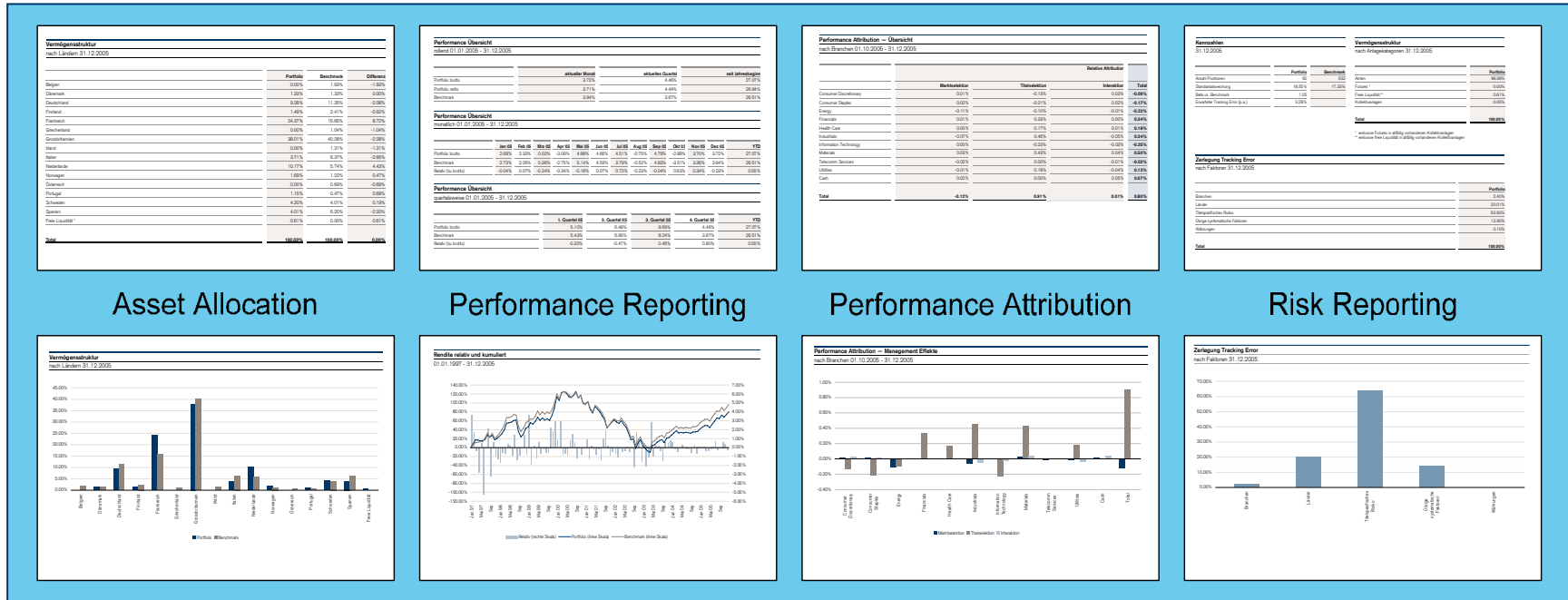


Client reporting from a client's perspective

Date: 10th September 2009

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

