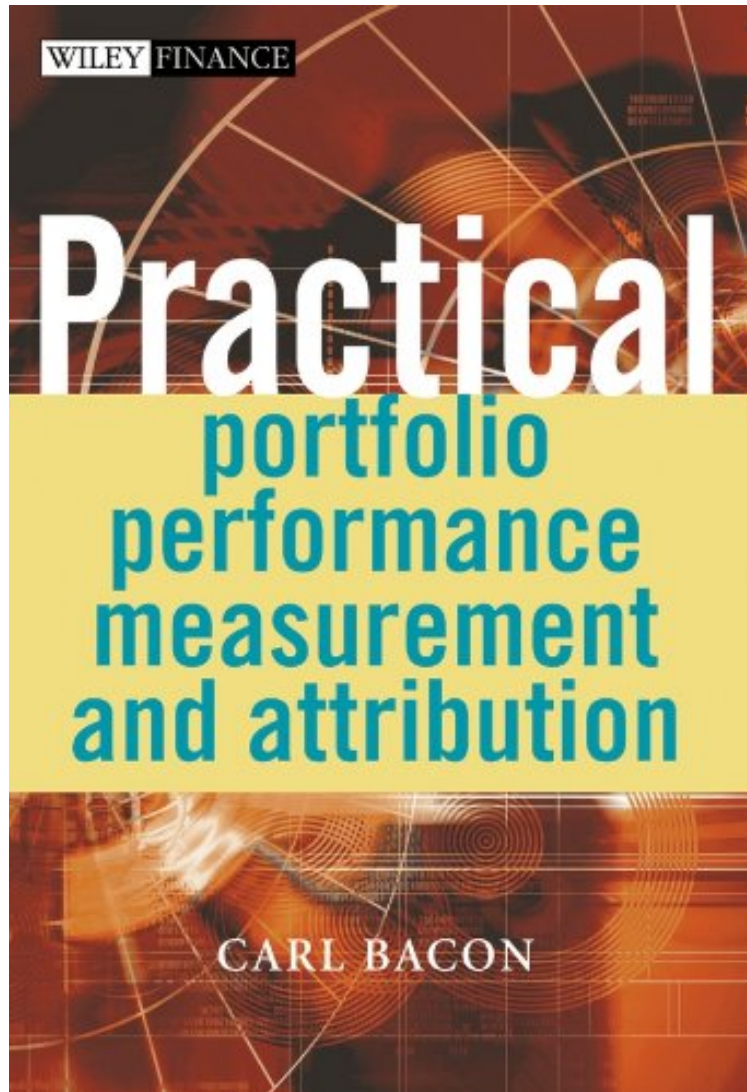


# Practical Portfolio Performance Measurement and Attribution (The Wiley Finance Series)

Carl R. Bacon

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**Carl R. Bacon : Practical Portfolio Performance Measurement and Attribution (The Wiley Finance Series)**  
before purchasing it in order to gage whether or not it would be worth my time, and all praised Practical Portfolio Performance Measurement and Attribution (The Wiley Finance Series):

1 of 1 people found the following review helpful. Very well explained overview of portfolio performance measures and attributionBy GUNTHER SEGHERS  
This book starts out with a very complete overview of portfolio return calculation methodologies: simple return, money-weighted , time-weighted and hybrid methodologies. Where needed each formula is illustrated with a calculation example. A table with advantages and disadvantages of each method

represents an overview for easy reference. Of particular interest is the calculation of components returns using the simple and/or modified Dietz which can be disaggregated into component returns. The following chapter is about benchmarking: compare portfolio return and risk against an appropriate benchmark. Both arithmetic and geometric excess return are explained. The author clearly explains why the latter is preferred i.e.: proportionality, convertibility, compoundability. In a next chapter the various types of risks are defined i.e. compliance, operational risk, counterpart or credit risk and portfolio risk. Both the Sharpe ratio and the so-called risk-adjusted return M-square (for Leag Modigliani and her grandfather Professor Franco Modigliani) are beautifully explained by means of a risk-return graphs. Regression analysis is described in full details of progressive complexity: alpha, beta (systematic risk or volatility), CAPM, Jensen's alpha, Bull/bear beta and beta timing ratio, Treynor ratio (reward to volatility), M-square for beta, appraisal ratio (systematic risk adjusted Sharpe). The Fama decomposition of excess return in selectivity and systematic risk is again nicely illustrated using a risk -return graph. Relative risk measures described are tracking error and information ratio. The section on return distributions is also very complete: normal distribution, Sortino, upside potential ratio Value at Risk (Var), etc. The chapter on risk contains a separate section on fixed income risk (i.e. duration, convexity, duration beta). Performance attribution is likely the most interesting chapter: explore how good asset manager add value through asset allocation, security selection and interaction. The Brinson, Hood and Beebower attribution model and the more advanced Brinson and Fachler attribution models are explained in detail using calculation examples and graphs. Other topics covered are sector weights, multi-period attribution and smoothing algorithms for adding up in case of multiple period arithmetic attribution factors, risk-adjusted attribution, multi-currency attribution and fixed income attribution (e.g. weighted duration attribution). The chapter concludes with an overview of all attribution standards thereby providing an easy reference overview. The book finishes with a chapter on performance presentation standards. Overall this book is a very complete overview of portfolio performance measures and attributions. The author manages to explain complex issues in an enjoyable and comprehensible manner via a progressive buildup of complexity. I highly recommend this book to everyone interested in portfolio performance measurement and attribution.

