

GIPS-compliant composite net-of-fees returns may be calculated using either:

- actual investment management fees, or
- a model investment management fee, as long as net-of-fees returns calculated using the model investment management fee are equal to or lower than net-of-fees returns that would have been calculated using actual investment management fees.

A firm may present composite net-of-fees returns that do not meet the requirement for being equal to or lower than the returns that would have been calculated using actual investment management fees outside of a GIPS Report, as long as the firm includes appropriate disclosures that clearly describe the information being presented. Appropriate disclosures may include the following:

- the fact that net-of-fees returns were calculated using model investment management fees;
- the model investment management fee used to calculate the net-of-fees returns;
- the type of recipient for which the net-of-fees returns are appropriate; and
- the fact that the net-of-fees returns calculated using model investment management fees are higher than net-of-fees returns calculated (or that would have been calculated) using actual investment management fees.

Presenting this information without the proper disclosures would be misleading.

When providing composite net-of-fees returns to a database, if the database allows multiple net-of-fees returns to be uploaded, a firm may upload net-of-fees returns that have been calculated using model fees and that do not meet the requirement for being either equal to or lower than the returns that would have been calculated using actual investment management fees as a second series of net-of-fees returns. The firm may upload such net-of-fees returns only when the following conditions are met:

- The second series of net-of-fees returns is provided in addition to the GIPS-compliant composite net-of-fees returns.
- The model investment management fee used to calculate the second series of net-of-fees returns is appropriate to prospective clients.
- Appropriate disclosures (as previously described) are included.

The firm must also do the following, if it is possible to do so:

- Designate the GIPS-compliant net-of-fees returns as the GIPS-compliant net-of-fees returns.
- Identify the second series of net-of-fees returns as secondary to the GIPS-compliant net-of-fees returns.

When a firm provides this information to a database that will subsequently distribute such information, the firm should ask the database to include the appropriate disclosures.

Category: Information outside of GIPS Reports