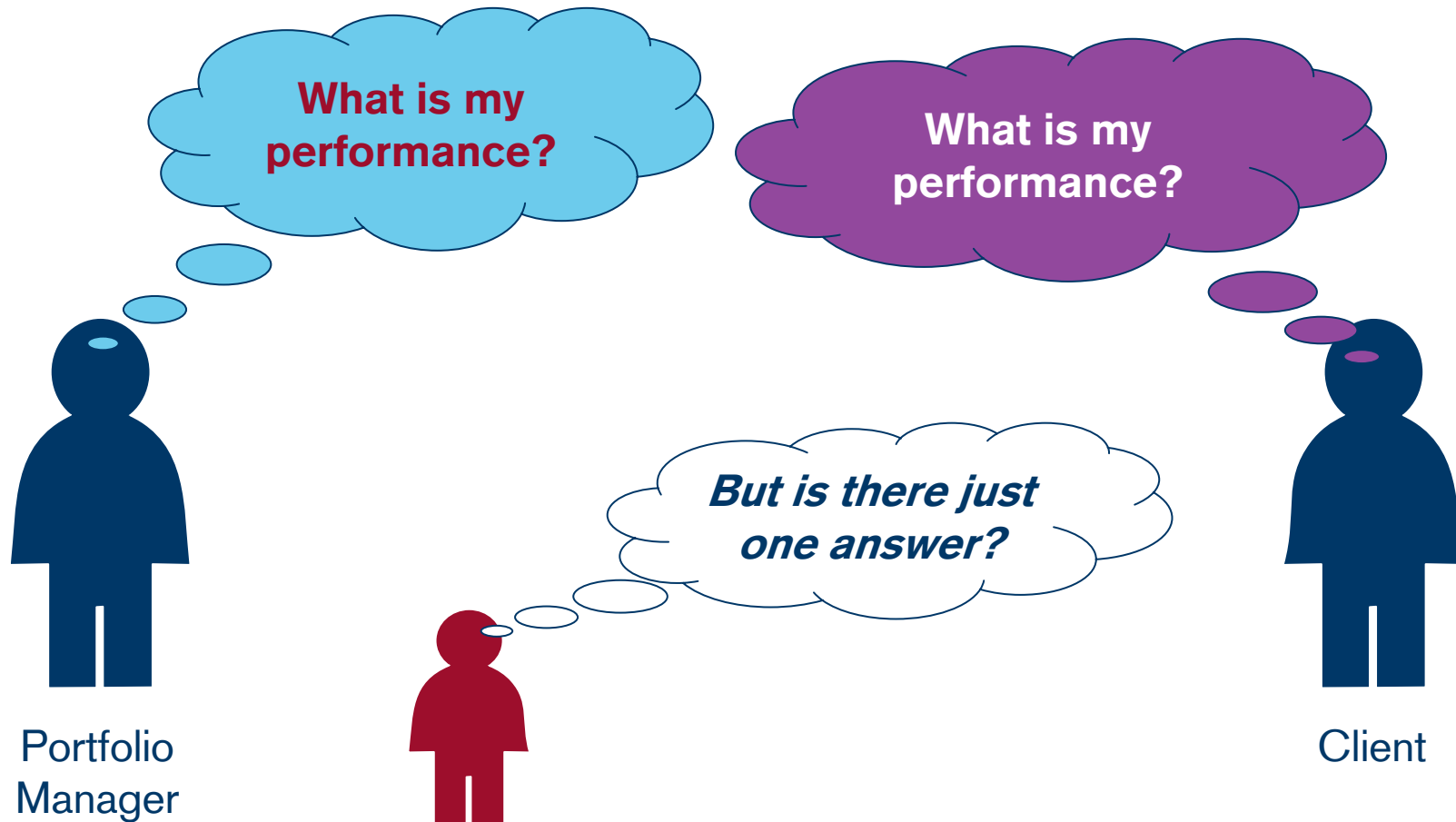
What is client reporting?



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)



