CFA Institute

Global Investment
Performance Standards

GUIDANCE STATEMENT FOR OCIO PORTFOLIOS

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CFA Institute

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Introduction

The Global Investment Performance Standards (GIPS®) are ethical standards for calculating and presenting investment performance based on the principles of fair representation and full disclosure.

The following guidance has been developed to address applying the GIPS standards to Outsourced Chief Investment Officer (OCIO) Portfolios. An OCIO Portfolio is defined as a pool of assets of an asset owner for which a firm provides both strategic investment advice and investment management services. The OCIO Portfolio is managed by a firm according to the asset owner's investment mandate, which is typically composed of multiple asset classes and underlying portfolios.

Firms that claim compliance with the GIPS standards must follow all the applicable requirements of the GIPS Standards for Firms and the applicable requirements in the Guidance Statement for OCIO Portfolios when providing a GIPS Report to an OCIO Portfolio prospective client.

What Is an OCIO?

An OCIO provides both strategic investment advice and investment management services to OCIO Portfolios of asset owners, such as pension funds, endowments, and foundations. An OCIO acts as a fiduciary. Its strategic investment advice activities typically include learning about the asset owner's financial objectives, including any return objectives or liabilities. It then helps develop the strategic asset allocation and investment policy statement for the OCIO Portfolio. The client, or the oversight body of the client, typically approves the strategic asset allocation and investment policy statement. Once approved, the OCIO is then responsible for implementing the investment mandate according to the approved strategic asset allocation and investment policy statement. Investment management services include portfolio construction, pooled fund and manager selection, tactical asset allocation, and ongoing portfolio management.

As an example, XYZ Pension Fund, an asset owner, needs to fund its retirees' pension payments, and it also needs to grow its assets because it is underfunded. The XYZ

Pension Fund has a board of trustees that is ultimately responsible for ensuring that XYZ is investing the pension fund appropriately. The pension fund's board decides to hire a firm that manages OCIO Portfolios rather than hiring dedicated investment personnel in-house. The firm reviews the XYZ Pension Fund's asset–liability study and works with the XYZ Pension Fund's board to determine the strategic asset allocation and investment policy statement. The firm will then have discretion to implement the investment mandate, including selecting external managers and funds, portfolio construction, and ongoing portfolio management.

An OCIO could be a firm that exclusively provides services to OCIO Portfolios, or it could be a part of a larger firm. Firms may offer OCIO Portfolios that are tailored to each client or may offer bespoke pooled funds that reflect the firm's strategies.

Discretion Considerations

Some asset owners may require the firm to seek approval before making certain investment management decisions. In cases where the asset owner retains discretion over some of the investment management services, the firm must be able to provide evidence that its investment decisions have been implemented on a timely basis for it to consider the OCIO Portfolio to be discretionary. For example, even though asset owners may have the ability to veto investment decisions made by the firm, they rarely if ever do so, and the firm's investment decisions are consistently implemented in substantially the same manner as they would have been if the firm had been granted full discretion.

When the Guidance Statement for OCIO Portfolios Does Not Apply

Portfolios for Which the Firm Does Not Provide Both Strategic Investment Advice and Investment Management Services

The Guidance Statement for OCIO Portfolios does not apply to portfolios for which the firm provides investment management services but does not recommend a strategic asset allocation or work with the client to develop or assess the investment policy statement. For such portfolios, the firm would instead follow the GIPS Standards for Firms. The Guidance Statement for OCIO Portfolios also does not apply when a firm provides only strategic investment advice and does not provide investment management services.

Portfolios That Do Not Include All Asset Classes of an OCIO Portfolio's Investment Mandate

The Guidance Statement for OCIO Portfolios does not apply to portfolios that are a portion of an OCIO Portfolio when the portfolio does not include all asset classes of the OCIO Portfolio's investment mandate. For example, if the firm manages only the equity portion of an OCIO Portfolio, the Guidance Statement for OCIO Portfolios does not apply. For such portfolios, the firm would follow the GIPS Standards for Firms.

