



# MISSION AND VISION: A ROAD MAP

2017



# WHAT ARE THE GLOBAL INVESTMENT PERFORMANCE STANDARDS?

Voluntary standards governing the calculation and presentation of investment performance based on the ethical principles of fair representation and full disclosure.

The mission of the GIPS standards is promote ethics and integrity and instill trust through the use of the GIPS standards by achieving universal demand for compliance by asset owners, adoption by asset managers and support from regulators for the ultimate benefit of the global investment community.

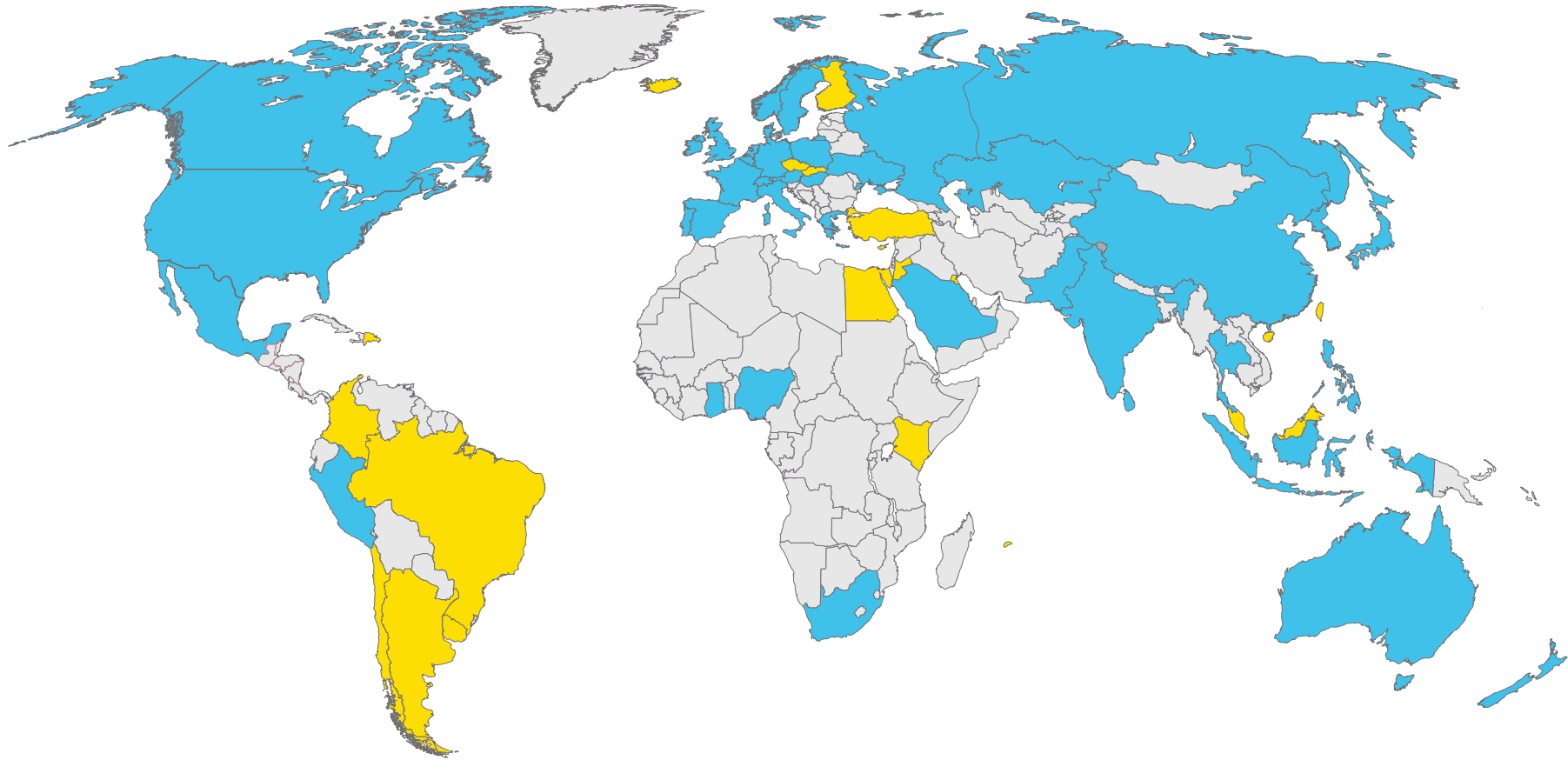
# OBJECTIVES



- Ensure accurate and consistent data
- Obtain worldwide acceptance of a single standard for calculating and presenting performance
- Promote fair, global competition among investment firms
- Promote industry self-regulation on a global basis
- Promote investor interests and instill investor confidence

