

CLIENT TESTIMONIAL

Banque Cantonale Vaudoise

An integrated performance attribution
system



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“We at the BCV are now very proud of the performance analysis we provide our clients with. This is consistent with our mission of adding real value through our relationships and Odyssey supports us with these initiatives.” Alexandre Zannoni, Vice President, Banque Cantonale Vaudoise



“We decided to invest in an integrated system because it ensures high output accuracy, covers the required instruments, provides the desired flexibility, implies greater data quality and enables us to improve our efficiency and the quality of our client reports.”

Alexandre Zannoni, Vice President, Banque Cantonale Vaudoise

Why opt for an integrated solution? >>>

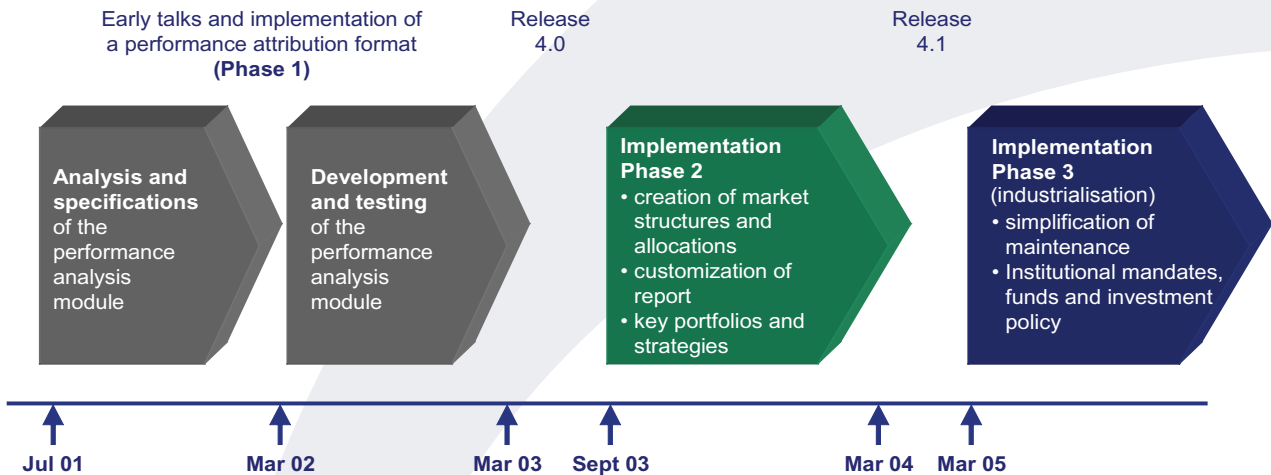
The need to improve the control and compliance processes and the demand for high quality client performance reports, led Banque Cantonale Vaudoise to invest in a new performance attribution system.

BCV considered different applications and methods of implementation. Initially, BCV evaluated the possibility of connecting an external performance analysis system to its portfolio management system via an interface. But while a holding-based interface is relatively easy to implement, the output accuracy can be quite low and biased, depending on upload frequency, market movements and volume and frequency of cash flows and transactions. Conversely, transaction-based interfaces do minimise many of the negative factors associated with holding-based solutions, but are relatively complex to implement.

In addition, BCV had other reasons to opt for an integrated solution from Odyssey. Historically most performance attribution systems focused either on equities or on fixed income, but did not provide an integrated solution for both asset classes and usually neglected alternative assets so that they could not be used for global portfolios containing real estate, hedge funds or commodities for example. Moreover, performance attribution must follow the investment decision process in order to produce meaningful results. The complexity of such processes has risen steadily and significantly over the last years.

Therefore a performance attribution system must provide enough flexibility to model very varied processes. Even though systems have improved in recent years, non-integrated databases can still lead to incoherent or confusing results. Further, the use of several separate systems can create additional maintenance problems regarding the consistency of corporate action treatment for example.

Therefore BCV came to the conclusion of extending the functional reach of its existing portfolio management system, recognising that its full use ensures that the same structures are used for the management and performance assessment of investments.



An incremental implementation process >>>

The development and implementation of the global solution was executed in three distinct phases. The first phase of the project started in 2001 by analysing the needs and defining the specifications of the performance analysis solution. These specifications then fed into Odyssey's development and testing cycles. A close relationship between BCV and Odyssey during this process ensured coherence of deliverables.

The second phase was aimed at implementing the solution for some key accounts and strategies. The main tasks included the creation of market structures and allocations to replicate investment processes of key portfolios and the customisation of reports. BCV focused here on investment funds and key institutional strategies, accounting for over 60% of their institutional discretionary portfolios.

The third phase of the project focused on industrialising the process for all remaining institutional mandates covering over 80% of overall strategies. BCV decided to manage its structures at a global level and then related every asset class or segment to a different subset, whereby each subset was used for several structures.

