

THE 2020 GIPS® STANDARDS

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CFA Institute®
Global Investment
Performance Standards

WHAT ARE THE GIPS STANDARDS?

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



GIPS Standards Sponsors, which include 60+ not-for-profit organizations



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.

As of 31 Dec 2020, over 1,750 organizations, across 47 markets, claim compliance with the GIPS standards.

GIPS STANDARDS GLOBAL COMPLIANCE

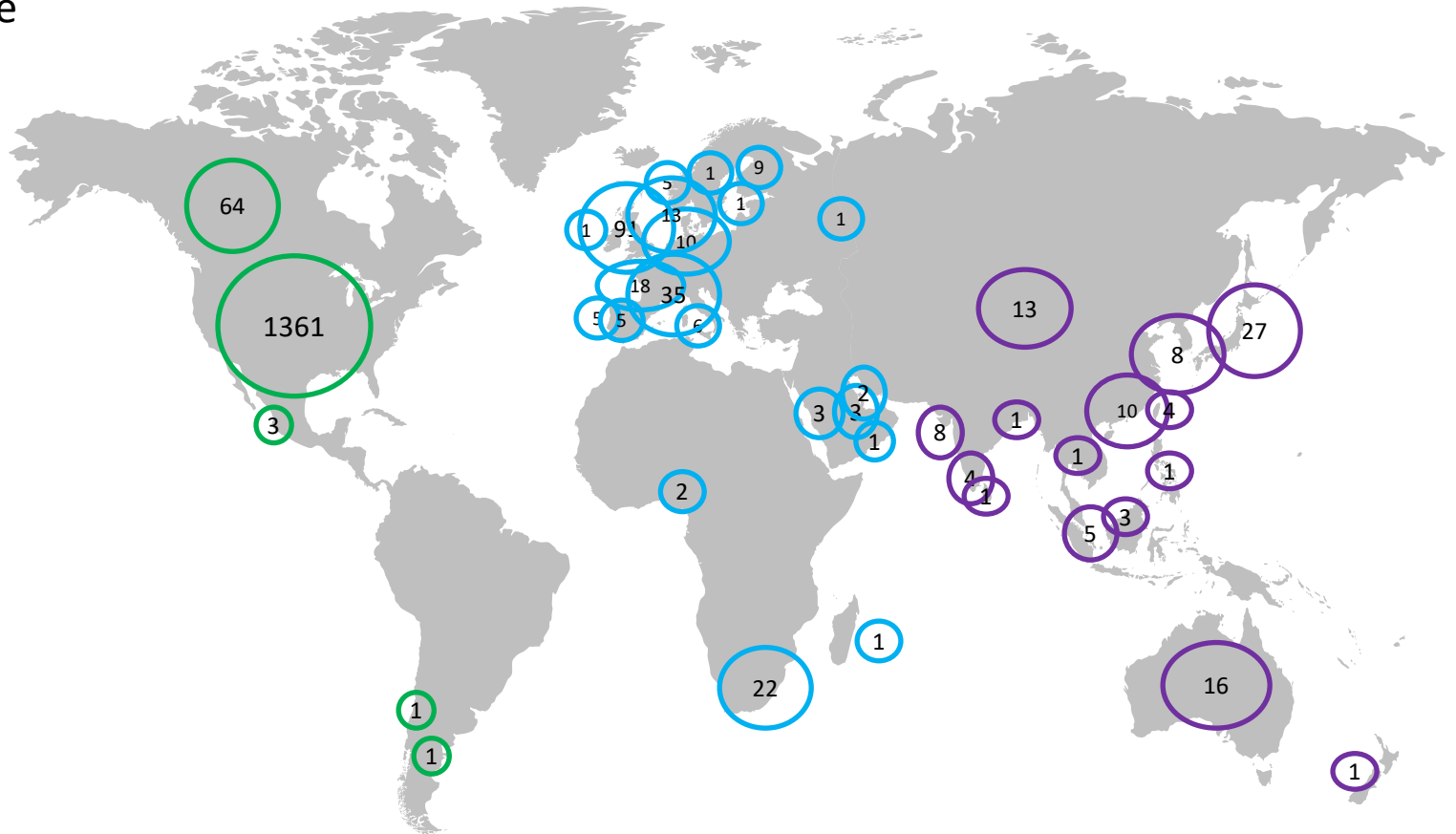
24 of top 25 and 90 of top 100
Asset Managers by AUM* claim compliance
for all / some of AUM