# WHY WERE PERFORMANCE STANDARDS NECESSARY?

- Lack of reporting consistency
  - Back testing
  - Performance Record Portability
  - Model portfolios
  - Survivorship
  - Representative portfolio
- Lack of industry-wide comparability
- Lack of regulatory guidance
  - Self-regulation of the industry

# STATUS OF GIPS® ADOPTION



 Countries with GIPS® Country Sponsors  
 Countries with interest in becoming GIPS® Country Sponsors

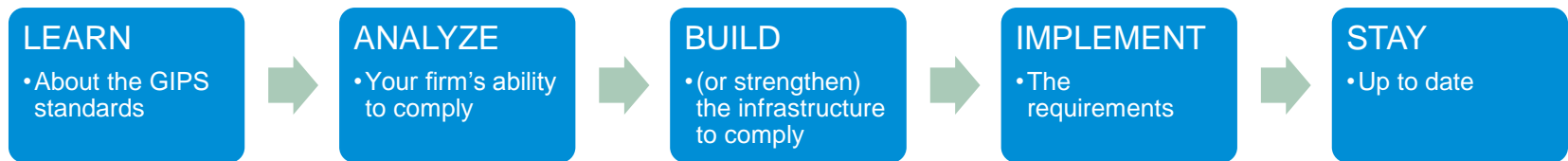
Revised as of June 2017

# CURRENT TRANSLATIONS OF THE GIPS® STANDARDS

## Endorsed translations of the 2010 edition

- [Japanese](#)
- [Korean](#)
- [Spanish](#)
- [Russian](#)
- [German](#)

# BASICS OF BECOMING COMPLIANT



# PROVISIONS OF GIPS STANDARDS

0. Fundamentals of Compliance
  1. Input Data
  2. Calculation Methodology
  3. Composite Construction
  4. Disclosure
  5. Presentation and Reporting
  6. Real Estate
  7. Private Equity
  8. Wrap Fee/Separately Managed Accounts (SMA) Portfolios

**The GIPS standards must be applied on a firm-wide basis.**



# PROVISIONS OF GIPS STANDARDS

0. **Fundamentals of Compliance:** Several core principles create the foundation for the GIPS standards, including properly defining the firm, providing compliant presentations to all prospective clients, adhering to applicable laws and regulations, and ensuring that information presented is not false or misleading.
1. **Input Data:** Consistency of input data used to calculate performance is critical to effective compliance with the GIPS standards and establishes the foundation for full, fair, and comparable investment performance presentations.
2. **Calculation Methodology:** Achieving comparability among investment management firms' performance presentations requires uniformity in methods used to calculate returns. The GIPS standards mandate the use of certain calculation methodologies to facilitate comparability.

# PROVISIONS OF GIPS STANDARDS

3. **Composite Construction:** A composite is an aggregation of one or more portfolios managed according to similar investment mandate, objective, or strategy. Creating meaningful composites is essential to the fair presentation, consistency, and comparability of performance over time and among firms.
4. **Disclosure:** Disclosures allow firms to elaborate on the data provided in the presentation and give the reader proper context in which to understand the performance. To comply with the GIPS standards, firms must disclose certain information in all compliant presentations regarding their performance and the policies adopted by the firm.

# PROVISIONS OF GIPS STANDARDS

5. **Presentation and Reporting:** After constructing the composites, gathering the input data, calculating returns, and determining the necessary disclosures, the firm must incorporate this information in presentations based on the requirements of the GIPS standards for presenting investment performance.
6. **Real Estate:** Unless otherwise noted, this section supplements all of the required and recommended provisions in Sections 0 – 5 in Chapter 1. Real Estate provisions were first included in the 2005 edition of the GIPS standards and became effective 1 January 2006. The 2010 edition of the GIPS standards includes new provisions for closed-end real estate funds.

