

Introductory Performance Concepts

Presented by Erik Johnsen, Cairn Investment Performance Consulting

Concepts and Applications

This course provides the groundwork necessary for understanding performance. It provides learners with a perspective of what questions investment performance professionals are really trying to answer, what information is most useful to the end-user and what kinds of data are required. In this short course, learners will be introduced not only to the theory behind performance but specifically to the Internal Rate of Return, Time Weighted Rate of Return and the Modified Dietz. For each approach, we'll be addressing the appropriate use of each, basic data requirements, the limitations of each and real world applications.

Necessary Data for Performance Measurement

The second course expands on the data requirements for investment performance measurement and provides the context for some of the terms used in the world of performance. Further explanations of different kinds of periodic valuations and portfolio activity (cash flows, expenses, fees, transactions costs, etc.) frame the learning re: 'pure' gross vs. gross returns, net returns and client returns. This class sets the stage for the subsequent course on multi-period returns.

Introduction to Multi-Period Returns

In this course, students will learn the basic math of compounding returns over time, as well as arithmetic and geometric averages. Foundational knowledge established will lend itself to later studies of excess returns and attribution.

Upcoming Series:

Second Series: **Basic Application Series**, offered later this year will take a deeper dive into the components of performance computations, addressing IRR, approximation methods, time weighted rates of return, cash flow issues and aggregate returns.

Third Series: **Beyond the Basics**, will address more advanced issues such as multi-currency, margins, short-selling, derivatives, and asset class and security level performance.

