# Performance fees and fair reporting

Performance Measurement

## 1 A story: the taxi driver

- A flat fare ignores how the trip goes
- A tip rewards a quick ride
- A tip and a fine share both ways
- The fee design shapes the manager's behaviour

IN THE LESSON

- Think of a taxi driver who is paid the same fare for every trip.
- Now think of a second driver, who also earns a tip when the ride is quick.
- And a third, who earns the tip when things go well and pays a small fine when they go badly.
- Same driver, same road, three very different reasons to care.
- A performance based fee works in just the same way.
- Imogen Reyes is helping the Pennant Hill Pension Fund decide how to pay Larkspur Capital, and the design of the fee will shape how Larkspur behaves.
- There are three standard designs.
- Each splits the good years and the bad years between manager and client in a different way.

## 2 Two fee formulas, three designs

**Symmetrical: fee = base + p × excess**
**Bonus: fee = base + p × max(excess, 0)**

| | |
|---|---|
| **Fee** | Paid as % of assets |
| **Base fee** | Paid whatever happens |
| **Sharing rate** | Share of excess kept |
| **Excess return** | Portfolio less benchmark |

IN THE LESSON

- Here are the two formulas behind the three designs.
- Every performance fee starts with a base fee, paid whatever happens.
- Then comes a sharing rate, the slice of the excess return that goes to the manager.
- Excess return is simply the portfolio's return minus the benchmark's return.
- In the symmetrical design, also called a fulcrum fee, the fee is the base plus the sharing rate times the excess return.
- The excess can be negative, so the fee can fall below the base.
- In the bonus design, the fee is the base plus the sharing rate times the larger of the excess and zero, so it never falls below the base.
- The third design uses the bonus formula too, but only pays on gains above the best level reached before.

## 3 Three designs in a bad year

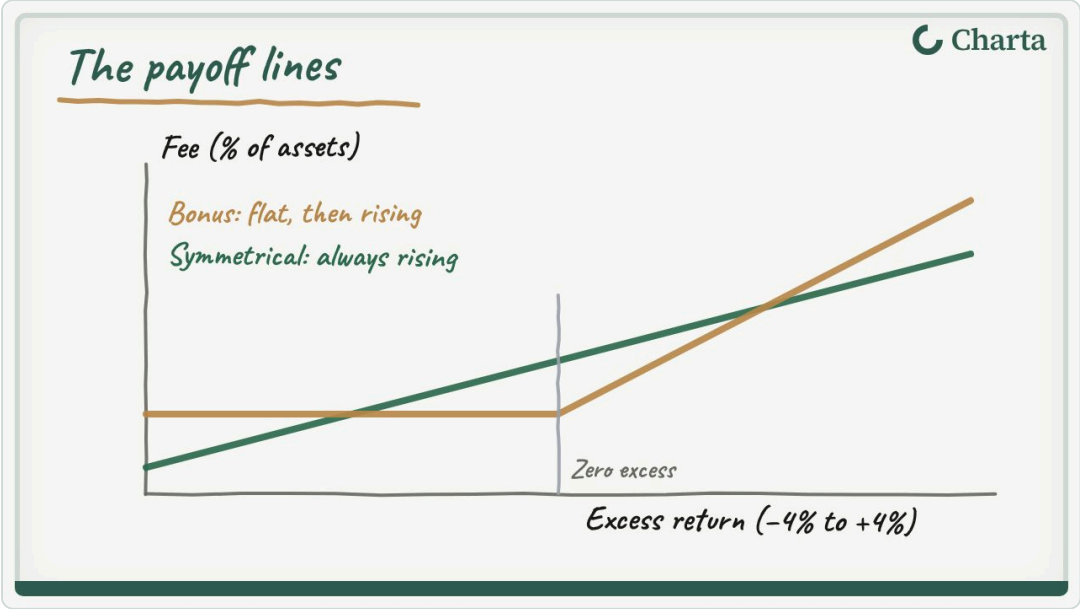
*What each design does when the manager underperforms*

| Design | Bad year |
|---|---|
| Symmetrical (fulcrum) | Fee falls |
| Bonus | Fee at base |
| Bonus with high-water mark | No pay twice |
| Caps, floors, hurdles (any) | Limit extremes |

IN THE LESSON

- Let us put the three designs side by side, asking one question: what happens in a bad year?
- Under the symmetrical design, the fee falls.
- The manager shares the pain with the client, by the same proportion as the gain in a good year.
- Under the bonus design, the fee simply stays at its base.
- The manager keeps the upside and pays nothing for the downside.
- Under the bonus design with a high water mark, the fee also stays at base in a bad year, but the shortfall is remembered, and no new bonus is paid until it has been made good.
- The client does not pay twice for the same gains.
- Caps, floors and hurdle rates can be added to any of these.

