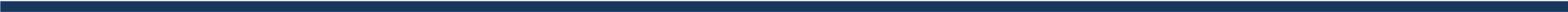


Principles for Investment Reporting

Date: 25. March 2014
Produced by: Dr. Stefan J. Illmer



Agenda

- A message from a top chef
- Introductory thoughts about best practices for investment reporting
- Principles for investment reporting – how it started
- Principles for investment reporting – the current status
- Final remarks from a top chef and summary
- Comments and questions
- Contact details and disclaimer

A message from a top chef

A message from a top chef

(1/3)

"Preparing an investment report is similar to preparing a meal !

The result can be exquisite, stylish and good for you – but it can also be of little nutritional value and poorly presented.



The final decision – higher / lower end or quality – is up to the consumer!"



A message from a top chef

(2/3)

"High quality and high end cuisine is all about menu, recipes, ingredients, equipment and presentation ...

and don't forget the kitchen !"



A message from a top chef

(3/3)

"In comparison, high quality and high end investment reporting is about content, methodologies, data, tools and illustration ...

and don't forget operations !

Common to both, generating a product that satisfies the consumer's requirements.

Therefore a final advise: To reach the top you should start reviewing and afterwards implementing best practices because that leads you to high quality and if you like to high end products."



Introductory thoughts about best practices for investment reporting

Basic idea behind the need for best practices

GIPS Standards

Performance Presentation Standards Report						
Composite			Inception Date			
Equities Switzerland SPI active Mandates			01 Jan 1997			
Benchmark			Reporting Currency			
Swiss Performance Index (S) in CHF			CHF			
	Total Return (%)	Benchmark Return (%)	Number of Portfolios	Composite Dispersion (%)	Total Assets at End of Period (millions)	Total Firm Assets at End of Period (millions)
YTD Mar 02	4.3	4.1	19	0.1	1'331.2	1.2
2001	-22.4	-22.0	18	0.4	1'242.6	1.2
2000	11.8	11.9	16	0.5	1'420.7	1.3
1999	10.4	11.7	13	1.0	1'169.3	1.3
1998	14.5	15.4	12	2.4	655.3	1.4
1997	59.0	55.2	11	1.3	836.2	1.7

CREDIT SUISSE ASSET MANAGEMENT Switzerland
Equities Switzerland SPI active Mandates Composite

Accompanying Notes

Compliance Statement
Credit Suisse Asset Management (Switzerland) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®) (TM), the Swiss Performance Presentation Standards (SPPS) and the Performance Presentation Standards of the Association of Investment Management and Research (AIMM) (PFS) (TM). The Swiss Banking Association and AIMM have not been involved with the preparation or review of this report.

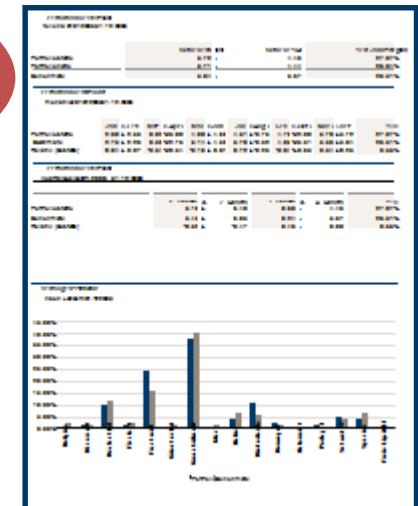
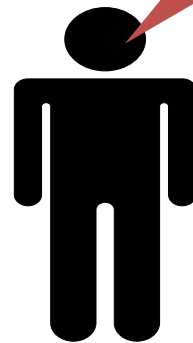
Definition of the Firm
Credit Suisse Asset Management (Switzerland) is an independent investment management firm established in 1987. Credit Suisse Asset Management (Switzerland) manages a variety of equity, fixed income, and balanced assets for primarily Swiss and European clients.

Benchmark
If the composite has a customized benchmark the details are not shown in the above report file. However the full details are available on request. Sources of foreign exchange rates may be different.

Best practices for performance presentation to prospective clients

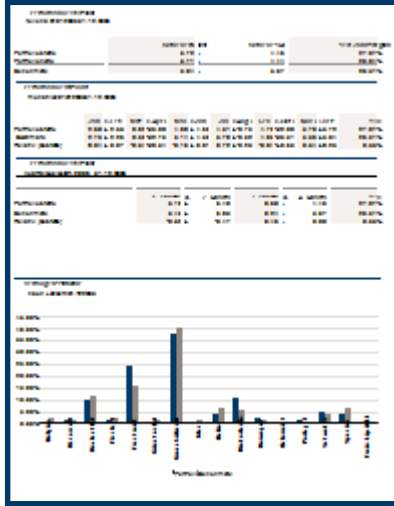
... but what about investment reporting to existing clients?

