



2020 GIPS® STANDARDS

WHY BEING COMPLIANT AND HOW TO ADAPT?

OCTOBER 31, 2019
CFA MONTREAL AND CIPC



CANADIAN INVESTMENT PERFORMANCE COUNCIL (CIPC)

The CIPC was formed in 2008 as a national initiative of the Canadian CFA Societies and is recognized by the Global Investment Performance Standards (GIPS) Executive Committee as the official sponsor of the GIPS Standards for the Canadian market.

The objective of the CIPC is to provide a Canadian perspective and to promote and advance the GIPS Standards in Canada.

Current Members

- Simon Filteau, CFA, (Chair) Montréal, Quebec
- Kenrick Ohid, CIPM, (Vice Chair) Toronto, Ontario
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- Isabelle Henri, CFA, CIPM, FRM, Montréal, Quebec
- Steve Khairy, CFA, CIPM, CIM, Montréal, Quebec
- Jaclyn Moody, Toronto, Ontario
- Emil Vassanine, CIPM, Toronto, Ontario

[CIPC Website](#)

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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
-  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.

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

EVOLUTION OF THE GIPS STANDARDS

- The idea for presentation standards began in 1986, by the Financial Analysts Federation (FAF).
- With the 1990 merger between the FAF and the Institute of Chartered Financial Analysts (ICFA) to form AIMR, these standards became the AIMR-PPS
- Beginning in 1993 the U.S. and Canada used the AIMR-PPS standards
- In 1999 the GIPS standards were adopted
- In 2001 the AIMR-PPS were revised to conform to the GIPS standards (Country Version of GIPS: CVG)
- In 2006 all CVGs were eliminated and converged with the GIPS standards (2005 edition)
- 2010 edition of the GIPS standards effective 1 January 2011
- 2020 edition of the GIPS standards (for firms, asset owners, & verifiers) effective 1 January 2020

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 Finansanalytikers 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

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



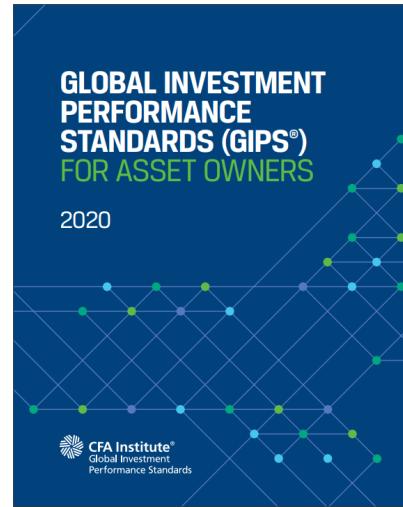
KEEPING PACE WITH A DYNAMIC INDUSTRY



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.

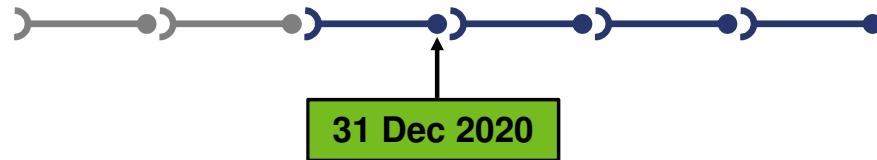
“CHAPTERS” IN THE 2020 GIPS® STANDARDS



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.

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									
Year	Composite Gross Return		Composite Net Return		Benchmark		Composite Gross		3-Year Std Deviation
	TWR	(%)	TWR	(%)	Return	(%)	Benchmark	(%)	Number of Portfolios
2011 ^(a)	2.18	1.25	1.17						31
2012	18.66	17.49	15.48						34
2013	41.16	39.80	33.36						38
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

^(a) Returns are for the period 1 February 2011 to 31 December 2011.

