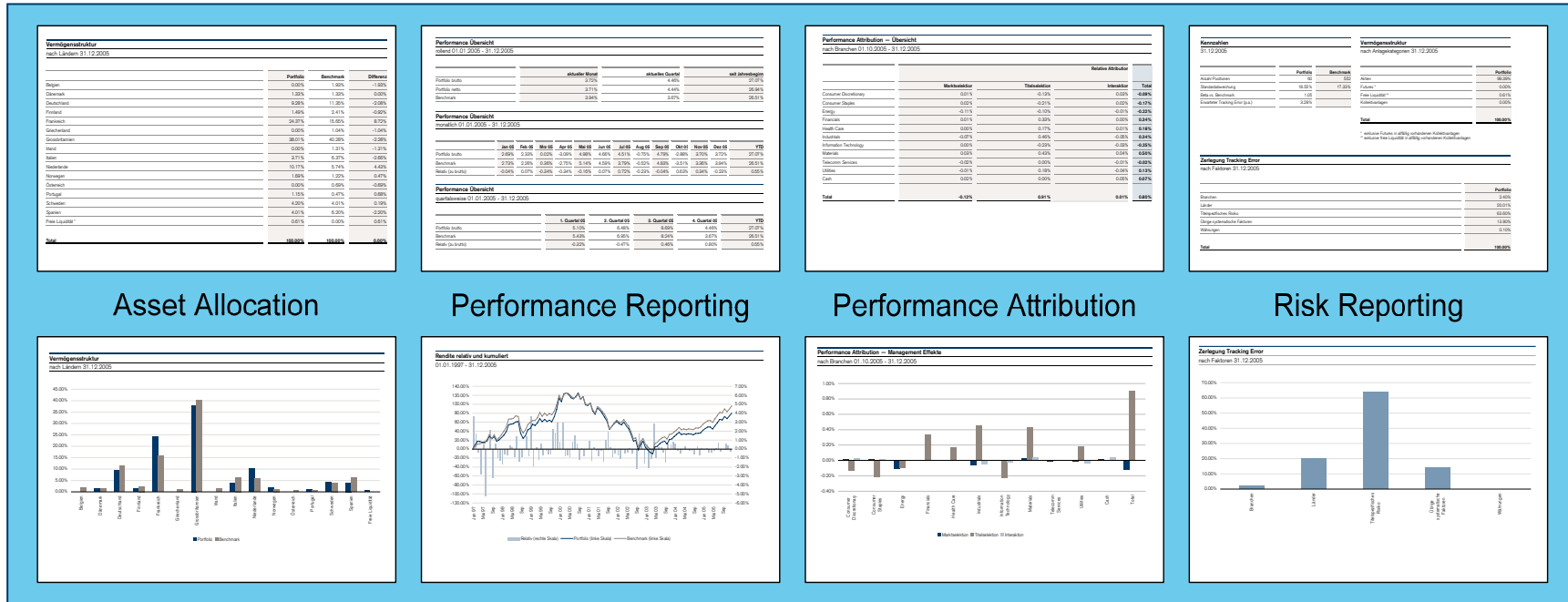


Client reporting from a client's perspective

Date: 10th September 2009

Produced by: Dr. Stefan J. Illmer, Head of Client Reporting

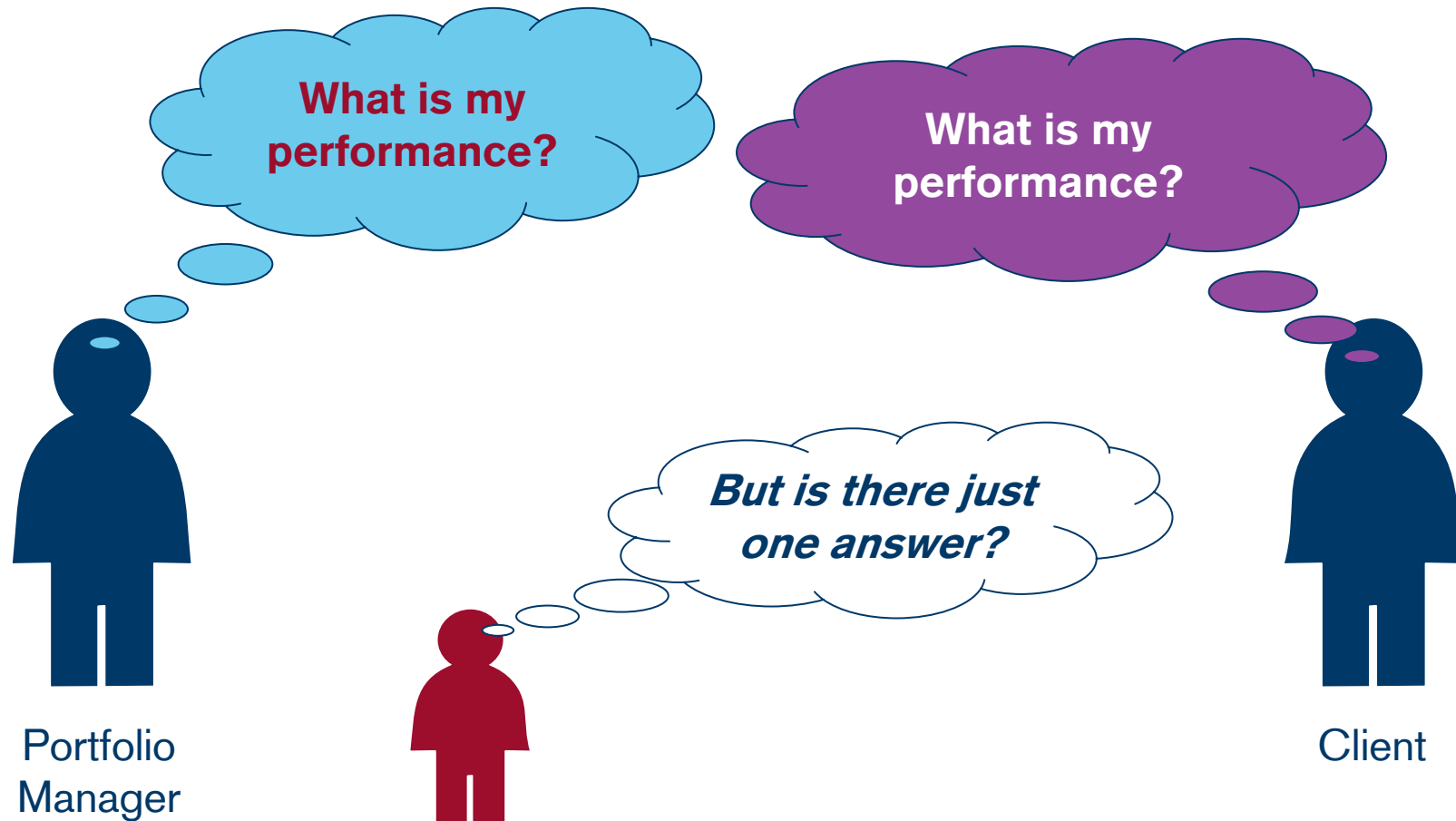
What is client reporting?



Client reporting in general is the presentation of information and in the asset management industry specifically it is the illustration of the investments made, the results achieved and the risks taken.

Why do we need client reporting?

