



Global Investment Performance Standards

GIPS® Guidance Statement on the Use of Supplemental Information

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www.gipsstandards.org

Guidance Statement on the Use of Supplemental Information (Revised)

Introduction

In preparing performance reports, firms must keep in mind the spirit and objectives of the Standards: fair representation and full disclosure. Meeting the intent of the Standards may necessitate including information in the performance reports beyond the required and recommended provisions of the Standards to adequately cover the firm's specific situations. Firms that claim compliance with the Standards are encouraged to present all relevant information, beyond that required and recommended in the 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 performance presentation that supplements or enhances the required and/or recommended disclosure and presentation provisions of the GIPS standards. Supplemental Information should provide users of the composite presentation with the proper context in which to better understand the performance results. Because Supplemental Information could have 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" for the purposes of compliance. 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 information includes, but is not limited to, general information regarding the firm, a description of the investment strategy, or details about the investment process.
- *Misleading Information*. Firms that claim compliance with the GIPS standards must not present information that may mislead or deceive. 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 or current client in a one-on-one presentation):
 1. Model, hypothetical, backtested, 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

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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: i.e., fair representation and full disclosure.
- Supplemental Information must *not* contradict or conflict with the information provided in the compliant composite presentation.
- Supplemental Information must be clearly labeled and identified as supplemental to a particular composite 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 fully 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
- Model, hypothetical, backtested, or simulated returns
- Representative account 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
- Risk-adjusted performance

Location of Supplemental Information

Supplemental information must be clearly labeled and identified as supplemental to a particular composite presentation. The presentation and location of Supplemental Information in relation to the GIPS required or recommended data 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 fully compliant presentation prior to or accompanying any supplemental information. Firms must identify all Supplemental Information to a specific compliant presentation, for example:

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- 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 200X).

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

This Guidance Statement was originally effective 1 January 2004 and was revised to reflect the changes to the GIPS standards effective as of 1 January 2006.

Firms are encouraged, but not required, to apply this guidance prior to the original Effective Date of 1 January 2004; however, the original guidance must be applied to all presentations that include performance for periods on and after that date.

The revisions made to this guidance (effective 1 January 2006) must be applied to all presentations that include performance for periods after 31 December 2005.

Applications:

1. *Can supplemental information be presented on the same page as the compliant presentation?*

Yes. Supplemental information can be presented on the same page as long as it satisfies the guiding principles of the Supplemental Information Guidance Statement (i.e., is not misleading, does not contradict or conflict with the required compliant information, is clearly labeled, and references the appropriate composite presentation that it supplements).

2. *Firm A has a marketing brochure that describes the firm, staff, and investment process. One of the pages contains the compliant presentation for a specific composite. Do all the other pages of the brochure need to be labeled as supplemental information?*

No. Supplemental Information is defined as any performance-related information included as part of a compliant performance presentation that supplements or enhances the required and/or recommended disclosure and presentation provisions of the GIPS standards. Supplemental information does not include general information regarding the firm or the investment strategy or process.

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3. *XYZ firm created a presentation booklet that primarily highlights performance information that is considered supplemental. The booklet shows an appropriate compliant presentation in the back of the book as an appendix. Is it acceptable for the supplemental information to precede the compliant presentation?*

Yes, provided the supplemental information:

- a. is not misleading,
- b. does not contradict or conflict with the compliant information, and
- c. is clearly labeled as supplemental.

The firm must include a statement indicating that the Supplemental Information supplements the compliant composite presentation.

4. *Are there any limits to what can be shown as supplemental information?*

The definition and guiding principles of this *Guidance Statement on the Use of Supplemental Information* are very specific about the types of information that should and should not be shown in conjunction to a fully-compliant GIPS composite presentation. When in doubt, firms should always turn their focus to the first guiding principle of the *Guidance Statement*, which is also the fundamental objective of the Standards: to ensure fair representation and full disclosure of performance results. By continually using this principle to guide the calculation and presentation of performance, firms are sure to satisfy the spirit and provisions of the GIPS standards.

Specifically, firms that claim compliance with the GIPS standards must not present information that may mislead or deceive. 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 or current client in a one-on-one presentation):

1. Model, hypothetical, backtested, 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.