

24th After-Work Lecture on Asset & Investment Management
Thursday, 06 March 2014

Performance-based Fees in Asset Management: Some Critical Observations

Dimitri Senik, CFA, FCCA

Institute for Financial Services
Chair in Business Administration, Banking and Financial Management



After-Work Lectures on Asset and Investment Management

Series of lectures on current developments in Asset and Investment Management. Exchange of ideas from the professionals of Corporations, Banks, Asset Management, Investment and Insurance Companies, Financial Advisory Services, Tax Administration, Lawyers, Trustees, Fund Managers and Financial Auditors.

Abstract

Performance-based fee arrangements are becoming increasingly popular in the investment management industry. The advantage of performance fees is that, from the investor's viewpoint, they are the fairest way of compensating asset managers and motivate them to achieve the best possible performance. One of the disadvantages of performance fees is that, because they are return-based, they may motivate asset managers to incur higher investment risks. In addition, performance fees often involve complex and ambiguous calculation methods leading to numerous practical issues that cause misunderstandings among investment managers, fund administrators and investors. Besides, the regulatory guidelines and industry self-regulation that exist in this area are high-level and do not provide sufficient methodological guidance. Therefore, performance fee models and their specific parameters should be clearly stipulated in the fund prospectus and investment management agreement, and all parties should agree to a single definition of performance - is it return or is it a combination of return and risk?

We will discuss how complexity of performance fee models and lack of detail in investment management agreements may lead to disputes and financial costs both for asset managers and investors and why a performance fee arrangement should account for the three key elements: fairness toward investors, positive incentives for portfolio managers, and practicability in administration. In addition, we will discuss why the investment industry would benefit greatly from a better guidance for performance fee models.

Speaker

Dimitri Senik is Head of Investment Performance Services at PwC Switzerland and specialises in assurance and advisory services to banks, asset managers and institutional investors in the area of investment performance and investment risk management. He is also a member of the Board of Trustees and of the Investment Committee of the Pension Fund of PwC Switzerland. He holds a degree in International Banking and Finance, is a CFA Charterholder and a Chartered Certified Accountant, and has 17 years of professional experience. Dimitri Senik has been involved for many years in the standard-setting committees for the Global Investment Performance Standards (GIPS) and currently serves as the Chair of the GIPS Executive Committee and the Chair of the Regional Investment Performance Subcommittee EMEA. He is also member of the GIPS Group of Experts of the Swiss Bankers Association. Dimitri Senik regularly teaches training courses on GIPS, investment performance and risk and moderates the Swiss Investment Performance Roundtable regularly conducted by PwC.

Programme

Thursday, 06 March 2014

Welcome and Introduction

05.30 p.m. Ass.-Prof. Dr. *Georg Peter*, CFA, Chair in Business Administration, Banking and Financial Management, Institute for Financial Services, University of Liechtenstein, Vaduz

Performance-based Fees in Asset Management: Some Critical Observations

05.40 p.m. *Dimitri Senik*, CFA, FCCA, Director at PricewaterhouseCoopers, Head of Investment Performance Services, Zurich

Discussion

06.30 p.m. Chair: Ass.-Prof. Dr. *Georg Peter*, CFA

Closing Words

06.40 p.m. *Michael Frommelt*, CFA, President of the Liechtenstein Society of Investment Professionals, Vaduz

Apéro

06.45 p.m. A p é r o a n d E x c h a n g e o f I d e a s

General Information

Participants

Professionals from Corporations, Banks, Asset and Investment Management Companies, Insurance Companies, Financial Advisory Services, Tax Administration, Lawyers, Trustees, Fund Managers and Financial Auditors. Graduate and undergraduate students with interest in investments and finance.

Location

University of Liechtenstein, Vaduz
Lecture Room 1 (H1)

Time

Thursday, 06 March 2014
05.30 - 07.00 p.m.

Fee

Free of charge. Advance registration required.

Registration

For registration visit www.uni.li/awl or by fax +423 265 11 12

Deadline for Registration

Tuesday, 04 March 2014

Contact and Information

Ass.-Prof. Dr. *Georg Peter*, CFA, Chair in Business Administration, Banking and Financial Management, Institute for Financial Services, University of Liechtenstein, Vaduz

Monika Züger and *Anna-Maria Cornal*, University of Liechtenstein, Institute for Financial Services, T +423 265 13 48, banking@uni.li

Discussion:

Feel free to submit questions in advance until Tuesday, 04 March 2014 to Mrs. *Züger* or Mrs. *Cornal*, Institute for Financial Services, T +423 265 13 48, banking@uni.li.

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