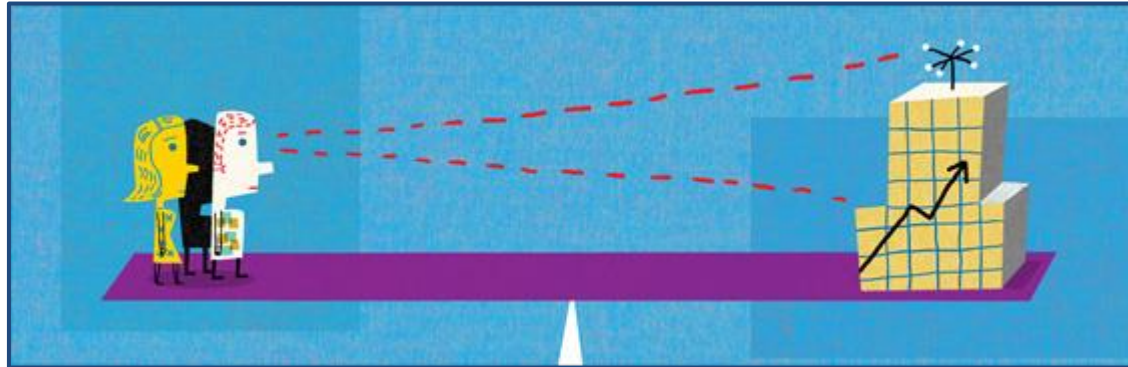


Principles for investment reporting

Date: 4th June 2013
Produced by: Dr. Stefan J. Illmer

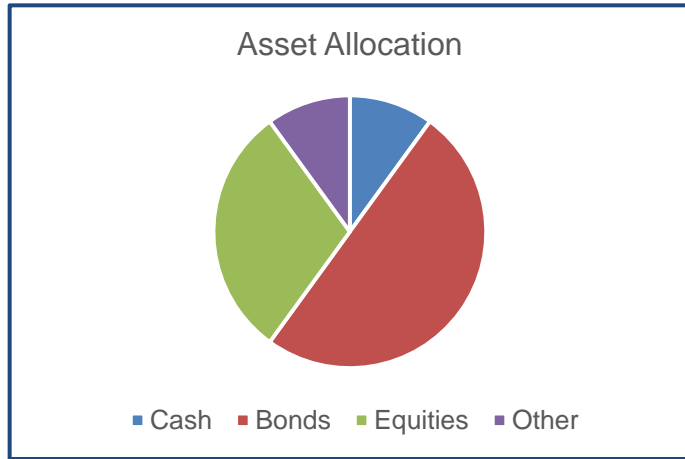
Intermediate stop – transparency & fairness



“Clear, trustworthy investment reporting continues to be the most valuable tool for communicating investment information. Whether you use this information as an investor or as a financial professional, it is what you don’t know that can be the most damaging. In today’s complex investment marketplace, there is a need for a tool set of guidelines to advance the next stage of evolution for investment reporting.

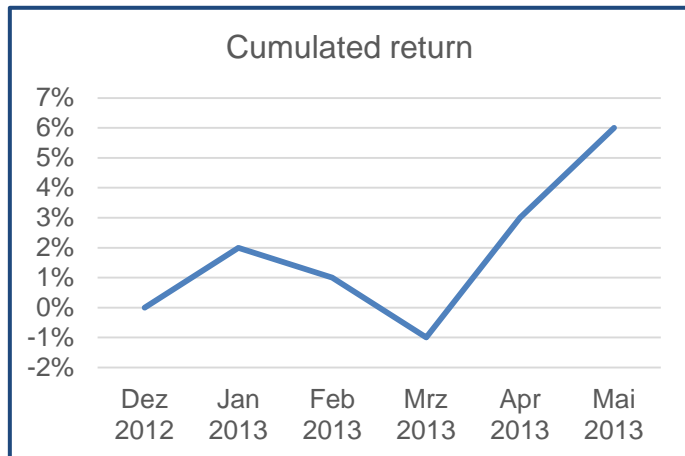
The Principles for Investment Reporting serve to facilitate a dialogue between report preparers and users. As trust is rebuilt through clear and transparent reporting, it will also encourage investors to refocus on securing their financial future in partnership with investment professionals.” => http://www.cfainstitute.org/learning/future/about/Pages/principles_for_investment_reporting.aspx