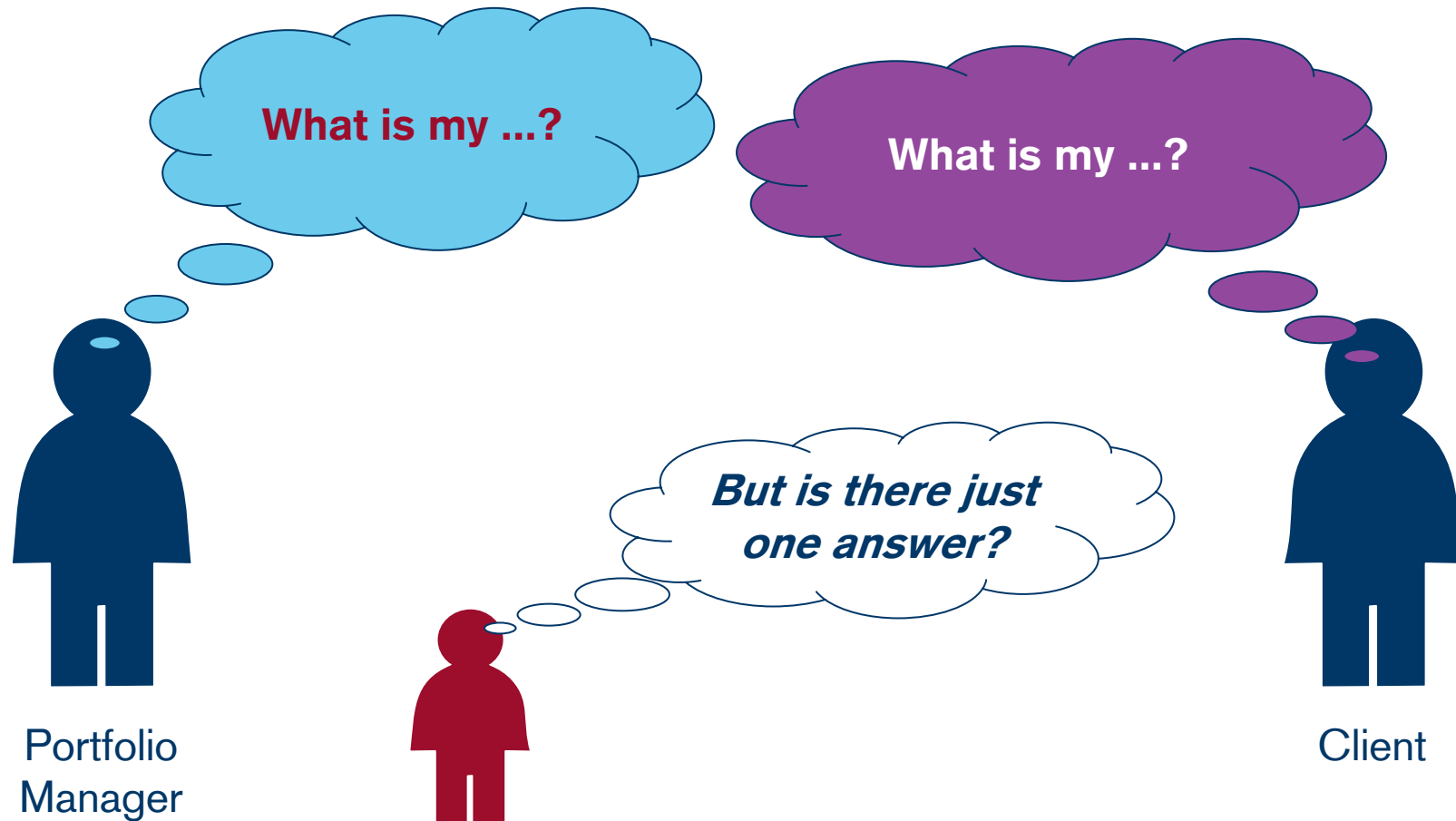
Why do we need client reporting?

(2/3)



