

Guidance Statement for OCIO Strategies Responses from Canterbury Consulting

1. Is it clear when a firm must apply the Guidance Statement for OCIO Strategies?
For the most part, yes, it is clear. We would like to see a definition/a more specific definition of “multi-asset” be included. Is it just anything equal or greater than two asset classes? Would Cash and Short-Term Bonds qualify as a “multi-asset” portfolio? Removing some of this ambiguity would assist in consistent reporting.
2. Do you agree with the use of a Required OCIO Composite structure?
Yes, we understand and agree with the benefits of a Required OCIO Composite structure.
3. Do you agree with differentiating liability-focused composites from total return objective composites in the Required OCIO Composite structure?
Yes, we agree with separating liability-focused from total return.
4. The proposed asset allocation ranges for the Required OCIO Composites have been created based on a widely used set of OCIO indices, which is built to include the most common 60/40 portfolio in the middle of the moderate bucket. Do you agree with these ranges, or do you think we should take a different approach?
The ranges used are consistent with industry standards – we have no issues here.

Additional Remarks: It is important in our mind that there is clarification and consistency regarding the following:

- Which asset classes should be included in the category of Growth Assets and which should be in Risk-mitigating Assets. Allowing firms to move asset classes between the two categories, even if disclosed, creates disparities across performance composites and can have a significant impact on absolute performance, thus encouraging firms to “game” the system. We believe the basic premise of which asset classes fall under Growth or Risk-mitigating should be made standard for all firms to follow.
 - Any level of ambiguity around this will also leave the recipients of this information skeptical of the process and feel misguided. There may be footnotes that disclose details about what is included in each category as well as the timing of when asset classes have been switched from one category to another. If the goal of mandating OCIO composite performance is to provide a means for more reasonable comparison, the lack of detail around asset class inclusion and the ability to move asset classes creates potential loopholes and negates the point of the exercise.
 - Most investors that consume performance information do not go into reading the disclosure in so much depth. The investor should not have to use a search firm who digs through the details of disclosure statements to be confident that the Composites across two firms are comparing similar asset allocation.
5. Do you agree with the proposed three options for the treatment of legacy assets?
Yes, these cover most scenarios a firm would want to employ.

6. Do you agree with requiring firms to disclose information about their policy for the treatment of legacy assets?

Yes, it should absolutely be included in the disclosure statement. We would also like to see a policy be employed *firm-wide* rather than individually and differently for different composites.

7. Do you agree with requiring both gross-of-fees and net-of-fees returns for Required OCIO Composites?

Yes, it consistent with how we have been showing performance.

Additional Remarks: There is a lack of detail around how asset class Underlying Fee ranges are derived. Is it the high/low of what is currently in the composite, the high/low throughout the history of the composite, a reasonable range of what a client should expect? If the goal is fee transparency, then there should be more instruction on what values should be displayed.

8. Do you agree with requiring firms to initially present at least five years of performance that meets the requirements of the GIPS standards and this Guidance Statement?

Five years of history recalculation seems overly cumbersome. Three years would be more appropriate as the minimum since that is the period to display standard deviation as part of the composite reporting.

9. Do you agree that the effective date should be 12 months after the issue date?

Yes, this provides ample time.

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