

# HIGHLIGHTS OF THE 2020 GIPS® STANDARDS



**CFA Institute®**  
Global Investment  
Performance Standards

# INTRODUCTION

The CFA Institute **Global Investment Performance Standards (GIPS®)** are an investment industry standard for calculating and presenting historical investment performance.

The GIPS standards are developed, maintained, and promoted through the collaboration of:



Volunteers from the investment community



64 not-for-profit organizations, known as GIPS Standards Sponsors



CFA Institute®, a global association of investment management professionals

By establishing standardized requirements for calculating and presenting performance, the GIPS standards make it possible for:



Investment managers to compete on an equal footing in all markets.



Investors to compare the past performance of asset managers.



Asset owners to fully disclose and fairly present performance to oversight bodies and stakeholders.

**Over 1,700 organizations, across 46 markets, claim compliance with the GIPS standards.**

# GIPS STANDARDS SPONSORS (AS OF 30 JUNE 2019)

**Australia** Financial Services Council (FSC)

**Canada** Canadian Investment Performance Council (CIPC)

**China** CFA Society Beijing

**Cyprus** CFA Society Cyprus

**Czech Republic** CFA Society Czech Republic and Czech Capital Market Association (AKAT)

**Denmark** CFA Society Denmark and The Danish Finance Society

**France** CFA Society France and Association Française de la Gestion Financière (AFG)

**Germany** German Asset Management Standards Committee (GAMSC): Bundesverband Investment und Asset Manager e.V. (BVI); Deutsche Vereinigung für Finanzanalyse und Assetment Management (DVFA); and CFA Society Germany

**Ghana** Ghana Securities Industry Association (GSIA)

**Greece** CFA Society Greece

**India** CFA Society India

**Indonesia** CFA Society Indonesia and Indonesia Association of Mutual Fund Managers (Asosiasi Pengelola Reksa Dana Indonesia, or APRDI)

**Ireland** Irish Association of Investment Managers (IAIM)

**Italy** Italian Investment Performance Committee (IIPC): Associazione Bancaria Italiana (ABI); Associazione Italiana degli Analisti e Consulenti Finanziari (AIAF); Assogestioni; Società per lo sviluppo del Mercato dei Fondi Pensione (Mefop); Associazione Italiana Revisori Contabili (Assirevi); and CFA Society Italy

**Japan** The Securities Analysts Association of Japan (SAAJ)

**Kazakhstan** Association of Financial and Investment Analysts (AFIA)

**Korea** Korea Investment Performance Committee (KIPC)

**Liechtenstein** Liechtenstein Bankers Association (LBA)

**Mexico** CFA Society Mexico

**Micronesia** Asia Pacific Association for Fiduciary Studies (APAFS)

**The Netherlands** VBA-Beleggingsprofessionals

**New Zealand** CFA Society New Zealand

**Nigeria** Nigeria Investment Performance Committee: CFA Society Nigeria; Pensions Operators Association of Nigeria (PENOP); and Fund Managers Association of Nigeria (FMAN)

**Norway** The Norwegian Society of Financial Analysts (NFF)

**Pakistan** CFA Society Pakistan

**Peru** Procapitales

**Philippines** CFA Society Philippines; Fund Managers Association of the Philippines (FMAP) and Trust Officers Association of the Philippines (TOAP)

**Poland** CFA Society Poland

**Portugal** Associação Portuguesa de Analista Financeiros (APAF)

**Russia** CFA Association Russia

**Saudi Arabia** CFA Society Saudi Arabia

**Singapore** Investment Management Association of Singapore (IMAS)

**South Africa** Association for Savings and Investment South Africa (ASISA)

**Spain** Asociación Española de Presentación de Resultados de Gestión

**Sri Lanka** CFA Society Sri Lanka

**Sweden** CFA Society Sweden and The Swedish Society of Financial Analysts (Sveriges Finansanalytiker Forening or SFF)

**Switzerland** Swiss Funds & Asset Management Association (SFAMA)

**Thailand** The Association of Provident Fund (AOP)

**Ukraine** The Ukrainian Association of Investment Business (UAIB)

**United Kingdom** United Kingdom Investment Performance Committee (UKIPC): The Investment Association (TIA); The Association of British Insurers (ABI); Pensions and Lifetime Savings Association (PLSA); The Association of Consulting Actuaries (ACA); The Society of Pension Consultants (SPC); The Investment Property Forum (IPF); The Alternative Investment Management Association (AIMA); and The Wealth Management Association (WMA)

**United States** United States Investment Performance Committee (USIPC) of CFA Institute

# KEEPING PACE WITH A DYNAMIC INDUSTRY



## Objectives for updating the GIPS standards

- Make the GIPS standards more relevant for pooled funds, which do not fit neatly into the current composite construction or GIPS standards reporting framework.
- Make the GIPS standards more relevant for all asset classes, including alternative investment funds/strategies.
- Better address applicability for asset owners.
- Consolidate guidance that has expanded since the 2010 edition of the GIPS standards was issued.