Prospective clients gain from improved transparency.



Investment reporting

Importance of investment reporting



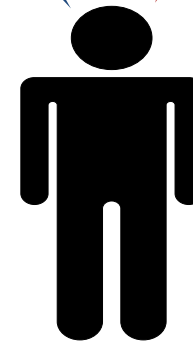
... is the main or even the only monitoring and controlling tool I use ...

... therefore it should be useable for that purpose !

Investment reporting

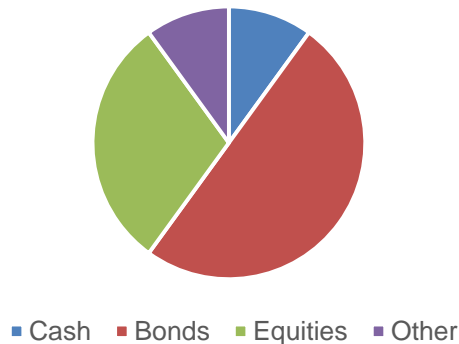


Effective investment reporting !



A simple investment report

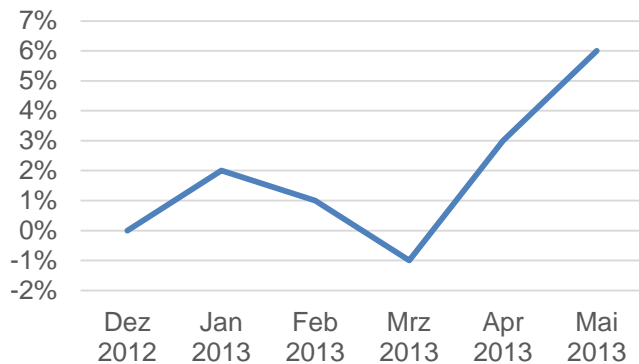
Asset Allocation



Key figures

Total assets	1'000 EUR
Profit and loss YTD	60 EUR
Return YTD	6.0%
Benchmark return YTD	5.6%
Risk	3.3%
Benchmark risk	3.1%
Duration	2.5

Cumulated return

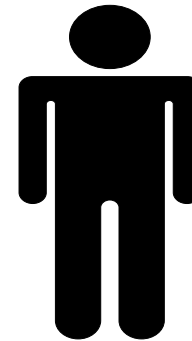
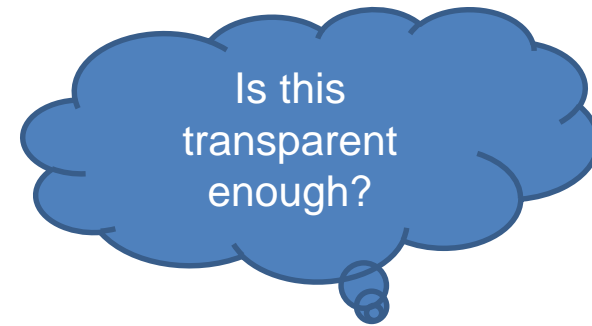
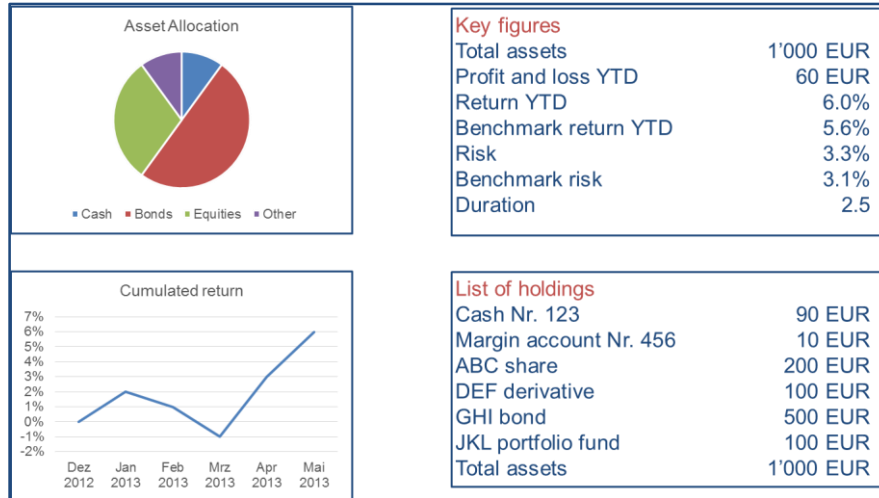


