

Required Disclosures for GIPS® Compliant Presentations

GIPS® compliant firms are required to include the following disclosures in their compliant presentations. Typically, the disclosures are presented on a single page for each composite following the table of required statistics for that composite:

Claim of Compliance:

Select the appropriate option and enter the disclosure word-for-word as stated below:

• For firms that are verified:

“[Insert name of FIRM] claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. [Insert name of FIRM] has been independently verified for the periods [Insert dates]. The verification report(s) is/are 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.”

• For composites of a verified firm that have also had a performance examination:

“[Insert name of FIRM] claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. [Insert name of FIRM] has been independently verified for the periods [Insert dates].”

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. The [Insert name of COMPOSITE] composite has been examined for the periods [Insert dates]. The verification and performance examination reports are available upon request.”

• For firms that have not been verified:

“[Insert name of FIRM] claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. [Insert name of Firm] has not been independently verified.”

Definition of the “firm” used to determine total firm assets and firm-wide GIPS compliance.

Composite description.

Benchmark description. If the benchmark is considered widely recognized (e.g., S&P 500), stating the name without a more detailed description is sufficient.

Whether net-of-fee returns are calculated based on actual or model management fees.

• *EXAMPLE with Actual Fees: “Net-of-fee returns have been reduced by the actual investment management fees charged.”*

• *EXAMPLE with Model Fees: “Net-of-fee returns have been reduced by X%, which is the highest investment management fee that may be charged for this composite.”*

Currency used to express performance.

• *EXAMPLE: “The U.S. Dollar is the currency used to express performance.”*

Measure of internal dispersion presented.

• *EXAMPLE: “The annual composite dispersion presented is an equal-weighted/asset-weighted standard deviation calculated based on the annual returns of portfolios included in the composite for the full year.”*

Fee schedule appropriate to the compliant presentation. The fee schedule must be appropriate for current prospects and may be different than fees charged historically.

Composite creation date. Please note that this is different than inception date. The creation date is the date the composite was created, which may be later than the earliest performance presented for the composite.

• *EXAMPLE: “This composite was created on DATE.”*

Stated word-for word: “List of composite descriptions is available upon request.”

Stated word-for word: “Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.”

Required GIPS Disclosures for Special Situations

GIPS compliant firms are required to include the following disclosures in their compliant presentations if these special situations apply:

Minimum Asset Level Policy

- Minimum asset level applied to the composite if the firm has a policy to exclude portfolios from the composite that have a market value below this level. Any changes to the minimum asset level must also be disclosed.
 - *EXAMPLE: “The minimum asset level required for inclusion in this composite is \$X. Prior to DATE the minimum asset level was \$Y.”*

Significant Cash Flow Policy

- How the firm defines a significant cash flow for that composite and for which periods if the firm has a policy to temporarily remove portfolios from the composite due to significant cash flows.
 - *EXAMPLE: “Beginning DATE, portfolios in this composite that experience a cash flow greater than X% of the portfolio’s beginning of month market value will be removed from the composite for that month.”*

Linked Track Record from a Prior Firm

- If the performance from a past firm or affiliation is linked to the performance of the firm.
 - *EXAMPLE: “Performance presented prior to DATE was achieved by the same portfolio manager while affiliated with a prior firm. The performance from the prior firm has been linked to the current composite performance in accordance with the portability requirements of the GIPS standards.”*

Benchmark Issues

- If the firm determines no appropriate benchmark for the composite, why no benchmark is presented.
 - *EXAMPLE: “This composite has a dynamic global macro strategy that is constantly evolving, therefore, there is no benchmark that would provide a meaningful comparison to the composite’s performance.”*
- If the benchmark changes, the date of, description of, and reason for the change.
 - *EXAMPLE: “As of DATE the benchmark for this composite was retroactively changed for all presented periods from the Russell 1000 to the Russell 1000 Growth. Due to the growth focus of this composite’s strategy, it was determined that the Russell 1000 Growth is a more meaningful benchmark.”*
- If a custom benchmark or combination of multiple benchmarks is used, the benchmark components, weights, and rebalancing process.
 - *EXAMPLE: “To match the target weights of this composite, the benchmark used is comprised of 60% S&P 500 and 40% Bloomberg Barclays Aggregate Bond Index. The blend is rebalanced monthly.”*