# PROVISIONS OF GIPS STANDARDS

7. **Private Equity:** Unless otherwise noted, this section supplements all of the required and recommended provisions in Sections 0 – 5 in Chapter 1. Private Equity provisions were first included in the 2005 edition of the GIPS standards and became effective 1 January 2006. Firms should note that certain provisions in Sections 0 – 5 in Chapter 1 of the GIPS standards do not apply to private equity investments or are superseded by provisions within Section 7 in Chapter 1.
8. **Wrap Fee/Separately Managed Accounts (SMA) Portfolios:** Unless otherwise noted, this section supplements all of the required and recommended provisions in Sections 0 – 5 in Chapter 1. Firms should note that certain provisions in Sections 0 – 5 in Chapter 1 of the GIPS standards do not apply to wrap fee/SMA portfolios or are superseded by provisions within Section 8 in Chapter 1.

# CURRENT GUIDANCE STATEMENTS

- Asset Owners
- Alternative Investment Strategies and Structures
- Calculation Methodology
- Composite Definition
- Definition of Firm
- Error Correction
- Fees
- Impact of Euro Conversion
- Performance Examinations
- Performance Record Portability
- Pooled Funds
- Private Equity
- Real Estate
- Recordkeeping Requirements
- Treatment of Carve-Outs
- Treatment of Significant Cash Flows
- Use of Supplemental Information
- Verification
- Verifier Independence
- Wrap Fee/ Separately Managed Accounts

# GIPS ADVERTISING GUIDELINES

The GIPS Advertising Guidelines provide firms with options for advertising performance when mentioning the firm's claim of compliance. The GIPS Advertising Guidelines do not replace the GIPS standards, nor do they absolve firms from presenting a compliant presentation as required by the GIPS standards. These guidelines only apply to firms that already satisfy all the requirements of the GIPS standards on a firm-wide basis and claim compliance with the GIPS standards in an advertisement. Firms that choose to claim compliance in an advertisement must follow the GIPS Advertising Guidelines or include a compliant presentation in the advertisement.

# WHAT IS A COMPLIANT PRESENTATION?

## Sample 1 Investment Firm Balanced Growth Composite 1 January 2002 through 31 December 2011

Year	Composite Gross Return (%)	Composite Net Return (%)	Custom Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (\$ M)	Firm Assets (\$ M)
2002	-10.5	-11.4	-11.8			31	4.5	165	236
2003	16.3	15.1	13.2			34	2.0	235	346
2004	7.5	6.4	8.9			38	5.7	344	529
2005	1.8	0.8	0.3			45	2.8	445	695
2006	11.2	10.1	12.2			48	3.1	520	839
2007	6.1	5.0	7.1			49	2.8	505	1,014
2008	-21.3	-22.1	-24.9			44	2.9	475	964
2009	16.5	15.3	14.7			47	3.1	493	983
2010	10.6	9.5	13.0			51	3.5	549	1,114
2011	2.7	1.7	0.4	7.1	7.4	54	2.5	575	1,236

**Sample 1 Investment Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Sample 1 Investment Firm has been independently verified for the periods 1 January 2000 through 31 December 2010. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.**

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# WHAT IS A COMPLIANT PRESENTATION (CONTINUED)

## Notes:

Sample 1 Investment Firm is a balanced portfolio investment manager that invests solely in U.S.-based securities.

Sample 1 Investment Firm is defined as an independent investment management firm that is not affiliated with any parent organization. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The Balanced Growth Composite includes all institutional balanced portfolios that invest in large-cap U.S. equities and investment-grade bonds with the goal of providing long-term capital growth and steady income from a well-diversified strategy. Although the strategy allows for equity exposure ranging between 50–70%, the typical allocation is between 55–65%. The account minimum for the composite is \$5 million.

The custom benchmark is 60% YYY U.S. Equity Index and 40% ZZZ U.S. Aggregate Bond Index. The benchmark is rebalanced monthly.

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# WHAT IS A COMPLIANT PRESENTATION?

