

## Index

- 130/30 fund, 243
- Adjusted Sharpe ratio, 99
- Ankrim and Hensel, 135
- annualised returns, 27
- arithmetic average, 27
  - geometric average, 27
- appraisal ratio, 77
- arithmetic excess return, 51
- asset allocation
- arithmetic, 118
  - geometric, 130
- asset-weighted dispersion, 258
- Association for Investment Management and Research (AIMR), 247
- attribution
- annualisation, 207
  - arithmetic, 117
  - asset allocation, 118, 125, 130
  - Brinson and Fachler, 125
  - Brinson, Hood and Beebower, 118
  - buy/hold, 209
  - campisi framework, 181
  - currency allocation *see* Ankrim and Hensel and Karnosky and Singer
  - Davies and Laker, 201
  - definition, 115, 117
  - evolution, 222
  - fixed income, 171
  - geometric, 129
  - index futures, 228
  - interaction, 120, 126
  - leverage, 233
  - multi-level, 216
  - off-benchmark, 213
  - options, 240
  - return-based, 209
  - risk-adjusted, 223
  - security-level, 210
  - security selection, 119, 128
  - selectivity, 224
  - standards, 221
  - transaction-based, 210
  - weighted duration, 173
- average capital invested, 10, 23
- balanced attribution, 221
- Bank Administration Institute, 1, 21
- bear beta, 73
- benchmark attributes, 39
- Bernardo Ledoit ratio, 95
- beta, 72
- beta timing ratio, 73
- blended indexes, 46
- Brinson and Fachler, 125
- Brinson, Hood and Beebower, 118
- bull beta, 72
- Burke ratio, 90
- modified, 91
- Calmar ratio, 89
- Capital Asset Pricing Model (CAPM), 72
- capped indexes, 45
- capture indicator
- down, 47
  - up, 47
- carve-outs, 34, 255
- chain linking, 7
- cherry picking, 251
- classical time weighted, 13
- coefficient of determination, 75
- compliance risk, 61
- composites, 250
- continuously compounded returns, 28
- contract for difference, 237
- contribution analysis, 209
- convertible bond, 239
- convexity, 108
- effective, 108
  - modified, 108

- Cornish–Fisher, 102  
 correlation, 73  
 counterparty risk, 61  
 covariance, 73  
 credit rating agencies, 189  
 crystallisation, 58  
 currency allocation, 269  
 currency forward, 235  
 currency overlay, 148  
 currency surprise, 136  
 customised indexes, 44
- d* ratio, 95  
 damping, 233  
 data quality, 250  
 derivatives, 227  
 Dietz, Peter, 10  
 differential return, 68  
   GH1, 69  
 disclosures, 253  
 dispersion, 62, 258  
   asset-weighted, 258  
   equal-weighted, 258  
   high–low, 258  
   interquartile range, 258  
 diversification, 78  
 down number ratio, 48  
 down percentage ratio, 48  
 downside frequency *see* shortfall risk  
 downside potential, 92  
 downside risk, 92  
 drawdown, 88  
   average, 88  
   duration, 88  
   maximum, 88  
   recovery time, 88  
 duration, 104  
   beta, 108  
   effective, 107  
   Macaulay, 104  
   Macaulay–Weil, 105  
   modified, 105  
 dynamised benchmarks, 45
- economic value, 5  
 equal weighted index, 42  
 equalisation, 58  
 equal-weighted dispersion, 258  
 error correction., 257  
 European Investment Performance Council  
   (EIPC), 221  
*ex post* and *ex ante* risk, 62  
 excess kurtosis, 85  
 excess return, 51  
   arithmetic, 51  
   geometric, 52
- expected shortfall *see* conditional VaR  
 extended short funds, 243  
 external cash flows, 6
- Fama decomposition, 77  
 fees, 29  
   gross and net, 30  
 firm  
   definition, 255  
 Fisher index, 42  
 fixed income attribution, 171  
 floating bar chart, 49  
 forward currency contract, 44, 159  
 forward premium, 136  
 fulcrum fees, 55  
 fundamental indexes, 43  
 futures, 227  
   equity index, 227  
 futures mismatch, 232  
 futures timing, 232
- Gaussian distribution *see* Normal Distribution  
 geometric excess return, 52  
   attribution, 129  
   compoundability, 13  
   convertibility, 54  
   proportionality, 53  
 geometric index, 41  
 geometric linking, 7  
 GH1, 69  
 GIPS Council, 248  
 GIPS Steering Committee, 259  
 Global Investment Performance Standards  
   (GIPS), 247  
 Greeks, 238  
 growth and value, 51  
 guidance statements, 254  
   carve-outs, 255  
   definition of firm, 255  
   portability, 256  
   significant cash flows, 256  
   supplemental information, 257
- hedged indexes, 43  
 high–low, 258  
 Hurst index, 104
- illiquid assets, 259  
 index substitution, 18  
 index turnover, 47  
 indexes or indices, 39  
 information ratio, 80  
 interaction, 120, 126  
 interquartile range, 258  
 interest rate differential, 43  
 internal rate of return, 7

