William Blair

December 10, 2025

CFA Institute
915 East High Street
Charlottesville, VA 22902

RE: Comments on Guide for Best Practices in Return Attribution Reporting

To Whom It May Concern:

Thank you for the opportunity to comment on the Guide for Best Practices in Return Attribution Reporting exposure draft. Our firm supports the publication of a best practices document on this topic, even though performance attribution subject matter can be highly technical and calculations can vary widely across the industry.

Our responses to recommendation and answers to questions have been added in red font to the outline provided by CFA Institute in the exposure draft.

Sincerely,

Paul Kniep CFA, CIPM
Manager, Performance Measurement
William Blair Investment Management

Exposure Draft: Guide for Best Practices in Return Attribution Reporting

Recommendations

Firms should consider the following recommendations when preparing a return attribution report:

A. Attribution Presentation Information

1. Firms should clearly label all items included in the return attribution report. We support this recommendation.

2. Firms should present return attribution on a gross-of-fees basis. We support this recommendation.

3. Firms should present consistent time periods in attribution reports. We support this recommendation.

4. Firms should present representative portfolio or composite segment returns in addition to representative portfolio or composite total returns. We support this recommendation.

5. Firms should present benchmark segment returns in addition to benchmark total returns. We support this recommendation.

6. Firms should present the same type of segment weight for the representative portfolio or composite as the benchmark type of segment weight (e.g., average weight for the period). We support this recommendation.

7. Firms should present attribution effects that reflect the investment strategy. We support this recommendation.

8. Firms should present return contribution in addition to return attribution in a return attribution report. We do not support this recommendation. Although return contribution can be useful, it is neither an input within attribution effect calculations nor does it provide a direct benefit in explaining active management decisions.

9. Firms should present currency effects in a return attribution report only when currencies are part of the investment strategy's decision-making process. We do not support this recommendation. We disagree with the recommendation that currency

effects be presented only when currency is a part of the decision-making process. We think currency effects are appropriately presented even when currency is not part of the decision-making process because it is still useful to understand the impact of currency movements.

Recommendation #7 in this section should be sufficient to cover the need to show currency effects when currency exposure is actively managed as a part of the investment strategy decision-making process.

B. Disclosures

Benchmark

1. Firms should disclose the name of the benchmark used in the attribution report. If it is not a well-known benchmark, the firm should disclose the benchmark description. We support this recommendation.

2. If the benchmark used to generate the return attribution is different from the representative portfolio or composite benchmark, firms should disclose this fact and the reason why the benchmark was selected. We support this recommendation.

3. If the benchmark used to generate the return attribution is different from the representative portfolio or composite, firms should disclose the benchmark to which the representative portfolio or composite is managed. We support this recommendation.

4. Firms should use total return benchmarks and not price benchmarks in a return attribution report. If a price-only benchmark is used, firms should provide sufficient disclosures so that a prospective investor understands the difference between the return of a price-only benchmark and the return of a total return benchmark. We support this recommendation.

5. If a custom benchmark composed of two or more benchmarks is used, firms should disclose this fact as well as the composition of the custom benchmark. We support this recommendation.

6. If the historical returns of two benchmarks are linked together during the period covered by the attribution report, firms should disclose the change in benchmark and which benchmark is used for which periods. We support this recommendation.

7. Firms should disclose if there are any adjustments made to the benchmark (e.g., synthetic hedging or a 130/30 long–short calculation). We support this recommendation.

8. Firms should disclose if there is a mismatch in hedging between the representative portfolio or composite and the benchmark. We support this recommendation.

Cash

9. Firms should disclose if cash is excluded from the return attribution. We support this recommendation.

Calculation

10. Firms should disclose whether the attribution analysis is calculated using a representative portfolio, a composite, or a model portfolio. We support this recommendation.

11. Firms should disclose whether the return attribution is calculated on a gross-of-fees or net-of-fees basis. We support this recommendation.

12. Firms should disclose the calculation frequency of attribution effects (e.g., daily, monthly). We support this recommendation.

13. Firms should disclose if the attribution effects were calculated for shorter intervals and linked together to present attribution for longer periods. We do not support this recommendation because we think this recommendation is redundant to Recommendation #12 and should be consolidated into one concise recommendation regarding calculation and holdings data frequency.