A simple investment report



Key figures

Total assets	1'000 EUR
Profit and loss YTD	60 EUR
Return YTD	6.0%
Benchmark return YTD	5.6%
Risk	3.3%
Benchmark risk	3.1%
Duration	2.5

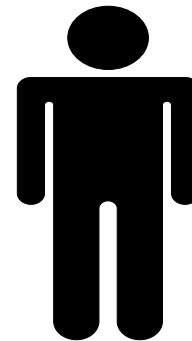
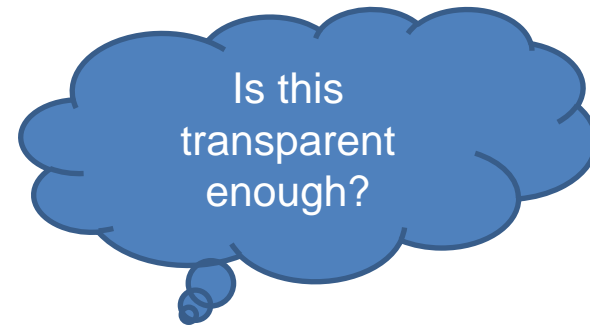
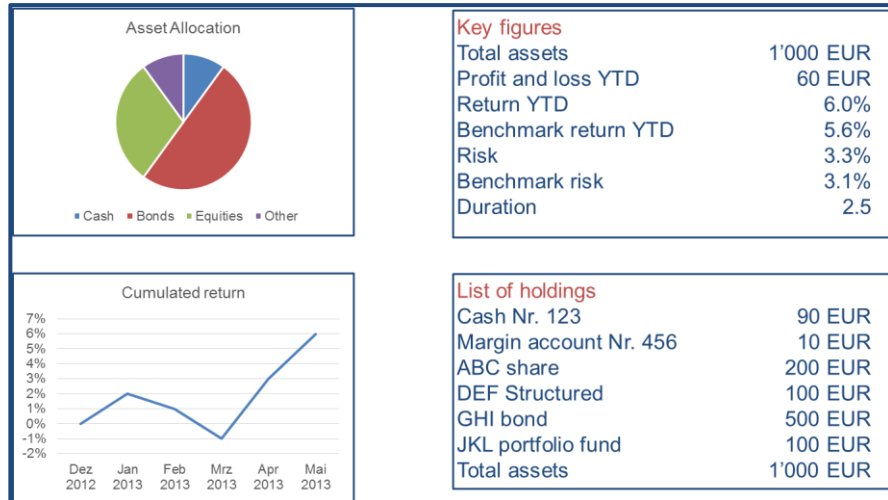


List of holdings

Cash Nr. 123	90 EUR
Margin account Nr. 456	10 EUR
ABC share	200 EUR
DEF Structured	100 EUR
GHI bond	500 EUR
JKL portfolio fund	100 EUR
Total assets	1'000 EUR

Transparency – A simple investment report

(1/4)



Transparency – A simple investment report

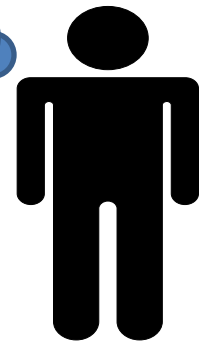
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Internet definitions:

“Lack of hidden agendas and conditions, accompanied by the availability of full information required for collaboration, cooperation, and collective decision making.”

