



Global Investment Performance Standards (GIPS®)
Executive Committee Strategic Plan
October 2011



Background

The mission of the GIPS Executive Committee is to ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information. The GIPS Executive Committee developed this strategic plan to specify the activities and initiatives to be undertaken in order to achieve its mission. The strategic plan was developed through input from various stakeholders and insights from industry leaders. The plan is intended to be dynamic and reflective of the needs of the industry as they change over time. CFA Institute and the GIPS Executive Committee welcome ongoing input and feedback regarding the needs of the industry and the prioritization of the various initiatives.

The strategic plan is structured around six “E’s”: Evolve, Expand, Engage, Evaluate, Extend, and Educate. Each “E” is supported by numerous strategic priority milestones, which are categorized as either “In progress”, “Priority 1”, “Priority 2”, or “Priority 3”. These relative levels of priority are based on stakeholder input, needs assessment/perceived demand, and judgment by the Executive Committee.

Key Strategic Priorities

The Executive Committee identified the five topics below as the highest priorities as current projects are completed and resources are made available.

1. **Pooled Funds and Retail Products**
The GIPS standards lack clear guidance regarding the treatment of pooled funds and retail products. In general, firms want to include assets from these products in total firm assets, yet few provide compliant presentations to prospective pooled fund investors. At the same time, presenting composite performance that includes multiple portfolios may not be appropriate to present to a prospective pooled fund investor. Firms are unclear about their responsibilities, which has led to inconsistent treatment. Certain markets are dominated by retail pooled funds and in order to reach these markets, it is critical that clear guidance be developed.
2. **Risk Guidance**
The 2010 edition of the GIPS standards make a clear statement that performance encompasses both risk and return. The 2010 edition of the GIPS standards introduced a few provisions related to risk, whereas prior editions had been very limited in addressing risk. It is essential to develop guidance on risk and applying the risk-related provisions. The guidance will explain the provisions, provide examples, and offer direction to firms.
3. **Update Supplemental Information Guidance Statement**
The use of supplemental information continues to be an area of confusion. Clarity is needed regarding what is supplemental information, what must be labeled, and where it can appear. In addition, when a firm introduces a new product and presents model, hypothetical, or back-tested performance, guidance is needed regarding how this information can be used.
4. **Guidance on Overlay Assets**
The GIPS standards currently offer little guidance regarding the treatment of overlay strategies. Overlay strategies present a number of challenges including calculation of firm assets, composite construction, and return calculation. The growth of overlay strategies underscores the need for guidance in this area.
5. **Update/Expand Performance Record Portability Guidance Statement**



Global Investment Performance Standards

Strategic Plan

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

The ongoing consolidation and merger and acquisition activities in the industry highlight the need for clear guidance related to the treatment of the performance records of the firms. In many instances it is the performance record that is being acquired and clear guidance in this area is a necessity. Merged composites and determination of a surviving track record are specific areas that require clarification. In addition, guidance is needed regarding the period of time between acquisition and full integration into the merged or acquired firm.

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.




1.0 EVOLVE - develop interpretations and guidance on the application of the GIPS standards.				
	Strategic Priorities	Projected Timeline	Status	Remarks
1.1	Revise the various Guidance Statements for all the changes and additions to the 2010 edition of the GIPS standards.	2011	In progress	Priority 1 Only Guidance Statement on Performance Examinations remains.
1.2	Review existing Q&As in database and revise or retire as necessary.	2011	In progress	Priority 1 Estimated to be released by December 2011.
1.3	Revise the GIPS Standards Handbook to address changes and additions to the 2010 edition of the GIPS standards.	2011	In progress	Priority 1 Estimated to be released in first quarter of 2012.
1.4	Develop guidance on alternative investment strategies and structures.	2011	In progress	Priority 1 Comment period completed, comments being evaluated. Final guidance to be issued by year end.
1.5	Develop guidance addressing risk and applying the risk-related provisions (including real estate, private equity, and other alternatives).	2012	In progress	Priority 1 Guidance in development, public comment planned for first quarter of 2012.