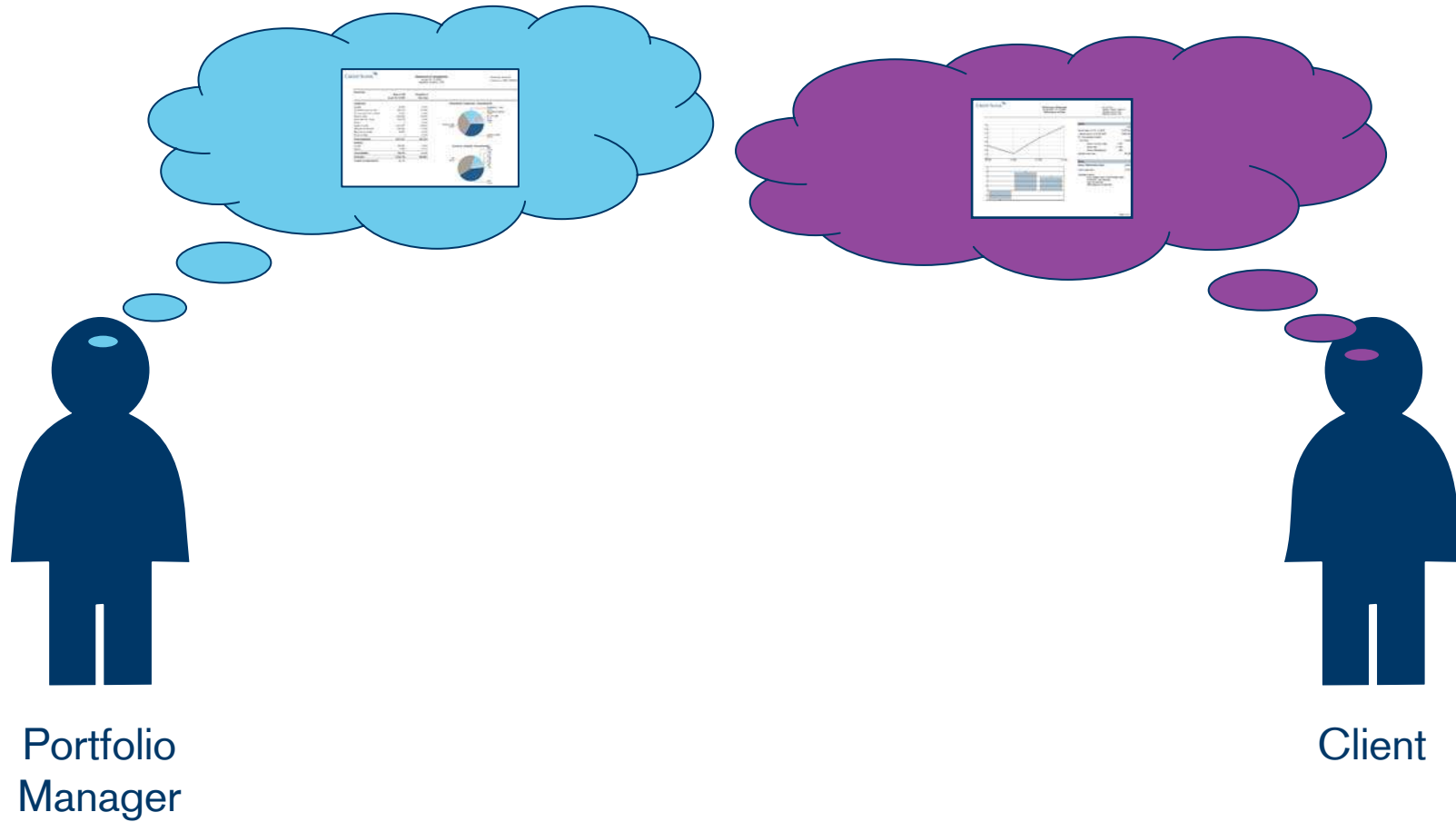
Why do we need client reporting?

(3/3)



