



CAIRN

INVESTMENT
PERFORMANCE
CONSULTING



State of the Stones

Given that our firm name is associated with a (hopefully) stagnant stack of stones, we first must inform you that we're still here, and still strong! Cairn added 16 new clients/projects in 2012, and while we continue to keep busy, we still have capacity and look for new ways to add value and services to our clients.

Our CIPM review course continues to grow, since our launch in Fall 2011. In early 2012 we were admitted to the CFA Institute's *Prep Provider Guidelines Program* ("PPGP"), which gives us increased access to curriculum and updates from the CIPM Program, as well as increased visibility on the CFA Institute's website. As a result, we had 20 customers for our CIPM products in the Spring, and 39 in the Fall. We are anxiously awaiting the results from the most recent exam. In 2013, we are also open to scheduling some in-person training classes, and an offering in London is high on our priority list.

Also, you should be aware that the CFA Institute is offering a new competency program in 2013, called the [Claritas](#) Investment certificate. It is designed for other individuals in investment advisory firms, for which the CFA and CIPM programs may be excessive. The Claritas curriculum seeks to provide a broad overview of the industry, covering seven modules: Industry Overview, Ethics and Regulation, Tools and Inputs, Investment Instruments, Industry Structure, Industry Controls, and Serving Clients' Needs. As we already participate in the PPGP by the CFA Institute, we have expressed our intention in providing services for this program as well. Whereas our CIPM materials have moved to being offered almost exclusively online, we will structure our Claritas services to be primarily in-house training for groups of people, to maximize the economies of scale. Please reach out to us, or the CFA Institute, for more information on this program.

Finally, while we have always provided 1-2 page factsheets presenting performance and risk analytics, we have expanded our reporting capabilities to include portfolio and security-level analytics, such as Asset Class Returns, Price-to-Book ratio, Price-to-Equity, Portfolio Yield and other similar statistics. With these additional capabilities, we've begun assisting clients with quarter-end data validation for market sheets.

2013 Cairns to look for:

- *Summit for Performance, Risk, and Attribution ("SUPRA")*: June 19
- *Erik will be presenting on Performance based fees, and conducting a workshop on performance measurement.*
- *Advent Connect Conference*: September 18-20
- *GIPS Annual Conference*: September 19-20

If you would like to be added to our newsletter distribution list, please [email us](#).

Industry Update: The Tempest Continues

While the 2012 elections are over, much work still needs to be done on budgetary issues and the so called “Fiscal Cliff.” In the small niche of performance measurement, things are not quite so turbulent. The GIPS Executive Committee released the Guidance Statement on Alternative Investments and Structures in May, which provided some very useful guidance in this area. While you may be inclined to think that this is a specialized guidance statement, let us emphasize that this guidance has universal applicability. If you manage a pooled fund, whether it be a hedge fund (limited partnership), or a public investment fund, there is new guidance that may affect your treatment of performance measurement for these products. To our knowledge, none of our existing clients have any issues that would jeopardize compliance with GIPS, but we would be happy to review with you the guidance statement, and any current or planned products you have.

In December, the GIPS Executive Committee also released the much anticipated [GIPS Handbook](#). The previous edition of this was only available in hardcopy, and was a little pricey. The new version is free, and completely electronic. Here is what you need to know about the handbook:

- There were no new standards included.
- It is a comprehensive consolidation of the majority of current guidance on GIPS compliance, including the Standards themselves, all current guidance statements, and select Q&A.
- Most of the changes from the previous version were incorporating new requirements and guidance statement changes that took effect in the 2010 Edition of GIPS, and a wealth of new interpretations and Q&A were added for additional clarification and comprehension.

The Handbook is pretty much one-stop shopping for authoritative guidance on GIPS. It’s free, and it doesn’t take up physical space on your bookshelf, so there is no excuse not to grab a copy!

For 2013, the current top two strategic priorities for the GIPS Executive Committee are to work on new guidance for Pooled Funds and Retail Products, and for Risk Measures. The Pooled Funds guidance will hopefully be a much-needed complement to the Alternatives guidance statement, and clarify what compliant firms should be doing with their mutual funds.



Profile of firms we worked with during 2012:

