

Acknowledgements	Initial fees	Down number ratio
1 Introduction	Portfolio component returns	Up percentage ratio
Why measure portfolio performance?	Component weight	Down percentage ratio
The performance measurement process	Short positions	Percentage gain ratio
The purpose of this book	Overlay strategies	Peer groups and universes
Role of performance measurers	Carve-outs	Percentile rank
Book structure	Multi-period component returns	Random portfolios
2 The Mathematics of Portfolio Return	Base currency and local returns	Notional funds
Simple return	3 Benchmarks	Normal portfolio
Money-weighted returns	Benchmarks	Growth and value
Internal rate of return (IRR)	Benchmark attributes	Excess return
Simple internal rate of return	Commercial indexes	Arithmetic excess return
Modified internal rate of return	Calculation methodologies	Geometric excess return
Simple Dietz	Aggregate price index (price-weighted index)	Performance fees
ICAA method	Geometric (or Jevons-type) index	Symmetrical performance fees (or fulcrum fees)
Modified Dietz	Market capitalisation index	Asymmetrical performance fees
Time-weighted returns	Laspeyres index	Performance fee structures
True time-weighted	Paasche index	Sliding scale
Unit price method	Marshall–edgeworth index	Performance fee caps
Time-weighted versus money-weighted rates of return	Fisher index	Hurdle rate
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Index substitution	Fundamental indexes	High water mark
Regression method (or β method)	Currency effects in benchmark	Equalisation
Analyst’s test	Hedged indexes	4 Risk
Hybrid methodologies	Customised (or composite) indexes	Definition of risk
Linked modified Dietz	Fixed weight and dynamised benchmarks	Risk management versus risk control
BAI method (or linked IRR)	Capped indexes	Risk aversion
Which method to use?	Blended (or spliced) indexes	Risk measures
Self-selection	Money-weighted benchmarks	Ex post and ex ante
Annualised returns	Benchmark statistics	Variability
Return hiatus	Index turnover	Mean absolute deviation
Continuously compounded returns	Up capture indicator	Variance
Gross- and net-of-fee calculations	Down capture indicator	Standard deviation
Estimating gross- and net-of-fee returns	Up number ratio	Frequency and number of data points

Sharpe ratio (reward to variability)	Return distributions	Kappa (κ)
Risk-adjusted return: <i>M2</i>	Normal (or Gaussian) distribution	Upside potential ratio
<i>M2</i> excess return	The central limit theorem	Volatility skewness
Differential return	Skewness (Fisher's or moment skewness)	Variability skewness
GH1 (Graham and Harvey 1)	Sample skewness	Adjusted Sharpe ratio
GH2 (Graham and Harvey 2)	Kurtosis (Pearson's kurtosis)	Skewness–kurtosis ratio
Regression analysis	Sample kurtosis	Prospect ratio
Regression equation	Bera–Jarque statistic	Value at risk (VaR)
Regression alpha (α_R)	Risk-adjusted performance measures for hedge funds	Variance–covariance (or parametric)
Regression beta (β_R)	Drawdown	Historical simulation (or non-parametric)
Regression epsilon (ϵ_R)	Average drawdown	Monte Carlo simulation
Capital asset pricing model (CAPM)	Maximum drawdown	VaR ratio
Beta (β) (systematic risk or volatility)	Largest individual drawdown	Reward to VaR ratio
Jensen's alpha (or Jensen's measure or Jensen's differential return or <i>ex post</i> alpha)	Recovery time (or drawdown duration)	Conditional VaR (or expected shortfall)
Bull beta (β_+)	Drawdown deviation	Conditional Sharpe ratio
Bear beta (β_-)	Ulcer index	Modified VaR
Beta timing ratio	Pain index	Modified Sharpe ratio
Covariance	Calmar ratio	Return adjusted for downside risk
Correlation (ρ)	Sterling ratio	<i>M2</i> for Sortino
Correlation and risk-adjusted return: <i>M3</i>	Sterling–Calmar ratio	Omega excess return
<i>R2</i> (or coefficient of determination)	Burke ratio	Hurst index
Systematic risk	Modified Burke ratio	Fixed Income Risk
Specific or residual risk	Martin ratio (or ulcer performance index)	Duration (or volatility)
Treynor ratio (reward to volatility)	Pain ratio	Macaulay duration
Modified Treynor ratio	Lake ratio	Modified duration
Appraisal ratio (or Treynor–Black ratio)	Peak ratio	Macaulay–Weil duration
Modified Jensen	Downside risk (or semi-standard deviation)	Portfolio duration
Fama decomposition	Upside risk	Effective duration (or option-adjusted duration)
Selectivity	Shortfall risk (or downside frequency)	Duration to worst
Diversification	Omega ratio (Ω)	Convexity
Net selectivity	Bernardo and Ledoit (or gain–loss) ratio	Modified convexity
Relative risk	<i>d</i> ratio	Effective convexity
Tracking error	Omega–Sharpe ratio	Duration beta
Information ratio	Sortino ratio	Reward to duration

Which risk measures to use?	Wagner and Tito	Attribution standards
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Security (or stock) selection	Carry	Attribution including equity index futures
Interaction	Credit (or spread)	Leverage (or gearing)
Brinson and Fachler	Yield curve decomposition	Forward foreign exchange (FFX) contract (or currency forward)
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Ankrim and Hensel	Davies and Laker	Options
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Revised country allocation	Transaction-based attribution	Global Investment Performance Standards (GIPS®)
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Other currency issues	Transaction costs	The standards
7 Fixed Income Attribution	Off-benchmark (or zero-weight sector) attribution	Composites
The yield curve	Multi-level attribution	Presentation
Yield to maturity (or gross redemption yield)	Balanced attribution	
Coupon yield curve	Lookthrough attribution (or fund of funds attribution)	
Par yield curve		
Zero-coupon (or spot) curve		

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