## (CONTINUED)

Valuations are computed and performance is reported in U.S. dollars.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Net-of-fees returns are calculated by deducting the highest fee of 0.83% from the monthly gross composite return. The management fee schedule is as follows: 1.00% on the first \$25 million; 0.60% thereafter.

This composite was created in February 2000. A complete list of composite descriptions is available upon request.

Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 2002 through 2010 because monthly composite and benchmark returns were not available, and is not required for periods prior to 2011.

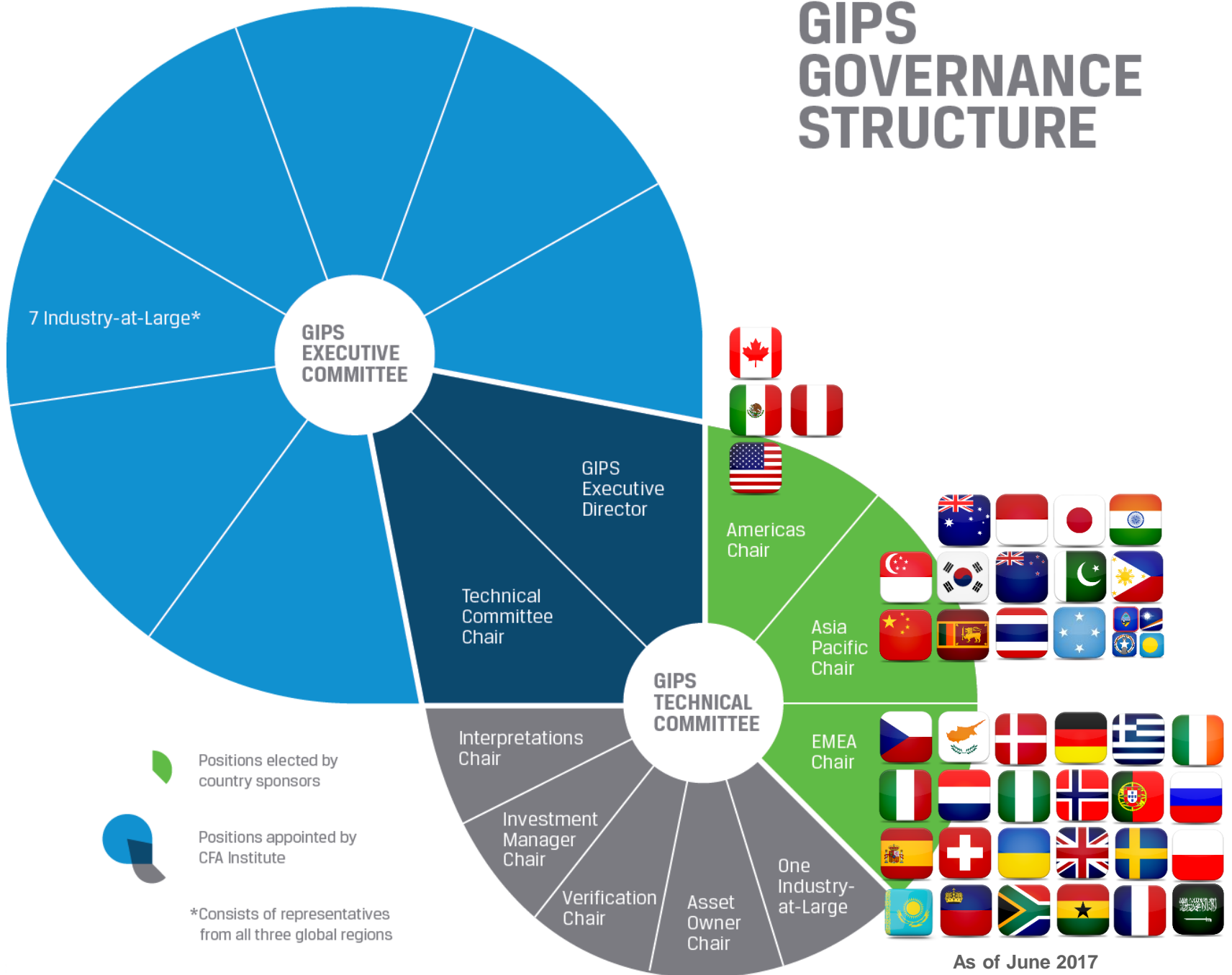
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# GIPS Wordmark USAGE

The GIPS wordmark is a visual representation indicating that a firm claims compliance with the GIPS standards. Firms that claim compliance with the GIPS standards are **only** permitted to use the GIPS wordmark on a GIPS compliant presentation or on an advertisement that adheres to the GIPS Advertising Guidelines. Firms are prohibited from using the GIPS wordmark in any other manner.