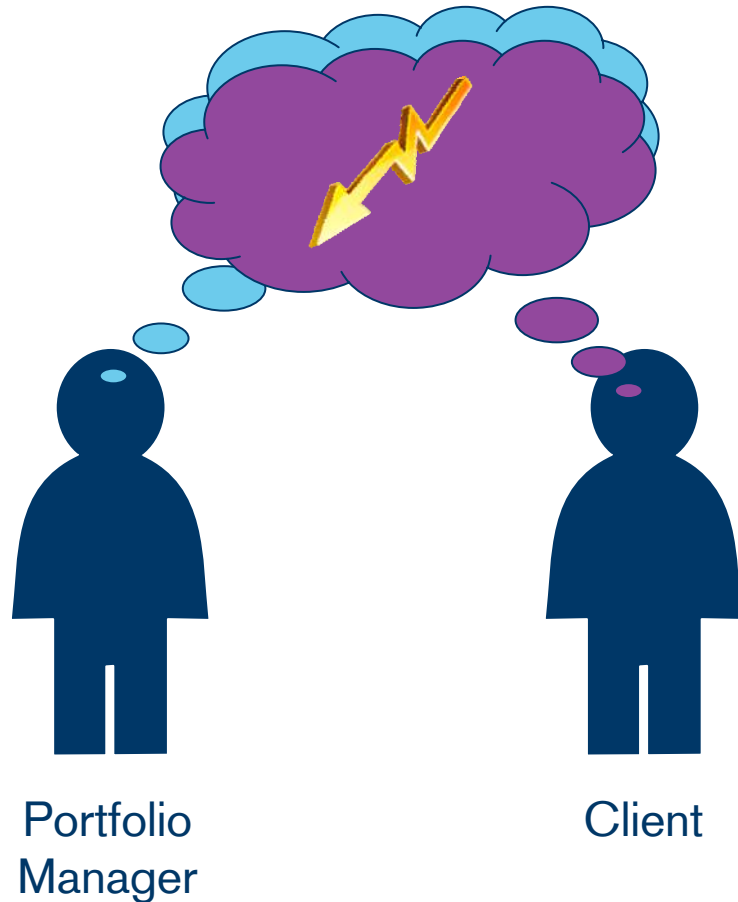
Is there a common understanding?

(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?

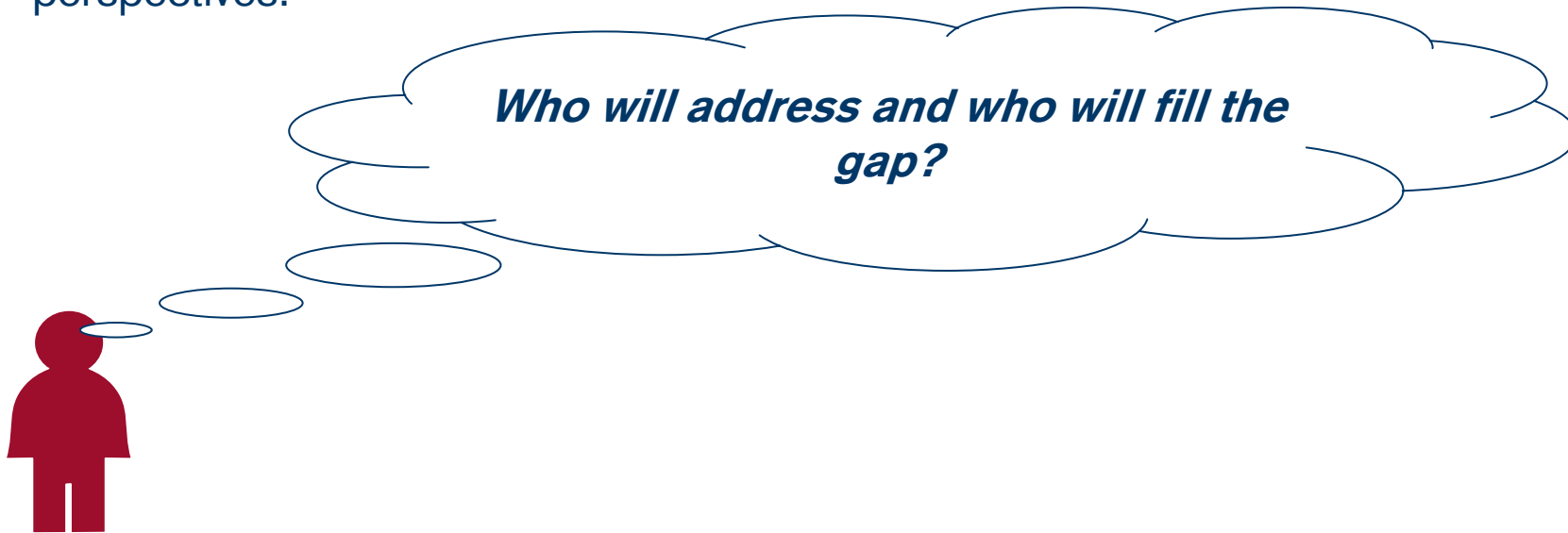
(3/3)



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 ?
... ?