List of holdings

Cash Nr. 123	90 EUR
Margin account Nr. 456	10 EUR
ABC share	200 EUR
DEF derivative	100 EUR
GHI bond	500 EUR
JKL portfolio fund	100 EUR
Total assets	1'000 EUR

Transparency – A simple investment report

(1/2)



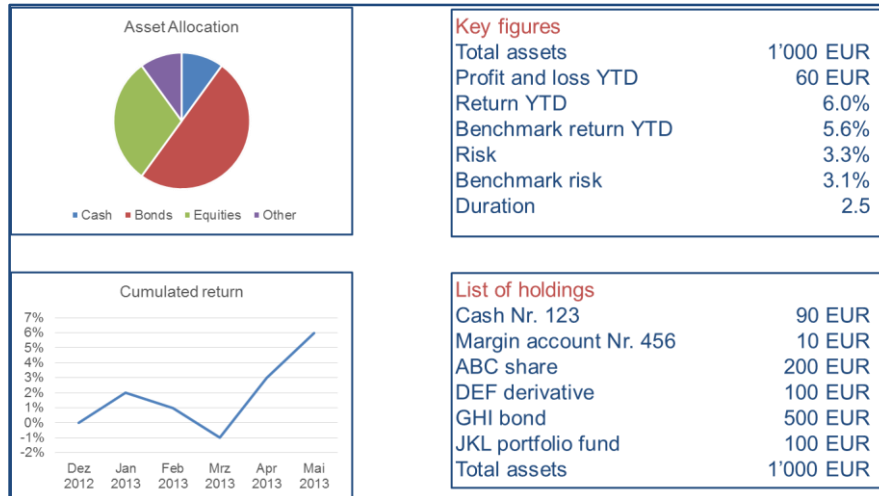
Internet definitions:

“Lack of hidden agendas and conditions, accompanied by the availability of full information required for collaboration, cooperation, and collective decision making.”

“Minimum degree of disclosure to which agreements, dealings, practices, and transactions are open to all for verification.”

Transparency – A simple investment report

(2/2)

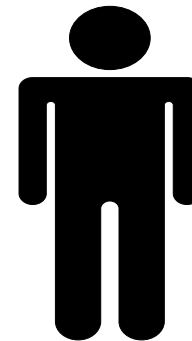
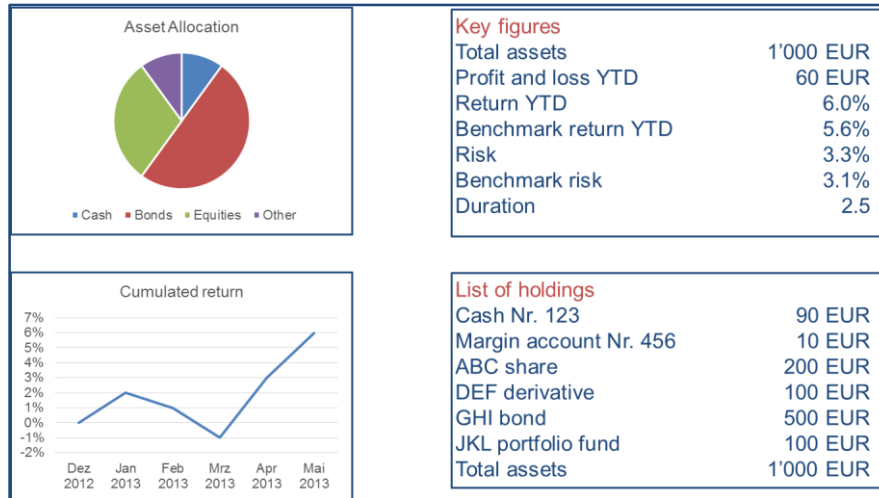


Questions to ask to increase transparency:

- Is the valuation based on fair values?
- Is the profit and loss gross or net of fees?
- Is the return gross or net of fees?
- Is the return based on trade date accounting?
- How are accruals treated?
- What is the benchmark?
- What is the risk measure?
- Are the true exposures reflected in the asset allocation?
- What type of duration is shown?
- Does the duration include only the bonds?
- What is the inception date?
- What is the reference currency?
- What is the reporting period and date?
- and so forth ...