3 of 4 people found the following review helpful. Solid introduction  
By Kenneth M. Scheinblum  
This is a good place to start. Complex concepts explained in a comprehensible manner. For people already familiar with the basics will be looking for more, especially on topics such as fixed income and multi-current portfolios.

13 of 14 people found the following review helpful. Review by a Performance Analyst  
By Farah  
This book is absolutely amazing for Performance Measurement interviews, honestly! It covers every aspect of fund returns, index returns and attributions in a clear concise way with examples. It is extremely easy to follow and understand. Also, it covers every possible technical Performance interview question that you could ever be asked, all in the right detail, which is key. I have read about four or five other Performance Measurement books, which had long-winded chapters with highly-technical drawn-out examples. This book manages to sum up everything you need to know in a nutshell and is very intelligently and concisely worded and taught. I am sure if you read and learnt the material in this book, you would excel both at any performance interview and/or job. Well done Carl!

Practical Performance Measurement and Attribution provides a clear introduction to the subject of performance measurement. Focusing more on the practical use and calculation of performance returns rather than the academic background it will help readers gain a clear understanding of the role and implications of performance measurement in today's financial environment.

"Carl's book is a 'must have' resource - the complete A to Z of the increasingly complex field of performance measurement." Glenn Solomon, Global Head of Institutional Clients, Investment Reporting Performance, BNP Paribas Securities Services "Internationally renowned authority Carl Bacon has provided what one would expect - an exceptionally well written and practical resource that every investment performance measurement professional should own." David Spaulding, President, The Spaulding Group "Carl Bacon is one of the most knowledgeable professionals I know on the subject of Performance Measurement. He has been a pioneer, leader, and teacher at the forefront of developments in global investment performance standards, performance attribution technique, and risk measurement. I am very pleased he has written this timely and useful book as a complete reference and explanation update on these important subjects." James Hollis, Managing Director, Cutter Associates "Though the subject matter is complex, Carl strikes the right balance between theory and reality. This book should have a permanent spot on the desk of every performance practitioner. I will refer to it often." Karyn Vincent, CFA, Vincent Performance Services LLC "Whether you are a provider or a user of Performance Analysis, this book is well structured, informative and truly a practical guide in every sense." Gary Hilldrup, Global Head Performance, Risk Client Reporting, Fortis Investments

From the Inside Flap  
Carl Bacon's book is an extremely useful addition to the literature in performance attribution. For the beginner it gives an easy-to-understand introduction into the different concepts, whereas it is a comprehensive reference guide for the experienced investment professional.

Stefan Illmer PhD, CREDIT SUISSE ASSET MANAGEMENT  
Carl Bacon is one of the most knowledgeable professionals I know on the subject of Performance Measurement. He has been a pioneer, leader, and teacher at the forefront of developments in global

investment performance standards, performance attribution technique, and risk measurement. I am very pleased he has written this timely and useful book as a complete reference and explanation update on these important subjects. James Hollis, Managing Director, Cutter Associates Though the subject matter is complex, Carl strikes the right balance between theory and reality. This book should have a permanent spot on the desk of every performance practitioner. I will refer to it often. Karyn Vincent, CFA, Vincent Performance Services LLC Whether you are a provider or a user of Performance Analysis, this book is well structured, informative and truly a practical guide in every sense. Gary Hilldrup, Global Head Performance, Risk Client Reporting, Fortis Investments From the Back Cover Performance measurement is a key function in an asset management firm and deserves better than to be grouped with the back office. Performance measurers provide real added value, with feedback into the investment decision process and analysis of structural issues. Since their role is to understand in full and communicate the sources of return within portfolios, they are often the only independent source equipped to understand the performance of all the portfolios and investment strategies operating within the asset management firm. This book provides an introduction to the subject of performance measurement and a useful reference for all the available methodologies. There have been significant developments in the areas of performance attribution and presentation standards recently, which deserve practical coverage. "Carl's book is a must-have resource - the complete A to Z of the increasingly complex field of performance measurement." — Glenn Solomon, Global Head of Institutional Clients, Investment Reporting Performance, BNP Paribas Securities Services "Internationally renowned authority Carl Bacon has provided what one would expect — an exceptionally well written and practical resource that every investment performance measurement professional should own." — David Spaulding, President, The Spaulding Group About the Author CARL BACON joined StatPro Group plc as Chairman in April 2000. StatPro develops and markets specialist middle-office reporting software to the asset management industry. Carl also runs his own consultancy business providing advice to asset managers on various risk and performance measurement issues. Prior to joining StatPro Carl was Director of Risk Control and Performance at Foreign Colonial Management Ltd, Vice President Head of Performance (Europe) for J P Morgan Investment Management Inc., and Head of Performance for Royal Insurance Asset Management. Carl holds a BSc Hons in Mathematics from Manchester University and is a member of the UK Investment Performance Committee (UKIPC), the European Investment Performance Committee (EIPC) and the Investment Performance Council (IPC). An original GIPS committee member, Carl also chairs the IPC Interpretations Sub-Committee, is ex-chair of the IPC Verification Sub-Committee and is a member of the Advisory Board of the Journal of Performance Measurement.