# HOW WE GOT HERE

The Exposure Draft of the 2020 GIPS Standards (2020 Exposure Draft) was available for public comment from 1 September 2018 through 31 December 2018

We received more than 5,200 individual comments from more than 120 organizations

Every comment was evaluated and considered, resulting in recommendations for changes to some of the provisions

Proposed changes were then reviewed with and approved by the GIPS Standards Technical Committee and the GIPS Standards Executive Committee

- The purpose of today's presentation is to provide highlights of the 2020 GIPS standards
- For a more detailed overview, watch the recorded webinars on [www.gipsstandards.org](http://www.gipsstandards.org)
- The 2020 GIPS standards are available at [www.cfainstitute.org](http://www.cfainstitute.org)

# “CHAPTERS” IN THE 2020 GIPS STANDARDS



# SECTIONS IN THE 2020 GIPS STANDARDS FOR FIRMS

## **General Provisions**

1. Fundamentals of Compliance
2. Input Data and Calculation Methodology
3. Composite and Pooled Fund Maintenance

## **GIPS Composite Reports**

4. Time-Weighted Returns
5. Money-Weighted Returns

## **GIPS Pooled Fund Reports**

6. Time-Weighted Returns
7. Money-Weighted Returns

## 8. GIPS Advertising Guidelines

- Composites
- Limited Distribution Pooled Funds
- Broad Distribution Pooled Funds

## **Glossary**

## **Appendices**

- Sample GIPS Composite Reports
- Sample GIPS Pooled Fund Reports
- Sample GIPS Advertisements
- Sample Lists

# PORTFOLIO TYPES

“Portfolio” includes segregated accounts and pooled funds. Firms need to classify all portfolios as either a...



## **Segregated Account**

A portfolio owned by a single client.



## **Broad Distribution Pooled Fund (BDPF)**

A pooled fund that is regulated under a framework that would permit the general public to purchase or hold the pooled fund's shares and is not exclusively offered in one-on-one presentations.

e.g. US '40 Act mutual funds, UCITS funds



## **Limited Distribution Pooled Fund (LDPF)**

Any pooled fund that is NOT a Broad Distribution Pooled Fund.

e.g. Limited Partnerships, Private Equity Funds

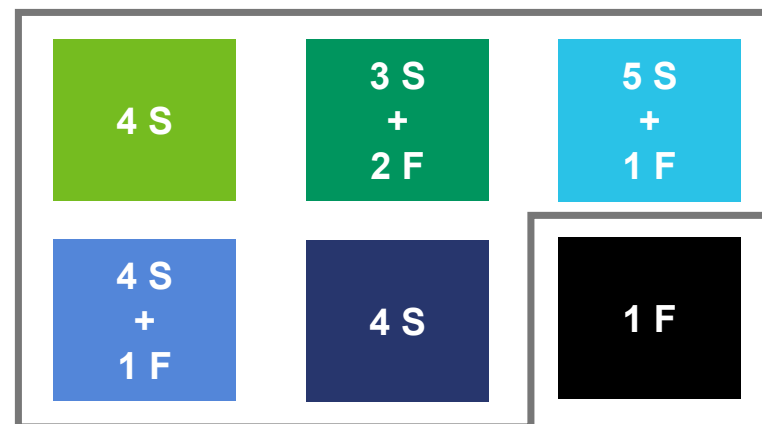
# REQUIRED COMPOSITES: AN EXAMPLE

**PORTFOLIO:** An individually managed group of investments. A portfolio may be a segregated account or a pooled fund.

S	S	S	S	F
S	F	S	S	S
S	S	S	F	S
F	S	S	S	S
S	F	S	S	S



**COMPOSITE:** An aggregation of one or more portfolios that are managed according to a similar investment mandate, objective, or strategy. A composite **must** include all portfolios that meet the composite definition



- Firm definition captures universe of 25 portfolios
- 20 segregated accounts (S) and 5 pooled funds (F)
- All are actual, fee-paying, discretionary portfolios
- 6 different strategies (indicated by color)
- 1 pooled fund's strategy is not offered as a segregated account (black)

- 5 composites are required, 1 composite is optional

# GIPS REPORTS (FORMERLY COMPLIANT PRESENTATIONS)



**GIPS COMPOSITE REPORT:** A presentation for a composite that includes all of the information required by the GIPS standards. May also include recommended or supplemental information



**GIPS POOLED FUND REPORT:** A presentation for a pooled fund that includes all of the information required by the GIPS standards. May also include recommended or supplemental information

- The term “GIPS Report” includes both GIPS Composite Reports and GIPS Pooled Fund Reports.
- Presentation of gross only returns, net only returns, or both returns is the firm’s choice, subject to regulatory requirements.