- internal risk, 258
- Interpretations Subcommittee, 254
- Investment Counsel Association of America (ICCA), 11
- investment trust, 233
- Jensen's alpha, 72
- Jensen's differential return, 72
- Jevons index, 41
- kappa, 96
- Karnosky and Singer, 140
- kurtosis, 85
  - sample, 85
- Laspeyres index, 41
- leverage, 232
- Libor, 228
- linking, 7
- lookthrough attribution, 221
- $M^2$ , 67
  - excess return, 68
  - Sortino, 102
- margin account, 227
- market capitalisation index, 41
- market neutral attribution, 241
- Marshall–Edgeworth index, 42
- Martin ratio, 91
- materiality, 257
- mean absolute deviation, 62
- middle office, 114
- minimum target rate, 92
- modern portfolio theory, 92
- modified Dietz, 12
- modified Jensen, 77
- modified Sharpe ratio *see* information ratio
- modified Treynor ratio, 77
- modified VaR, 102
- multi-currency attribution
  - Ankrim and Hensel, 135
  - geometric, 146
  - interest rate differentials, 155
  - Karnosky and Singer, 140
  - naïve currency attribution, 146
- multi-level attribution, 216
- National Association of Pension Funds (NAPF), 247
- net selectivity, 78
- normal distribution, 82
- normal portfolio, 51
- notional funds, 50
- omega excess return, 103
- omega ratio, 94
- omega–Sharpe ratio, 95
- options, 237
  - American, 237
  - Bermudian, 237
  - convexity, 139
  - delta, 238
  - European, 237
- overlay strategies, 34
- overlay, currency, 266
- Paasche index, 42
- pain ratio, 91
- participation rate, 240
- peer group universes, 48
- percentage gain ratio, 48
- percentile rank, 49
- performance fees, 55
  - asymmetrical, 56
  - high water mark, 58
  - hurdle rate, 58
  - symmetrical, 55
- performance presentation standards *see* Global Investment Performance Standards (GIPS)
- portability, 256
- portfolio, 5
- portfolio opportunity distributions, 50
- post-modern portfolio theory, 92
- price index, 40
- private equity, 253
- prospect ratio, 100
- quartile rank, 49
- $R^2$ , 75
- rate of return, 5
  - analyst's test, 19
  - approximations to time-weighted return, 18
  - BAI method, 21
  - component or sector return, 32
  - Currency, 35
  - force of return, 29
  - hybrid, 20
  - ICCA method, 11
  - internal rate of return (or IRR), 7
  - linked modified Dietz, 21
  - local, 35
  - modified internal rate of return, 8
  - money-weighted, 7
  - regression method, 19
  - self-selection, 22
  - simple, 5
  - simple internal rate of return, 7
  - time-weighted, 13
  - unit price method, 14
- real estate, 253

- regression analysis, 70
  - alpha, 71
  - beta, 71
  - correlation, 73
  - covariance, 73
  - epsilon, 71
- regression equation, 71
- representative accounts, 247
- residuals, 210
- reward to variability *see* Sharpe ratio
- reward to volatility *see* Treynor ratio
- reward to VaR, 101
- risk, 61
  - adjusted return, 67
  - aversion, 62
  - definition, 61
  - downside, 92
  - drawdown, 88
  - duration, 104
  - limits, 115
  - management, 61
  - measures, 62
  - operational, 61
  - portfolio, 61
  - relative *see* tracking errors
  - residual, 75
  - specific, 75
  - systematic, 75
- risk control, 61, 114, 250
- risk efficiency ratio, 109
- risk limits, 115
  
- sector weights, 133
- security (or stock) selection
  - arithmetic, 119
  - geometric, 130
- security-level attribution, 210
- selectivity, 78
- self-regulation, 248
- self-selection, 22
- semi-notional fund, 118
- settlement value, 5
- Sharpe ratio, 64
  - adjusted, 99
  - conditional *see* conditional VaR
  - modified *see* modified VaR
- short positions, 34
- shortfall risk, 94
- significant cash flows, 256
- simple Dietz, 10
- skewness, 83
  - sample, 84
- skewness-kurtosis ratio, 99
- smoothing-algorithms, 191
  - Carino, 191
  - Frongello, 199
- geometric, 204
- GRAP, 196
- Menchero, 194
- Sortino ratio, 96
- spliced indexes, 46
- spread effect, 183, 189
- standard deviation, 63
  - annualised, 64
  - gain, 94
  - loss, 94
  - sample, 63
- Sterling–Calmar ratio, 90
- style beta, 103
- swap, 235
  - credit default, 236
  - equity index, 236
  - interest rate, 236
  - total return, 236
- systematic risk, 72
  
- track record, 247
- tracking error, 78
- transaction-based attribution, 210
- transaction costs, 212
- Treynor ratio, 75
- true time-weighted, 13
  
- ulcer index, 89
- unitised method, 15
- up number ratio, 48
- up percentage ratio, 48
- upside potential *see* Value at risk
- upside potential ratio, 97
  
- value at risk
  - historical, 100
  - Monte Carlo simulation, 101
  - variance–covariance, 100
- Value at Risk (VaR), 100
- VaR ratio, 101
- variability, 62
- variability skewness, 98
- variance, 63
  - downside, 92
  - upside, 92
- verification, 253
- Verification Subcommittee, 254
- volatility *see* systematic risk
- volatility skewness, 97
  
- warrant, 239
- wealth ratio, 5
  
- yield curve, 171
  - curvature or butterfly, 188
  - parallel shift, 187
  - twist or slope, 188