See the [GIPS website](#) for more information.

# GIPS GOVERNANCE STRUCTURE



# EVOLUTIONARY APPROACH OF THE GIPS STANDARDS

1. Extending the scope of the GIPS standards to adequately address:
  - Additional investment vehicles and strategies (e.g., private equity, hedge funds)
  - Technical areas (e.g., fees, derivatives)
2. Evolving the standards:
  - By providing on-going guidance and interpretations
  - By reviewing the entire contents of the GIPS standards periodically
3. Endorsing translations of the GIPS standards and partnering with GIPS Country Sponsors

# WHO BENEFITS FROM THE GIPS STANDARDS?

- Investors
  - Plan sponsors
  - High-net-worth investors
  - Retail investors
  
- Investment Managers
  - Including equity, fixed income, hedge fund, private equity, and real estate investment management firms

# BENEFIT TO INVESTORS

- Enhanced ability to compare performance between firms and strategies
- Consistency in calculation and presentation of performance results, such as frequency of valuation, treatment of large cash flows, and handling of accruals
- Full disclosure of important details on performance data presented, such as fees, composite construction criteria, dispersion of returns, etc.

# BENEFIT TO INVESTMENT MANAGERS

- Firms recognized for adherence to industry best practice
- Strengthened internal processes and controls; improved risk management
- Introduces transparency to the performance presentation and generates an improved view of the track record
- Market has determined that it wishes to embrace the GIPS standards

# VERIFICATION

- Verification is the review of an investment management firm's performance measurement policies and procedures by an independent third party, testing:
  - That the firm complies with all the composite construction requirements of the GIPS standards on a firm-wide basis
  - That the firm's policies and procedures are designed to calculate and present performance results in compliance with the GIPS standards
- Applies to entire firm – not specific composites
- Firms report that verification not only provides a marketing advantage, but improves the firm's internal policies and procedures



# VERIFICATION IN GIPS 2010

## (EFFECTIVE 1 JANUARY 2011)

- Verification
  - Requirement to disclose (within the claim of compliance) whether a firm has been verified or not and prescribed text describing what is and is not covered by verification
  - Clarifications:
    - Initial minimum period for which verification can be performed is one year (or from firm inception through year end)
    - The scope and purpose of verification
    - The tests a verifier must perform
    - The firm must provide to the verifier the firm's GIPS policies and procedures
    - Verification does not provide assurance that specific composite returns are correctly calculated and presented

# FIRM NOTIFICATION REQUIREMENT

- Effective 1 January 2015, firms are required to notify CFA Institute of their claim of compliance with the GIPS standards by submitting the [GIPS Compliance Form](#) which is available on the GIPS standards website at <http://www.gipsstandards.org/compliance/Pages/compliance.aspx>.
- This notification must be submitted annually by 30 June with data as of 31 December of the prior year.
- CFA Institute gathers and protects information in accordance with our Privacy Policy.
- Only the names and website addresses of firms, claiming compliance with the GIPS standards, that have given their permission will be disclosed on the GIPS standards website.
- Aggregated, summary compliance information and statistics will be published (e.g., compliance rates per region), but no firm-specific information will be disclosed. The other information collected in this form will be used for internal purposes only and kept confidential unless a firm authorizes CFA Institute to publish it.

# FIRM NOTIFICATION REQUIREMENT

- Firms are required to provide the following information on the [GIPS Compliance Form](#):
  - Name of the firm;
  - Contact details;
  - Whether or not the firm has been verified in the past 24 months; and
  - If the firm would like to be listed on the GIPS standards website.
- Some “optional” information requested but not required in order to submit the form:
  - Country;
  - Total firm assets;
  - Type of products the firm offers;
  - Asset classes the firm manages; and
  - Year firm first claimed compliance.