Spinning Top Investments  
Large Cap Growth Composite  
1 February 2011 to 31 December 2020

SAMPLE

Year	Composite Gross Return TWR (%)	Composite Net Return TWR (%)	Benchmark Return (%)	3-Year Std Deviation		Number of Portfolios	Internal Dispersion (%)	Composite Assets (\$ M)	Firm Assets <sup>(b)</sup> (\$ M)
				Composite Gross (%)	Benchmark (%)				
2011 <sup>(a)</sup>	2.18	1.25	1.17			31	n/a	165	n/a
2012	18.66	17.49	15.48			34	2.0	235	n/a
2013	41.16	39.80	33.36			38	5.7	344	n/a
2014	14.50	13.37	13.03	11.30	9.59	45	2.8	445	1,032
2015	6.52	5.47	5.67	12.51	10.68	48	3.1	520	1,056
2016	8.22	7.15	7.09	12.95	11.15	49	2.8	505	1,185
2017	33.78	32.48	30.18	12.29	10.53	44	2.9	475	1,269
2018	-0.84	-1.83	-0.65	13.26	11.91	47	3.1	493	1,091
2019	33.08	31.78	29.76	12.81	11.71	51	3.5	549	1,252
2020	7.51	6.44	6.30	13.74	12.37	54	2.5	575	1,414

<sup>(a)</sup> Returns are for the period 1 February 2011 to 31 December 2011.

<sup>(b)</sup> Spinning Top Investments acquired the composite through an acquisition of ABC Capital in May 2014. Firm assets prior to 2014 are not presented because the composite was not part of the firm.

**Disclosures**

1. Spinning Top Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Spinning Top Investments has been independently verified for the periods 1 January 2011 to 31 December 2020. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards

# PROVIDING GIPS REPORTS TO PROSPECTS

If the investment will be in a ...	Then ...
Segregated Account	<ul style="list-style-type: none"> <li>Firms must make every reasonable effort to provide a <b>GIPS Composite Report</b> to all prospective clients when they initially become prospective clients.</li> <li>Once the firm has provided a GIPS Composite Report to a prospective client, the firm must provide an updated GIPS Composite Report at least once every 12 months, if the prospective client is still a prospective client.</li> </ul>
Limited Distribution Pooled Fund (LDPF)	<ul style="list-style-type: none"> <li>Firms must make every reasonable effort to provide a <b>GIPS Report</b> to all prospective LDPF prospective investors when they initially become prospective investors.</li> </ul> <p>The <b>GIPS Report</b> may be either:</p> <ul style="list-style-type: none"> <li>A <b>GIPS Pooled Fund Report for the respective LDPF</b>, or</li> <li>A <b>GIPS Composite Report</b>, but only if the LDPF is included in the respective composite.</li> </ul> <ul style="list-style-type: none"> <li>Once the firm has provided a GIPS Report to a prospective investor, the firm must provide an updated GIPS Report at least once every 12 months, if the prospective investor is still a prospective investor.</li> </ul>
Broad Distribution Pooled Fund (BDPF)	<ul style="list-style-type: none"> <li>Firms may provide a <b>GIPS Pooled Fund Report</b> to BDPF prospective investors, but are not required to do so.</li> </ul>

# TRANSACTION COSTS (FORMERLY TRADING EXPENSES)

## 2010 Edition

### Trading Expenses

Firms are required to calculate returns after the deduction of actual trading expenses during the period.

## 2020 Edition

### Transaction Costs

Firms may use either actual or estimated transaction costs for portfolios included in composites.

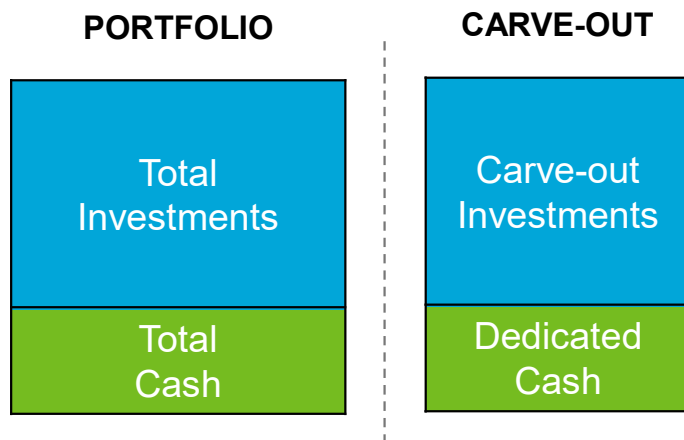
Estimated transaction costs may be used only for those portfolios for which actual transaction costs are not known.