Argentina	1
Bermuda	2
AMER Canada	64
Chile	1
Mexico	3
USA	1361

Australia	16
China	13
Hong Kong SAR	10
India	4
Japan	27
Korea	8
APAC Malaysia	3
New Zealand	1
Pakistan	8
Philippines	1
Singapore	5
Sri Lanka	1
Taiwan	4
Thailand	1

EMEA Andorra	1
Austria	2
Bahrain	2
Belgium	3
Denmark	13
Finland	9
France	18
Germany	7
Ireland	1
Italy	6
Liechtenstein	1
Luxembourg	1
Mauritius	1
Netherlands	10
Nigeria	2
Norway	5
Oman	1
Portugal	5
Russian Federation	1
Saudi Arabia	3
South Africa	22
Spain	5
Sweden	1
Switzerland	35
UAE	3
United Kingdom	91

14 Asset owners:
USA, Canada, Portugal,
Switzerland, Oman, Norway,
Hong Kong SAR, Saudi Arabia



Most significant number of entities by location
All entities by domicile as of 31 December 2020

*Cerulli Top 100 Asset Managers by AUM as of 12/31/2020

THE 2020 EDITION GIPS STANDARDS: 3 CHAPTERS KEEPING PACE WITH A DYNAMIC INDUSTRY



Current edition: 2020
Previous edition: 2010

Principle Developments in the GIPS standards

- Differentiated reporting for Pooled Funds versus Composites.
- Focus on Portfolio Structure, including alternative investment funds/strategies and less on asset classes
- Expand application of Money-Weighted Rates
- Specific consolidation of Asset Owner provisions

Four elements comprise the GIPS Standards guidance:

1. Provisions, organized in chapters by user type (*shown on left*)
2. Explanations (All sections)
3. Guidance statements (Development)
4. Q&A database

FIRMS AND ASSET OWNERS

- The GIPS standards must be applied on a firm-wide basis. Compliance cannot be met on a composite, pooled fund, or portfolio basis.
- A **firm** is defined as an investment firm, subsidiary, or division held out to the public as a distinct business entity.
- For example, if a firm definition includes both equity and fixed income products, the firm cannot present only its equity products (strategies) as being in compliance with the GIPS standards.
- 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

REASONS FIRMS COMPLY

- Demonstrates a commitment to follow global industry standards and best practice for valuation, performance calculation, and performance presentation
- Compliance requires establishment of robust investment performance policies and procedures
- Implementing the GIPS principles adds to the control structure & activities of the firm, helping to embed and foster sound operations conduct



BENEFITS OF CLAIMING COMPLIANCE

- Demonstrates a firm-wide commitment to ethical best practices beyond regulatory obligations; relevant to prospective and existing clients, and employees
- Strengthened governance and internal control processes by leveraging the policies and procedures through the firm
- Investors value GIPS-compliant firms because they can rely on the performance presentations they receive
- Elimination of grey areas and indecision; speeds up operations, efficiency gains
- Additional controls on reputational risk
- Compliance can be part of corporate social responsibility and good governance programs

SECTIONS OF THE 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

ATTAINING COMPLIANCE

- An firm must initially attain compliance, on an firm-wide basis, for a minimum of five years.
- Prospectively, the firm must build towards at least a 10-year compliant track record.
- Firms must report their GIPS-compliant history in a GIPS Report to prospective clients and prospective limited distribution pooled fund investors.
- A GIPS Report is a presentation for a composite or pooled fund that contains all of the information required by the GIPS standards.
 - It may also include other information.
- Submission of the CFA Institute GIPS Standards Notification Form (annually).

SOME DETAILS: PORTFOLIO TYPES

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



Segregated Account

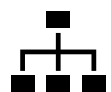
A portfolio owned by a single client.



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)

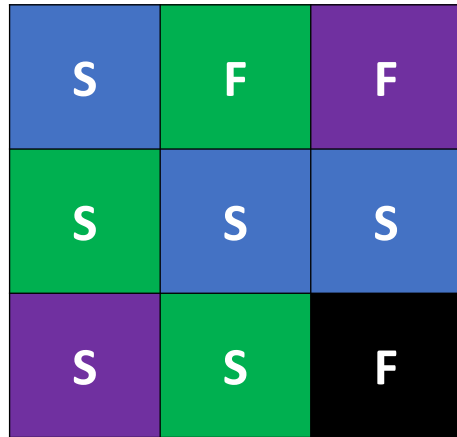
Any pooled fund that is NOT a Broad Distribution Pooled Fund.

e.g. Limited Partnerships, Private Equity Funds

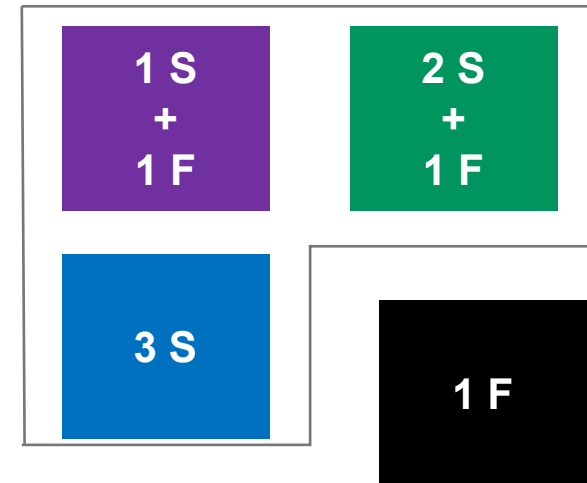
COMPOSITE CONSTRUCTION: AN EXAMPLE

PORTFOLIO: An individually managed group of investments.

A portfolio may be a segregated account (S) or a pooled fund (F).



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 contains the universe of 9 portfolios
- 6 segregated accounts (S) and 3 pooled funds (F) managed to
- 4 different strategies, indicated by color
- All are actual, fee-paying, discretionary portfolios
- 1 strategy only available as a pooled fund (black)

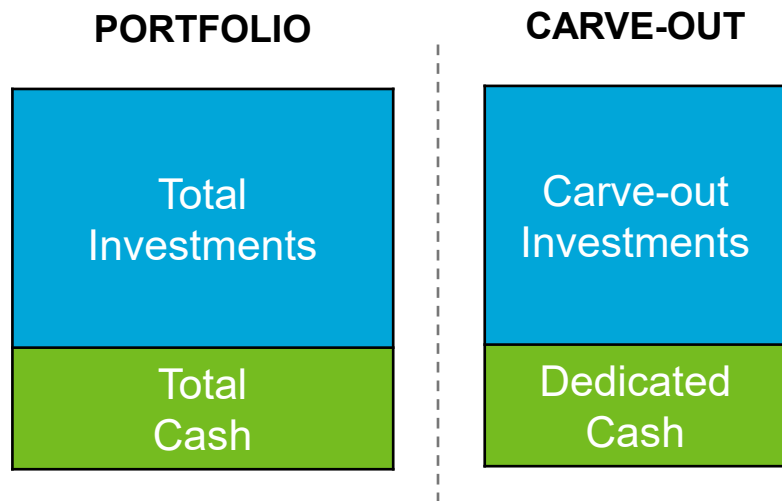
- 3 composites are required
- A strategy ONLY available to prospective pooled fund investors is not required to be in a composite

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.

