

The Finer Points of Investment Performance

The CIPM program professionalizes the field of investment performance evaluation and presentation

BY CRYSTAL DETAMORE-RODMAN

When Anton Srdanovic started working in the investment performance measurement field 13 years ago, calculating, analyzing, and presenting investment results was not only labor intensive but also presupposed a great deal of specialized knowledge. “Analysis was done with spreadsheets, and that required a detailed understanding of the calculations as well as understanding the construction of benchmarks and consolidations,” recalls Srdanovic, who now heads performance measurement in the private wealth group at Morgan Stanley. “Now, with several good choices of vendors, results are a few mouse clicks away.”

Eager to hold on to those hard-earned skills, Srdanovic has enrolled in the Certificate in Investment Performance Measurement (CIPM) program, a study and examination program that reinforces the finer points of investment performance analysis and reporting. “The CIPM program and its continuing education requirement is a disciplined way to keep my core skill set sharp,” says Srdanovic, a CIPM candidate who has successfully taken the CIPM Principles examination, the first of two computer-based exams he must pass to complete the certification program.

At Morgan Stanley, Srdanovic is not alone in his professional pursuit: he expects the approximately 20 performance measurement specialists who report to him to pursue the CIPM credential. Their participation, he says, will be a factor in determining year-end compensation and which employees receive promotions.

“As software has made the delivery of data easier and with deeper content, I need a staff that can spot anomalies in data, assist with benchmark suitability, presentation, and interpretation of

results,” says Srdanovic. “Since the CIPM program requires preparation outside of the normal workday, it ensures that I have built a staff that has a serious commitment to performance analysis as a career and will thus deliver superior service. Many of them recognize that the CIPM is a powerful component of a resumé and will further their career and will also allow them to demonstrate personal growth to their supervisors.”

Program proponents say a credentialing program for the performance measurement profession is long overdue. “This program affirms the professional status of the field of performance presentation and evaluation,” says Philip Lawton, CFA, head of the CIPM program.

“For performance professionals at investment firms who have mastered analytical techniques,” he adds, “it really opens the way for their whole career, not only in performance measurement but potentially in other roles because performance analysis is central to investment management, from asset gathering all the way through diagnostic analyses of the firms’ decision-making processes. For somebody in marketing who has a responsibility to interface with clients and explain investment results, they’ll understand the dynamics of portfolio returns. For the GIPS® verifier, I believe it will become a competitive necessity. In addition to really knowing the Standards and applying them in complex situations, they’ll also understand what goes on in a performance shop from a business point of view. That will make them better verifiers. Almost everywhere you look, this is a great skill set to have.”

Ninety-five individuals to date have met all requirements and earned the right to use the CIPM designation. Among them is Ann Putallaz, CIPM, director of data and communication

services for Munder Capital Management, an investment management firm headquartered in Birmingham, Michigan. Though she has worked in the investment management industry since 1983, in performance measurement roles for most of that period, the CIPM program definitely enhanced her overall knowledge, she says. “I can state, without qualification, that my expectations for a professionally run and rigorous program that would benefit me in my day-to-day activities were met. The exams weren’t easy, but I learned a great deal and I’m very glad that I decided to participate in the program.”

Now she’s hoping that others at her firm follow suit. “I wanted to establish the expectation within my own firm that someone in my position—who works with both the GIPS standards and performance measurement and attribution—would attain the CIPM designation,” Putallaz says.

Meanwhile, firms like hers are facing external pressure from clients who are increasingly asking questions about GIPS. “They want to understand the Standards, and they want to know why having a GIPS-compliant manager should be important to them,” Putallaz says. “It helps if the firm can refer their questions to someone who not only claims to know the GIPS standards and related performance measurement issues but has the credentials to back up that claim.”

Arin Stancil, CIPM, senior manager with Ashland Partners & Company LLP, a leading provider of GIPS compliance and verification services to the investment management industry, has seen a similar trend in his own practice. “I have had some people ask me about it—particularly clients who were considering entering the program as well—and I expect the inquiries to increase over time as the industry becomes more

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familiar with the CIPM program,” Stancil says. “In the near future, I believe that investment management firms are going to expect that their verifiers have earned this designation.”

Although Stancil is the first person at his firm to earn the designation—8 candidates are sitting for the Expert examination and 10 for the Principles exam during the upcoming March–April exam window—the company is strongly encouraging remaining staff members to enroll in the CIPM program. “We are considering making the completion of the program a prerequisite for receiving certain promotions,” he says.

As soon as more employees earn the CIPM designation, he will likely start to see a fairly dramatic change in the workplace dynamic, if Srdanovic’s experiences are any indication. “The CIPM program has changed the content of the conversation that occurs among my staff,” Srdanovic offers. “Team members now refer to readings in the CIPM program to support client reporting decisions.”

“Another benefit is that by making it an expectation of my performance teams, it communicates an important message to my sales force,” he says. “It lets them know that they have the backing of serious professionals to assist them. Often in an operations organization, it is difficult to communicate that in addition to the core processing of data, there are specialists that support the business. Having a respected organization like CFA Institute define through the CIPM program that performance measurement deserves a unique set of credentials helps me to deliver that message. █

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CFA Institute Recognizes New CFA Charterholders with Annual Global Announcement

On Thursday, 18 January, CFA Institute ran two-page congratulatory announcements in the *Wall Street Journal* (United States), the *Globe and Mail* (Canada), *Financial Times* (Europe, the Middle East, Africa, and Latin America), and *South China Morning Post* (Asia and the Pacific Rim) to recognize the 7,736 investment professionals who passed the third and final level of the CFA exams in 2006 and completed the requirements to receive the CFA charter. Combined, the newspapers attracted more than 8.5 million readers.

Thursday’s announcement commended nearly twice as many new charterholders as were recognized by CFA Institute in January 2006, when a similar announcement congratulated 3,908 investment professionals. Because of the volume of new CFA charterholders acknowledged in the 2007 announcement, each announcement featured regional charterholders in a geographically appropriate publication. For instance, the name of a new charterholder in California appeared only in the western edition of the *Wall Street Journal*.

The 7,736 new CFA charterholders recognized in the announcements increase the total number of charterholders to more than 76,000 in 126 countries.

The top-10 countries and territories with new charterholders listed on the announcements are as follows:

United States (3,438 new CFA charterholders)	Germany (211)
Canada (751)	Switzerland (199)
United Kingdom (588)	South Korea (160)
China (372)	Australia (139)
Hong Kong (326)	Singapore (136)

CFA Institute Introduces New Investment Series for Practitioners, Academics

In late January, CFA Institute launched the new CFA Institute Investment Series, a group of publications, online tools, and resources that extend the reach of CFA Institute content to university students, academics, and finance professionals worldwide.

Each book in the CFA Institute Investment Series is focused on the needs of industry practitioners, academics, and graduate-level finance students. The publications cover the most important topics in the industry, and the authors of these books are themselves industry professionals and academics who bring a wealth of knowledge and expertise to this new series. Clear, example-driven coverage of a wide range of valuation, investment risk, and quantitative finance methods will be the hallmark features of every book in the new series.

CFA Institute partnered with John Wiley & Sons to develop the series. More information may be found at www.cfainvestmentseries.org.

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