14. Firms should disclose the type of segment weights that are presented (e.g., average weights, beginning-of-period weights, or end-of-period weights). We support this recommendation.

15. Firms should disclose whether excess returns are calculated using the arithmetic or geometric method. We do not support this recommendation. We do not think the use of the arithmetic method requires disclosure as it is by far the industry standard in many regions and can be safely assumed. We agree that use of the geometric method should be disclosed as it is not often the industry standard, although it should also be evident to an educated audience which method is used regardless of disclosure.

16. When an interaction effect is combined with an attribution effect, the firm should disclose the attribution effect with which it is combined. We support this recommendation.

17. Firms should disclose whether the return attribution is calculated using a returns-based, holdings-based, or transaction-based approach. We support this recommendation.

18. Firms should disclose the holding period if holdings-based attribution is used. We believe this recommendation is redundant to Recommendation #12 and should be consolidated into one concise recommendation regarding calculation and holdings data frequency.

19. If a residual exists and it is not presented separately, the firm should disclose the attribution effect with which the residual is combined. We support this recommendation.

20. Firms should disclose if there are any returns in the return attribution report that are not consistent with returns in the accompanying marketing materials. We do not support this recommendation because we disagree with the recommendation that *any* difference in returns from marketing materials should be disclosed. We think the recommendation should be amended to state that *material* differences should be disclosed.
21. Firms should disclose if there are any material input data differences. We support this recommendation.

22. Firms should disclose the use of leverage and derivatives and how they are treated in the return attribution. We agree with the recommendation that firms should disclose the use of leverage and derivatives. However, we disagree with the recommendation that attribution reports should disclose *how* they are calculated. Given how many types of instruments may be used, detailing the calculation methodology of each in an attribution report would be excessive. Sophisticated audiences should also be aware that they can always request further detail on pertinent calculations.

23. If withholding taxes are not treated consistently in performance and attribution, firms should disclose this fact and how withholding taxes are treated in attribution. We support this recommendation.

Miscellaneous
24. Firms should disclose any additional information that would help a prospect interpret the return attribution report. We support this recommendation.

Questions

Question 1: Should firms disclose that the policy for selecting representative portfolios is available upon request? No. Disclosing that a policy like this is available upon request is not very helpful. A sophisticated attribution report recipient that understands the nuances of representative portfolio selection will know they can request whatever information they want.

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? Our firm regularly shows performance attribution for periods as long as sixteen years. We calculate performance attribution using an arithmetic method and use a smoothing algorithm to adjust for compounding. The impact of smoothing often increases as the attribution reporting period lengthens, making the attribution results less meaningful. The potentially significant impact of smoothing is a challenge for presenting attribution for periods longer than one year. It could be a difficult topic to address in this best practice guide, but we think it should be considered.

Question 3: For periods greater than one year, does your firm calculate attribution on an annualized or cumulative basis? What factors influence your decision? We present annualized and cumulative attribution, depending on what is requested. Our default for periods longer than one year is annualized attribution for equity strategies because that matches our default method of reporting returns. For fixed income strategies our default has been cumulative, but will likely switch to annualized soon, to match what we do for equity strategies.

Question 4: Is there any other information related to cash that firms should disclose? No

Question 5: Is there any other information about currencies that firms should disclose? No

Question 6: Please share if there is any additional information about the treatment of leverage and derivatives in return attribution that should be disclosed. See our response for Recommendation #22.

Other Comments

This formula for selection effect in Appendix A on Page 23 contains an error:

The contribution to excess return from stock selection in segment *i* (selection effect) is

$$S_i = w_i(R_i - B_i),$$

where

S_i = the selection effect of securities within the *i*th segment

w_i = the weight of segment *i* in the portfolio

R_i = the portfolio return of segment *i*

B_i = the benchmark return of segment *i*

The formula above for selection effect would be correct if the interaction effect was combined with the selection effect. If interaction is calculated and displayed as a separate effect, as presented in Appendix A, then the weight used would be the weight of the segment *i* in the benchmark (W_i).