Fairness – A simple investment report

(1/2)



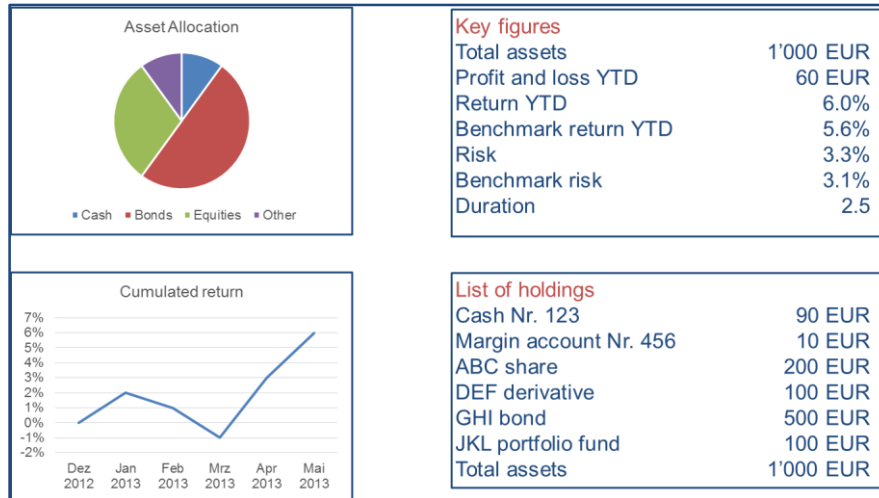
Internet definitions:

“The state, condition, or quality of being fair, or free from bias or injustice; evenhandedness”

“Fair means free from favoritism, self-interest, or preference in judgment.”

Fairness – A simple investment report

(2/2)



Questions to ask to check for fairness:

- Who designed the report and its content?
- Is the return calculated from a client or a portfolio manager perspective?
- Is the return gross or net of all fees?
- Is the return gross or net of taxes?
- Is the benchmark appropriate to the investment strategy?
- Were there any changes to the benchmark?
- Is the risk measure appropriate for the investment strategy?
- Are complex products reflected according to their economic exposure?
- What are the “total” fees earned by the parties involved, like asset manager or custodian?
- and so forth ...

Principles for investment reporting – how it started

How it started

- 2001: Discussion started within the European Investment Performance Committee (EIPC) on transparency needs with respect to performance attribution.
- 2002: EIPC published "Guidance for Users of Attribution Analysis".
- 2004: EIPC published "Guidance on Performance Attribution Presentation".
- 2006: EMEA RIPS published the "Guidance for Recipients of Investment Reporting" => List of questions to ask asset managers with respect to client reporting.
- 2010: CFA Institute formed the Investment Reporting Working Group (IRWG).
- 2012: Initiative was integrated into the project "Future of Finance" of the CFA Institute.
- 2013: "Principles for Investment Reporting" – First edition – published.

Definition of investment reporting

(1/2)

- The IRWG understands investment reporting as a subset of client reporting within the investment management industry.
- The IRWG defines investment reporting as the **transparent and fair** preparation and presentation of investment information including
 - the investments made,
 - the results achieved,
 - the risks taken, and
 - the management and maintenance fees incurred.
- The IRWG considers investment reporting not only to include the output, but also the inputs, the creation of reports, the communication between the preparer and the user, and the respective policies and procedures.

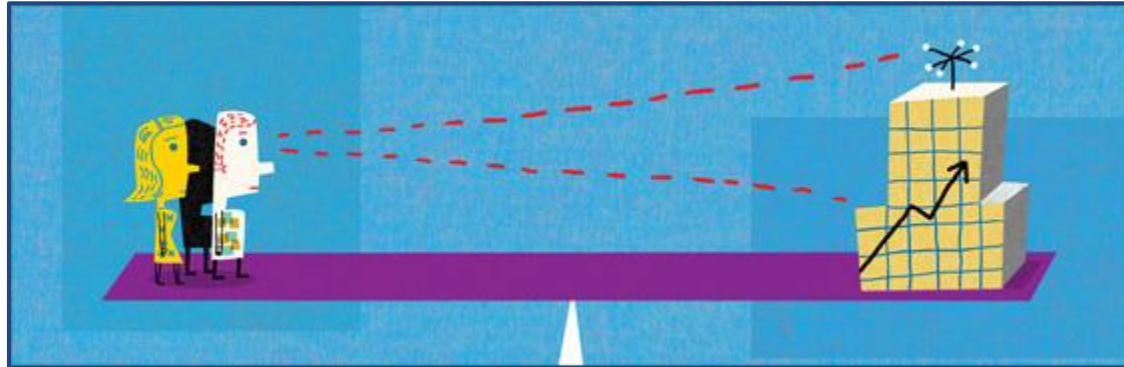
Definition of investment reporting

(2/2)

- The IRWG considers investment reporting to focus on current exposures of the investments and to include reports on asset allocation, performance, and risk, etc. Therefore, the IRWG does not address reports designed for accounting, tax, and regulatory purposes.