^(b) 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

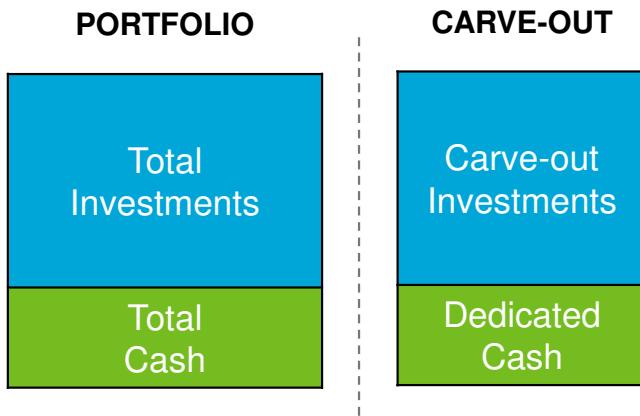
If the investment will be in a ...	Then ...
Segregated Account	<ul style="list-style-type: none">Firms must make every reasonable effort to provide a GIPS Composite Report to all prospective clients when they initially become prospective clients.Once the firm has provided a GIPS Composite Report to a 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. The GIPS Report may be either:<ul style="list-style-type: none">A GIPS Pooled Fund Report for the respective LDPF, orA GIPS Composite Report, but only if the LDPF is included in the respective composite.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.

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.

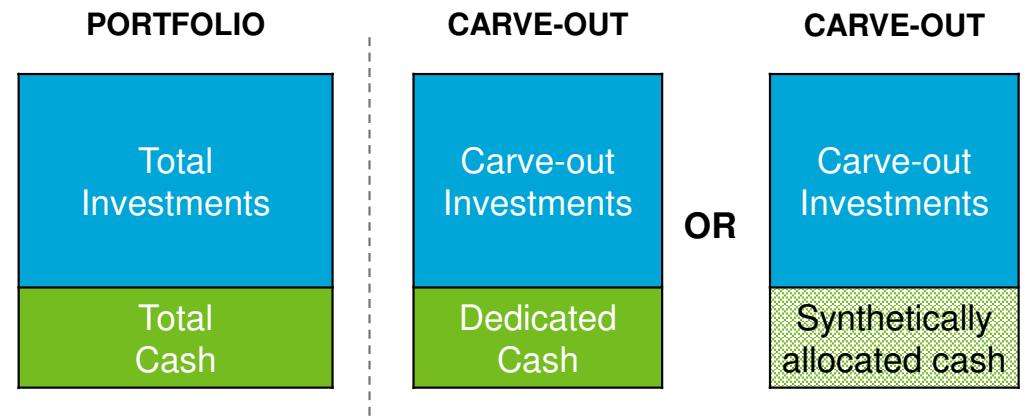
2010 Edition

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.



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):

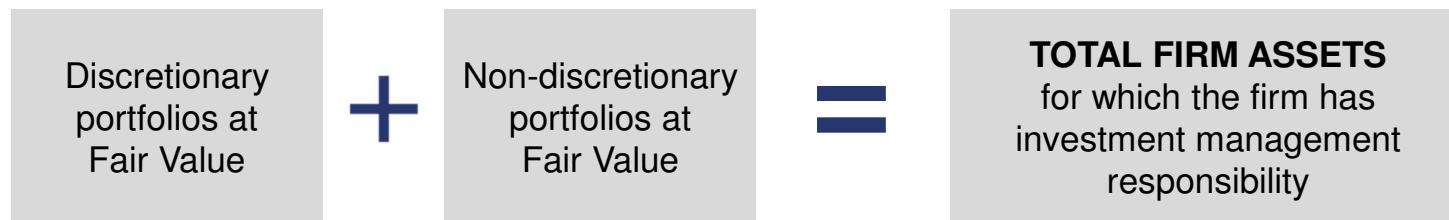
A return for a period that reflects the change in value and the timing and size of external cash flows. In the 2010 edition, the term internal rate of return (IRR) was used.

2020 Edition

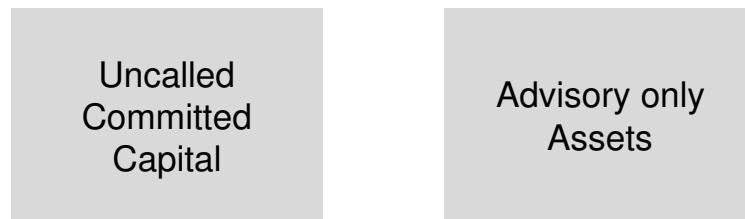
- Firms **must** present TWRs unless certain criteria are met, in which case the firm may present MWRs.
- Firms **may** choose to present MWRs vs TWRs if, for the composite or pooled fund:
 - The firm has control over external cash flows, and
 - Each composite portfolio has, or the pooled fund has, at 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

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

NEW OR REVISED REQUIRED DISCLOSURES (PAGE 1 OF 2)

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 2)

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.

