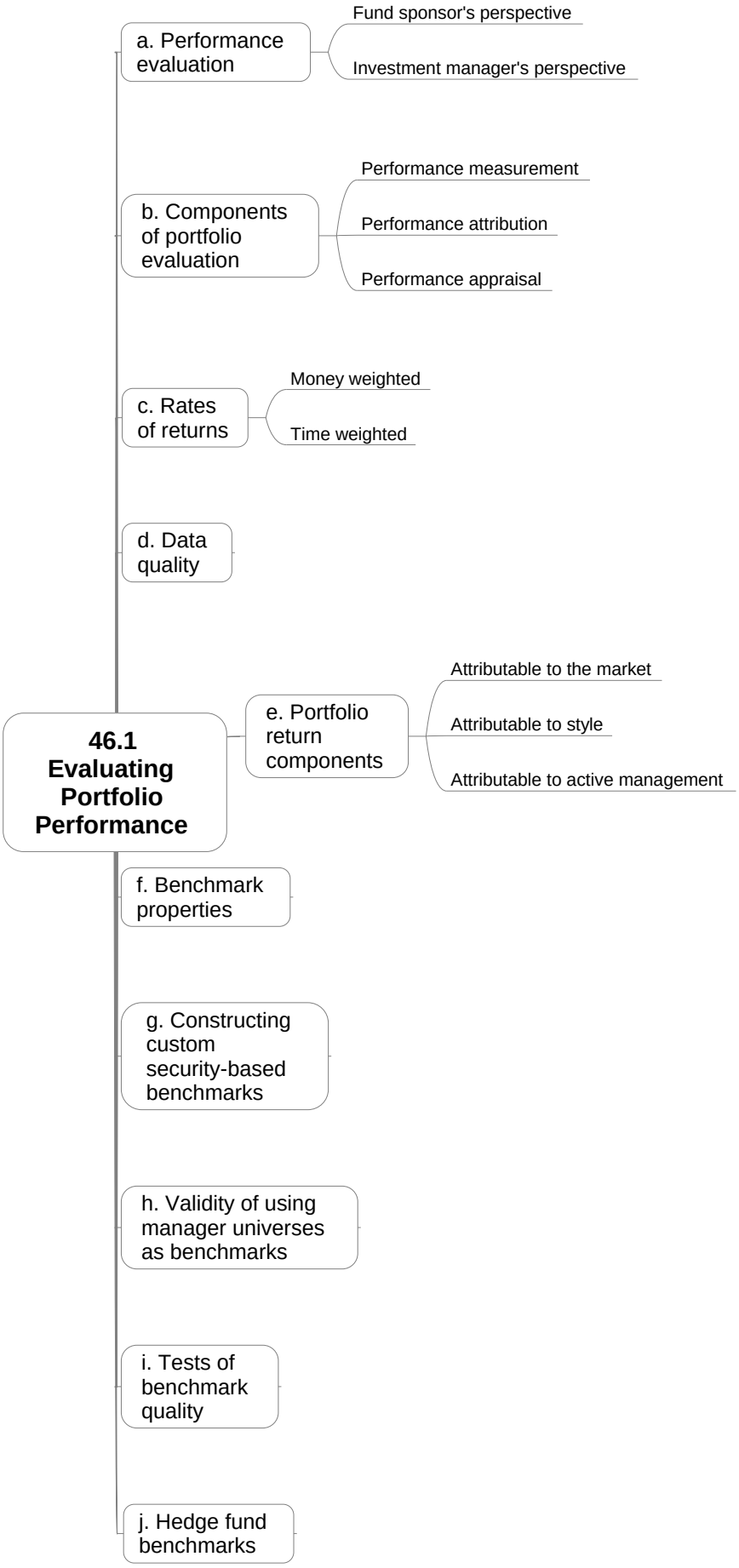
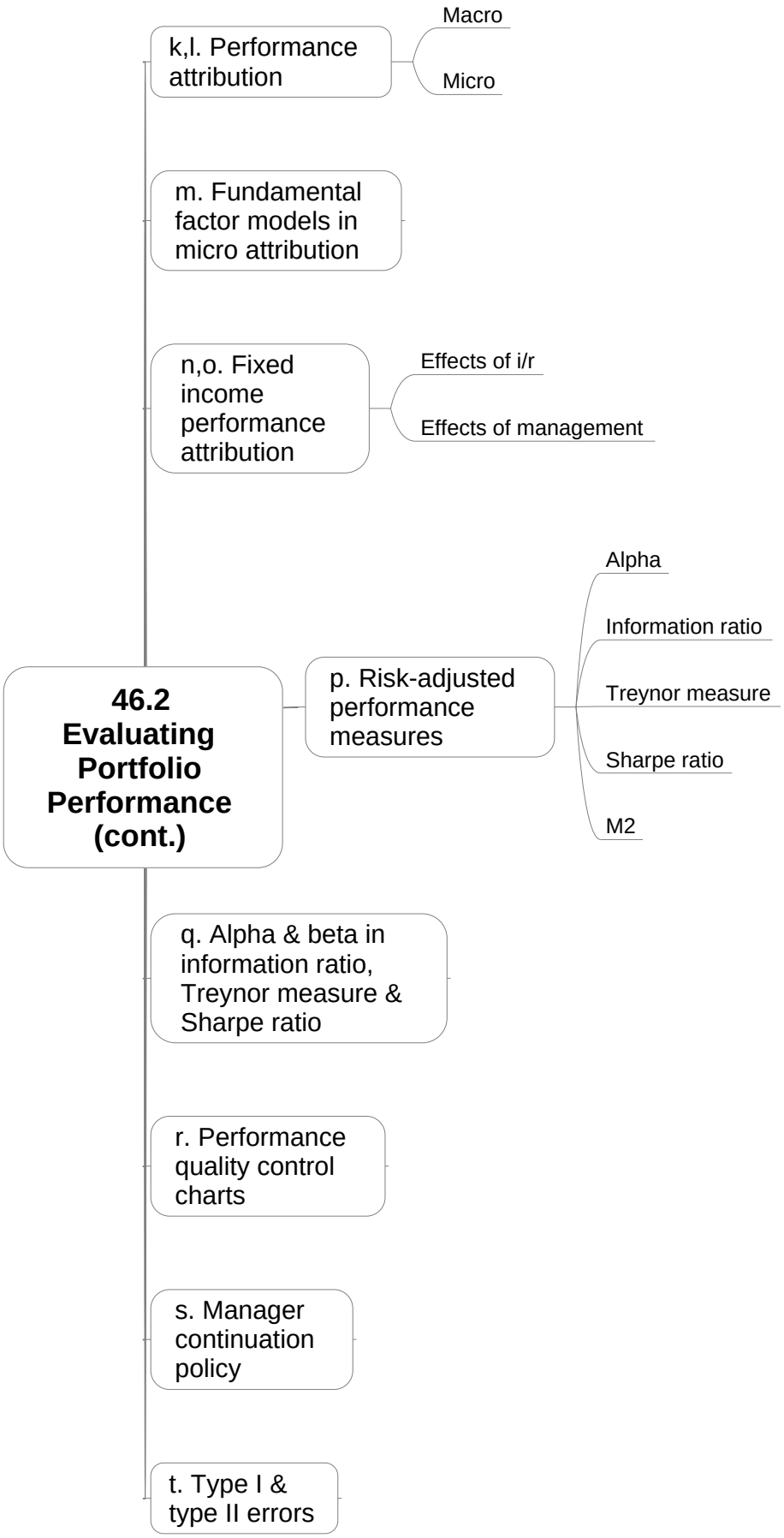
CFA LEVEL 3