(1/3)



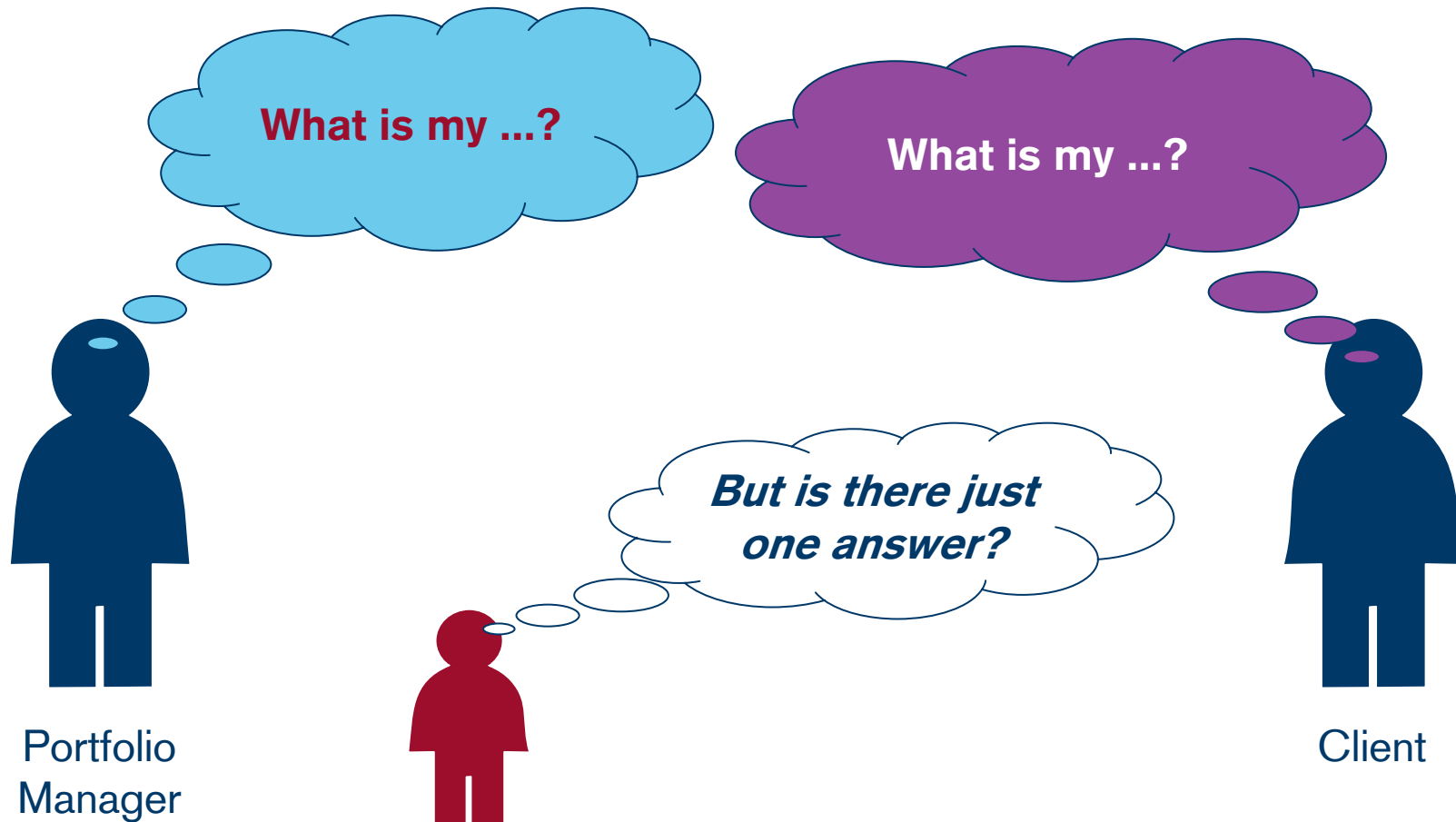
Why do we need client reporting?