# CARVE-OUTS

- A carve-out is a portion of a portfolio that is by itself representative of a distinct investment strategy.
- A carve-out **must** represent a standalone portfolio managed, or intended to be managed, according to the strategy.
- Any carve-out included in a composite **must** include cash and any related income.

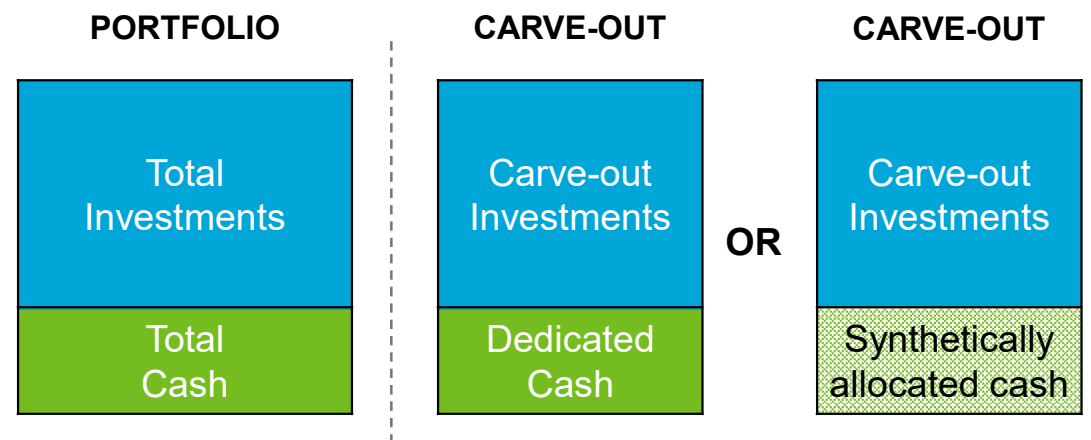
## 2010 Edition

Carve-out **must** be managed with its own dedicated cash.



## 2020 Edition

Carve-out **may** be managed with its own cash or have cash allocated synthetically.



# CARVE-OUTS

- If the firm chooses to allocate cash to a carve-out and include it in a composite, it must create carve-outs with allocated cash for all carve-outs managed in the same strategy across the entire firm
  - All carve-outs with allocated cash must be included in the composite
- Carve-outs with allocated cash may be used for all periods
- Once the firm obtains a standalone portfolio managed in the same strategy as the carve-out(s) with allocated cash, it must create a composite that includes only standalone portfolios
- The GIPS Composite Report for the composite that includes the carve-out(s) with allocated cash must include returns and composite assets for the standalone composite as well
  - See Appendix A, Sample 5, for a GIPS Composite Report for a composite that includes carve-outs with allocated cash

# EXTERNAL VALUATION

## 2010 Edition

### External Valuation

Real estate investments **must:**

- have an external valuation at least once every 12 months\*

\* unless client agreements stipulate otherwise, in which case real estate investments must have an external valuation at least once every 36 months or per the client agreement if the client agreement requires external valuations less frequently than every 36 months

## 2020 Edition

### External Valuation

Real estate investments in a real estate open-end fund **must:**

- have an external valuation at least once every 12 months

Real estate investments not in a real estate open-end fund **must:**

- have an external valuation at least once every 12 months\*; or
- be subject to an annual financial statement audit performed by an independent public accounting firm.
  - The real estate investments must be accounted for at fair value, and
  - the most recent audited financial statements available must contain an unmodified opinion issued by an independent public accounting firm.

Private market investments, other than real estate, (e.g., private equity and infrastructure) **should** have an external valuation at least once every 12 months

# TIME-WEIGHTED VS MONEY-WEIGHTED RETURNS

## **TIME-WEIGHTED RETURN (TWR):**

A method of calculating period-by-period returns that reflects the change in value and negates the effects of external cash flows.

## **MONEY-WEIGHTED RETURN (MWR):**

A return for a period that reflects the change in value and the timing and size of external cash flows. In the 2010 edition, the term internal rate of return (IRR) was used.

### 2020 Edition

- Firms **must** present TWRs unless certain criteria are met, in which case the firm may present MWRs.
- Firms **may** choose to present MWRs vs TWRs if, for the composite or pooled fund:
  - The firm has control over external cash flows, and
  - Each composite portfolio has, or the pooled fund has, at least one of the following characteristics:
    - It is closed – end
    - It has a fixed life
    - It has a fixed capital commitment
    - Illiquid investments are a significant part of the composite's or pooled fund's investment strategy

# MONEY-WEIGHTED RETURNS

## 2010 Edition

### Money-Weighted Returns

- Firms were required to include SI-IRRs through each annual period end.
- Firms were required to include information about committed capital, distributions, and related multiples as of each annual period end.

