MSCI

Asset TV Interview – Performance Attribution in Today's Market

Transcript

Guest: *Ben Shim, Executive Director, Analytics Product Management, MSCI*
Host: *Michelle Yu*

Interviewer (00:06):
Hi, everyone. Welcome to Asset TV. Performance attribution has long been a cornerstone of investment analysis, helping managers understand where returns come from and how decisions impact outcomes. But in today's market environment—with increasing complexity across asset classes, heightened client expectations, and growing regulatory scrutiny—attribution has become more critical than ever.

(00:29):
Joining me to discuss this topic is **Ben Shim**, Executive Director of Analytics Product Management at MSCI. As we know, performance attribution has been around for quite some time, but we'll start with why it is more important than ever in today's investment landscape. Ben, welcome, and thank you for joining us.

Ben Shim (00:50):
Thank you, Michelle. Performance attribution has always been central to understanding investment outcomes. What we're seeing today is increasing portfolio complexity, with more asset classes being included—equity, fixed income, multi-asset, and even private markets.

(01:12):
Portfolios are becoming more complex, and investors are demanding transparency. They want to understand not just *what* their portfolio performance was, but *why* it performed that way.

(01:30):
It's no longer only about knowing "what was I over or underweight in?" but also "how did those over- or underweights to particular sectors or countries impact my allocation and selection decisions?"

(01:43):
Investors also want to understand the connection between different parts of portfolio information—specifically, how risk relates to performance.

(01:55):
Were the main factors the portfolio was exposed to the same drivers of performance? Gaining that transparency and explanation of outcomes is why attribution has become more important than ever.

Interviewer (02:08):
Another important topic is the challenges asset managers and owners face when explaining portfolio performance. What can you tell us about that, Ben?

Ben Shim (02:19):
There are three main challenges I'd highlight.

First, complexity. As portfolios grow across multiple asset classes—equity, fixed income, multi-asset—the attribution process becomes more demanding. Additionally, attribution needs to serve many stakeholders: portfolio management, risk managers, and board members. Supporting all of them increases complexity.

(02:59):
Second, timeliness. The speed of information is accelerating. Attribution reports are expected at the start of the day or on demand, providing timely insights that the front office can use for investment decisions.

(03:24):
Third, consistency. Many organizations use separate systems for portfolio management, risk, and performance attribution, which leads to inconsistencies. Without alignment, it's difficult to maintain a coherent investment narrative across teams.

Interviewer (04:06):
Let's talk about MSCI's performance attribution solution—how it helps, and what sets it apart from other providers.

Ben Shim (04:15):
What sets us apart is our ability to handle **complexity and scale**, while supporting **multiple asset classes** with a high level of functionality.

(04:29):
Our comprehensive multi-asset class factor model applies to both risk and factor attribution. It covers equity-only, fixed-income-only, and multi-asset portfolios, offering a granular lens—whether through thousands of factors or a simplified tier model.

(05:03):
For fixed income, we provide a **full revaluation attribution model**, leveraging proprietary single-security analytics to reprice and calculate metrics on individual instruments. This delivers a detailed decomposition distinct from the factor view.

(05:29):
We also offer flexibility—standard Brinson allocation and selection methods, factor views, or full revaluation models—so clients can tailor how they view attribution, whether across factors or fixed-income components like term structure and spread.

(05:59):
Another strength is **integration**. Because our risk and performance teams use the same multi-asset factor model, results are aligned across functions, ensuring consistent narratives and easier collaboration.

(06:36):
Lastly, **accessibility**. Users can access attribution reports through a dashboard UI with charts and tables, Excel and PDF extracts, or APIs for customized workflows and batch reporting.

Interviewer (07:06):
Can you share examples of how clients are using performance attribution to solve real-world problems?

Ben Shim (07:13):
Absolutely. For fixed income managers, our clients use attribution to decompose returns across term structure, spread, inflation, and FX—especially in global portfolios. This brings explanatory power and transparency for end users.

(07:41):
Some clients further decompose spread effects to tailor insights by spread sector, viewing portfolios from either spread duration or duration-time-spread perspectives.

(08:09):
Large multi-asset managers also leverage our factor model to align risk and performance, explaining both dimensions using the same methodology and achieving operational scale and narrative consistency.

Interviewer (08:38):
How do you ensure that these solutions evolve to meet clients' changing needs?

Ben Shim (08:47):
We incorporate **client feedback** from our coverage teams and my own interactions directly into product development.

(09:02):
We also have a **dedicated research team** exploring new attribution methodologies and calculations to enhance granularity and insight.

(09:25):
Together, client feedback and research guide our innovation, ensuring we deliver a solution that meets users' business needs.

Interviewer (09:36):
Finally, what's next for MSCI's performance attribution—what's the next evolution?

Ben Shim (09:41):
A key area is **artificial intelligence**. AI is transforming how we work, and performance attribution is no exception.

(10:01):
We're developing AI-driven agents that allow users to query attribution results through natural language—asking, for example, "What were the top and bottom performers?" or "What was the biggest drawdown period?"—and receiving instant insights.

(10:47):
AI can also generate **portfolio summaries**, reducing time spent drafting reports and allowing teams to focus on higher-value activities.

(11:22):
Finally, AI assists with **outlier detection**—helping users identify and reconcile data discrepancies quickly, ensuring clean inputs and timely, reliable reports for the front office.

Interviewer (11:53):
Ben, thank you so much for the insight. Incredible stuff.

Ben Shim (11:56):
Thank you.

Interviewer (11:57):
That'll do it for us here on Asset TV. Thank you for joining us. I'm Michelle Yu, and we'll see you next time.

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