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CFA Institute
915 E. High Street
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Re: EXPOSURE DRAFT GUIDANCE STATEMENT FOR OCIO STRATEGIES

Thanks for the opportunity to comment on the exposure draft of guidance statements for OCIO strategies. Listed below are the responses to each question posed in the paper.

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

Generally speaking, we agree it is clear when a firm must apply the Guidance Statement for OCIO Strategies. Is there any additional guidance or impact that can be shared if the institutional side of the business is already GIPS® compliant, but a new business line (OCIO or Private Wealth) also wants to become GIPS® compliant?

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

No, we do not agree with the use of a Required OCIO Composite structure. Firms historically have defined their own composites, which is effective given the complexity of various asset classes. Market swings will cause portfolios to frequently change between composites. Additionally, there is too much ambiguity around the asset classes. “Equity” could include Private Equity to some, and exclude PE to others.

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

Yes, we agree with differentiating liability and total return composites. These are separate structures and managed differently.

Question 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 believe these decisions should be left to the firm. Similar to our response for question 2, large market swings can quickly disrupt asset allocation ranges. The overall asset classes can have varying interpretations between firm investment philosophies. Also, what happens if there is only

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one account in a composite that keeps switching between the allocation ranges? The firm would not be able to provide a long compliant track record.

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

Yes, we agree with the proposed options for the treatment of legacy assets. New managers should not be penalized for assuming legacy assets that prohibit the implementation of the OCIO strategy. Firms should have discretion over the application of the three options and assessing the impact of the legacy asset by portfolio.

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

Yes, we agree this disclosure should be required. Informing current and prospective investors of the treatment of legacy assets allows clarity when interpreting portfolio and strategy returns.

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

Yes, we agree both returns should be disclosed. Additionally, the firm should be required to disclose their fee treatment. This includes breaking out what the fee amount was, and what that respective fee charge was tied to (Investment Management fee, Custody fee etc).

Question 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 believe firms should present 10 years of performance, to capture a full market cycle.

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

No, we believe the effective date should be 24 months after the issue date given the nature of Private Assets. For fund of fund positions it can take a long time to obtain an audited financial statement which could impact the ability of the firm to be compliant. Along this topic, if there are only PE holdings with IRR, should a time weighted return continue to be calculated? Or should only the IRR be presented?

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Please contact us with any questions or concerns on the comments.

Thank you,

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