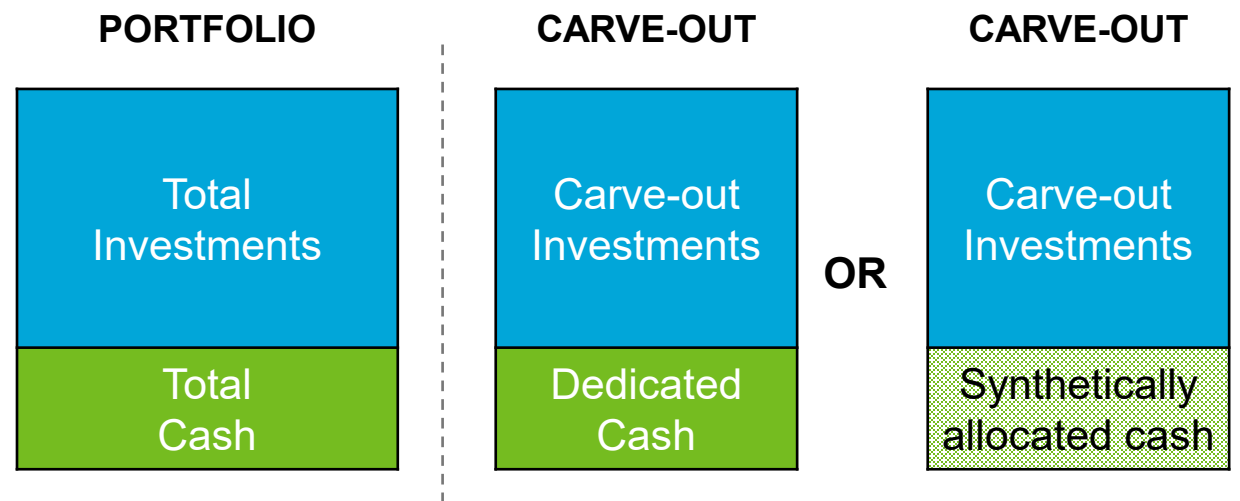
2010 Edition

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.



GIPS REPORTS



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.

SAMPLE 2 POOLED FUND WITH TIME-WEIGHTED RETURNS

Linker Advisors

Juneau Private Placements Bond Fund

1 January 2014 to 31 December 2020

Year	Fund Gross Return (%)	Benchmark Return (%)	Fund Gross 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)	Fund Assets (C\$ M)	Firm Assets (C\$ M)
2014	2.15	2.20			250	1,050
2015	7.01	6.83			265	1,202
2016	6.12	6.07	2.82	2.80	310	1,225
2017	-2.83	-3.84	3.90	4.11	301	1,227
2018	9.31	9.23	3.74	3.96	336	1,306
2019	8.52	9.74	3.47	3.76	362	1,350
2020	4.59	2.62	2.64	2.74	404	1,411

1. Linker Advisors claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Linker Advisors has not been independently verified.
2. Linker Advisors is a privately owned investment manager registered in all provinces in Canada as a Portfolio Manager and as an Investment Fund Manager in Ontario. The firm primarily provides services to insurance companies, corporations, investment companies, pension and profit-sharing plans, endowments, and state or municipal government entities. Linker Advisors invests in the public equity, private placement, alternative investment, and fixed-income markets both domestically in Canada and throughout the world.

PROVIDING GIPS REPORTS TO PROSPECTS: DRIVEN BY PORTFOLIO TYPE

If the investment will be in a..	Examples	Then...
Segregated Account	A portfolio managed exclusively for institution XYZ	<ul style="list-style-type: none"> •Firms must make every reasonable effort to provide a GIPS Composite Report to all prospective clients when they initially become prospective clients.
Limited Distribution Pooled Fund (LDPF)	A hedge fund that is exclusively offered in one-on-one presentations	<p>Firms must make every reasonable effort to provide a GIPS Report to all prospective LDPF prospective investors when they initially become prospective investors.</p> <p>The GIPS Report may be either:</p> <ul style="list-style-type: none"> • A GIPS Pooled Fund Report for the respective LDPF, or • A GIPS Composite Report, but only if the LDPF is included in the respective composite.
Broad Distribution Pooled Fund (BDPF)	A mutual fund that is highly regulated and allows the public to buy and hold shares	<ul style="list-style-type: none"> •Firms may provide a GIPS Pooled Fund Report to BDPF prospective investors, but are not required to do so.

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. The firm may present MWRs only if the firm has control over the external cash flows into the portfolios in the composite or pooled fund, and the portfolios in the composite have 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

1.A.36 The firm must choose if it will present TWR, MWR or both for each composite or pooled fund, and it must consistently present the selected returns for each composite or pooled fund.