## 2020 Edition

### Money-Weighted Returns

- GIPS Reports that include MWRs are required to include MWRs for only one period – from inception through the most recent annual period end.
- GIPS Reports that include MWRs are required to include information about committed capital, distributions, and related multiples only as of the most recent annual period end.

- In 2020, composites and pooled funds that use a subscription line of credit and present MWRs must present MWRs both with and without the subscription line of credit activity. The returns without the subscription line of credit is not required if the subscription line of credit has the following characteristics:
  - The principal was repaid within 120 days using committed capital drawn down through a capital call
  - No principal was used to fund distributions.

## VALUATION & RETURN CALCULATION: TWR

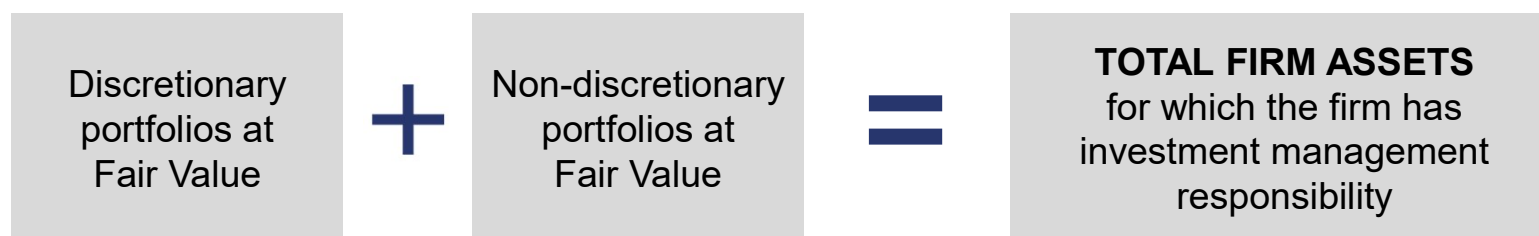
Portfolio or pooled fund	Portfolio valuation requirements	Portfolio calculation requirements	Composite calculation requirements
Portfolios in composites (except private market investment portfolios)	<ul style="list-style-type: none"> <li>• At least <b>monthly</b></li> <li>• At the time of large cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• At least <b>monthly</b></li> <li>• Sub-period returns at the time of large cash flows</li> <li>• Use daily-weighted cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Asset weight portfolio returns (or use the aggregate method) at least <b>monthly</b></li> </ul>
Private market investment portfolios in composites	<ul style="list-style-type: none"> <li>• At least <b>quarterly</b></li> <li>• No requirement to value at the time of large cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• At least <b>quarterly</b></li> <li>• Use daily-weighted cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Asset weight portfolio returns (or use the aggregate method) at least <b>quarterly</b></li> </ul>
Pooled funds not in composites	<ul style="list-style-type: none"> <li>• At least <b>annually</b></li> <li>• At the time of all subscriptions &amp; redemptions</li> <li>• Whenever returns are calculated</li> </ul>	<ul style="list-style-type: none"> <li>• At least <b>annually</b></li> <li>• Sub-period returns at the time of all subscriptions and redemptions</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

## VALUATION & RETURN CALCULATION: MWR

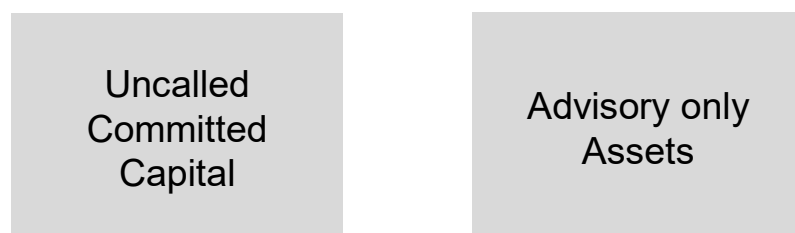
Portfolio or pooled fund	Portfolio valuation requirements	Portfolio calculation requirements	Composite calculation requirements
Pooled funds and portfolios in composites	<ul style="list-style-type: none"> <li>• <b>Annually</b></li> <li>• Whenever returns are calculated</li> </ul>	<ul style="list-style-type: none"> <li>• Annualized since-inception MWRs</li> <li>• Use daily cash flows as of 1 Jan 2020, and at least quarterly cash flows before then</li> </ul>	<ul style="list-style-type: none"> <li>• Must aggregate the portfolio-level information for those portfolios included in the composite for the period from inception through the most recent annual period end</li> </ul>

# TOTAL FIRM ASSETS

Firms **must** present total firm assets:



