

## Multi-Asset Portfolios - Attribution made simple

Peter Simmons, CEO

How do firms address the management of multi-asset investment strategies? How can they mitigate the challenges this presents in performance and attribution by middle and front office teams? In this piece we identify the issues caused by using traditional approaches and detail how a different approach can drive efficiency, accuracy and enable the incorporation of strategy tagging to solve for the broadest audience

### The unattainable just got easier – operational efficiencies for the Multi-Asset Portfolio

A shift in investment patterns for Funds, firms and investors has seen additional complexity in the investment process with a downstream impact on operations at Front, Middle and Back office. How can firms successfully navigate the growing complexities presented by this shift? Managing the Attribution and Analytics conundrum is now everyone's focus.

Multi-asset attribution has seen an evolution of its own over the past two years. Increased portfolio exposure to derivatives, swaps & options, and the major shift towards ETF investing, are all contributing to current multi-asset portfolios. Attribution can often resort to security level to capture all the effects. Portfolio and benchmark combined can run to thousands of individual securities holdings. This all has a bearing on operations teams, how do they manage the complexity and maintain consistency between the attribution and the portfolio management process.

### Operational inefficiencies – closing the manual gap

Excel and PDF-based reports are unwieldy and lack the flexibility to even handle attribution at monthly frequency. However, cashflows and booking errors often leave the performance team needing to dig into the data intramonth. The output is also too out of

date to be useful to portfolio managers – it ends up being used for client reporting only.

Any alternative attribution calculator needs, at the least, to be able to match the performance from the accounting system; be produced in a timely manner, ideally daily; and be easily auditable. It also needs to be flexible enough to attribute according to PM-managed dimensions.

CloudAttribution began as a cloud-deployed Fixed Income solution, taking a firm's own data sources and ABOR records to produce an accurate analytics and attribution picture for portfolio managers, performance managers and client teams. We quickly saw the need from our clients for this same tool to cover all aspects of the portfolio. We recognise the operational inefficiencies at work in a multi-asset attribution environment. We know manual workaround solutions in disparate systems are no longer fit for purpose. Disaggregated portfolio construction means that strategies, rather than fixed classifications, are the focus for portfolio managers.

### Bypassing Manual Mapping – eliminating the error potential

Most attribution systems use a Holdings-based approach. CloudAttribution challenges this convention. Our focus is on transactions with our strategy tagging ABOR view.

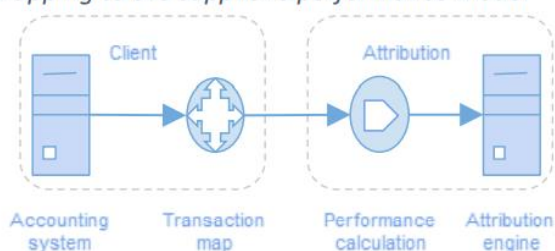
In the following example we demonstrate the conventional approach, which sees the firm needing

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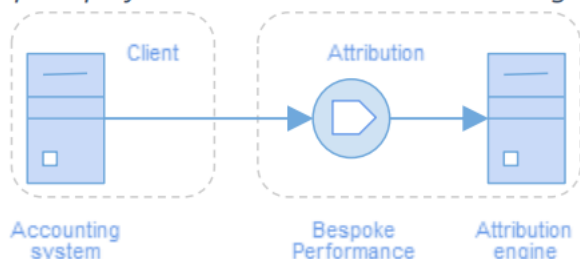
to map to the system's performance model. This flawed approach generates errors between the methodologies which is highlighted in Fixed Income and Multi-Asset attribution. It does not take into account differences between accounting systems. Many investment firms are using more than one system. This can ultimately lead to manual mapping errors.

## Mapping to the supplier's performance model



CloudAttribution's solution is to bypass the manual mapping process. We take raw holdings and transaction data, eliminating any transformation or mapping to ensure we capture the idiosyncrasies of the accounting system and ultimately accuracy in the calculation. Our solution builds a bespoke performance calculation which matches the client ABOR. This is a rapid solution. It's automated. It isolates the raw data to the point where errors, if any, are at performance calculation level or at booking entry level, eliminating errors caused through mapping to a service provider's performance model.

