GIPS EXECUTIVE COMMITTEE
Open In-Person Meeting
AGENDA

Date: 20 September 2016
Location: Boston, Massachusetts, USA
Time: 15:30 – 17:00

Welcome
Bacon

Discussion Items

1. Technical Committee Update
   Vincent 30 mins

2. GIPS Executive Director Update
   Boersma 10 mins
   o Firm Notification Requirement

3. GIPS Strategic Plan
   Bacon 30 mins
   o GIPS 2020

Other Business
Bacon 5 mins

Observer Questions

Adjourn
Global Investment Performance Standards (GIPS®)
Technical Committee Strategic Plan - FY2017

Background
The mission of the GIPS Executive Committee (EC) is to promote ethics and integrity and instill trust through the use of the Global Investment Performance Standards by achieving universal demand for compliance by asset owners, adoption by asset managers, and support from regulators for the ultimate benefit of the global investment community. In October 2011, the EC had developed its strategic plan, with input from various stakeholders and insights from industry leaders, to specify the activities and initiatives to be undertaken in order to achieve its mission. The plan was intended to be dynamic and reflective of the needs of the industry as they change over time, and was structured around six “E’s”: Evolve, Expand, Engage, Evaluate, Extend, and Educate. Each “E” was supported by numerous strategic priority milestones, which were categorized as either “In process”, “Priority 1”, “Priority 2”, or “Priority 3”. These relative levels of priority were based on stakeholder input, needs assessment/perceived demand, and judgment by the EC.

With the change of the GIPS governance structure effective 1 September 2014 and the creation of the new GIPS Technical Committee (TC) which is responsible for the technical oversight of the GIPS standards that was once part of the responsibilities of the EC, it was decided at the EC in-person meeting in November 2014 that those priorities under the “Evolve” and “Expand” categories, which mainly focused on developing and maintaining the GIPS standards, should now be the responsibility of the TC. The priorities under the remaining 4 “E” categories, which primarily focused on outreach and promotion/awareness, will remain with the EC.

Key Strategic Priorities
In October 2011 the Executive Committee identified the five topics below as the highest priorities. Each of these items is included in the TC Strategic Plan.

A. 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.

B. Risk Guidance
   The 2010 edition of the GIPS standards makes a clear statement that performance encompasses both risk and return, and 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.

C. 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.
D. 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.

E. Update/Expand Performance Record Portability Guidance Statement
   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.
# GIPS Technical Committee Strategic Plan

## Projects in Process:

<table>
<thead>
<tr>
<th>Strategic Priorities</th>
<th>Assigned to</th>
<th>Status</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Develop guidance on applying the GIPS standards to retail products (e.g., pooled vehicles).</td>
<td>Pooled Fund Working Group (PFWG)</td>
<td>In process</td>
<td>Exposure draft was out for public comment 29 Jan 2016 – 29 Apr 2016; All comments received are currently being reviewed and considered, and the final draft is anticipated to be submitted to the TC and the EC for approval in 4Q-2016.</td>
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<tr>
<td>2 Develop a Performance-Based Fee/Clawbacks Q&amp;A.</td>
<td>Interpretations Subcommittee</td>
<td>In process</td>
<td>Draft was submitted to the TC for review at the Mar 2016 meeting and the revised draft incorporating the feedback was submitted to the TC for review in 2Q-2016. Feedback was given to consider further guidance on performance-based fees and clawbacks before issuing a Q&amp;A addressing clawbacks alone. The TC will discuss a bigger fees project update at the Sep 2016 meeting.</td>
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<tr>
<td>3 Revise the Guidance on the Application of the GIPS Standards to Asset Owners.</td>
<td>Asset Owners Subcommittee</td>
<td>In process</td>
<td>Exposure draft is currently out for public comment from 1 Aug 2016 - 29 Oct 2016. The goal is to issue the final guidance statement by Q2 2017.</td>
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<tr>
<td>4 Review and update the Guidance Statement on Verifier Independence.</td>
<td>Verification Subcommittee</td>
<td>In process</td>
<td>Revised draft will be submitted to the TC for review at the Sep 2016 in-person meeting.</td>
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<td>5 Develop Guidance on Overlay Strategies.</td>
<td>Overlay Strategies Working Group</td>
<td>In process</td>
<td>Exposure draft presented to the TC in Mar 2015 and subsequent revised drafts submitted to the TC at the Sep 2015 and Mar 2016 meetings; Feedback from the TC was incorporated into the next revised draft, which will be submitted to the TC for approval in 4Q-2016.</td>
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<td>TC and EC in-person meetings Sep 2016.</td>
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6. Review and update Guidance Statement on Supplemental Information.  Interpretations Subcommittee  In process

Revised draft submitted to the TC at the Mar 2016 meeting, and subsequent revised draft submitted to the TC in Aug 2016. Exposure Draft was approved with minor changes. A final draft will be submitted to the TC for a fatal flaw review at the in-person TC meeting and submitted for approval at the in-person EC meetings Sep 2016.

7. Develop a short Guidance Statement on the topic of Internal Rate of Return (IRR) starting with the foundation of the Private Equity provisions should be developed based on the 3 draft IRR Q&As.  Interpretations Subcommittee  In process

3 draft IRR Q&As were presented to the TC at the Mar 2016 meeting. The TC decided that a short guidance statement on IRR should be developed based on these 3 draft IRR Q&As, and the draft guidance will be submitted to the TC at the in-person meeting Sep 2016.

