



MISSION AND VISION: A ROAD MAP

2018



WHY WERE PERFORMANCE STANDARDS NECESSARY?

- Lack of reporting consistency
 - Performance Record Portability
 - Survivorship
 - Representative portfolio
- Lack of industry-wide comparability
- Lack of regulatory guidance

WHAT ARE THE GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®)?

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

- Promote investor interests and instill investor confidence
- 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

PREMIER GLOBAL INVESTMENT PERFORMANCE STANDARD

The GIPS standards provide a common framework for investors to compare a firm's investment performance

Compliance is voluntary and fosters industry self-regulation on a global basis

Compliance has become a de facto requirement for institutional money managers

Allow firms to demonstrate that their investment performance reporting meets globally accepted best practices

Serve as the performance benchmark in more than 40 markets globally

84 of the top 100 asset managers worldwide claim compliance with the GIPS standards for all or part of their business, representing more than US\$50 trillion of assets under management

WHO BENEFITS FROM THE GIPS STANDARDS?

Asset Owners

Demonstrate to oversight body that they follow an established set of best practices surrounding performance and disclosure

Investments Firms

Assure prospective clients historical records they report are complete and fairly presented

Regulators

Provide regulators a globally proven infrastructure for promoting ethical reporting practices in their local markets

They can adopt the GIPS standards as the de facto regulation for performance reporting in their local markets

Although adoption is not mandated, regulators can take enforcement actions against firms that falsely claim compliance with the GIPS standards

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.

WHAT DRIVES GIPS COMPLIANCE?

Asset Owners

Demand compliance from firms they hire AND

Comply with the GIPS standards to deliver performance transparency and comparability as well as adhere to investment performance global best practices

Investment Firms

Compliance has become a de facto requirement for institutional money managers

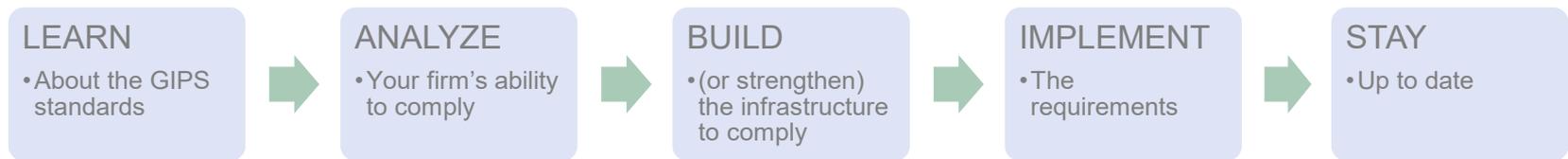
WHAT IS THE RETURN ON INVESTMENT FOR FIRMS?

Gain a competitive edge on RFPs because compliance meets key criteria used by institutional investors and consultants screening for multiple clients (e.g., Cambridge Associates)

Mitigate risk by implementing robust internal policies and procedures

Present standardized reporting of historical investment returns globally in comparable/transparent performance presentations

BASICS OF BECOMING COMPLIANT



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

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 GIPS standards:
 - By providing on-going guidance and interpretations
 - By reviewing the entire contents of the GIPS standards periodically

WHY ARE THE GIPS STANDARDS BEING UPDATED?

Investor demand is driving innovation in investment products that require evolved investment performance reporting standards

Investor demand is driving comparability of investment performance for a variety of asset types

The investment industry is dynamic and the GIPS standards continue to meet investors' changing needs

SOME TECHNICAL CHANGES IN THE GIPS 2020

- New Structure for GIPS 2020
 - The GIPS 2010 focused solely on firms; GIPS 2020 includes sections dedication for Firms and Asset Owners.
 - The term 'compliant presentation' has been replaced with: GIPS Composite Report, GIPS Pooled Fund Report and GIPS Asset Owner Report
- Composites vs. Pooled Funds
 - The GIPS 2010 focused on Composite (strategy) but it is less applicable to managers of pooled funds.
 - For GIPS 2020, there now two types of pooled funds: Limited Distribution & Broad Distribution Pooled Funds.
- Timeliness of Updating Compliant presentations
 - The GIPS 2010 does not set a set rules on the updating of compliant presentations. The GIPS 2020 proposed that firms and asset owners update GIPS reports within 6 months of the annual period end date

For a copy of the 2020 GIPS Exposure Draft, please visit the GIPS website at:
https://www.gipsstandards.org/standards/Documents/gips_2020_exposure_draft.pdf

WHICH FIRMS WILL FIND THE 2020 GIPS STANDARDS MORE RELEVANT?

Firms managing alternative investment funds (hedge funds, private equity, real estate)

Firms managing broadly distributed pooled funds (mutual funds, UCITSs, etc.)

Asset owners with discretionary assets under management

Private wealth firms

Diversified asset management firms that have traditionally claimed compliance for only a subset of their business and want to extend compliance to their whole organization

IMPORTANT DATES AND RELEASE TIMELINE FOR THE 2020 GIPS STANDARDS

31 August 2018 2020 GIPS Standards Exposure Draft released for public comment

31 October 2018 2020 GIPS Standards for Verifiers Exposure Draft released for public comment

31 December 2018 Close of comment period for the 2020 GIPS Standards and Verifiers Exposure Drafts

30 June 2019 Final 2020 edition of the GIPS Standards released

1 January 2020 2020 GIPS Standards effective date

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
 - All or a portion of 84 of the top 100 global asset management firms claim GIPS compliance *(Cerulli Associates)*

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

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
- Firm Registration Questions: gipscompliance@cfainstitute.org
- E-mail Alert List: standards@cfainstitute.org
- Twitter: [@MarketIntegrity](https://twitter.com/MarketIntegrity)

www.gipsstandards.org