During their implementation, BCV identified the following lessons:

- Prior to implementing a performance attribution solution the organisation needs to decide on core models and on a return calculation and analysis methods.
- Additionally, decisions are needed on the level of detail to be analysed (asset allocation, region, country, industry, style, stock level, etc.) and the content and timing of any reports. Market structures should not be so detailed that they cause maintenance problems or lead to analysis bias.
- Every attribution system has its own strengths and weaknesses and the models used are based on simplifying assumptions about reality. It is critical to have a skilled team of performance analysts to be able to analyse results and distinguish between meaningful and biased results.

About Banque Cantonale Vaudoise (BCV)

Founded in Switzerland in 1845, BCV is a universal banking group offering a full range of retail, private and corporate banking services. BCV concentrates most of its general banking business in the Canton of Vaud.

With a view to diversification, it has reinforced its position on the private and institutional asset management market, and in corporate banking, by means of an internal growth policy and through acquisitions in Switzerland and abroad. BCV holds stakes in companies in Switzerland and Spain.

The BCV Group is therefore constantly broadening its horizons and – with over 600,000 clients world-wide – currently ranks fourth among Swiss banking establishments.

For further information, please visit <http://www.bcv.ch>.

- Finally, it is critical that market structures that accurately reflect the investment process are defined and that all necessary market data is available. This last point can be problematic, especially in relation to exotic investment vehicles.

Next step: Capturing the investment process

The next step of the implementation is to model the whole investment process within the attribution system and capture and analyse the value added by each committee and manager.

Business benefits of the project >>>

This integrated performance attribution system ensures high output accuracy today and provides a flexible platform to cover future requirements. BCV now benefits from having all performance measurement, attribution, composite management and reporting (GIPS) available from the same package using the same database.

The attribution reports always reflect and explain the “official” portfolio return without any discrepancies, which enables BCV to fulfil the demand for high quality client reports. This greatly enhances BCV’s relationships with its clients and its reputation in the market.

The use of a unified platform brings additional benefits in terms of ownership costs, solution complexity and data quality. BCV has consolidated its data maintenance, controls are improved substantially, corrections are more straightforward and the creation of new strategies is much easier. Such improvements in operational efficiency are quite visible from a cost perspective.

	Portfolio Weight	Portfolio Return	Portfolio Contribution	Benchmark Weight	Benchmark Return	Benchmark Contribution	Over/Under Performance	Market Selection	Stock Picking	Interaction
P-400180-01	100.00%	17.91%	17.91%	100.00%	17.90%	17.90%	0.01%	0.01%	0.00%	0.01%
Cash	19.05%	0.22%	0.04%	4.59%	0.00%	0.00%	0.01%	0.01%	0.00%	0.01%
Bonds	19.90%	8.63%	1.67%	19.58%	13.58%	2.66%	-1.12%	6.67%	-6.71%	6.83%
Euro	13.16%	6.99%	0.92%	15.49%	15.83%	2.45%	-1.68%	-8.21%	-4.15%	3.80%
Rating A	10.11%	6.62%	0.67%	12.50%	17.66%	2.21%	-1.69%	-0.21%	-1.47%	0.33%
Rating B	3.05%	9.20%	0.95%	2.99%	8.16%	0.24%	0.01%	0.01%	0.00%	0.00%
Ex Euro	0.00%	0.00%	0.00%	0.00%	28.06%	0.00%	0.00%	0.00%	0.00%	0.00%
Dollars	6.24%	12.08%	0.75%	4.09%	5.07%	0.21%	0.57%	0.26%	0.29%	0.15%
Stocks	59.11%	27.48%	16.29%	76.93%	29.41%	15.24%	1.12%	-3.46%	-24.56%	31.62%
Euro	22.35%	24.31%	5.43%	39.58%	29.37%	11.62%	-6.72%	-4.53%	-14.84%	14.87%
Finance	6.91%	39.44%	2.73%	13.87%	19.42%	2.69%	0.03%	-2.54%	2.56%	-1.18%
Consumer	3.62%	12.14%	0.44%	7.23%	19.73%	1.43%	-1.08%	-0.51%	-0.58%	0.27%
Goods	4.64%	15.66%	0.73%	6.15%	19.00%	1.17%	-0.51%	-0.26%	-0.25%	0.04%
Chemicals	4.15%	16.82%	0.70%	8.82%	62.51%	5.51%	-5.14%	-1.06%	-4.08%	2.32%
Sort	3.03%	27.87%	0.84%	3.50%	23.39%	0.82%	-0.02%	-0.16%	0.14%	-0.03%
Energy	18.46%	14.50%	1.37%	9.65%	16.81%	1.80%	-0.50%	-0.80%	-0.42%	-0.86%
Ex Euro	17.20%	53.66%	9.23%	16.75%	9.53%	1.79%	6.20%	1.10%	7.10%	0.57%
Dollars	10.08%	1.56%	0.16%	8.05%	0.43%	0.03%	0.13%	0.04%	0.09%	0.01%
Asia										

Odyssey Component Suite: Portfolio Management & Analysis: Relative Performance

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