=> The key words are “transparency” and “fairness” !

Intermediate stop – Transparency & fairness

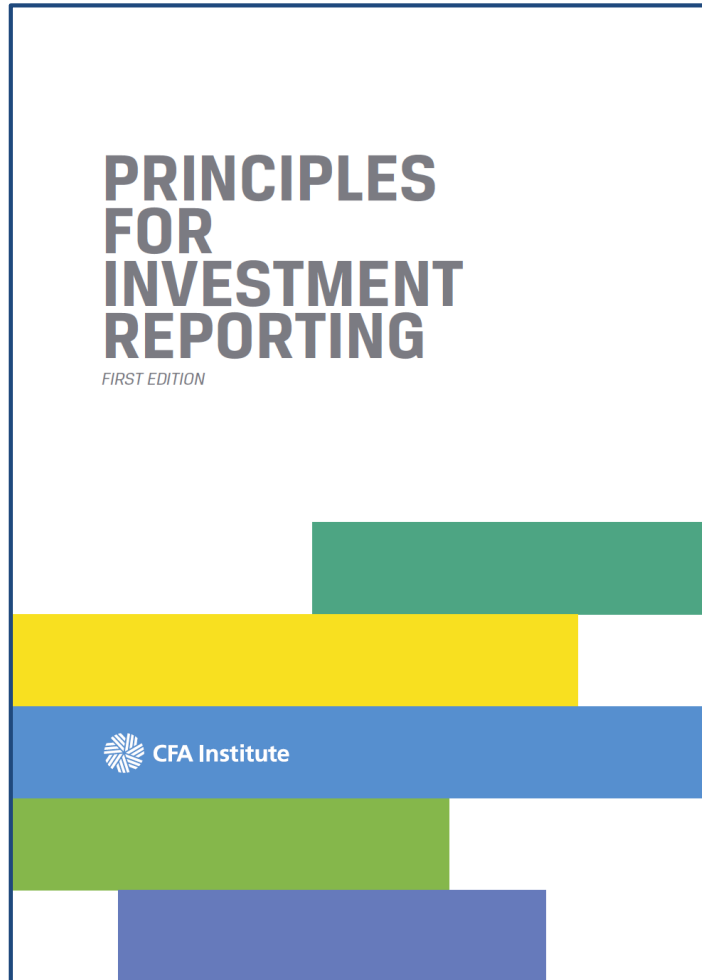


“Clear, trustworthy investment reporting continues to be the most valuable tool for communicating investment information. Whether you use this information as an investor or as a financial professional, it is what you don’t know that can be the most damaging. In today’s complex investment marketplace, there is a need for a tool set of guidelines to advance the next stage of evolution for investment reporting.

The Principles for Investment Reporting serve to facilitate a dialogue between report preparers and users. As trust is rebuilt through clear and transparent reporting, it will also encourage investors to refocus on securing their financial future in partnership with investment professionals.” => http://www.cfainstitute.org/learning/future/about/Pages/principles_for_investment_reporting.aspx

Principles for investment reporting – the current status

Contents – Principles for investment reporting



Contents

1. Preface
2. Why principles for investment reporting are needed
3. Background and definitions
4. Stakeholders
5. Objectives
6. The five principles for investment reporting
7. Implementing the principles

Relationship to GIPS standards

(1/2)