# FIRM NOTIFICATION REQUIREMENT

- Key statistics:
  - 82% of the firms claiming GIPS compliance chose to be listed on the GIPS standards website
  - 86% of firms claiming GIPS compliance are verified
  - Over 86% of the firms claiming GIPS compliance provided their AUM ranges
  - 85 of the top 100 global asset management firms claim GIPS compliance *(Cerulli Associates)*
    - Those firms represent 61% (more than \$46 trillion) of the world's assets of \$80 trillion *(Cerulli Associates)*

# DISCLOSURE GUIDE MATRIX

- A comprehensive checklist of GIPS disclosures that appear in the GIPS standards, the guidance statements, Q&A database, and the GIPS Handbook is available on the GIPS standards website at:

[http://www.gipsstandards.org/compliance/Documents/disclosure\\_guide\\_matrix.pdf](http://www.gipsstandards.org/compliance/Documents/disclosure_guide_matrix.pdf).

- Please watch the video that further explains, “What You Need to Know About the Disclosure Guide Matrix: An Interview with Justin Guthrie, CFA” on the GIPS standards website at:

[http://www.gipsstandards.org/compliance/Pages/disclosure\\_guide\\_matrix.aspx](http://www.gipsstandards.org/compliance/Pages/disclosure_guide_matrix.aspx).

# IMPLEMENTATION ASSISTANCE PAPER

1. Introduction that provides brief overview of why firms should comply with the GIPS standards
2. A step-by-step approach to achieving compliance
3. Case study of a mutual fund company in an emerging economy that recently claimed compliance with the GIPS standards

For a copy, please visit the GIPS website at:

[http://www.gipsstandards.org/compliance/Documents/assistance\\_to\\_firms\\_considering\\_gips.pdf](http://www.gipsstandards.org/compliance/Documents/assistance_to_firms_considering_gips.pdf)

# THE GIPS STANDARDS STRATEGIC PLAN

- **Evolve:** Develop interpretations and guidance on the application of the GIPS standards
- **Expand:** Add new content to the GIPS standards as needed
- **Engage:** Increase the involvement of investors and regulators
- **Evaluate:** Review governance structure and positioning
- **Extend:** Increase the depth and breadth of the reach of the GIPS standards, both geographically and by asset class/investment type
- **Educate:** Provide on-going educational materials and training

# 2017 GOALS AND OBJECTIVES

- Develop interpretations and guidance on the application of the GIPS standards
  - Update Guidance Statement on Verifier Independence
  - Update Guidance Statement on the Use of Supplemental Information
  - Update Guidance Statement on Performance Record Portability



## 2017 GOALS AND OBJECTIVES

- Develop guidance on the risk-related provisions
- Develop guidance on overlay asset strategies
- Begin development of additional guidance for benchmark-related provisions
- Begin development of guidance that would expand the use of Internal Rates of Return (IRR)

# 2017 GOALS AND OBJECTIVES

- Increase the depth and breadth of the reach of the GIPS standards, both geographically and by asset class/investment type
  - Focus outreach efforts on firms, industry groups, consultants, and asset owners
  - Increase number of country sponsors, specifically focusing on the Middle East, Latin America, and China.
    - ❖ Saudi Arabia endorsed January 2017
    - ❖ China endorsed March 2017

# RESOURCES

- The GIPS standards website:
  - Complete list of Guidance Statements
  - Q&A Database
  - Free webcasts
  - Disclosure Guide Matrix
  - Implementation Assistance Paper
- The GIPS standards Handbook
- Helpdesk: [gips@cfainstitute.org](mailto:gips@cfainstitute.org)
- Firm Registration Questions: [gipscompliance@cfainstitute.org](mailto:gipscompliance@cfainstitute.org)
- E-mail Alert List: [standards@cfainstitute.org](mailto:standards@cfainstitute.org)
- Twitter: [gipsstandards](https://twitter.com/gipsstandards)

[www.gipsstandards.org](http://www.gipsstandards.org)