## 4 The payoff lines




IN THE LESSON

- Now the picture.
- The bottom axis is the excess return, from minus four per cent on the left to plus four per cent on the right.
- The vertical axis is the fee as a share of assets.
- The grey line marks zero excess, where the manager exactly matches the benchmark.
- Now draw the green symmetrical line.
- It is a plain slope, climbing steadily from left to right, so the fee drops when the excess is negative.
- Now the gold bonus line.
- On the left it sits flat at the base fee, because there is no penalty.
- Right of the grey line it climbs, and climbs faster, because the share is bigger.
- That flat left side is the floor the manager enjoys.

## 5 Example 1: three years at Larkspur

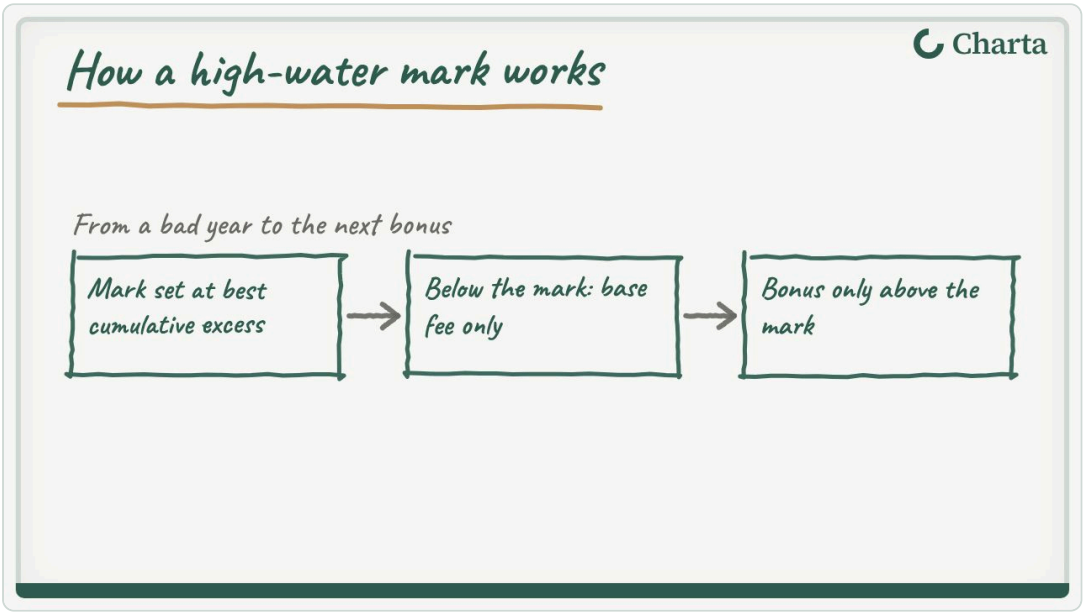
*Excess +4%, −3%, +2%. Symmetrical 0.5 ± 10%; bonus 0.3 + 20% of gains*

| | | |
|---|---|---|
| **Year 1: +4%** | 0.5 + 0.4 \| 0.3 + 0.8 | **0.9 \| 1.1** |
| **Year 2: −3%** | 0.5 − 0.3 \| 0.3 only | **0.2 \| 0.3** |
| **Year 3: +2%** | 0.5 + 0.2 \| 0.3 + 0.4 | **0.7 \| 0.7** |
| **Three-year total** | symmetrical \| bonus | **1.8 \| 2.1** |

IN THE LESSON

- Now let us price a real record.
- Larkspur's excess returns over three years are plus four, minus three, and plus two per cent.
- The symmetrical fee is a base of zero point five, plus or minus ten per cent of the excess.
- The bonus fee is a base of zero point three, plus twenty per cent of any gain.
- In year one, the symmetrical fee is zero point five plus zero point four, which is zero point nine.
- The bonus fee is zero point three plus zero point eight, which is one point one.
- In year two, the symmetrical fee is zero point five minus zero point three, so zero point two, but the bonus fee stays at zero point three.
- In year three, both fees are zero point seven.
- The totals are one point eight, and two point one.
- The bonus design is dearer over these three years.