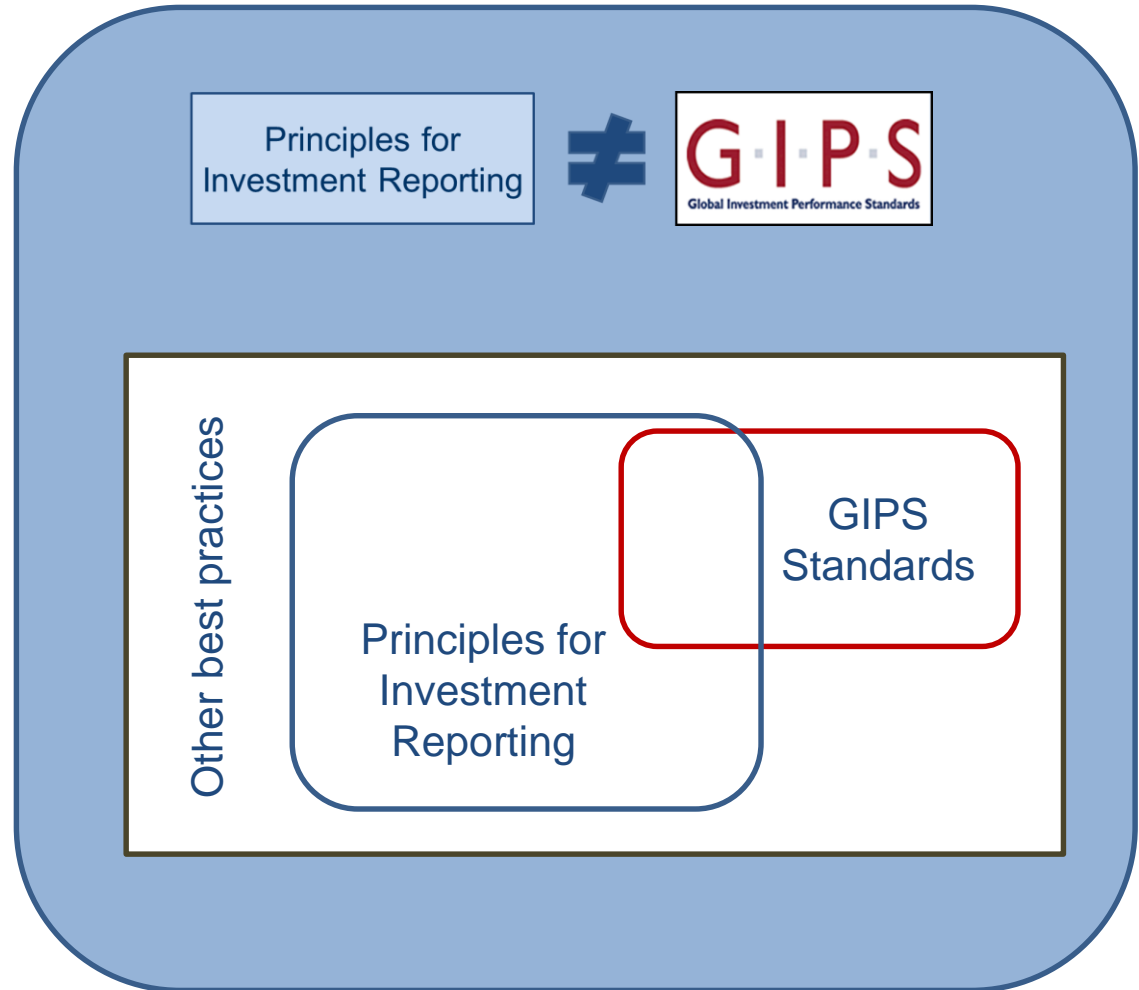
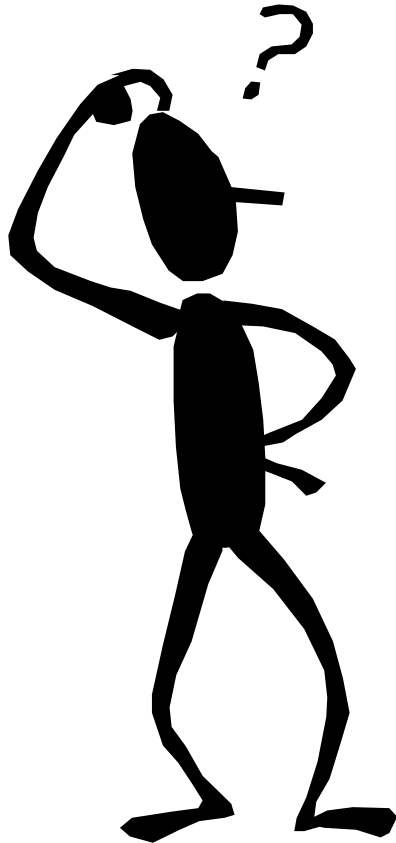
Principles for
Investment Reporting



=> Please note that the Principles for Investment Reporting are separate and distinct from the GIPS Standards !

