



Global Investment Performance Standards

GUIDANCE STATEMENT ON THE USE OF SUPPLEMENTAL INFORMATION

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CFA Institute

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GIPS GUIDANCE STATEMENT ON THE USE OF SUPPLEMENTAL INFORMATION

Introduction

In preparing performance reports, firms must keep in mind the spirit and objectives of the Global Investment Performance Standards (GIPS[®]) standards: fair representation and full disclosure. Meeting the intent of the GIPS standards may necessitate including information in compliant presentations beyond the required and recommended provisions of the GIPS standards to adequately cover the firm's specific situations. Firms that claim compliance with the GIPS standards are encouraged to present all relevant information, beyond that required and recommended in the GIPS standards, to fully explain their performance.

What Is Supplemental Information?

Supplemental information is defined as any performance-related information included as part of a compliant presentation that supplements or enhances the required and/or recommended provisions of the GIPS standards. Supplemental information should provide users of the compliant presentation with the proper context in which to better understand the performance results. Because supplemental information has the potential to be misleading in relation to the firm's claim of compliance, this Guidance Statement defines and addresses the proper use of supplemental information.

What Is *Not* Supplemental Information?

- *Additional information* that is required or recommended under the GIPS standards is not considered "supplemental information." Additional information is not required to be labeled/identified as supplemental or separate from the required compliant information.
- *Non-performance-related information* is also omitted from this Guidance Statement and is not required to be labeled/identified as supplemental or separate from the required compliant information. Non-performance-related information includes, but is not limited to, general information regarding the firm, ownership structures, staff biographies, or details about the investment process.
- *False or misleading information* - Firms that claim compliance with the GIPS standards must not present performance or performance-related information that is false or misleading. For example, the following two items are misleading and unrepresentative; therefore, compliant firms are prohibited from presenting this information (unless specifically requested from the firm by a prospective client or existing client in a one-on-one presentation):
 1. *Model, hypothetical, back-tested*, or simulated results *linked* to actual performance results.
 2. Non-portable performance from a prior firm *linked* to current ongoing performance results.

This is not an exhaustive list and is only provided to show examples of potentially misleading information.

Guiding Principles

If a firm chooses to show supplemental information, it is important to consider the following guiding principles:

- Supplemental information must satisfy the spirit and principles of the GIPS standards: fair representation and full disclosure.
- Supplemental information must comply with all applicable laws and regulations regarding the calculation and presentation of performance.
- Supplemental information must not include performance or performance-related information that is false or misleading.
- Supplemental information must *not* contradict or conflict with the information provided in the compliant presentation.
- Supplemental information must be clearly labeled and identified as supplemental information to a particular compliant presentation.

This Guidance Statement does *not* prohibit firms from preparing and presenting information according to specific requests from prospective clients. However, firms are required to provide a compliant presentation prior to or accompanying any supplemental information.

Examples of Supplemental Information

Supplemental information must relate directly to the compliant presentation. Examples of supplemental information include, but are not limited to:

- Carve-out returns that exclude cash
- Non-portable returns (not linked)
- Model, hypothetical, backtested, or simulated returns (not linked)
- Representative portfolio information, such as:
 1. Portfolio-level country weightings
 2. Portfolio-level sector weightings
 3. Portfolio-level risk measures
- Attribution
- Composite or portfolio-level specific holdings
- Peer group comparisons
- *Ex ante* risk and *ex ante* risk-adjusted return measures

Location of Supplemental Information

Supplemental information must be clearly labeled and identified as supplemental to a particular compliant presentation. The presentation and location of supplemental information in relation to the required or recommended information depends on the type of supplemental information and its potential to mislead prospective clients.

There are certain situations that allow for the presentation of both compliant and supplemental information on the same page; however, firms should consider that there are also many situations that call for the separation of compliant and supplemental information. When in doubt, firms are encouraged to place the compliant and supplemental information on separate pages.

Firms must provide a compliant presentation prior to or accompanying any supplemental information. Firms must clearly label and identify all supplemental information as supplemental to a specific compliant presentation. For example:

- Place supplemental information on the same or back of the page as the compliant data, if appropriate, or
- Include a statement indicating that the supplemental information supplements the XYZ Composite presentation (as provided on pg. 11 *or* provided on 15 March 20XX).

This Guidance Statement does *not* restrict firms from providing any specific information requested by prospective clients or their agents.

Supplemental Information – Verification

Supplemental information is not subject to verification under the GIPS standards. It is the ultimate responsibility of the firm claiming compliance to ensure that it abides by the ethical principles and spirit of the GIPS standards each time it presents performance results.

Effective Date

The effective date for this Guidance Statement is 1 January 2011. When bringing past performance into compliance, firms may comply with this version of the Guidance Statement or with prior versions in effect at the time. Prior versions of this Guidance Statement are available on the GIPS standards website: www.gipsstandards.org.