PortfolioNet

Specifying layouts

PortfolioNet allows you to specify the layout of many of its analysis tables. You can stipulate row order, displayed columns including their placement and width. Preferred views can be saved and a default view specified.

Let us illustrate these possibilities with the holdings view.

Consolidated portfolio holdings

You can order rows by clicking on the column headers. The icon indicates the column used for sorting.

Sorted by instrument “Description”

By clicking on a column’s shaded bar you can drag it into the desired position. You can also resize a column by moving its right edge.

Curr. column moved to right of the “Market price” column

Additional columns can be added with the icon:

Adding the “Forex rate” column

You can save a layout using the icon and specify it as the default layout with the icon.

Managing views

And finally, you can export to Excel with the icon.

Market Manager

Sharing graphs

Market Manager proposes a variety of ways in which you can share your analysis with your colleagues or customers. Let us imagine you are troubled by the inversion of the US yield curve and want to communicate this concern.

Spread between US 10Y bond and 3M bill rates

The clipboard icon allows you to copy a chart for pasting in an email, a Word document or a PowerPoint presentation. Alternatively, you can also print to pdf.

Incorporated in an email

If you define the chart as a bookmark you can then share it with your colleagues through your corporate folder.

Shared as a bookmark

And finally, you can export the graph’s data to use in Excel with right-click Export Data …:
Legislation monitor

Financial Institutions and Financial Services acts

The Financial Institutions and Financial Services acts and their ordinances will enter into force on January 1st 2020, introducing the following obligations or novelties:

- suitability and appropriateness of services offered
- information and rendering account to client
- prospectus and information sheets
- best execution
- avoidance of conflict of interests
- supervisory organisations
- client advisors registration body
- prospectus reviewing body
- affiliation to an ombudsman
- trustees to fall within the scope of the acts

The finalised ordinances are to be published this summer.

Exuberance and gloom

Curve inversion

After a first shot across the bow in Q1, the US Treasury yield curve inverted more significantly in Q2 leading interest rate sentiment into the exuberance zone. This inversion is still young and would need to be prolonged inversion to be a reliable predictor of a recession, usually within less than two years.

Since the end of 2017, the S&P500’s price has been moving sideways while its quarterly earnings are up significantly. This is has pushed equity valuations down and sentiment out of the exuberance zone.

So, while yield sentiment is exuberant other market indicators are elevated but not exuberant, thus decreasing the risk of a strong market reversal. This is a somewhat unusual situation which may be caused by the US’s atypical approach to international and economic relations.

US 10Y-3M Treasury rate spread sentiment

Calculation corner

A phylogeny of performance calculations

We provide here a concise phylogeny of the performance calculation methods are available to investors.

The simple rate of return (SRR)

Where prices are available, as is the case for shares or funds, the simple rate of return is calculated by dividing the final price by the initial price and subtracting one:

\[ \text{SRR} = \frac{P_f}{P_i} - 1 = \frac{P_f - P_i}{P_i} \]

Distributions can be incorporated on the assumption they are received at the end of the period:

\[ \text{SRR} = \left( \frac{P_f + \Sigma D}{P_i} \right) - 1 = \frac{P_f + \Sigma D - P_i}{P_i} \]

It is harder to account for multiple buys or sells.

Time-weighted return (TWR)

To account precisely for flows the time-weighted return can be calculated as long as the value of the instrument or portfolio is known at the time of each flow:

\[ \text{TWR} = \frac{V_1 + F_1}{V_0} * \ldots * \frac{V_n + F_n}{V_{n-1}} - 1. \]

Internal rate of return (IRR)

At the other end of the spectrum sits the IRR methodology which determines the discount rate at which the present value at initiation of all flows, including buy and sells, is null:

\[ \text{IRR such that } \Sigma F_j / (1 + \text{IRR})^Y_j = 0 \text{ and } Y_j \text{ is the year fraction} \]

It is the yield of a zero-coupon bond that would provide the same flows through buy and sell transactions.

Modified Dietz

The determination of an IRR is not straightforward and several approximations have been developed including the widely used Modified Dietz method:

\[ \text{MD} = \frac{(V_f - \Sigma F_j - V_i)}{(V_f + \Sigma [W_j * F_j])} \text{ and } W_j = (t_f - t_j) / (t_f - t_i) \]

The differences

In the presence of flows the results provided by these four methods will usually differ.

As discussed in previous newsletters, the TWR provides the best evaluation of an instrument’s or a portfolio’s performance (manager’s view) while the IRR gives a better estimates of a portfolio’s growth rate (client perception).

Only the TWR of sub-periods will perfectly compound to the full period performance.

And finally, only the two approximations, the SRR and the Modified Dietz method ensure that performance is of the same sign as P&L (\(P_f + \Sigma D - P_i\) or \(V_f - \Sigma F_j - V_i\)).

Please contact us for further discussion.