Relationship to GIPS standards

(2/2)



Important disclaimer

=> Purpose of the principles for investment reporting

- is **not** to restrict or define what elements should be in a report
- but to address that having created a report, it should include sufficient information or indicate where the information can be readily obtained so that the recipient understands the contents of the report and the reasons behind the selection presented.

Why principles for investment reporting are needed

1. Transparency and clarity
2. Client perspective
3. Fee transparency
4. Treatment of complex technical issues
5. Understanding between the preparers and the users
6. Anticipation of regulatory trends

Stakeholders

Stakeholders are manifold and include preparers as well as user of investment reporting, such as:

- asset management companies;
- mutual fund companies;
- administrators;
- prime broker;
- investment consultants; and
- asset owners.

Objectives

(1/2)

The objectives of the principles for investment reporting are:

- to highlight the importance of reporting as feedback into the investment management process;
- to ensure that the user's preferences are reflected in the information contained in the report;
- to increase communication and education between the preparers and recipients of investment reporting;
- to document policies, procedures, controls, and preferences of the asset owner for report content and to make the documents available upon request;
- to provide guidance on the minimum content necessary for full, fair, transparent, and effective investment reporting;
- to promote consistency while accommodating and disclosing differences;

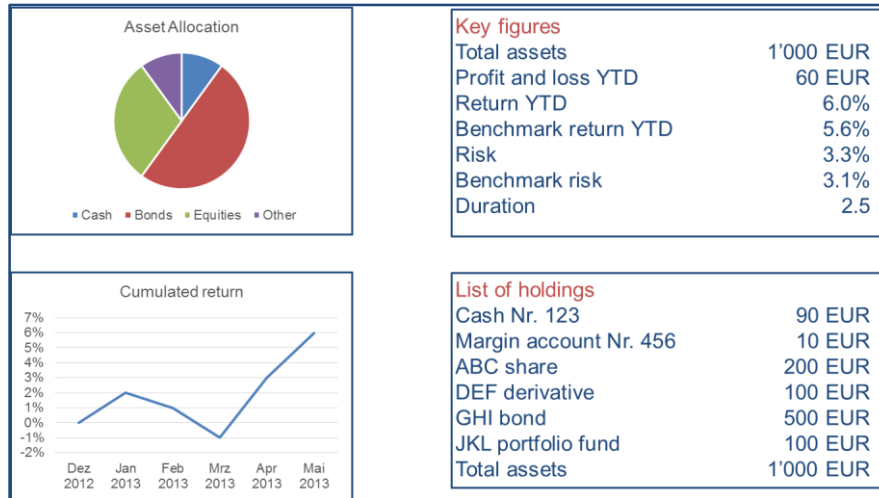
Objectives

(2/2)

- to provide assurance to intended users of investment reporting that the preparers who follow the Principles adhere to high ethical standards;
- to provide guidance on methodologies for preparers and intended users;
- to promote strong and consistent internal processes for preparers of investment reporting; and
- to anticipate those aspects of investment reporting for which regulation may be considered necessary and complement existing regulations.

The five principles for investment reporting

(1/4)



Principles for investment reporting:

1. Communication occurs between the preparer and the user as to the purpose of and need for investment reporting.
2. Control processes, policies, and procedures are documented and followed.
3. Client preferences are reflected in the investment report.
4. Clear and transparent presentation of investment risks and results.
5. Comprehensive fee disclosure.

=> leads to **effective** investment reporting.

The five principles for investment reporting (2/4)

Effective investment reporting reflects the following qualities:

- **active communication occurs between the preparer and the user** and all decisions about content of the report are documented as well as periodically reviewed;
- **intended user or audience** of the investment report and the expected use of the information **are considered** when designing the report;
- **purpose** of the investment report and **reasons** for its content and production **are transparent** and clearly stated;
- **investment report is relevant and appropriate** for the purpose stated and the assets and investment strategies being presented;
- **investment report is a fair representation** of the investments made, results achieved, risks taken, and costs as well as taxes incurred;
- investment report provides the user of the report with appropriate **comparative data** such as index data or **even a GIPS composite**;

The five principles for investment reporting (3/4)

- investment report provides **information on changes** in the investment strategy or investment style;
- **data quality is defined and managed** according to transparent criteria, and control processes are defined, documented, and made available on request;
- preparer follows an **error-correction policy** and discloses material errors affecting information included on prior investment reports;
- **historical information** presented in the investment report **is not changed without disclosure**;
- preparer has a **policy for handling potential conflicts of interests** and segregation of duties is sufficient that a fair and accurate representation of the assets to be reported occurs;
- preparer **consistently adheres to the processes** documented;
- production and control **processes are periodically reviewed**;

The five principles for investment reporting (4/4)

- methodologies used for the production of the data in the report are disclosed or made available upon request;
- investment report is transparent regarding the fees and remuneration (e.g., commissions, referral fees) to be received by the preparer of the investment report and by third parties, such as custodians, investment management companies, or consultants, relating to the management or administration of the assets being reported.