- Advisory-only assets **must not** be included in total firm assets
- Uncalled committed capital **must not** be included in total firm assets for periods beginning on or after 1 Jan 2020
- No longer an option to present composite assets as a % of total firm assets instead of total firm assets (does not apply retroactively)



Firms **may** present advisory-only assets and uncalled committed capital separately from total firm assets, or combined with total firm assets, as a separate value

# PORTABILITY

When a compliant firm acquires a non-compliant firm or affiliation:



- The firm **may** present the acquired firm's track record as its own (i.e., port history), on a composite-specific or pooled fund-specific basis, if:
  - Substantially all the investment decision makers are employed
  - Decision-making process remains substantially intact and independent
  - Records to support the performance from acquired firm
- The firm **may** link performance if, in addition to the above:
  - There is no break in the track record between the past firm or affiliation and the new or acquiring firm
- There is no time limit on when firms may port history from the past firm or affiliation.



- Assets of the acquired non-compliant firm or affiliation **must** meet all the requirements of the GIPS standards within one year of the acquisition date, on a prospective basis. (The one-year grace period allows a compliant firm to not lose its compliant status when it acquires a non-compliant firm or affiliation.)

# BENCHMARKS

- If the firm chooses to include more than one benchmark in the GIPS Composite Report or GIPS Pooled Fund Report, the firm **must** include all required information for all benchmarks.
- If the benchmark changes,
  - **must** disclose the date of, description of, and reason for the change, and
  - prospective benchmark changes **must** be disclosed for as long as returns for the prior benchmark are included in the GIPS Report, and
  - retroactive changes **must** be disclosed for a minimum of one year and for as long as they are relevant to interpreting the performance track record.
- The firm **must** disclose the periodicity of benchmark returns, if calculated less frequently than monthly.

# NEW OR REVISED REQUIRED DISCLOSURES (PAGE 1 OF 4)

## CLAIM OF COMPLIANCE

- Revised claim of compliance for a firm that is verified

## INCEPTION DATE

- New disclosure: Composite or pooled fund inception date

## GIPS TRADEMARK

- New disclosure:

“GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.”

## RISK

- New disclosure: Whether gross or net returns are used to calculate presented risk measures
- New disclosure: For additional risk measures, if included, a description of the additional risk measure and the risk free rate used, if applicable
- Revised disclosure: No longer required to disclose that the three year annualized ex post standard deviation is not presented because 36 monthly returns are not available unless the composite or pooled fund has at least three annual periods of performance

# NEW OR REVISED REQUIRED DISCLOSURES (PAGE 2 OF 4)

## REAL ESTATE

- Revised disclosure: For real estate investments that are not in a real estate open-end fund, the firm must disclose that:
  - External valuations are obtained, and the frequency with which they are obtained, or
  - The firm relies on valuations from financial statement audits.

## LEVERAGE, DERIVATIVES, AND SHORT POSITIONS

- New disclosure: How these may be used must be included in the composite description or pooled fund description, if they are a material part of the strategy

## RETURN TYPE

- New disclosure: If the return type has changed, (e.g., changed from presenting TWRs to MWRs)

## ESTIMATED TRANSACTION COSTS

- New disclosure: If estimated transaction costs are used, the estimated transaction costs used and how they were determined

## FEES

- New disclosure: If model investment management fees are used to calculate net-of-fee returns and gross-of-fee returns are not presented, the model fee used (required for periods ending on or after 31 December 2020)

# NEW OR REVISED REQUIRED DISCLOSURES (PAGE 3 OF 4)

## FEE SCHEDULE

When presenting performance for ...	to a ...	the fee schedule must ...
A standalone portfolio	prospective client	reflect the fee schedule for a standalone portfolio managed to the strategy being presented
A composite that includes carve-outs	prospective client for a multi-asset strategy portfolio	reflect the fee schedule for a multi-asset strategy portfolio managed to the strategy being presented
A wrap fee composite	wrap fee prospective client	reflect the total wrap fee
A composite	prospective investor for a pooled fund	disclose the pooled fund current fee schedule and expense ratio

- If the fee schedule includes performance-based fees or carried interest, must disclose the performance-based fee description or carried interest description (e.g., fee rate, hurdle rate, clawback, HWM, crystallization schedule)

# NEW OR REVISED REQUIRED DISCLOSURES (PAGE 4 OF 4)

## THEORETICAL PERFORMANCE

Theoretical performance, if presented, **must** be presented as supplemental information and **must** disclose:

- that the results are theoretical and not based on the performance of actual portfolios
- whether the theoretical performance was derived from the retroactive or prospective application of a model
- a basic description of the model and assumptions used to calculate the theoretical performance sufficient for the prospective client or prospective investor to interpret the theoretical performance, including if it is based on model performance, back-tested performance, or hypothetical performance
- whether the theoretical performance reflects the deduction of investment management fees, transaction costs, or other fees and charges that an actual client portfolio would have paid or will pay.

