number of key issues that would have impacted on the efforts of INVESCO to achieve compliance. Amongst the main issues highlighted were:

- *the **consistency in the calculation** of performance returns*
- *the **level of automation and integrity checks** across a number of business areas*
- *the **completeness of archiving records***
- *the **resource requirements***

In working together with Performa, these issues were acknowledged and promptly addressed by INVESCO via a well-defined project plan with clear escalation procedures. In addition, key project members were appointed to allow a more efficient and defined allocation of responsibility. *The effect was minimal hindrance to the completion of the project in a timely manner.*

Conclusion - As a result of achieving global GIPS compliance, it is widely accepted that INVESCO is amongst the very first truly Global Firms to meet what are recognised as the highest performance standards in the industry.

performa consultancy
a customised service to meet GIPS® compliance

performance teams from around the globe were brought together ***providing the opportunity for procedure rationalisation***

performa offers the complete service to meet industry best practice. *We have the specialised performance measurement experience* to offer advice and direction to help achieve GIPS compliance.

performanews

the latest news from performa consultants

"Office Opening" - *a success!*

Well over eighty invitees turned out to celebrate the opening of our new office at 68 Lombard St EC3. The "informal drinks evening" format provided what proved to be a very popular opportunity for peer group discussion between the managers, consultants and verifiers present. *Thank you for your support.*

Zurich event feedback

April saw the 3rd Global Industry Forum on Performance Measurement and Attribution held, as in 2001, in Zurich. The attendance level at this event exceeded all expectations, and the official feedback received from delegates has shown that the topics covered were popular and that the distinguished speaker panel was deemed as being of the highest quality.

New recruits

As they settle into their new development environment in Clerkenwell, the performa technical team have been boosted by two new recruits. ***Expect news of recruitment in performa's other functional areas in the next issue...***

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summer 2002 calendar of events

JULY 3/4

PLACE: Roma, IT
DATE: 3-4 July
EVENT: 12th Annual International Fund Forum. Over 800 delegates are expected at this mammoth event - which is supported by pre-conference workshops and post-conference summits.

JULY 16

PLACE: Armourers' Hall, London
DATE: 16 July
EVENT: Recent Advances in Performance Measurement and Attribution. This seminar will provide an update on the significant advances made in both the theory and practice of investment performance analysis in recent years. Speakers at this event will include **Anthony Howland** *(Product Director, Performa)* and **Damien Laker** *(MD, Investment Performance Objects)*

JULY 14/18

PLACE: Boston, Mass. USA
DATE: 14-18 July
EVENT: 34th Annual Investment Management Workshop. Major shifts in the demand for investment products and services continue to create a host of new challenges for the entire investment community. To help investment professionals prepare for and adjust to the changing scope of their businesses, AIMR & Harvard Business School offer this prestigious event.

AUGUST 1-2/5-6

PLACE: Singapore & Hong Kong
DATE: 1-2 & 5-6 August
EVENT: The Asia Business Forum
Asia Pacific's Top-Level gathering of Investment Management professionals. Two conferences on Investment Performance Measurement - held to cover their respective regions of Southeast Asia & North Asia. ***Performa will be represented at both venues.***

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