Overview of EDS Performance Report Methodology

EDS
EQUITY DATA SCIENCE

Overview and Inputs

EDS receives the Master Gross fund from the client at a daily level and the Rep Gross % Return and Rep Net % Return at a monthly level. Using this information EDS calculates the Rep Trading P&L (the Gross numbers used in the Reporting), Rep Gross P&L, and the Rep Net P&L. For the generated Reports, EDS sources the Sectors and Themes from the client portfolio feed, the Region based on the Country from the client portfolio feed and Factset Data, and the Market Cap Buckets from Factset's Data and the client patches. Performance calculations shown below..

Master Gross P&L

Definition: Master Gross P&L is the position-level profit and loss figure provided by the client, which includes certain expenses as separate daily line items.

Example: If the Master Gross has a P&L of $95,000 with $5,000 as line item for expenses, then:

Master Gross P&L **= $100,000 + (−$5,000)**

Rep Trading P&L

Purpose: Rep Trading P&L reflects the P&L before deducting any expenses. It is calculated by adding back the expense line items to the Master Gross to get the fund level Rep Trading P&L. This is the P&L which is used in the Report as the Gross P&L.

Formula:

Rep Trading = Master Gross − Expenses

Example:

Rep Trading **= $95,000 − (−$5,000) = $100,000**

Monthly Rep Gross % and Daily Management Fee Deduction

Monthly Rep Gross % is provided, from which a constant daily management fee is derived, and is subtracted from the daily Rep Trading P&L along with the Daily Fund expenses. The Rep Gross P&L is an intermediary P&L number which is not part of the generated report.

Allocation of Expenses and Management Fees

Process: Both daily expenses (the expense line items provided in the Master Gross) and the daily management fee are allocated to each position based on the proportion of Absolute Netted Market Value on a daily basis. This allocation is done at:

- **First at the Instrument level:** Calculate the proportion of Absolute Netted Market Value for each instrument relative to total fund.
- **And then at a Position level:** Further allocate based on the absolute netted Market Value of strategy within each instrument.

$$PositionRepGross = PositionRepTrading - \left(\frac{Abs\ Net\ MV\ at\ Instrument\ Level}{\sum_{Instruments} Abs\ Net\ MV\ at\ Instrument\ Level}\right) x$$

$$\left(\frac{Abs\ Net\ MV\ at\ Strategy\ /\ Instrument\ Level}{\sum_{Strategies} Abs\ Net\ MV\ at\ Strategy\ /\ Instrument\ Level}\right) x\ (DailyFundExpenses + DailyManagementFees)$$

Example: If an instrument has 10% absolute netted Market Value relative to the fund, then 10% of the daily management fee and expenses are allocated to that instrument. This is further divided among positions within the instrument based on the proportion of absolute netted Market Value.

Daily Incentive Fee Deduction and Monthly Rep Net %

Monthly Rep Net % is used to determine a daily incentive fee, which is subtracted from the Rep Gross P&L based on daily Rep Gross performance. This is the P&L which is used in the Report as the Net P&L.

Allocation of Daily Incentive Fee

Allocation: Daily Incentive Fee is allocated across positions based on their proportionate Rep Gross performance:

- **First, at the instrument level.**
- **Then, further divided among positions within the instrument.**

Position-Level Rep Net P&L Calculation

Position Rep Gross = Position Rep Trading – Allocated Expenses and Management Fees

$$PositionRepNet = PositionRepGross - \left(\frac{Instrument\ Rep\ Gross}{Portfolio\ Rep\ Gross}\right) x$$

$$\left(\frac{Strategy\ /\ Instrument\ Rep\ Gross}{Instrument\ Rep\ Gross}\right) x\ DailyIncentiveFees$$

Position Rep Net % and Compounding

Calculation: Position Rep Net % is calculated as: $Position\ Rep\ Net\ \% = \frac{Position\ Rep\ Net}{Start\ AUM}$

This percentage is compounded daily while ensuring additivity across components.

Example: Considering a position with a Rep Net of $1,200, fund's Start AUM as $50,000, and the cumulative return of the fund till the previous day as 1.5% then:

$$Position\ Rep\ Net\ \% = \frac{1{,}200}{50{,}000} = 2.4\%$$

$$Additive\ Factor = 1 + Cumulative\ Fund\ Return\ till\ the\ Previous\ Day = 1.015\%$$

$$Contribution\ of\ the\ Position\ in\ Fund's\ Rep\ Net\ \% = \frac{1{,}200}{50{,}000} * 1.015 = 2.436\%$$

All the returns and return attributions calculated are based on daily compounding, while maintaining the additivity factor.

Let us know how we can help you.

+1 646-838-4107 | **sales@equitydatascience.com** | **www.equitydatascience.com**
