

OCIO GIPS Exposure Draft Feedback from State Street Global Advisors

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

- Overall, yes.
- For omnibus “like” clients, where the top-level client has various underlying accounts, each with their own mandate, do all of the underlying accounts need to be included or just the top-level client aggregate numbers?

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

- The required composite amount could be too much. Could we slim it down (e.g., from 5 to 3, per section)? This would create broader composites, but the current breakdown seems too granular. It also creates an administrative burden on firms to maintain this as portfolios can shift between these buckets year over year.
- As a general comment and concern, does this bucket structure land the industry in the same place it is in today, i.e., firms and consultants explaining to prospects the multitude of caveats in the numbers, given the unique circumstances to arrive at each composite?

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

- In general, 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?

- What is the thought process between the differing ranges across the buckets – why are the percentages not equally distributed?

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

- In general, we understand the intent of having these three options to combat the issues presented by legacy assets, however:
 - o Allowing firms to choose their own policy of what to omit will result in cherry picking to a certain extent and will also void the ability to clearly compare one provider vs. another.

- Could we give more thought to developing a more binary approach (e.g., legacy assets represented x% of portfolio at inception, for instance) to rule in/out composite inclusion, to avoid potential ambiguity.
- (6) Do you agree with requiring firms to disclose information about their policy for the treatment of legacy assets?
- Yes. Although, please reference Question 5 for further thought.
- (7) Do you agree with requiring both gross-of-fees and net-of-fees returns for Required OCIO Composites?
- No. Should be gross-of-fees only. There are way too many fee arrangements and payment processes in the OCIO/asset owner world to ensure a consistent framework.
- (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 would suggest three years, as a compromise. The administrative lift of figuring out composite bucket shifts for all clients over five years is very burdensome.
- (9) Do you agree that the effective date should be 12 months after the issue date?
- No. We would suggest 18 months after issue date. OCIO firms many mandates will need the time to properly implement.

Other Comments

- Applying benchmarks to these composites does not seem appropriate. We understand it can assist prospects in assessing a firm's risk/return profile, however it is difficult to compare benchmarks across firms.
- Creating portfolio weighted composite benchmarks of composite benchmarks is extremely cumbersome, and can vary widely by firms, especially for composites that have a large number of mandates.
- Will these composites be portfolio weighted or equal weighted? Portfolio weighted seems dangerous as it could distort the composite returns towards the larger underlying portfolios.
- Is the purpose of this exercise to allow prospects to compare total returns across providers, or compare excess returns across providers? Excess return view can be distorted if a firm has many clients subscribed to all passive mandates, versus an active approach, which can be driven by the client(s).