October 2024 Edition

GIPS® Standards Conference Digital Content Package

All of the sessions from the 28th Annual GIPS® Standards Conference are available in the Digital Content Package. Favorite sessions, as reported by attendees, addressed the SEC Marketing Rule, the use of AI in investing and performance, and the current state of SEC examinations.

The Digital Content Package is available for USD449. Sessions are available to view until 31 January 2025.

Dear GIPS Standards Help Desk

This month's question asks whether a firm is obligated to use the track record from an acquired firm that meets the portability requirements of the GIPS standards.

Question: If Firm B takes over Firm A and the portability requirements in Provision 1.A.32 are met, is Firm B obliged to use the performance record of Firm A? Or can Firm B opt to restart the track record post takeover?

Answer: There is no requirement for the firm to port the track record when it meets all of the portability requirements. Firm B could start the track record post takeover and not link the history. This scenario is addressed in the GIPS Standards Handbook discussion of Provision 1.A.34, which states:

“A firm is not required to but may decide to port a track record from an acquired firm at any point in the future, as long as the portability requirements are met. (Please see Provisions 1.A.32 and 1.A.33 for portability requirements.) There is no specific end-date by which all track records from the non-compliant acquired firm must be ported. A firm may decide to port a track record from an acquired firm at any point in the future, as long as the portability requirements are met.”

Research and Policy Corner

On 13 September 2024, CFA Institute published “How to Think About Risk: Howard Marks’s Comprehensive Guide” on the Enterprising Investor blog. This post discusses key lessons learned from Marks’s video about risk and volatility and the art of asymmetric risk-taking.

The blog summarizes key risks identified by Marks, which include:

- Risk and Volatility Are Not Synonyms – Volatility is a symptom of risk but is not a true risk measure. The true measure of risk is the probability of loss.
- Asymmetry in Investing Is Key – The goal is to maximize upside potential while limiting downside exposure.
- Risk Is Unquantifiable – Risk cannot be quantified in advance. Investors thus should not focus on historical data alone and must rely on their judgment and the underlying factors influencing an investment’s risk profile.
- There Are Many Forms of Risk – Other risks that should be considered include the risk of missed opportunities, taking too little risk, and being forced to exit investments at the bottom.
- Risk Stems from Ignorance of the Future – Although investors can anticipate a range of possible outcomes, they must acknowledge that unknown variables can shift the expected range of outcomes and that tail events, while rare, can have an outsized impact on investments.
- The Perversity of Risk – Risk is often counterintuitive, and overconfidence can lead investors to make poor decisions.
- Risk Is Not a Function of Asset Quality – Risk is not necessarily tied to the quality of an asset, and what you pay for an asset is more important than the asset itself.
- Risk and Return Are Not Always Correlated – Marks challenges the conventional wisdom that higher risk leads to higher returns.
- Risk Is Inevitable – Risk is an unavoidable part of investing. The key is not to avoid risk but to manage and control it intelligently.

Read the full post to learn more.

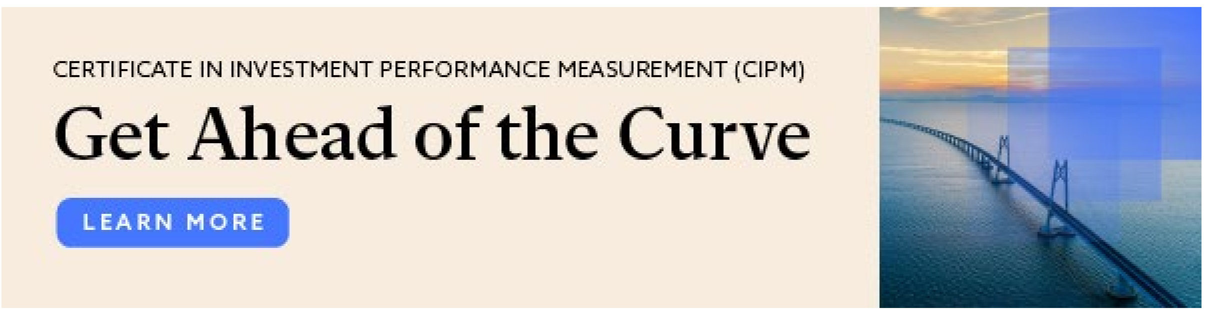
Register for the March 2025 CIPM® Exam Now and Save!

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.

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

Register Now to Save



Invest in the Power of Connection

We're excited to announce the return of our annual conference, LIVE 2025, where CFA® charterholders and others in the investment industry will gather in Chicago from 4–7 May 2025. Join us at the Hilton Chicago to connect with industry leaders and network with professionals from major financial centers worldwide—an unmissable chance to enhance your professional community. Visit our website to learn more.