STUDY SESSION 17

PERFORMANCE EVALUATION & ATTRIBUTION


46.1 Evaluating Portfolio Performance
a. Performance evaluation
Fund sponsor's perspective
Investment manager's perspective
b. Components of portfolio evaluation
Performance measurement
Performance attribution
Performance appraisal
c. Rates of returns
Money weighted
Time weighted
d. Data quality
e. Portfolio return components
Attributable to the market
Attributable to style
Attributable to active management
f. Benchmark properties
g. Constructing custom security-based benchmarks
h. Validity of using manager universes as benchmarks
i. Tests of benchmark quality
j. Hedge fund benchmarks


46.2 Evaluating Portfolio Performance (cont.)
k,l. Performance attribution
Macro
Micro
m. Fundamental factor models in micro attribution
n,o. Fixed income performance attribution
Effects of i/r
Effects of management
p. Risk-adjusted performance measures
Alpha
Information ratio
Treynor measure
Sharpe ratio
M2
q. Alpha & beta in information ratio, Treynor measure & Sharpe ratio
r. Performance quality control charts
s. Manager continuation policy
t. Type I & type II errors

47. Global Performance Evaluation

- a. Currency movements & portfolio returns
- b,c. Global portfolio attribution
- d. Active & passive currency management
- e. Multi-period performance attribution
- f. Risk measures
- g. Risk budgeting in global performance evaluation
- h. Global & international benchmarks