LONGS PEAK
ADVISORY SERVICES

August 18, 2022

CFA Institute
Global Investment Performance Standards
Re: Guidance Statement on Benchmarks for Asset Owners – Exposure Draft
915 East High Street
Charlottesville, VA 22902
USA

Dear Sir or Madam,

Thank you for the opportunity to comment on the Exposure Draft of the Guidance Statement on Benchmarks for Asset Owners ("Exposure Draft"). We appreciate the opportunity to share our perspective to help shape the Standards.

To provide some background on our firm and the perspective that we come from, we are not ourselves a GIPS compliant firm. We are a consulting firm specialized in helping investment managers and asset owners become GIPS compliant and maintain that compliance on an ongoing basis. While providing this consulting we have worked with many firms and asset owners around the world. Our feedback provided is based on our experience working with these asset owners and includes both our personal opinions as well as the opinions our clients have shared with us over the years.

Please see attached, our responses to each of the questions posed in the Exposure Draft. Feel free to contact us if you wish to discuss any of our responses in more detail.

Best regards,

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Exposure Draft Questions – Longs Peak's Responses

Request for Comment #1

Do you believe that asset owners commonly use custom benchmarks that reflect the deduction of fees or expenses? Which disclosures are necessary to accompany this type of benchmark?

- I have not commonly seen benchmarks reduced by fees and expenses (other than withholdings tax). If a benchmark was reduced by fees and expenses, the description of the benchmark should specifically list the fees that have been used to reduce the benchmark return as well as a description of any material differences between the fees used to reduce the benchmark return and the fees used to reduce the return of the total fund.

Request for Comment #2

Do you believe that benchmarks adjusted for leverage should be allowed to be presented in GIPS Asset Owner Reports? Which disclosures are necessary to accompany this type of benchmark?

- *Yes, since asset owners are primarily reporting to their own oversight board, there should be flexibility for them to utilize what they agree upon with the board to be a meaningful benchmark rather than the GIPS standards dictating what is allowed. With that said, it is important that clear disclosure is included that explains what the benchmark represents. In this case, the benchmark disclosure should include a description of the leverage that has been applied to adjust the benchmark return as well as any material differences that exist between the leverage applied to the benchmark and the leverage employed in the total fund.*

Request for Comment #3

Do you agree with the types of benchmarks used by asset owners? Should we modify any explanations of the benchmark types? Are any benchmark types missing?

- *Yes, we agree with the list and descriptions.*

Request for Comment #4

When an asset owner is transitioning from one asset allocation to another, it may wish to present the policy benchmark using weightings that change incrementally during the transition period, adhering to a predefined schedule. Do you agree that asset owners should be allowed to change asset class weightings incrementally to include interim weightings in order to match the total fund weights in GIPS Asset Owner Reports, rather than using a policy weight benchmark? Which disclosures are necessary to accompany this type of benchmark?

- *Yes, we believe that in some cases using these incremental weights will result in a more meaningful comparison when transitioning from one asset allocation to another. Disclosing the ending weights and benchmark changes as well as making historical weights available upon request should be sufficient disclosure for this.*

Request for Comment #5

Do you agree that asset owners should be able to present an actual-weight benchmark in GIPS Asset Owner Reports instead of a policy weight benchmark? Which disclosures are necessary to accompany actual-weight benchmarks?

- *Absolutely, we see this as a common practice to use dynamically weighted benchmarks that match the related asset class or sub-asset class within the total fund. As mentioned in an earlier response, since asset owners are* *primarily reporting to their own oversight board, there should be flexibility for asset owners to utilize what they agree upon with the board to be a meaningful benchmark or weighting method rather than the GIPS standards dictating what is allowed. Disclosure for this should include the fact that it is dynamically weighted, how the weight is determined (e.g., based upon the beginning adjusted market value asset weights within each custom blended benchmark), what the weight is at the end of the presented performance period, and that prior period weights are available upon request.*

Request for Comment #6

Do you agree that asset owners should be allowed to present a lagged benchmark to match the date of lagged valuations in the asset class of a total fund or additional composite? Which disclosures are necessary to accompany a lagged or partially lagged benchmark?

- *Absolutely, similar to the prior question, we see this as a common practice where lagged benchmarks are used that match the date of lagged valuations for the total fund. As mentioned in an earlier response, since asset owners are primarily reporting to their own oversight board, there should be flexibility for asset owners to utilize what they agree upon with the board to be a meaningful benchmark rather than the GIPS standards dictating what is allowed. Disclosure for this should include the fact that the benchmark is lagged, to what extent it is lagged, and any material differences between the timing of the benchmark valuations versus the valuation dates used within the total fund.*