NEWSLETTER

# Global Investment Performance Standards

## September 2024 Edition

## Thank You for Joining Us in San Diego

Thanks to everyone who attended the 28th Annual GIPS® Standards Conference! We hope you enjoyed it as much as we did. With more than 350 in-person attendees, the GIPS Standards Conference continues to be the industry's leading event for performance and compliance professionals.

If you couldn't join us in San Diego, be sure to take advantage of the opportunity to watch sessions on demand. The Digital Content Package is available to purchase for USD449 until 20 December 2024. On-demand viewing will be available from 3 October 2024–31 January 2025.

## Dear GIPS Standards Help Desk

This month's question asks whether a firm can use both actual and model investment management fees when calculating a composite net return.

Question: There are two types of accounts in a composite. For one type of account, it is easy to identify actual investment management fees; for the other type of account, it is much easier to use model investment management fees. In the calculation of composite net-of-fee returns, can a blend of the two investment management fees be used—actual investment management fees for the first type of account, and model investment management fees for the other?

Answer: A firm could use actual investment management fees for some portfolios (e.g., separately managed accounts) and model investment management fees for other portfolios (e.g., pooled funds) when calculating composite net returns. However, we think an easier approach would be to deduct a monthly model investment management fee (typically the highest investment management fee paid by any portfolio in the composite) from the composite monthly gross return. For example, if the highest model investment management fee paid by any portfolio in the composite was 1% annually, the firm would deduct 0.0833% (1%/12) from the monthly composite gross return to arrive at the monthly composite net return.

Firms are reminded that they also must consider any regulatory requirements for calculating net returns.

## Registration for the March 2025 CIPM® Exam Is Now Open!

Earn the leading designation for performance evaluation with our Certificate in Investment Performance Measurement (CIPM®) Program. The CIPM Program will prepare you for effective investment performance evaluation, manager selection, and investment reporting.

Trust, transparency, and analytical expertise are essential if markets are to function at their best. As a result, there is a high demand for professionals who can demonstrate mastery of the skills needed to evaluate performance and risk, find actionable insights from investment decisions, and communicate performance effectively.

Using practice-based approaches, the CIPM Program will equip you with a deep understanding of both investment management and performance measurement. Registration for the March 2025 CIPM exam is now open, and you can save $200 by registering before the end of November.

Register Now

## Research and Policy Corner

On 21 August 2024, CFA Institute published "Market and Model Risk: Sequentially Interweaved Risk Dimensions" on the Enterprising Investor blog. This post discusses what risk managers must look at to see the full picture of their market-related investment and trading risks.

Market risk is the potential for losses in securities due to fluctuations in market factors, like interest rates, currency values, FX/commodity spot rates, and equity prices. These risks are inherent in all traded securities—from corporate bonds to commodities. Because each type of security may face multiple risks simultaneously, market risk is a crucial consideration for investors and financial institutions.

Compounding these risks is model risk, which refers to the risk inherent with the development and usage of a model to determine financial outputs and decision making. An inefficient or incorrect modeling technique can sometimes lead to drastic repercussions for the firm. Understanding and managing this risk is therefore essential for making informed financial decisions and safeguarding against potential losses.

Read the full post to learn more.



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