## 6 How a high-water mark works




IN THE LESSON

- The bonus fee in that example looks generous.
- The client paid for year one's gain, then lost ground in year two, and then paid a bonus again in year three for winning some of it back.
- A high water mark fixes this.
- Think of the mark painted on a harbour wall at the highest tide so far.
- First, the mark is set at the best cumulative excess return the manager has reached.
- Second, if the manager then falls short of the mark, only the base fee is paid.
- Third, a bonus is paid again only on the part of the gain that rises above the mark.
- The client pays once for each piece of outperformance, however bumpy the road.

## 7 Example 2: the same record with a mark

*Bonus 0.3 + 20% of gains above the mark; excess +4%, −3%, +2%*

| | | |
|---|---|---|
| **Cumulative after year 1** | sets the mark | **+4%** |
| **Cumulative after year 2** | 4 − 3 | **+1%** |
| **Cumulative after year 3** | 1 + 2: still below 4 | **+3%** |
| **Year 3 fee** | base only, no bonus | **0.3%** |
| **Total with high-water mark** | 1.1 + 0.3 + 0.3 | **1.7%** |

IN THE LESSON

- Now add the high water mark to Larkspur's bonus fee.
- After year one, cumulative excess return is plus four per cent, and that sets the mark.
- After year two it is four minus three, which is plus one, so the manager is below the mark.
- After year three, it is one plus two, which is plus three.
- That is better, but it is still below the mark of four.
- So there is no bonus in year three, and the fee is just the base, zero point three.
- The three fees are one point one, zero point three and zero point three, a total of one point seven.
- That is less than the plain bonus would have charged.

## 8 Example 3: why the bonus invites risk

*Fair coin toss; excess ±1% (safe) or ±4% (risky); bonus 0.3 + 20% of gains*

| | | |
|---|---|---|
| **Symmetrical, either bet** | 0.5 ± 0.1 × excess | **0.5% avg** |
| **Bonus, safe bet** | (0.3 + 0.5) ÷ 2 | **0.4%** |
| **Bonus, risky bet** | (0.3 + 1.1) ÷ 2 | **0.7%** |
| **Pay for extra risk** | 0.7 − 0.4 | **0.3%** |

IN THE LESSON

- There is one more thing Imogen Reyes wants the trustees to see.
- Suppose Larkspur can place one of two bets, each a fair coin toss.
- The safe bet earns an excess return of plus or minus one per cent.
- The risky bet earns plus or minus four per cent.
- On average, both add nothing.
- Under the symmetrical fee, both bets pay an average of zero point five, because the gains and losses cancel.
- Under the bonus fee, the safe bet pays zero point three or zero point five, an average of zero point four.
- The risky bet pays zero point three or one point one, an average of zero point seven.
- The bonus fee pays an extra zero point three for taking more risk.

## 9 Limits you can add to any design

- Cap: the fee can never exceed a set level
- Floor: the fee can never fall below a set level
- Hurdle: no bonus until excess clears the bar
- Any of the three designs can add them

IN THE LESSON

- Any of the three designs can be tamed with limits.
- A cap puts a ceiling on the total fee, so one lucky year cannot produce an enormous bill.
- A floor sets a lowest level, which protects the manager in a symmetrical design.
- A hurdle rate says that no bonus is paid until the excess return clears a set bar, such as a minimum return.
- These limits matter because the bonus payoff behaves like an option, and an option tempts the holder to take more risk.
- Imogen Reyes advises the trustees to ask which limits are present, and over what measurement period the excess return is judged, before they compare the fee with any other.

## 10 A story: reading the bill

- Base fee: paid every year
- Sharing rate and benchmark: what counts as excess
- Mark, cap or hurdle: which gains are paid for
- Break-even: where it matches a flat fee

IN THE LESSON

- When you open a phone bill, you do not just look at the total.
- You read it line by line: the fixed charge, the rate for extra use, and the cap that stops a bill getting out of hand.
- A fee schedule deserves the same treatment.
- Larkspur has now sent Pennant Hill its offer.
- Imogen Reyes reads it in order.
- There is a base fee, a sharing rate, a benchmark to measure against, a high water mark, a cap and a flat fee as the alternative.
- Then she asks one question: for what excess return would the performance schedule cost the same as the flat fee?
- That break even point is the key to the whole analysis.

## 11 The schedule, and its break-even

**Fee = min(cap, base + p × excess above mark)**
**Break-even = (flat − base) ÷ p**

| | |
|---|---|
| **Base fee** | 0.4% every year |
| **Sharing rate** | 20% of excess |
| **Cap** | 1.2% a year |
| **Flat fee** | 0.8% a year |
| **Break-even excess** | (0.8 − 0.4) ÷ 0.2 = 2% |

IN THE LESSON

- Here is Larkspur's offer in two lines.
- The yearly fee is the base plus the sharing rate times the excess return above the mark, but never more than the cap.
- The base is zero point four per cent.
- The sharing rate is twenty per cent.
- The cap is one point two per cent.
- The alternative is a flat fee of zero point eight per cent.
- To find the break even, ask how much extra the flat fee charges over the base.
- That is zero point eight less zero point four, or zero point four.
- Divide it by the sharing rate of twenty per cent, and you get two per cent.
- If the average excess return is above two per cent, the performance schedule costs more than the flat fee.