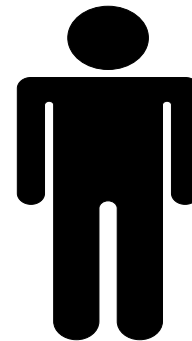
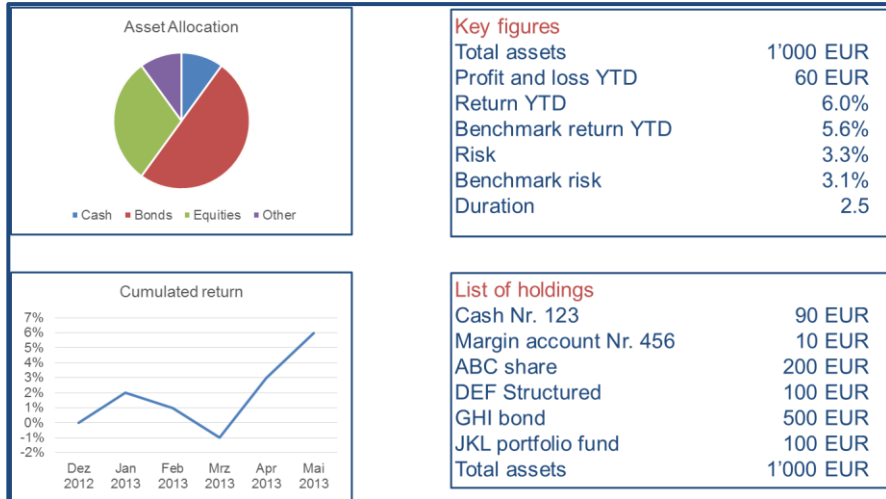
“Minimum degree of disclosure to which agreements, dealings, practices, and transactions are open to all for verification.”

<http://www.businessdictionary.com/definition/transparency.html#ixzz2U2pEZOjp>



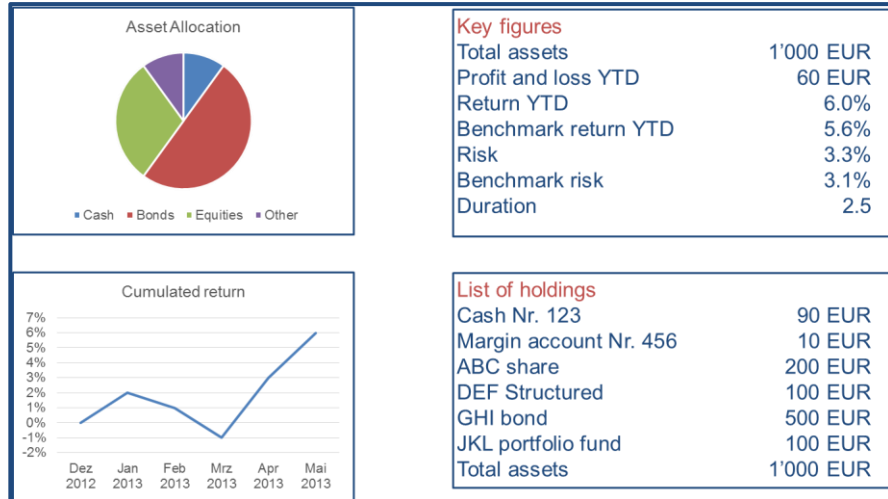
Transparency – A simple investment report

(3/4)



Transparency – A simple investment report

(4/4)

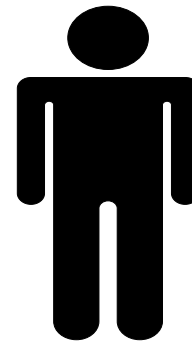
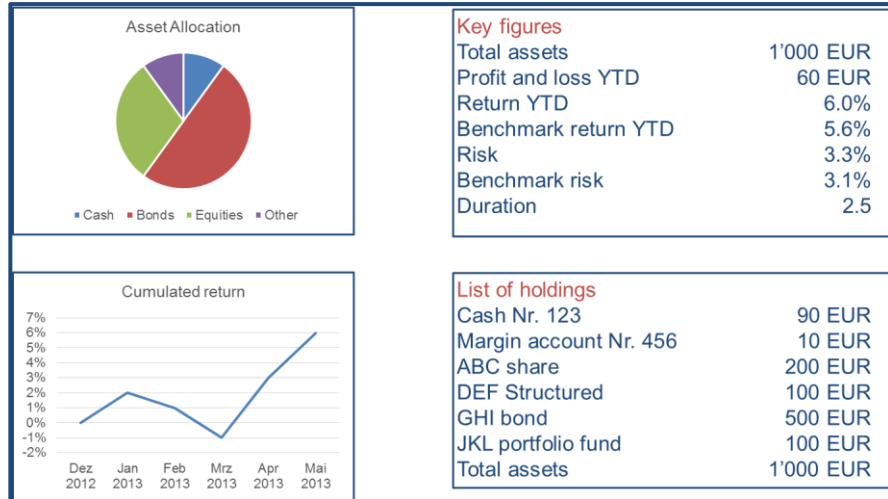


Questions to ask to increase transparency:

- Is the valuation based on fair values?
- Is the profit and loss gross or net of fees?
- Is the return gross or net of fees?
- Is the return based on trade date accounting?
- How are accruals treated?
- What is the benchmark?
- What is the risk measure?
- Are the true exposures reflected in the asset allocation?
- What type of duration is shown?
- Does the duration include only the bonds?
- What is the inception date?
- What is the reference currency?
- What is the reporting period and date?
- and so forth ...