Periods Presented Before 36 Months of Returns Exist

- The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.
 - *EXAMPLE: “The three-year annualized standard deviation is not presented for years X and Y due to less than 36 months of composite and benchmark data being available.”*

Redefinitions

Firm -

- If the firm is redefined, the date of, description of, and reason for the redefinition must be described.
 - *EXAMPLE: “As of DATE the firm definition was expanded to include X. Prior to this date the firm was more narrowly defined as Y.”*

Composite -

- If a composite is redefined, the date of, description of, and reason for the redefinition must be described.
 - *EXAMPLE: “As of DATE this composite’s definition was expanded to reflect X change in the strategy. Prior to this date the composite did not include portfolios with Y.”*



Composite Name Change

- Changes to the name of a composite must be disclosed.
 - *EXAMPLE: "Prior to DATE this composite was known as XYZ."*

Returns Reduced by Fees other than what GIPS Requires

- If any other fees are deducted in addition to the trading expenses and/or investment management fees.
 - *EXAMPLE: "In addition to trading expenses and management fees, net-of-fee returns for this composite have been reduced by miscellaneous administrative fees incurred by the composite's constituents."*

Leverage or Derivatives Utilized

- Presence, use, and extent of leverage, derivatives, and short positions, if material, including a description of the frequency of use and characteristics of the instruments sufficient to identify risks.
 - *EXAMPLE: "This composite utilizes derivatives to hedge currency exposure from foreign investments. The composite has a 30% target allocation to foreign investments that will be made in local currency."*

Significant Events

- All significant events that would help a prospective client interpret the compliant presentation. It is up to the firm to determine what is "significant," but typical examples include material changes in ownership, decision-makers, etc.

Firms that Feel a Different Risk Measure is More Meaningful than 3-Year Ex Post Standard Deviation

- If the three-year annualized ex post standard deviation is not relevant or appropriate:
 - Describe why ex-post standard deviation is not relevant or appropriate; and
 - Describe the additional risk measure presented and why it was selected.
 - *EXAMPLE: "Since this composite aims to achieve positive spikes in performance while minimizing negative returns, the Sortino ratio is more appropriate than standard deviation. The Sortino ratio is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative asset returns."*

International Composites

- Relevant details of the treatment of withholding taxes on dividends, interest income, and capital gains, if material. Also, if benchmark returns are net of withholding taxes if this information is available.
 - *EXAMPLE: "Composite and benchmark returns are presented net/gross of foreign withholding taxes on dividends, interest income, and capital gains."*
- For periods beginning on or after January 1, 2011, describe any known material differences in exchange rates or valuation sources used among the portfolios within the composite, and between the composite and the benchmark.
 - *EXAMPLE: "Exchange rates used for the portfolios in the composite are based on rates as of London market close, while the benchmark's exchange rates are based on rates as of New York market close. This may cause differences in performance."*

Linked Non-Compliant Performance from Prior to January 1, 2000

- Periods of non-compliance for any performance presented for periods prior to January 1, 2000 that does not comply with the GIPS standards.
 - *EXAMPLE: "Performance presented prior to January 1, 2000 is from before our firm adopted the GIPS standards and may not comply with all of the GIPS requirements."*

Use of a Sub-Advisor

- For periods beginning on or after January 1, 2006, the use of a sub-advisor and the periods a sub-advisor was used.
 - *EXAMPLE: "For all periods presented, a sub-advisor has been used to manage the fixed income component of this composite's strategy."*