## Bespoke performance matches the accounting



**Strategy Tagging:** In a bid to mitigate against the plethora of spreadsheets and manually deployed tools

to track strategies and performance, CloudAttribution has developed a Strategy-Tagging solution which can be utilised to monitor and track in an automated environment. A multi-strategy portfolio can follow anything from 10 to 50 strategies. These can overlap, stretching the attribution process. One security can form part of multiple strategies concurrently, e.g., via ETF/Futures/Swaps. For this reason, a multi-faceted flexible tagging structure is needed.

## Securities may be tagged to multiple strategies

Trans. Date	Settle. Date	Cusip	Instrument Description
08-Aug-2013	08-Aug-2013	TYU3	US 10 YEAR FUTURE SEP 13
16-Aug-2013	16-Aug-2013	TYU3	US 10 YEAR FUTURE SEP 13

Strategy Tag	Shares	Cum. Shares	Market Value
Absolute Strategies_Short Global Duration	1	-37	125,234.38
FI Relative Value_Long Diversifiers vs. Short IG	1	15	125,234.38
FI Relative Value_Long Australian 10Y vs. US 10Y	-4	-47	-500,937.5
FI Relative Value_UST 5Yr vs. 10Yr Flattener	9	9	1,127,109.38
Residual:	0		

Trans. Date	Settle. Date	Cusip	Instrument Description
27-Sep-2013	27-Sep-2013	TYZ3	US 10 YEAR FUTURE DEC 13

CloudAttribution's solution is to tag transactions. This brings accuracy to the process. Attribution systems need to capture changes in classifications on an intra-day level. Strategy tagging enhances this process. Our solution ensures clear allocation information is maintained on a trade-by-trade basis. It captures the numbers of contracts and the weights of the associated securities and can be automated in cases where strategy changes are less frequent. However, where manual intervention by the firm is a necessity, we provide the drill-down detail on number of trades on a given date, weights and contracts involved, the identification of specific weights and contracts in a strategy and any changes to that strategy.

Reporting to portfolio managers on the attribution and performance of a strategy, or a series of strategies, can be a headache for technology and performance operations teams. CloudAttribution's strategy tagging solution provides detailed output at the strategy level. Our overview reporting is a single-page review per strategy. It provides component contributions, trade and level tracker, and a graph depicting the contributions and weights. It is concise and straightforward.

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## *Who needs this solution?:*

Our user base has been identified through sustained interaction and close engagement with our early adopter client base. All these groups were previously reliant on manual intervention and tracking to get a clear attribution view of portfolios. Our solution is cloud-native so adapting to scale, customisations and updates can all be realised quickly for our clients.

## *Performance Teams:*

The interactive reporting function allows performance teams to dissect and rapidly analyse results. A daily download based on overnight batch processing which shows results and highlights discrepancies, provides this view.

## *Portfolio Managers:*

Rapid and detailed daily analysis provided in a single-page download, showing top-down data in a single nominated period, all the way down to security level. We can demonstrate duration across the curve and between markets, credit between sectors and by currency. Multiple views in one instance provides this broad overview.

## *Client-facing Teams:*

Rapid output showing events over the past three-month period and their consequent outcomes can

provide an executive overview. Harnessing the CA explanatory power, users can drill down into findings based on client requirements.

## *Management Teams:*

Seeing a concise snapshot across managers, teams and regions makes for the ideal executive summary. Our solution provides both high-level and in-depth complexity on demand.

## Summary

There are no straightforward portfolios in the post-Pandemic landscape. Regulatory changes, a move to Passive, the exponential growth of ETF and a need to demonstrate adherence to new investment priorities in the climate space means attribution and performance analytics solutions can no longer operate in manual silos. CloudAttribution's solution is deployed via MS Azure for maximum security. It's fast. It's easy. It's efficient. It works.

An attribution solution which takes your firm's own data, is based on ABOR, one which operates on a strategy and transaction basis and one which can accurately demonstrate portfolio management goals, is our response.

**Peter Simmons** is the CEO and co-founder of CloudAttribution, which since 2012 has provided its web-based performance and attribution system to institutional fund managers in Europe and North America. They specialise in the complexities of fixed income and multi-asset portfolios, providing an interactive way for PMs and the client team to quickly understand how portfolios are positioned and what the outcome has been.

Peter has 15 years of asset management experience in various quantitative roles, 12 of them at UBS Global AM. He headed up the quantitative support area in fixed income, UBS Global AM for five years and was responsible for leading the team that built fixed income's performance attribution tool. Previously he was head of risk management, and a quantitative analyst for Global Equities.

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