## 12 Example 4: the first two years

*Base 0.4% + 20% of excess above the mark; cap 1.2%; flat 0.8%*

| | | |
|---|---|---|
| **Year 1: +5%** | 0.4 + 20% × 5 = 1.4, cap | **1.2%** |
| **Mark after year 1** | best cumulative excess | **+5%** |
| **Year 2: −1%** | base only | **0.4%** |
| **Cumulative after year 2** | 5 − 1 | **+4%** |
| **Shortfall to recover** | 5 − 4 | **1%** |

IN THE LESSON

- Now run the schedule.
- Larkspur's record starts with an excess return of plus five per cent, then minus one.
- The fee would be zero point four plus twenty per cent of five, which is one point four.
- But the cap holds it at one point two.
- The mark is now set at plus five.
- In year two, the excess is minus one per cent, so the fee is just the base, zero point four.
- Cumulative excess falls from five to four, which is plus four.
- That leaves one point of shortfall to recover before the next bonus can be earned.

## 13 Example 5: the last two years and the total

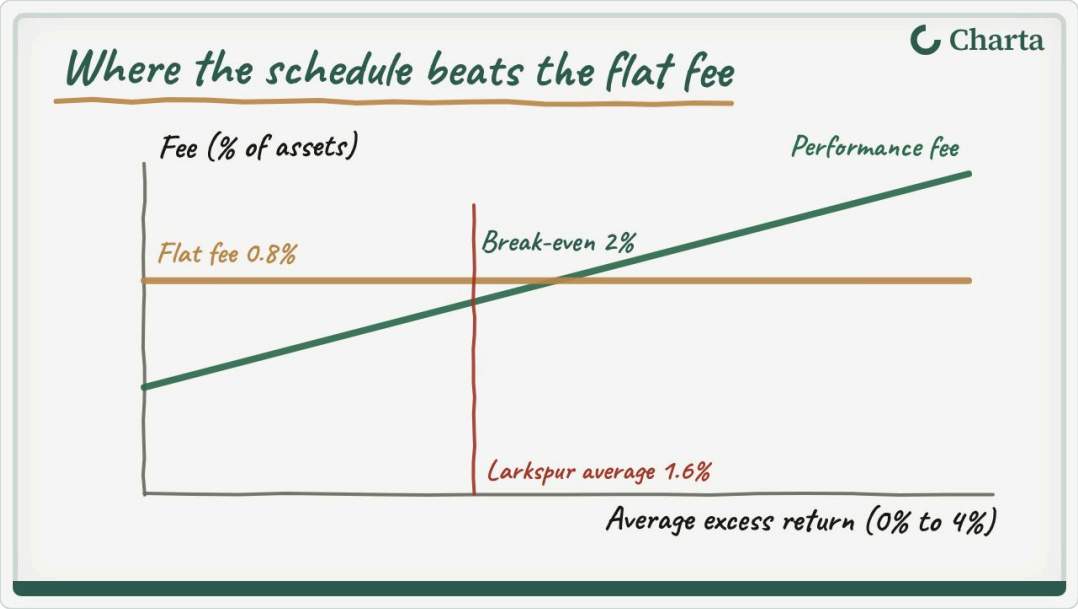
*Year 3: +2%, year 4: +0.5%; flat fee 0.8% a year*

| | | |
|---|---|---|
| **Year 3: +2%** | 0.4 + 20% × 1 above mark | **0.6%** |
| **Year 4: +0.5%** | 0.4 + 20% × 0.5 | **0.5%** |
| **Performance fees, four years** | 1.2 + 0.4 + 0.6 + 0.5 | **2.7%** |
| **Flat fee, four years** | 4 × 0.8 | **3.2%** |
| **Client saves** | 3.2 − 2.7 | **0.5%** |

IN THE LESSON

- Year three brings an excess of plus two per cent.
- Cumulative excess climbs back over the mark by one point.
- Only that one point earns a bonus, so the fee is zero point four plus twenty per cent of one, which is zero point six.
- The other point only made good the loss of year two.
- In year four, the excess is plus one half, so the fee is zero point four plus twenty per cent of one half, which is zero point five.
- Add up the four years: one point two, zero point four, zero point six and zero point five make two point seven.
- A flat fee would have cost four times zero point eight, which is three point two.
- The client saves zero point five.
- The schedule served the client well here.