8. Develop guidance addressing risk and applying the risk-related provisions (excluding real estate, private equity, and other alternatives).  Risk Working Group (McAra and Morrison)  In process

Draft was presented to the TC at the Mar 2016 meeting; Revised draft incorporating feedback from the TC will be submitted to the TC and the EC at the in-person meetings Sep 2016.

9. Review and Update Guidance Statement on Portability.  Interpretations Subcommittee  In process

Draft was presented to the prior EC in June 2014 and guidance from the TC was solicited in Sep 2014; Revised draft was submitted to the TC and discussed during the Jun 2016 call. It was decided that more work needed to be done on this topic. The revised draft principles will be presented to the TC at the in-person meeting Sep 2016.

10. Develop/update guidance on Benchmarks.  Benchmark Working Group  In process

The new working group has begun its discussions in early 2016 and is anticipated to present its principles document to the TC by 4Q 2016.
### Strategic Priorities

<table>
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<tbody>
<tr>
<td>11</td>
<td>Determine if the existing Real Estate guidance as it applies to opportunistic closed-end funds needs to be modified.</td>
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<tr>
<td>12</td>
<td>Develop guidance for calculating performance for multi-asset class portfolios, including how to calculate returns for a portfolio that contains different asset classes with different required valuation frequencies.</td>
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#### Remarks

- **Priority 11**: Working group completed phase 1 of a closed-end opportunistic fund survey based on the input solicited from real estate industry professionals, and has been collaborating with a number of real estate organizations for their support, input, and contacts for the distribution of the survey since the end of 2015. The working group is in the process of compiling and reviewing all the phase 1 survey results received. Based on the input received will consider whether additional questions need to be included in the survey before proceeding onto phase II. Anticipate beginning phase II in Q42016.

- **Priority 12**: Interpretations has begun brainstorming on this topic and will begin work drafting principles at the in-person Interpretations meeting in Sep 2016.

### Projects in Queue:

<table>
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<tr>
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<tr>
<td>1</td>
<td>Research the feasibility of restructuring the GIPS standards to base them on the type of portfolio structure rather than the investment.</td>
<td>TBD</td>
<td>In queue</td>
<td>High</td>
</tr>
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<td>2</td>
<td>Determine what work needs to be done on fees.</td>
<td>TBD</td>
<td>In queue</td>
<td>Medium</td>
</tr>
<tr>
<td>3</td>
<td>Determine if a new Alternative Investments Subcommittee should be</td>
<td>TBD</td>
<td>In queue</td>
<td>Medium</td>
</tr>
</tbody>
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Strategic Priorities | Assigned to | Status | Priority | Remarks
---|---|---|---|---
1. created to focus primarily on real estate, private equity, and hedge funds, with the flexibility to incorporate other alternative investments vehicles such as timber, infrastructure, etc. when needed.
   A. Examine the need for guidance related to infrastructure strategies, commodities, and/or new strategies.

   TBD | In queue | Low | TC to determine if additional guidance is needed for the use of temporary accounts.

3. Determine if existing PE provisions are appropriate.
   TBD | In queue | Low

4. Examine the feasibility of developing a global framework for calculating and presenting after-tax performance.
   TBD | In queue | Low | It was discussed at the EC Meeting in November 2014 that this might be a topic to be taken up by the Regional Technical Committee as this is an important topic in certain countries such as Australia, US, and a few other countries.

III. Projects Completed During the Current Fiscal Year (September 2015 – August 2016):

| Strategic Priorities | Assigned to | Status | Remarks |
---|---|---|---|
1. Develop guidance on expanding the use of internal rate of return (IRR) versus time weighted returns (TWR) • Part 1 – Research Draft • Part 2 – Actual Project
   USIPC – Part 1 - Research Draft | Completed | USIPC has completed and submitted its Research Summary to the TC in Jul 2015. The TC reviewed and discussed the Summary at the TC In-person meeting in Sep 2015. It was assigned to the Interpretations Subcommittee.

2. Create Q&As for Asset Owners to assist with the implementation of the Asset Owner Guidance Statement, including the required period of compliance.
   Asset Owner Subcommittee | Completed | Two Q&As were submitted at the end of last year and a Helpdesk question pertaining to the Guidance’s effective date and historical performance records was reviewed by the TC at their Sep 2015 meeting. CFA Institute
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<td>3 Create Q&amp;As that address verification issues related to the firm notification requirement.</td>
<td>Verification Subcommittee (3 questions)</td>
<td>Completed</td>
<td>Verification Subcommittee submitted a draft with 7 questions to the TC for review in Mar 2015. Four of the Q&amp;As were assigned by the TC to the Interpretations Subcommittee for additional input and Interpretations Committee suggested splitting one of the questions into 2 questions. During their Jul 2015 call, the TC approved 6 of the 8 submitted Q&amp;As, deleted one of them. The remaining Q&amp;A was discussed at the Sep 2015 in-person meeting and it was determined to delete this question and to address similar questions on an individual basis through the GIPS Help Desk. The 6 approved Q&amp;As were posted on the GIPS website on 1 October 2015.</td>
</tr>
<tr>
<td>4 Develop guidance on implementing the GIPS standards for firms in developing markets and on applying the GIPS standards when a firm first comes into compliance.</td>
<td>Investment Manager Subcommittee</td>
<td>Completed</td>
<td>A webinar introducing this document by CFA Institute staff took place on 27 May 2015. Final draft was released to the public in May 2016.</td>
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