Fairness – A simple investment report

(1/4)



Fairness – A simple investment report

(2/4)

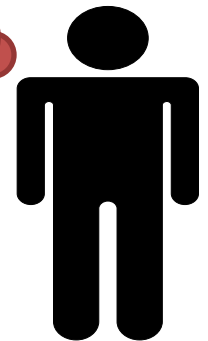
Internet definitions:

“The state, condition, or quality of being fair, or free from bias or injustice; evenhandedness”

<http://dictionary.reference.com/browse/fairness>

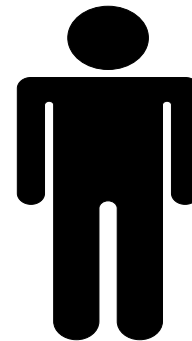
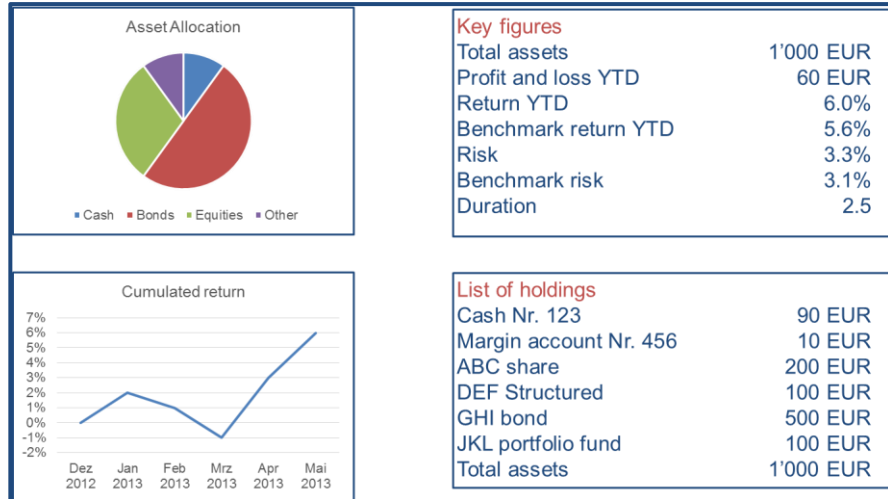
“Fair means free from favoritism, self-interest, or preference in judgment.”

<http://www.thefreedictionary.com/Fairness>



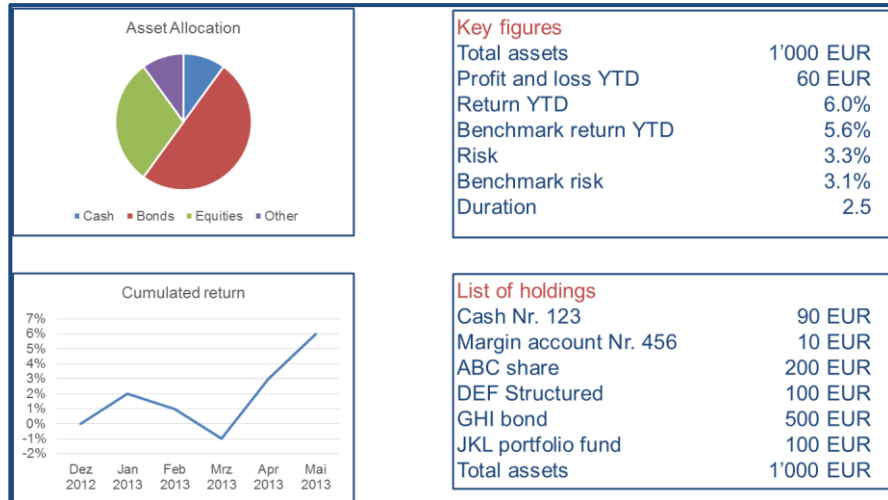
Fairness – A simple investment report

(3/4)