# SUNSET PROVISIONS

Certain disclosures **must** be included for a minimum of one year and **may** subsequently be removed if the firm determines that the disclosure is no longer relevant to interpreting the track record.

- Significant events that would help a prospective client/investor interpret the GIPS Report
- Changes to the name of the composite / pooled fund
- Retroactive benchmark change
- Correction of a material error
- Change in the type of return presented

# GIPS ADVERTISING GUIDELINES

Firms have three options when advertising:

## 1 Prepare a GIPS Advertisement

- Firms are permitted to advertise composites, LDPFs, and BDPFs
- New Fundamental Requirements applicable to all GIPS Advertisements

## 2 Prepare a GIPS Advertisement and include a GIPS Report

- Requirements differ for GIPS Reports that present TWR and GIPS Reports that present MWR

## 3 Do not mention the GIPS standards

- A GIPS Advertisement is an advertisement by a GIPS-compliant firm that adheres to the requirements of the GIPS Advertising Guidelines
- GIPS Advertising Guidelines replace the Broadly Distributed PF Guidance Statement for BDPFs.

# VERIFICATION

The GIPS standards **recommend** that firms be verified.

## Definition

A process by which an independent verifier conducts testing of a firm on a firm-wide basis, in accordance with the required verification procedures of the GIPS standards.

## Purpose

Verification is intended to provide a firm and its prospective and current clients and pooled fund investors additional confidence in the firm's claim of compliance with the GIPS standards.

## Scope

A verification report is issued on a firm-wide basis. The initial minimum period for which a verification can be performed is one year (or from firm inception date through period end if less than one year).

# VERIFICATION



The verification report must opine that, for the period(s) for which the verification has been performed, the firm's policies and procedures for complying with the GIPS standards related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been, in all material respects:

- designed in compliance with the GIPS standards; and
- implemented on a firm-wide basis.



Verification cannot be carried out only on a composite or a pooled fund and, accordingly, provides no assurance about the performance of any specific composite or pooled fund or any specific GIPS Report. (Detailed testing of a specific composite or pooled fund can be carried out via a performance examination, in accordance with the required procedures of the GIPS standards.)



Firms must comply with all applicable requirements of the GIPS standards, which include requirements beyond those specified in the required verification procedures. Therefore, verification does not provide assurance on the firm's claim of compliance with the GIPS standards in its entirety.

# ASSET OWNERS

- An **asset owner** is defined as an entity that manages investments, directly and/or through the use of external managers, on behalf of participants, beneficiaries, or the organization itself
- The term “asset owner” applies to organizations and not to individuals
- Asset owners are typically accountable to an oversight body (e.g., board of trustees) responsible for establishing investment policies and monitoring performance
- Some asset owners manage assets not only for themselves, but also compete for business
  - When competing for business, asset owners **must** comply the GIPS Standards for Firms
  - When presenting to oversight bodies, asset owners **must** comply with the GIPS Standards for Asset Owners



Pensions  
Endowments  
Foundations  
Family offices  
Provident funds  
Insurers and reinsurers  
Sovereign wealth funds  
Fiduciaries

# REASONS ASSET OWNERS COMPLY

- Demonstrates a commitment to follow global industry standards and best practice for valuation, performance calculation, and performance presentation
- Requires the establishment of robust performance policies and procedures
- Demonstrates a commitment to consistent, transparent, and comparable methods of calculating and presenting performance
- Demonstrates a commitment to adopt the same principles that may be required of external investment managers

Asset owners have always been able to claim compliance, but because the GIPS standards were originally designed for investment managers, many asset owners struggled to understand how to apply provisions not originally designed for them.

# GIPS ASSET OWNER REPORT



**GIPS ASSET OWNER REPORT:** A presentation for a total fund or composite that contains all the information required by the GIPS standards.

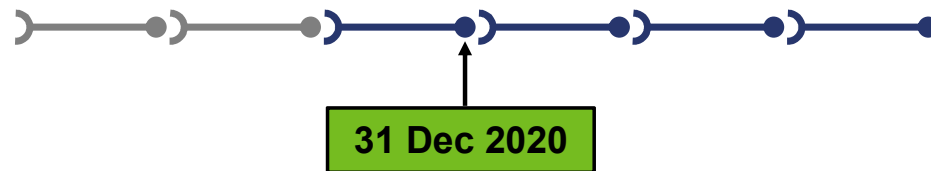
**TOTAL FUND:** A pool of assets managed by an asset owner according to a specific investment mandate, which is typically composed of multiple asset classes. The total fund is typically composed of underlying portfolios, each representing one of the strategies used to achieve the asset owner's investment mandate.