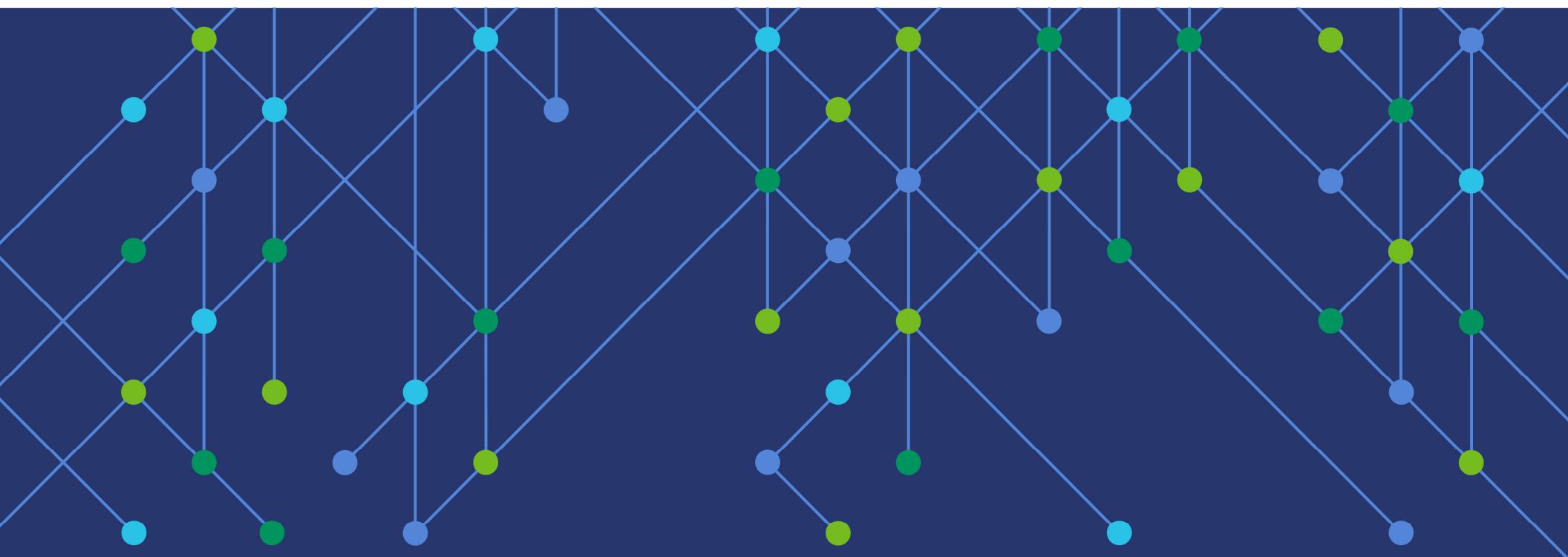
SUNSET PROVISIONS

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

RESOURCES

- 2020 edition of the GIPS standards
 - www.cfainstitute.org/ethics/codes/gips-standards
- Recorded webinars
 - www.gipsstandards.org/compliance/Pages/articles.aspx
- Help Desk
 - 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!

CONTACT INFORMATION

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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.

Why 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
- **New 2020 GIPS Standards for Assets Owners**



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

Before 2020, many asset owners struggled to understand how to apply provisions not originally designed for them.

EXTERNAL VALUATION

2010 Edition

External Valuation

Real estate investments **must**:

- have an external valuation at least once every 12 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

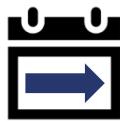
* unless client agreements stipulate otherwise, in which case real estate investments must have an external valuation at least once every 36 months or per the client agreement if the client agreement requires external valuations less frequently than every 36 months

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.)

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

- 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.

2 Prepare a GIPS Advertisement that includes a GIPS Report

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

3 Do not mention the GIPS standards

VERIFICATION

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

Definition	Purpose	Scope
A process by which an <u>independent verifier</u> conducts testing of a firm on a <u>firm-wide basis</u> , in accordance with the <u>required verification procedures</u> of the GIPS standards.	Verification is intended to provide a firm and its prospective and current clients and pooled fund investors <u>additional confidence</u> in the firm's claim of compliance with the GIPS standards.	A verification report is issued <u>on a firm-wide basis</u> . 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



A verification report opines 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.