## 14 Where the schedule beats the flat fee




IN THE LESSON

- Let us see the break even as a picture.
- The bottom axis is the average excess return each year, from nothing to four per cent.
- The vertical axis is the fee.
- The flat gold line stays level at zero point eight per cent, whatever the manager does.
- The green performance line starts low, at the base, and climbs as excess return grows.
- The two lines cross at two per cent, the break even.
- To the left, the performance schedule is cheaper.
- To the right, it is dearer.
- The red line shows Larkspur's actual average over the four years, one point six per cent.
- It sits left of the crossing, so the client came out ahead.

## 15 What changed the bill

*Four-year fee under Larkspur's schedule*

| Schedule | Four-year fee |
|---|---|
| Bonus, no cap, no mark | 3.1% |
| Cap saves in year 1 | −0.2% |
| Mark saves in year 3 | −0.2% |
| Capped, with the mark | 2.7% |

IN THE LESSON

- Interpreting a schedule means saying which provisions changed the result, and by how much.
- Suppose Larkspur's schedule had no cap and no high water mark.
- Year one would not be held down, year three would pay a bonus on the whole gain, and the four year total would be three point one, almost the cost of a flat fee, for exactly the same results.
- The cap saved zero point two in year one.
- The mark saved another zero point two in year three, because one of the two points merely made up for year two.
- With both provisions in place, the bill is two point seven.
- The sharp lesson is that the small print can matter as much as the headline rate.

## 16 Common mistakes with fee schedules

- The mark tracks cumulative excess return, not fees
- A bonus without a penalty rewards extra risk
- Symmetrical fees fall; bonus fees only stop rising
- Break-even is (flat − base) ÷ sharing rate
- Check the cap, hurdle and measurement period

IN THE LESSON

- Here are the traps.
- First, the high water mark follows cumulative excess return, not last year's fee and not the portfolio's value.
- A manager can have a poor year and still be far above the mark.
- Second, a bonus without a penalty gives the manager a share of the upside and none of the downside, which rewards extra risk.
- Third, a symmetrical fee falls in a bad year, but a bonus fee only stops rising.
- Fourth, the break even is the flat fee minus the base, divided by the sharing rate, not the flat fee itself.
- And fifth, always check the cap, the hurdle and the measurement period before comparing two offers.

## 17 A story: the best dish on the menu

- A brochure can show only the best dish
- Clients cannot see what was left out
- GIPS sets voluntary, ethical reporting rules
- Fair representation and full disclosure

IN THE LESSON

- Picture a restaurant whose brochure shows only its single best dish, beautifully lit.
- You would never know about the ones that came out cold.
- Investment performance can be shown the same way.
- A firm may quote only its best account, or start the track record in a lucky year.
- The G I P S standards, the Global Investment Performance Standards, are the industry's answer.
- They are voluntary, ethical principles for calculating and presenting investment performance.
- They rest on two ideas, fair representation and full disclosure.
- A firm that follows them cannot just show the best dish.
- It has to show the whole menu, and say how the results were made.

## 18 What the standards aim to do

*Aims, coverage and who it is written for*

| Question | Answer |
|---|---|
| Are they compulsory? | Voluntary |
| One product, or the whole firm? | Whole firm |
| Which groups have provisions? | Three |
| What do clients get? | Comparability |

IN THE LESSON

- So what are the standards trying to achieve?
- There are three aims.
- They give prospective clients accurate information that can be compared across firms and across countries.
- They promote the interests of investors.
- And they let firms compete globally on an equal footing, under a system of self regulation.
- They are voluntary, not a law, but compliance applies to the whole firm, not to selected products.
- The standards contain provisions for three groups: investment firms, asset owners who report to their oversight bodies, and verifiers, the independent checkers.
- Pennant Hill, for example, is an asset owner, and it can use the same fair presentation ideas when reporting to its own board.