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.

PRIVATE MARKET INVESTMENT PROVISIONS

When calculating TWR for Private Market Investment Portfolios that are included in composites, firms MUST:

- Calculate returns at least quarterly
- Calculate quarterly returns through calendar quarter-end or the last business day of the quarter
- Calculate portfolio returns that are adjusted for daily-weighted external cash flows
- Treat external cash flows according to the firm's composite-specific policy
- Geometrically link periodic and sub-period returns to generate longer period returns
- Consistently apply the calculation methodology for an individual portfolio
- Composite TWR MUST be calculated by asset-weighting the individual portfolio returns at least quarterly.

2.A.21 If the firm uses the last available historical price or preliminary, estimated value as fair value the firm must:

- a. Consider it to be the best approximation of the current fair value
- b. Assess the difference between that and the final value; the effect on assets and performance, and if material, apply adjustments.

GIPS REPORTS – REQUIRED DISCLOSURES

The GIPS standards require a series of disclosures, including:

- A description of the composite's or fund's investment mandate, objective, or strategy, including material risks
- The fee schedule that is applicable to the prospective client or investor and the fees that were used to calculate net returns, if applicable
- A description of the benchmark's investments, structure, and characteristics
- How leverage, derivatives, and short positions have been used historically, if material
- The firm's verification status
- The 3-year annualized standard deviation of the composite or fund and benchmark as of each annual period end.

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).

POLICIES AND PROCEDURES (P&P)

- Essential to implementing adequate business controls at all stages of the investment performance process
- A firm must document all policies and procedures followed for meeting the REQUIREMENTS as well as for any recommendations it as chosen to adopt.
- P&P must be
 - consistently applied
 - reviewed regularly
 - NOT changed frequently or retrospectively

CHALLENGES

1.A.1 The claim of compliance applies to the FIRM Compliance **MUST** be met on a FIRM-WIDE basis and **CANNOT** be met on a composite, pooled fund or portfolio basis.

1.A.3 To initially claim compliance with the GIPS standards, the firm must attain compliance for a **MINIMUM OF FIVE YEARS** or for the period since the firm inception...

1.A.5 The Firm Must:

a. Document its policies and procedures used in establishing and maintaining compliance with the **REQUIREMENTS** of the GIPS standards...

The GIPS standards are an ethical framework that applies to a firm; it reflects the way the firm wants to behave when calculating and presenting investment performance history: building trust, professionalism and market integrity.

Back history, books and records to support all required information and any chosen 'recommended'.

Resourcing looking back while supporting Business as usual, maintaining compliance going forward.

Educate all in the firm impacted by adopting the GIPS standards: operations, client service, marketing, RFP etc.

All the components in the GIPS standards are already being done in some form in the firm; **LEVERAGE** the work on complying with the GIPS standards throughout the firm: due diligence, business recovery/continuity, risk management, training, internal audit.

RESOURCES

- GIPS Standards Website (www.gipsstandards.org)
 - GIPS Standards for Firms (PDF or Amazon)
 - Handbook, searchable shareable html, PDF, Amazon
 - Guidance Statements
 - Q&As
 - Tools webpage <https://www.gipsstandards.org/resources/tools/>
- GIPS Standards Newsletter
- Suggested Questions for Firms to Ask Verifiers
- GIPS Standards Service Provider List
- GIPS Standards Helpdesk (gips@cfainstitute.org)

APPENDIX

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

PROVIDING GIPS REPORTS TO PROSPECTS

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

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">• Annually• Whenever returns are calculated	<ul style="list-style-type: none">• Annualized since-inception MWRs• Use daily cash flows as of 1 Jan 2020, and at least quarterly cash flows before then	<ul style="list-style-type: none">• 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

BENEFITS OF P&P

- Risk management
- Internal and external audit
- Client due diligence / ODD
- Business Recovery & Continuity; key person.
- Template for consistency / continuity
- Eliminate grey areas, eliminate indecision
- Reduce contradiction, errors, reputational risk
- Initially resource intensive, but provides a level of rigour and indicates commitment by and in the firm.
- Transparency of process provides improved view of track record.
- Training manual for new hires, Firm memory.