Status Scale ■ = On Target ■ = Behind Schedule ■ = On Hold ■ = Complete

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

1.6	Develop guidance on applying the GIPS standards to retail products (e.g., pooled vehicles).	2012	In progress	Priority 1 Separate working group to be established. Provide guidance on firms' responsibilities related to providing compliant presentations to prospective clients, composite vs. fund performance, gross/net returns, treatment of fees and expenses.
1.7	Review and update Guidance Statement on Portability.	2012	In progress	Priority 1 Further guidance for mergers and acquisitions, determining surviving composites. Exposure draft expected to be published in 2012. U.S. Investment Performance Committee drafting working paper for consideration.
1.8	Review and update Guidance Statement on Supplemental Information	2012	In progress	Priority 1 Consideration for how supplemental information must be treated, labeled, where/when it can be shown, and what can be shown outside of a compliant presentation.
1.9	Develop Guidance on Overlay Strategies.		In queue	Priority 1 Determine how returns should be calculated and how overlay assets should be treated with regard to total firm assets.
1.10	Review and update Guidance Statement on Fees.		In queue	Priority 1 Guidance on reflecting performance based fees, netting of expenses, bundled fees, and calculating net returns.
1.11	Review and Update Advertising Guidelines.		In queue	Priority 1 Determine if revisions are necessary to provide firms with additional options and make the guidelines more conducive for marketing.
1.12	Develop guidance on applying the GIPS standards when a firm first		In queue	Priority 1 How should firms treat topics where there was no guidance historically?

Status Scale  = On Target  = Behind Schedule  = On Hold  = Complete

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

	comes into compliance.			What provisions should be followed when applying the GIPS standards historically?
1.13	Develop guidance on applying the GIPS standards to pension plans and other institutions.	2012	In progress	Priority 2 Q&A issued, U.S. Investment Performance Committee and Canadian Investment Performance Committee developing paper for consideration.
1.14	Develop guidance on implementing the GIPS standards for firms in developing markets.	2012	In progress	Priority 2 Firms in developing markets face unique challenges when first coming into compliance. This guidance will offer suggestions and solutions for some of these challenges. Paper in development by the Investment Manager Subcommittee.
1.15	Develop guidance on internal rate of return (IRR) specifically addressing: <ul style="list-style-type: none"> • Calculation of IRR; and • Use of IRR. 		In queue	Priority 2 Examine application of IRR to strategies/structures outside of private equity and closed-end real estate funds. Provide guidance on calculation of IRR, dealing with multiple roots, IRR vs. XIRR.
1.16	Review and update Guidance Statement on Composite Definition.		In queue	Priority 2 Specific focus on consistency and comparability of composite definitions, benchmark appropriateness (update benchmark and attribution paper).
1.17	Develop guidance on defining materiality.		In queue	Priority 3 Develop criteria to assist firms in determining materiality and establishing policies
1.18	Review and update Guidance Statement on Significant Cash Flows.		In queue	Priority 3 Expand guidance on the use of temporary accounts.

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

1.19	Develop Guidance on the Treatment of Multiple Asset Portfolios.		In queue	Priority 2 Determine how to treat portfolios with multiple asset classes (e.g., equity, fixed, real estate, private equity), address which provisions apply, how to treat timber, private debt, and currency.
1.20	Review and update Guidance Statement on Wrap/SMA Portfolios.		In queue	Priority 3 Re-evaluate framework/allowances for wrap/SMA portfolios, records requirements.
1.21	Develop guidance on verification techniques.		In queue	Priority 3 Issue guidance on criteria that verifiers should use when determining depth and breadth of samples, etc.