## 19 Example 6: the best account against the composite

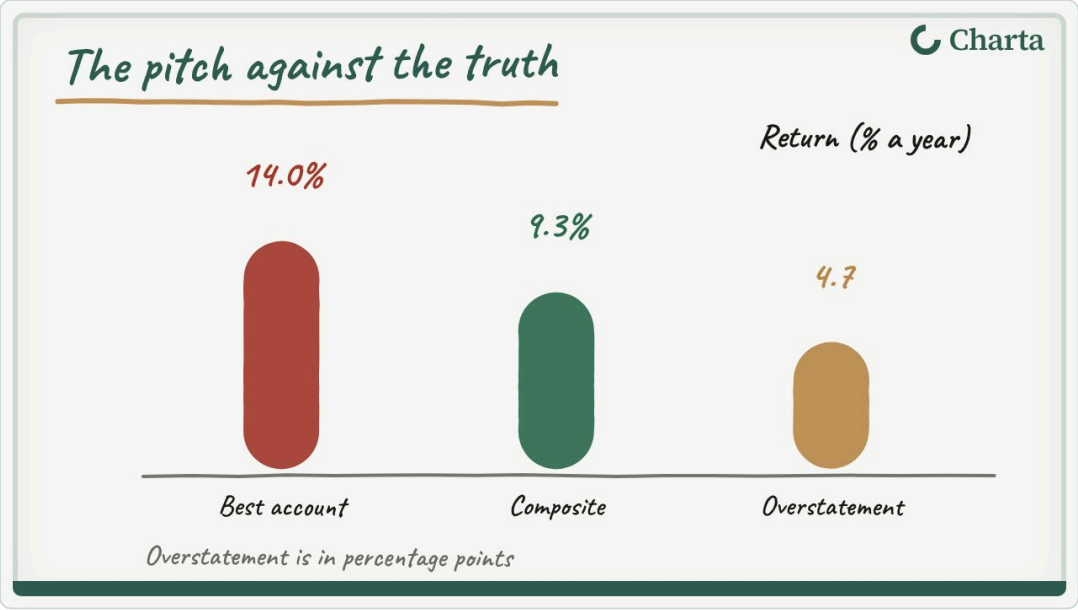
*Four equity accounts: $50m at 8%, $30m at 10%, $10m at 14%, $10m at 9%*

| | | |
|---|---|---|
| **Best account alone** | a salesperson's pick | **14.0%** |
| **Composite, asset-weighted** | 0.5×8 + 0.3×10 + 0.1×14 + 0.1×9 | **9.3%** |
| **Overstatement** | 14.0 − 9.3 | **4.7 points** |
| **Assets in the composite** | 50 + 30 + 10 + 10 | **$100m** |

IN THE LESSON

- A composite is a group of all the accounts that follow the same strategy, shown as one record.
- Here is why that matters.
- Larkspur runs four discretionary equity accounts.
- Fifty million dollars returned eight per cent.
- Thirty million returned ten.
- Ten million returned fourteen.
- And another ten million returned nine.
- The best account alone returned fourteen per cent, and a salesperson might want to show only that one.
- The composite is the asset weighted return of all four.
- That is point five times eight, plus point three times ten, plus point one times fourteen, plus point one times nine, which is nine point three.
- The best account overstated what the strategy's clients earned by four point seven points.

## 20 The pitch against the truth




IN THE LESSON

- Here are those figures as bars.
- The vertical axis is the return in per cent a year.
- The tall red bar on the left is the best account alone, fourteen per cent.
- That is what a pitch with no rules might show.
- The green bar in the middle is the composite, nine point three per cent, the return that the strategy's clients earned as a whole, with every qualifying account included.
- The short gold bar on the right is the gap between the two, four point seven points.
- That gap is the cherry picking the standards are meant to remove.
- Pennant Hill can now compare nine point three with another compliant firm's composite, on the same basis.

## 21 Who gains from compliance

*What each side gains*

| Who gains | What |
|---|---|
| Clients see a record not cherry-picked | Trust |
| Clients compare firms across countries | Like for like |
| Firms gain credibility and searches | Access |
| Firms gain stronger controls and data | Discipline |

IN THE LESSON

- Who gains?
- Start with prospective clients.
- They gain confidence that a record has not been cherry picked.
- They can also compare managers from different countries on like terms, because everyone follows the same calculation and presentation rules.
- Now the firms.
- A compliant firm gains credibility, and it can be considered in searches that ask for compliance.
- Many asset owners ask for it.
- And there is a benefit inside the firm too.
- To comply, the firm must tidy its data and processes, so it ends up with stronger internal controls.
- So compliance is more than a marketing tool, because it also helps a firm run with better discipline.

## 22 The trap: fair is not the same as good

- Compliance signals fair presentation
- It does not say returns are good
- It does not say returns will repeat
- The client must still judge skill and risk

IN THE LESSON

- Here is the most common mistake.
- Compliance signals fair presentation.
- It does not say the returns are good, and it does not say they will be repeated.
- A compliant firm can still have a poor record, shown honestly.
- A firm that is not compliant can have a strong record that nobody can easily check.
- So for Pennant Hill, compliance is a first filter, not a verdict.
- Imogen Reyes will still ask what drives the returns, how much risk was taken, and whether the same people are still managing the money.
- The standards protect the trustees from being misled.
- They cannot choose the manager for them.