Implementing the principles

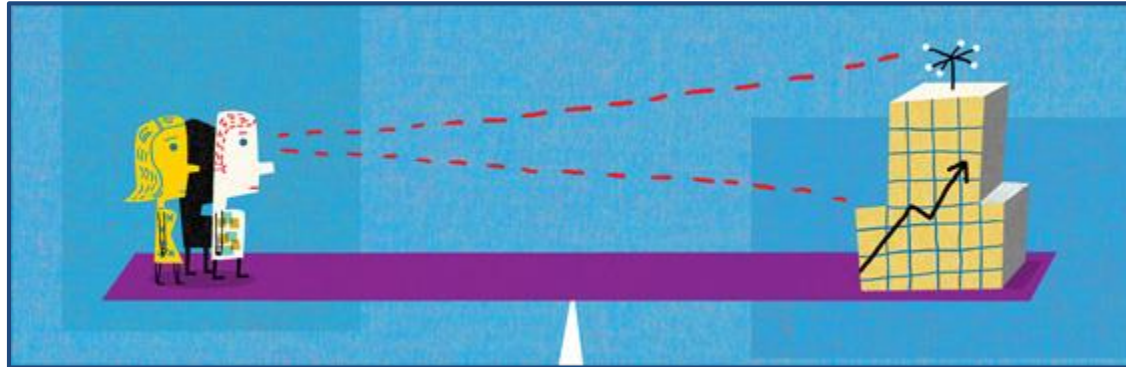
The **second edition of the principles for investment reporting** will contain a series of specific recommendations for typical report types and the information that they should contain.

Report providers will then be able to use these recommendations to note their adherence to the principles for investment reporting.

The **structure of the Principles is flexible** so that preparers can support it fully for the client base that the preparer has defined, and expand the client base definition as the preparer's ability and client demand develops.

If the preparer cannot follow the recommendations, the preparer may supply an alternative as long as the alternative is described during the communication process, the reason the preparer cannot follow the recommendation is disclosed, and the alternative, if selected by the client, is disclosed as such in the report.

The next step – Transparency & fairness



“This first edition outlines the key Principles, and the second edition will contain a series of recommendations that are specific to typical report types and the information that they should contain.” => http://www.cfainstitute.org/learning/future/about/Pages/principles_for_investment_reporting.aspx

Final remarks from a top chef and summary

Final remarks from a top chef

(1/2)

"Preparing exquisite and stylish cuisine is
an **art** !

It demands an attitude and ambition that
focuses on best quality and practice in
every aspect of the preparation."



Final remarks from a top chef

(2/2)

"Six letters stand for the drivers of high end quality – whether it is a meal or an investment reporting:

M for **multiple**,
P for **premium**,
F for **flexible**,
R for **relevant**,
C for **compliant**, and
B for **best practice**.

Addressing these drivers and especially the last one helps to experience an enjoyable meal ... and of course an effective investment reporting."

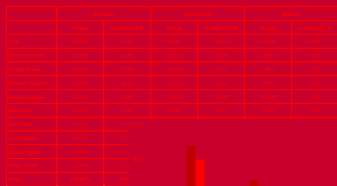


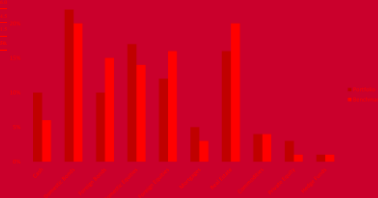
Summary – Achieving three starred investment reports?

Investment Reporting

Consumer Guide

2014





Reaching the top in investment reporting is possible if implementing the principles for investment reporting by:

- Addressing and covering the reporting needs of the user.
- Willing and being able to adjust the investment reporting according to changing needs of the user.
- Illustrating complex matters in an easy and understandable way through clear as well as self-explaining content and structure.
- Creating transparency on the investments made, the results achieved and the risks taken.

Comments and questions

Comments and questions



Contact details and disclaimer

Contact details

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