

**CFA Institute**

**915 E. High Street**

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RE: EXPOSURE DRAFT GUIDE FOR BEST PRACTICES IN RETURN ATTRIBUTION REPORTING

Thanks for the opportunity to comment on the exposure draft for best practices in return attribution reporting. Listed below are the responses to each question posed in the paper.

**Question 1:** Should firms disclose that the policy for selecting representative portfolios is available upon request?

Yes, the firm should have a written policy for the selection process for the representative portfolios. There should also be a recommendation to keep the history of the representative portfolios for the last five years to ensure that only the top performing portfolios are being presented through time.

**Question 2:** Does your firm show attribution for periods greater than one year? If so, what is the longest period shown? Are there challenges with presenting attribution periods greater than one year that are not addressed in this Guide?

All of the firms that I worked at provided attribution for strategies that were greater than one year in length. The longest period shown was twenty years since one mutual fund had a thirty-year track record and some consultants wanted the twenty-year history. However, in general, the longest time period would be for five years of attribution. The main challenge of providing history longer than one year is the availability of consistent data in the current format. There should not be a change in the data frequency or data type for the full attribution history.

**Question 3:** For periods greater than one year, does your firm calculate attribution on an annualized or cumulative basis? What factors influence your decision?

At all of the firms that I worked for, annualized returns were used to line up with the reported performance numbers. This makes a client discussion easier because the numbers will be similar methodologies being shown to clients and prospects.

**Question 4:** Is there any other information related to cash that firms should disclose?

There should be a disclosure if the cash is being held in more than one currency. This can help explain any cash related concerns that a client may have about the strategy and where they are

invested. Also, it should be notated if cash interest is not being reinvested into the portfolio and being swept out of the account.

**Question 5:** Is there any other information about currencies that firms should disclose?

Firms should disclose the base currency and any hedging currencies that were used in the report. Also, this should only be presented for the current period but be available upon request for historical currencies not presented in the report, if they were used in the past by this strategy.

**Question 6:** Please share if there is any additional information about the treatment of leverage and derivatives in return attribution that should be disclosed.

Firms should disclose what type of leverage and/or derivatives are used in the strategy to allow a more informed client or prospect.

#### Other Considerations

Some discussion around macro or multi asset class attribution would be helpful to the industry and performance measurement and risk professionals. Also, some information around alternative investment attribution for each alternative asset class would be helpful to the industry. Firms should also be required to only use a single attribution type in each report in its entirety. They should not be allowed to use geometric in one section of the report and then arithmetic in another section and then factor based all on the same report. The report should remain consistent in its entirety.

Thanks for the ability to comment on the exposure draft. Please reach out with any comments or concerns.

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