## 23 A story: the shop with two signs

- The firm is the entity held out to the public
- That definition fixes total firm assets
- Total firm assets count every portfolio
- Discretion is defined after the firm

IN THE LESSON

- Imagine a shop with a big sign over the door.
- Next door is a second shop, with its own sign, though the same family owns both.
- A customer sees two businesses, because that is how they are held out.
- The G I P S standards start in the same place.
- Before a firm can claim compliance, it must define the firm: the entity that is held out to the public, such as an independent adviser or a distinct business unit.
- That definition then fixes total firm assets, and total firm assets include every portfolio the firm manages, discretionary or not.
- Everything else in the claim is built on that first decision.

## 24 Example 7: Larkspur's total firm assets

*Larkspur is held out as one firm. Tarn Wealth has its own brand*

| | | |
|---|---|---|
| **Fee-paying, discretionary** | | **$4.2bn** |
| **Staff accounts, no fee** | | **$0.2bn** |
| **Non-discretionary accounts** | | **$0.6bn** |
| **Total firm assets** | 4.2 + 0.2 + 0.6 | **$5.0bn** |
| **Tarn Wealth, not counted** | held out separately | **$3.0bn** |

IN THE LESSON

- Let us count Larkspur's assets.
- Larkspur is held out to the public as one firm.
- It manages four point two billion dollars in fee paying discretionary accounts.
- It also has zero point two billion in discretionary accounts for its own staff, who pay no fee.
- And it has zero point six billion in non discretionary accounts.
- Total firm assets are four point two plus zero point two plus zero point six, which is five point zero billion dollars.
- Every portfolio counts, discretionary or not.
- A sister company, Tarn Wealth, is marketed under its own brand and runs three billion more.
- Because it is held out separately, it is not part of Larkspur's total firm assets.

## 25 Which accounts go into composites

*Sorting Larkspur's accounts*

| Account | Composite? |
|---|---|
| Fee-paying, discretionary, $4.2bn | Must |
| Staff, discretionary, no fee, $0.2bn | May |
| Non-discretionary, $0.6bn | No |
| Tarn Wealth, $3.0bn | Not the firm |

IN THE LESSON

- Now sort the accounts.
- Every actual, fee paying, discretionary segregated account must be in at least one composite, so the four point two billion must go in.
- The staff accounts that pay no fee may be included, but the firm must disclose that.
- The non discretionary zero point six billion stays outside every composite, though it still counts in total firm assets.
- Tarn Wealth is not part of the firm, so it is not on this list at all.
- The strictness matters.
- Leaving out even one qualifying account would break the claim, because there is no such thing as compliance for most of the accounts.

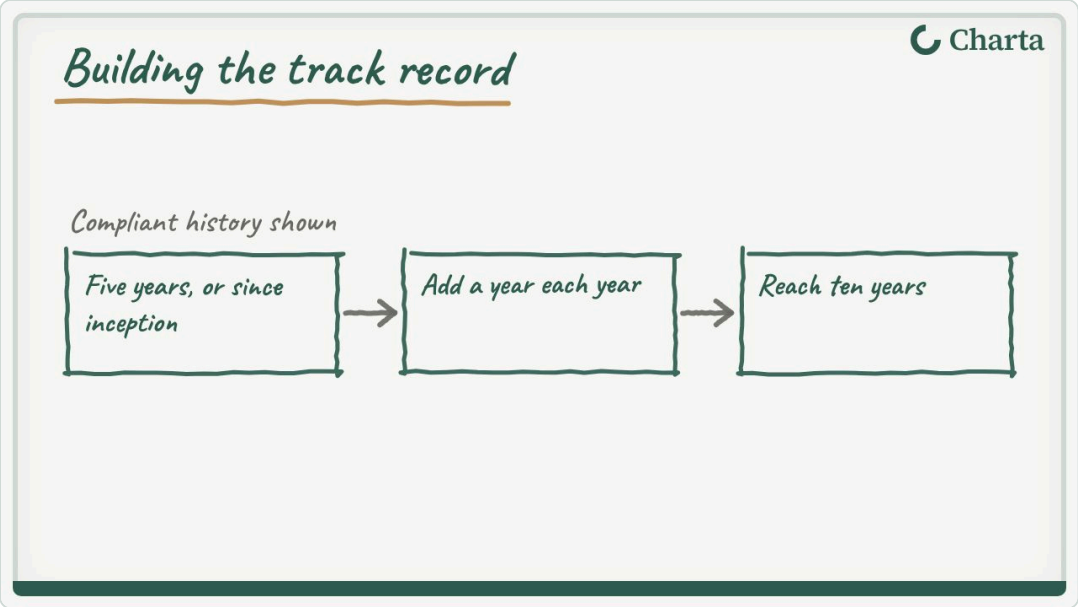
## 26 The basic requirements for a claim