- The asset owner **must** provide a GIPS Asset Owner Report for all total funds and any additional composites that have been created to the oversight body
- The asset owner **may** provide a GIPS Asset Owner Report to those who have a more indirect fiduciary role but is not required to do so
- Asset owners **must** initially attain compliance, on an asset owner-wide basis, for a minimum of one year
- GIPS Asset Owner Reports **must** initially include the track record for the period for which the asset owner claims compliance
- Prospectively, the asset owner **must** build towards presenting at least a 10 year compliant track record
- Only GIPS-compliant performance **may** be included in GIPS Asset Owner Reports
- Asset owners can attain compliance at any time. There is no minimum effective compliance date.

# EFFECTIVE DATE

GIPS Reports with periods ending prior to 31 Dec 2020 **may** be prepared in accordance with the 2010 edition

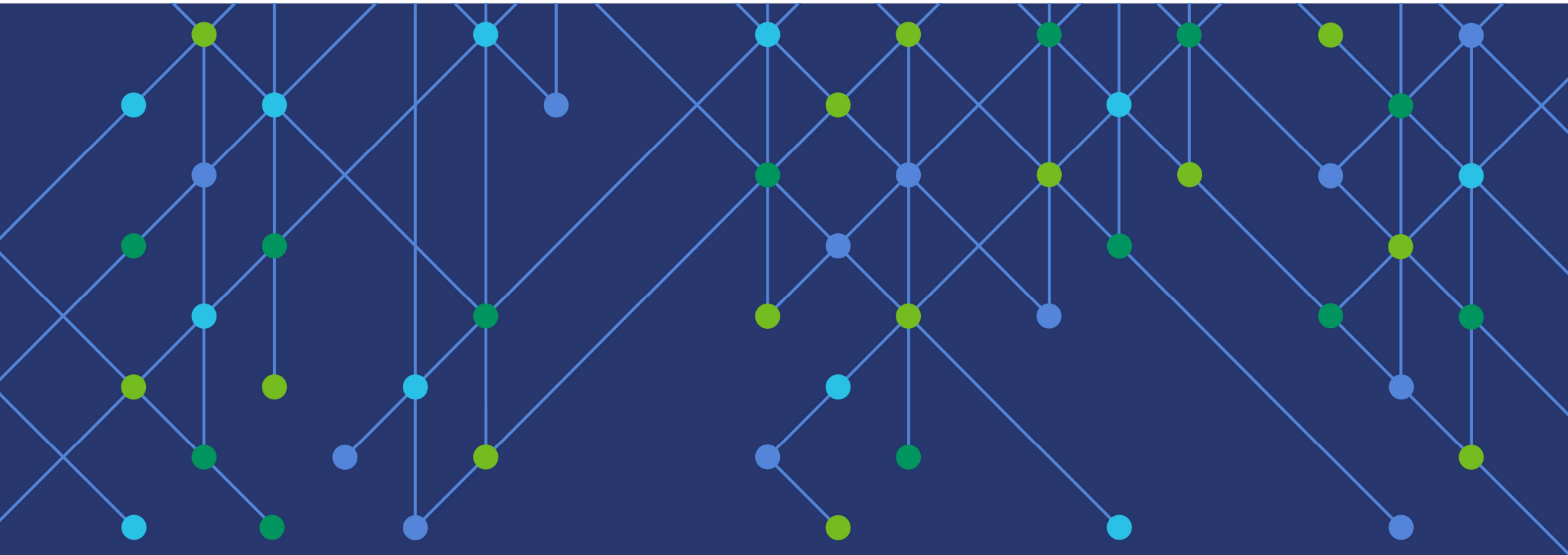
GIPS Reports with periods ending on or after 31 Dec 2020 **must** be prepared in accordance with the 2020 edition



- Input data that feed into GIPS Reports **must** adhere to the requirements of the 2020 edition as of 1 January 2020.
- Firms **may** choose to early adopt the 2020 GIPS standards.
- Regardless of when firms choose to adopt, they **must comply with all requirements** of the 2020 edition of the GIPS standards, including the requirements related to GIPS Reports.

# RESOURCES

- 2020 edition of the GIPS standards
  - [www.cfainstitute.org/ethics/codes/gips-standards](http://www.cfainstitute.org/ethics/codes/gips-standards)
- Recorded webinars
  - [www.gipsstandards.org/compliance/Pages/articles.aspx](http://www.gipsstandards.org/compliance/Pages/articles.aspx)
- Help Desk
  - [gips@cfainstitute.org](mailto:gips@cfainstitute.org)
- Interpretations of the provisions in the 2020 GIPS standards are being created
  - Goal is to issue this guidance for firms by 31 December 2019, and for asset owners in early 2020



**THANK YOU!**