(2/3)



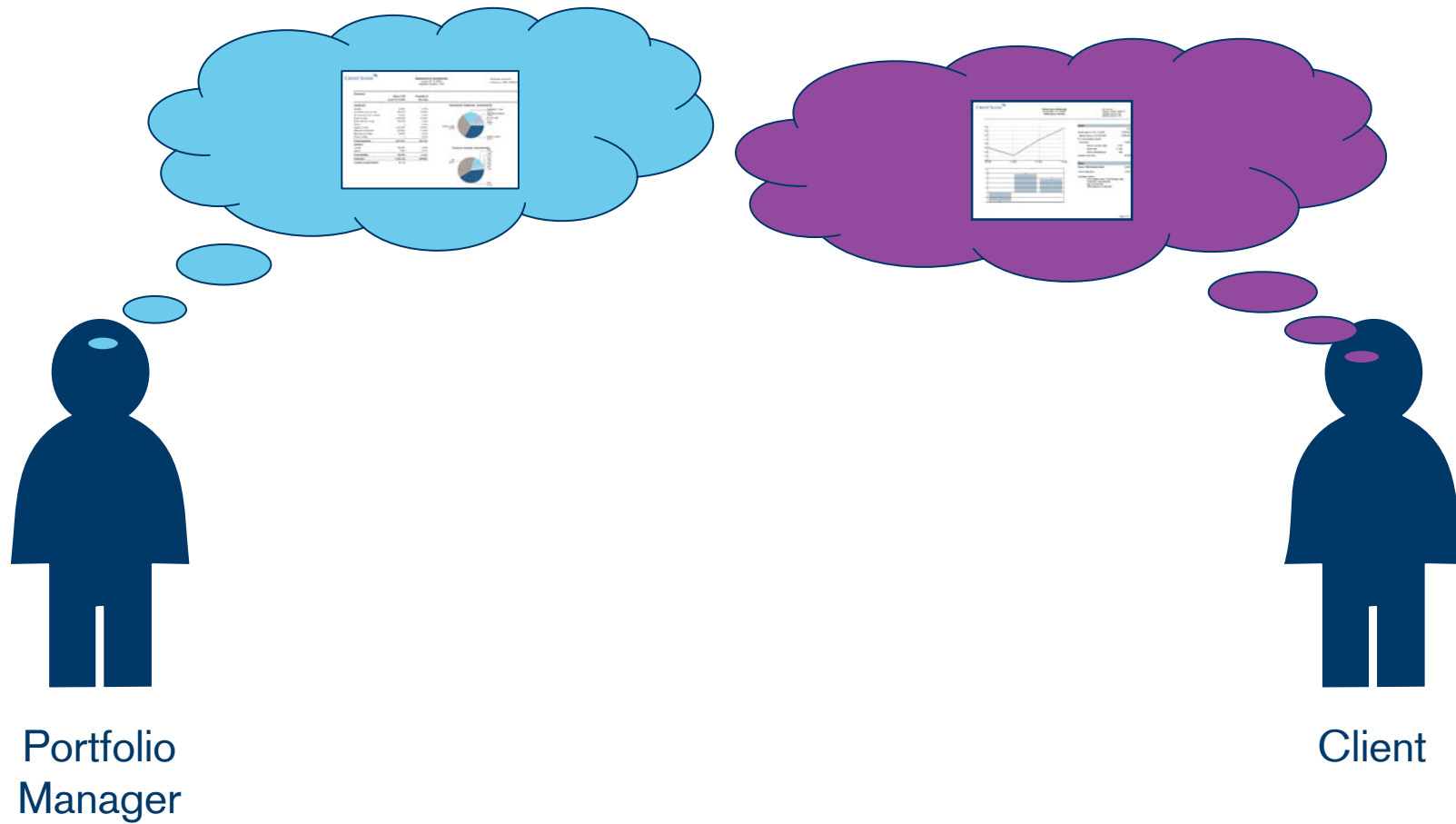
Why do we need client reporting?