Fairness – A simple investment report

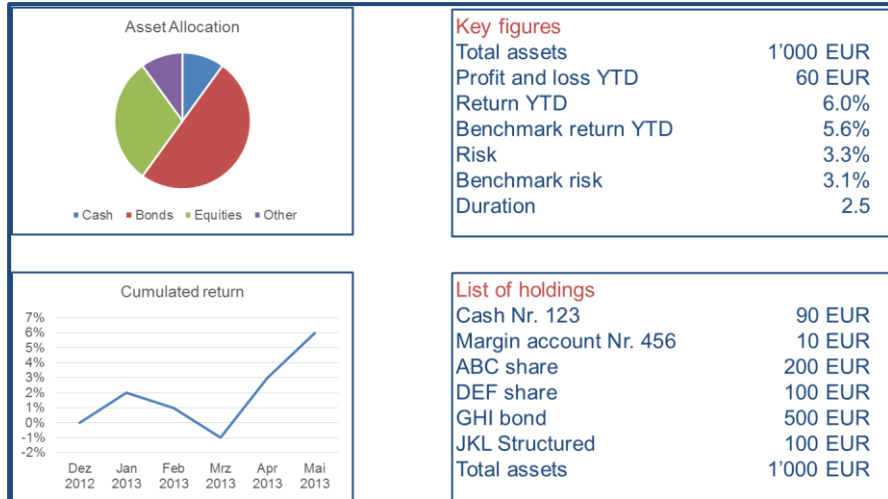
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Questions to ask to check for fairness:

- Who designed the report and its content?
- Is the return calculated from a client or a portfolio manager perspective?
- Is the return gross or net of all fees?
- Is the return gross or net of taxes?
- Is the benchmark appropriate to the investment strategy?
- Were there any changes to the benchmark?
- Is the risk measure appropriate for the investment strategy?
- Are complex products reflected according to their economic exposure?
- What are the “total” fees earned by the parties involved, like asset manager or custodian?
- and so forth ...

The five principles for investment reporting

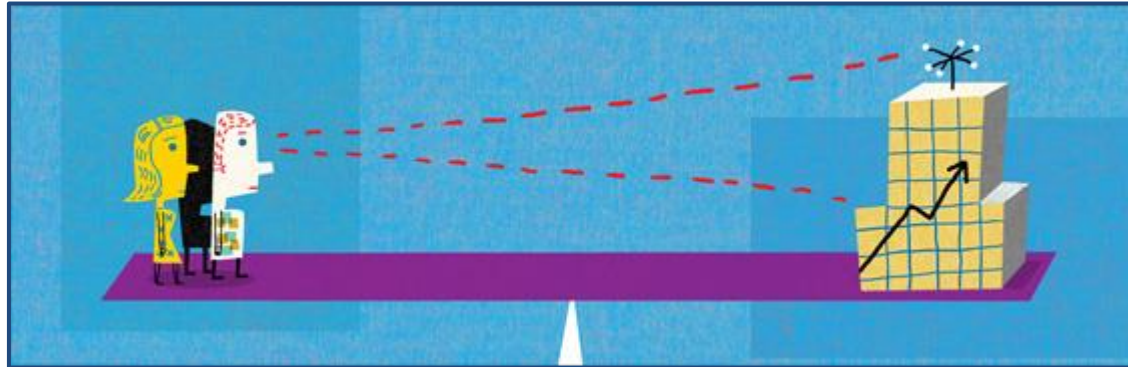


Principles for investment reporting:

1. Communication occurs between the preparer and the user as to the purpose of and need for investment reporting.
2. Control processes, policies, and procedures are documented and followed.
3. Client preferences are reflected in the investment report.
4. Clear and transparent presentation of investment risks and results.
5. Comprehensive fee disclosure.

=> leads to effective investment reporting.

The next step – transparency & fairness



“This first edition outlines the key Principles, and the second edition will contain a series of recommendations that are specific to typical report types and the information that they should contain.” => http://www.cfainstitute.org/learning/future/about/Pages/principles_for_investment_reporting.aspx

Comments and questions



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