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.



Transparency within client reporting

GIPS compliant performance presentation

Performance Presentation Standards Report							
Composite	Equities Switzerland SPI active Mandates		Inception Date	01 Jan 1997			
Benchmark	Swiss Performance Index (SPI) in CHF		Reporting Currency	CHF			
	Total Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Deviation (%)	Total Assets at End of Period (Millions)	Percentage of Firm Assets (%)	Total Firm Assets at End of Period (Millions)
YTD Mar 02	-4.3	-4.1	19	0.1	1 231.2	1.2	127 759.8
2001	-22.4	-22.0	19	0.4	1 242.6	1.2	126 005.0
2000	11.8	11.9	19	0.5	1 427.7	1.3	150 231.3
1999	15.4	11.7	13	0.2	1 189.3	1.3	90 027.7
1998	14.5	15.4	12	2.4	835.3	1.4	80 271.2
1997	39.0	39.2	11	3.3	836.2	1.7	50 342.4



And what about the client reporting?

Performance Übersicht
Zeitraum 01.01.2005 - 31.12.2005

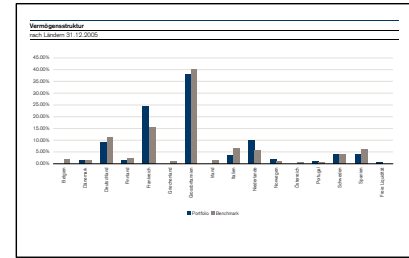
	aktuelle Werte	aktuelle Quote	akt. Abw./Zun.
Portfolio Rendite	3.75%	4.6%	-0.85%
Portfolio Risiko	3.71%	4.4%	-0.69%
Benchmark	3.69%	3.7%	0.01%

Performance Übersicht
Zeitraum 01.01.2005 - 31.12.2005

	Jan 05	Feb 05	Mär 05	Apr 05	Mai 05	Juni 05	Juli 05	Aug 05	Sep 05	Okt 05	Nov 05	Dez 05	YTD
Portfolio Rendite	-2.86%	-2.28%	-0.07%	-2.55%	-2.88%	-4.6%	-3.7%	-4.7%	-2.8%	-3.7%	-3.7%	-3.7%	-27.2%
Benchmark	-2.5%	-2.2%	-0.2%	-2.7%	-2.7%	-4.2%	-3.7%	-4.2%	-2.7%	-3.7%	-3.7%	-3.7%	-26.1%
Delta (zu Benchmark)	-0.36%	-0.08%	0.13%	0.18%	-0.12%	-0.4%	-0.4%	-0.5%	-0.1%	0.0%	0.0%	0.0%	-1.1%

Performance Übersicht
Zeitraum 01.01.2005 - 31.12.2005

	1. Quartal 05	2. Quartal 05	3. Quartal 05	4. Quartal 05	YTD
Portfolio Rendite	5.12%	4.6%	6.6%	4.6%	21.0%
Benchmark	5.4%	4.9%	6.2%	4.9%	21.5%
Delta (zu Benchmark)	-0.28%	-0.3%	0.4%	-0.3%	-0.5%



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

- Investment Performance Measurement Newsletter - August 2009: "Client Investment Reporting: The Need for a Global Standard" by Stefan J. Illmer and Dimitri Senik
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- 2006 Swiss Client Reporting Survey
=>
http://www.pwc.ch/user_content/editor/files/ind_bank_gips/pwc_swiss_client_reporting_survey_e.pdf

Comments & Questions