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

2.0 EXPAND – add new content to the GIPS standards as needed.				
	Strategic Priorities	Projected Timeline	Status	Remarks
2.1	Examine the feasibility of developing provisions or guidance related to transition management.		In queue	Priority 3 Determine applicability of the GIPS standards to transition management and if/how transition management should be treated.
2.2	Examine the feasibility of developing requirements related to attribution.		In queue	Priority 3 Determine if principles for the presentation and input selection should be added to the GIPS standards.
2.3	Examine the feasibility of developing a global framework for calculating and presenting after-tax performance.		In queue	Priority 3 Determine if global principles can be identified for calculating after-tax returns.
2.4	Examine the need/feasibility of developing provisions or guidance related to infrastructure strategies, commodities, and/or new strategies.		In queue	Priority 3

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

3.0 ENGAGE – increase the involvement of investors, regulators, and country sponsors.				
	Strategic Priorities	Projected Timeline	Status	Remarks
3.1	Design and implement a plan to engage investors (including sovereign wealth funds) and investment consultants.	2011	In progress	Priority 1 Develop stronger ties with asset owners and consultants to ensure their needs are met and demand for compliance remains strong.
3.2	Design and implement a plan for reaching out to regulators.	2011	In progress	Priority 1 Goal to work toward harmonization and reducing conflict between regulations and the GIPS standards.
3.3	Evaluate participation of the existing Country Sponsors and develop plan for improving participation.	2011	In progress	Priority 1 Provide mentoring, guidance, and resources for improving Country Sponsor performance and effectiveness.

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

4.0 EVALUATE - review governance structure to ensure smooth administration and oversight of the GIPS standards.				
	Strategic Priorities	Projected Timeline	Status	Remarks
4.1	On-going review and evaluation of governance structure.	On-going	In progress	Priority 1 Continual evaluation of operational effectiveness and efficiency.
4.2	Examine options for tracking compliance rates.	2012	In progress	Priority 1 Develop plan for gathering market data and conducting market research; proposal in development with market research department.
4.3	Refine process for the creation and approval of guidance, Q&As, etc., including vetting process for country sponsor-developed papers.		In queue	Priority 2 Formalize and publish process for greater transparency.
4.4	Explore the feasibility of verifier oversight and registration.		In queue	Priority 2 Determine if/how verifiers should be overseen in order to provide some level of quality control.

1 October 2011




Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

5.0 EXTEND – increase the depth and breadth of the reach of the GIPS standards, both geographically and by asset class/investment type.				
	Strategic Priorities	Projected Timeline	Status	Remarks
5.1	Focus outreach efforts on firms, industry groups, consultants, and asset owners.	2011	In progress	Priority 1
5.2	Increase the number of Country Sponsors, specifically focusing on the Middle East, Latin America, China, and India.	On-going	In progress	Priority 1 Identify key organizations and people to meet with to promote the GIPS standards.
5.3	Work towards achieving higher rates of compliance in the private equity, real estate, hedge fund, and retail industries.		In queue	Priority 2 Identify key industry organizations and people to meet with to identify hurdles to compliance and promote the use and adoption of the GIPS standards.

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

6.0 EDUCATE – provide on-going educational materials and training				
	Strategic Priorities	Projected Timeline	Status	Remarks
6.1	Develop focused educational materials for marketing and sales professionals, and RFP teams.	2012	In progress	Priority 2 Internal education paper developed by USIPC
6.2	Maintain and develop the GIPS standards website as an educational resource.	Ongoing	In progress	Priority 2 Reorganization and enhancements in process.
6.3	Develop plan for providing education and resources for Country Sponsors and asset owners.	2012	In progress	Priority 2
6.4	Develop plan and educational resources to address perceived violations of the GIPS standards.		In queue	Priority 3
6.5	Develop webcasts to provide educational opportunities to the industry. Topics include: -Becoming Compliant; -Real Estate; -Private Equity; -Wrap fee/SMA; and		In queue	Priority 3 Including translations/subtitles.

Status Scale  = On Target  = Behind Schedule  = On Hold  = Complete

1 October 2011

Mission: To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.

	-Verification.			
--	----------------	--	--	--