Non-Standard Valuation Dates Prior to January 1, 2010

- For periods prior to January 1, 2010, if any portfolios were not valued at calendar month end or on the last business day of the month.
 - *EXAMPLE: "Prior to January 1, 2010 the portfolios in this composite were valued as of the last Friday of the month instead of the last business day of the month. From the start of 2010 to present all portfolios have been valued as of the last business day of the month."*



Valuation-related Disclosures

- For periods beginning on or after January 1, 2011, the use of subjective unobservable inputs for valuing portfolio investments (as described in the GIPS Valuation Principles) if the portfolio investments valued using subjective unobservable inputs are material to the composite.
 - *EXAMPLE: "Since this composite's strategy includes investments in rare pieces of fine art, market-based inputs were unavailable to fair value the portfolio and subjective, unobservable inputs were used to determine the fair value."*
- For periods beginning on or after January 1, 2011, if the composite's valuation hierarchy materially differs from the recommended hierarchy in the GIPS Valuation Principles.
 - *EXAMPLE: "When fair valuing investments our firm utilizes market-based inputs other than quoted prices even when quoted prices are available. This materially deviates from the recommended hierarchy in the GIPS Valuation Principles."*

Carve-outs Utilized Prior to 2010

- For periods prior to January 1, 2010, if carve-outs are included in a composite, the policy used to allocate cash to carve-outs.
 - *EXAMPLE: "For periods presented prior to 2010 the composite includes the equity component of balanced portfolios. A hypothetical 2% cash balance was added to the equity components of the balanced portfolios."*

Local Regulations/Laws Conflict with GIPS

- If the compliant presentation conforms with laws and/or regulations that conflict with the requirements of the GIPS standards and the manner in which the laws and/or regulations conflict with the GIPS standards.
 - *EXAMPLE: "Local regulations require the use of settlement data accounting instead of trade date accounting, which differs from the GIPS requirements. To comply with local regulations our performance is calculated based on settlement date accounting for all trades."*

Wrap/SMA Portfolios Included in Composite

- The various types of fees included in the bundled fee.
 - *EXAMPLE: "The bundled fee applied to SMA portfolios in this composite includes all fees and expenses related to transactions, investment management, portfolio monitoring, and custodial services."*
- In presentations that include periods prior to the inclusion of actual wrap fee/SMA portfolios in the composite, disclose for each year presented that the composite does not contain actual wrap fee/SMA portfolios.
 - *EXAMPLE: "All periods presented prior to DATE do not include bundled fee portfolios."*
- Periods of non-compliance for any performance presented for periods prior to January 1, 2006 that does not comply with the wrap provisions of the GIPS standards.
 - *EXAMPLE: "Periods presented prior to January 1, 2006 are not in compliance with the wrap provisions of the GIPS standards."*
- When firms present composite performance to an existing wrap sponsor that includes only that sponsor's wrap fee portfolios:
 - Disclose the name of the wrap sponsor represented by the sponsor-specific composite; and
 - If the sponsor-specific presentation is intended for the purpose of generating wrap fee business and does not include performance net of the entire wrap fee, disclose that the named sponsor-specific presentation is only for the use of the named wrap sponsor.
 - *EXAMPLE: "This compliant presentation includes only the portfolios managed through X sponsor. This presentation is intended to be used for this sponsor only and will not be presented to other wrap programs."*
- The percentage of composite assets that is bundled fee portfolios at year end for each annual period shown.
 - *EXAMPLE: "This composite is comprised of 100% bundled fee portfolios for all periods."*
- If presenting pure gross returns (returns that have not been reduced by transaction expenses), they must be labeled as supplemental information.
 - *EXAMPLE: "Pure gross-of-fees returns do not reflect the deduction of any expenses, including trading costs and are presented as supplemental information to the compliant presentation."*

*Please refer to the GIPS standards to confirm if any additional disclosures may be applicable for your firm.