- Meet every applicable requirement: all or nothing
- If law conflicts, follow the law and disclose it
- No false or misleading information
- Document policies and procedures
- Never claim partial compliance

IN THE LESSON

- So what must a firm do to claim compliance?
- Compliance is firm wide and all or nothing.
- The firm must meet every applicable requirement of the standards.
- Where the law conflicts with the standards, it must follow the law, and disclose the conflict.
- It must not present false or misleading information.
- And it must document its policies and procedures for complying.
- Most important is the last point on the board.
- A firm cannot claim partial compliance.
- It cannot say it complies for its flagship fund and not for the rest.
- Either it complies as a whole firm, or it makes no claim at all.
- This protects the clients from selective claims.

## 27 Building the track record




IN THE LESSON

- The next requirement concerns time.
- A firm must present at least five years of compliant performance, or since the firm's inception if that is shorter.
- Think of it as a staircase.
- Larkspur makes its first claim with five years of compliant history, or fewer if the firm is younger.
- After that, it adds one more year each year, so the record grows over time.
- It keeps building until it reaches ten years of compliant history, and after that it shows the most recent ten years.
- The point of the staircase is that a firm cannot show only a few flattering years.
- A record that is long enough shows how the manager behaved in good markets and in bad ones.

## 28 How the firm defines discretion

- Discretion: ability to carry out the intended strategy
- The firm writes down how it decides
- Every fee-paying discretionary account goes in a composite
- One missed account makes the whole claim invalid

IN THE LESSON

- The last basic requirement is to define discretion.
- Discretion is the ability to implement the intended strategy.
- If the client has tied the manager's hands, so that the strategy cannot be carried out, the account is not discretionary.
- The firm must write down how it makes this call, and then apply the test the same way every time.
- This matters because every actual, fee paying, discretionary segregated account must sit in at least one composite.
- If a firm could quietly label its weak accounts non discretionary, the composites would be flattering again.
- A clear, documented definition keeps the firm honest, and it keeps the composite results fair for Pennant Hill and everyone else.

## 29 Recap

- Symmetrical, bonus, and bonus with a high-water mark
- Break-even = (flat − base) ÷ sharing rate
- GIPS: voluntary, fair, comparable, firm-wide
- Define the firm: it sets total firm assets
- All qualifying accounts in composites, no partial claims

**IN THE LESSON**

- Let us pull it together.
- There are three standard fee designs: symmetrical, which shares gains and losses; bonus, which shares only gains and so rewards risk; and bonus with a high water mark, which stops the client paying twice for the same gains.
- We read a schedule year by year, found the break even against a flat fee, and said which provisions changed the bill.
- The G I P S standards are voluntary, aim at fair, comparable reporting across firms and countries, and apply to the whole firm.
- To claim compliance, a firm must define itself, define discretion, put every qualifying account in a composite, and never claim partial compliance.

## 30 Try three quick questions

1. Bonus 0.3% + 20% of gains; excess +2.5%. Fee?
   **Answer:** 0.3 + 20% × 2.5 = 0.8%.
2. Flat 0.7%; base 0.3%; sharing rate 25%. Break-even excess?
   **Answer:** (0.7 − 0.3) ÷ 0.25 = 1.6%.
3. May a firm leave a fee-paying discretionary account out of composites?
   **Answer:** No. One missed account invalidates the whole claim.

**IN THE LESSON**

- Now try three quick questions yourself.
- Question one.
- A bonus fee has a base of zero point three per cent, plus twenty per cent of any positive excess return.
- The excess return is plus two and a half per cent.
- What is the fee?
- Twenty per cent of two and a half is zero point five, and adding the base gives zero point eight per cent.
- Question two.
- A flat fee is zero point seven per cent.
- A performance schedule has a base of zero point three per cent and a sharing rate of twenty five per cent.
- What is the break even excess return?
- Zero point seven minus zero point three is zero point four, divided by zero point two five, which is one point six per cent.
- Question three.
- A firm has a fee paying discretionary account that it would rather leave out of its composites because the results are poor.
- May it?
- No.
- Every such account must be in a composite, and leaving one out invalidates the whole claim.