(3/3)



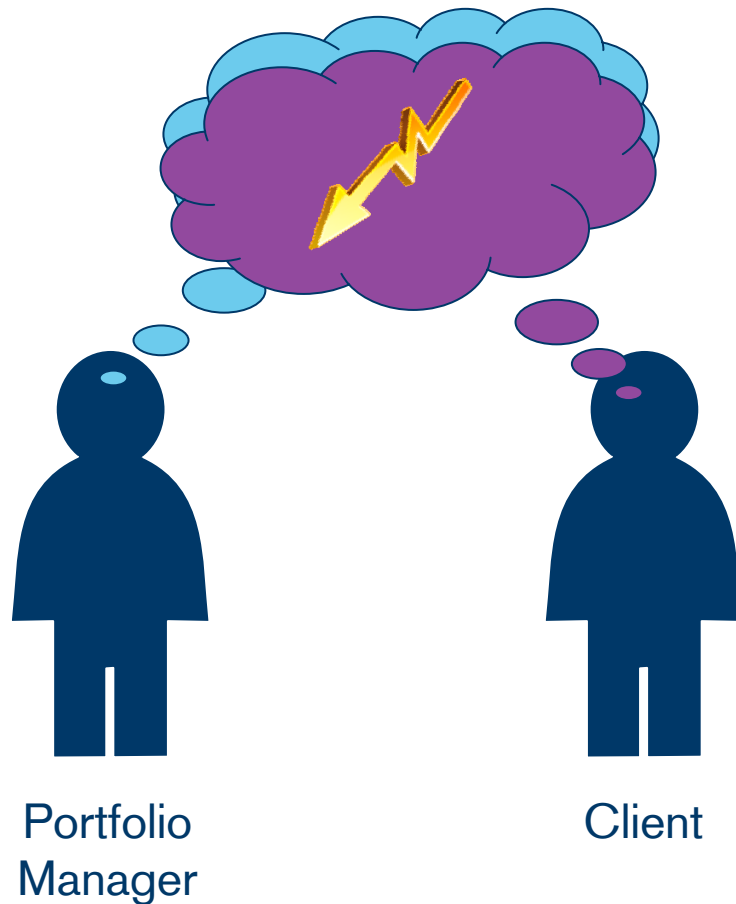
Is there a common understanding?

(1/3)



Is there a common understanding?

(2/3)



Areas for discussion:

- returns (TWR versus MWR),
- relevant capital if overlay or leverage,
- market value versus economical exposure,
- fees and taxes (gross versus net),
- absolute versus relative return,
- absolute versus relative risk,
- absolute versus relative measures,
- reporting periods,
- underlying prices (benchmark versus custodian prices),
- definition of risk (volatility, VAR, CVAR - historical versus expected),
- valuation of illiquid investments,
- etc.

Is there a common understanding?

(3/3)



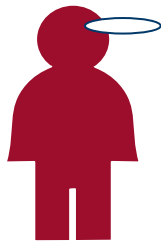
A large, white thought bubble with a black outline is positioned to the right of the Client. It contains the following text in a bold, italicized font:

Does the client have the same expectations as the portfolio manager?
Is there enough transparency on what is reported?
Isn't there a potential conflict of interest ?
... ?

Below the main thought bubble, a smaller red silhouette of a person is shown with a white thought bubble above their head, which is connected to the main bubble by a line, suggesting a third perspective or a question raised by a third party.

Challenges in meeting both expectations

- Provide information on the investments made that both perspectives are addressed (e.g. instrument classifications and grouping, pricing of securities, etc.) => tailor-made client reporting.
- Provide performance analytics from both perspectives, means TWR as well as MWR, gross and net returns (fees and taxes), etc.
- Education of both parties on the differences based on the viewing from different perspectives.



Main points of a client investment reporting standard

- Guiding principles should be based on the GIPS Standards as client investment reporting faces similar transparency issues as performance presentations.
- Existing statutory regulations - like MIFID or UCITS - will be taken into account to ensure conformity.
- Mainly will address fair presentation and full disclosure and less comparability as design and content are proprietary to asset management firms.
- Potential areas to be addressed are a) valuation, b) calculation methods, c) presentation and content, d) disclosures and descriptive information as well as e) verification

References

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Comments & Questions