



GIPS GUIDANCE STATEMENT FOR OCIO STRATEGIES EXPOSURE DRAFT – PUBLIC COMMENTS

COMMENTS ON QUESTIONS POSED IN THE GUIDANCE STATEMENT

1. Is it clear when a firm must apply the Guidance Statement for OCIO Strategies?

While the scope of the OCIO Guidance is clear, what is less clear is whether OCIO firms that also manage asset class carveouts on a discretionary basis would be required to include these portfolios in a composite under the broader GIPS standards.

Would the discretionary asset class carveouts need to be included in separate GIPS composites under the broader GIPS standards or would they be excluded from all GIPS composites (i.e., can only be provided as supplemental information only)?

2. Do you agree with the use of a Required OCIO Composite structure?

Yes.

3. Do you agree with differentiating liability-focused composites from total return objective composites in the Required OCIO Composite structure?

Yes.

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?

We generally agree with the approach but propose one change and offer one consideration:

- Adjust the ranges so Total Return Objective Moderate includes 70/30 portfolios (i.e., 30-50% allocated to Risk-Mitigating Assets and 50-70% allocated to Growth Assets)
- Consider revisiting Liability-Focused ranges as Liability-Focused and Total Return clients will likely have different definitions of risk (i.e., what might be “aggressive” for a liability-focused portfolio may be relatively conservative for a total-return focused portfolio)

5. Do you agree with the proposed three options for the treatment of legacy assets?

Yes.



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

Yes.

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

Yes.

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?

No, we propose firms present three years of performance.

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

Yes.

ADDITIONAL COMMENT

The treatment of private investments can result in meaningful performance differences across firms using different valuation and/or performance calculation methodologies and contribute to performance comparability challenges. We recommend that firms be required to disclose their methodologies with respect to treatment of private investments to allow users of the GIPS Report to compare composite returns across firms more effectively.