Portfolios Managed for Retail Clients

The Guidance Statement for OCIO Portfolios does not apply to portfolios managed for retail clients, because such portfolios generally are managed differently than OCIO Portfolios and they are not a portfolio of an asset owner. Unlike a retail client portfolio, an OCIO Portfolio typically has an extremely long, if not perpetual, time horizon, and it often invests a significant percentage of its assets in complex illiquid investments. OCIO Portfolios are also typically much larger than retail client portfolios, which allows for broader diversification and investment types that may not be available to retail client portfolios. For retail client portfolios, the firm would follow the GIPS Standards for Firms.

When Fiduciary Management Providers in the UK Are Providing Information to Potential Pension Scheme Trustee Clients

Organizations in the UK that meet the definition of Fiduciary Management Provider as defined in "The Investment Consultancy and Fiduciary Management Market Investigation Order 2019" must comply with the GIPS Standards for Fiduciary Management Providers to UK Pension Schemes (GIPS Standards for FMPs) when providing information to potential Pension Scheme Trustee clients in the UK, including in all tender submissions and marketing communications. These organizations do not need to adhere to the Guidance Statement for OCIO Portfolios when presenting performance to potential Pensions Scheme Trustee clients in the UK and would instead follow the GIPS Standards for FMPs. If a firm that is required to comply with the GIPS Standards for FMPs also markets to prospective clients that are not UK pension schemes, the firm could choose to claim compliance with the GIPS Standards for Firms. If the firm chooses to claim compliance with the GIPS Standards for Firms, it must comply with the GIPS Standards for Firms and the Guidance Statement for OCIO Portfolios when marketing to OCIO Portfolio prospective clients that are not UK Pension Schemes.

Examples for Determining If the Guidance Statement for OCIO Portfolios Is Applicable

Examples for When the Guidance Statement for OCIO Portfolios Is Applicable

Example 1

A pension fund hires two firms to manage its OCIO Portfolio. Each firm reviews the client's investment policy statement and advises on changes, if necessary, including any recommended strategic asset allocation changes. Each firm manages half of the client's assets across all asset classes. Each firm manages half of the client's assets consistent with the respective firm's approach for managing OCIO Portfolios according to the client's investment mandate. Because each firm is providing both strategic investment advice and investment management services, each firm would apply the Guidance Statement for OCIO Portfolios to these portfolios.

Example 2

A firm has a traditional endowment client that has two separate pools of assets—one with a short-term investment objective and one with a long-term investment objective—with each pool having its own investment mandate. The firm is hired to provide strategic investment advice for both the short-term and long-term pools of assets but will provide investment management services for only the short-term pool. Because the firm is providing both strategic investment advice and investment management services for the short-term pool, the firm would apply the Guidance Statement for OCIO Portfolios to this portfolio. The Guidance Statement for OCIO Portfolios would not apply to the long-term pool, because the firm is providing only strategic investment advice and is not providing investment management services.

Example 3

A firm offers four multi-asset allocation models for endowment clients. It works with each client to determine which of the four multi-asset allocation models is best suited for the client. The firm is providing both strategic investment advice, by recommending which multi-asset allocation model portfolio is best suited for each client, and investment management services, by investing each client's OCIO Portfolio in one of the four multi-asset allocation models. Because the firm is providing both strategic investment advice and investment management services, the firm would apply the Guidance Statement for OCIO Portfolios to these portfolios.

Example 4

A firm is hired by an asset owner that has an established strategic asset allocation and investment policy statement. After reviewing both the strategic asset allocation and investment policy statement, the firm determines that they are appropriate and no changes are needed. The firm then implements the existing strategic asset allocation and is responsible for ongoing strategic investment advice, including a periodic review of the strategic asset allocation. Because the firm is providing both strategic investment advice and investment management services, the firm would apply the Guidance Statement for OCIO Portfolios to this portfolio.

Examples for When the Guidance Statement for OCIO Portfolios Is Not Applicable

Example 5

A firm is hired to manage the equity portion of a foundation's OCIO Portfolio. Because the firm neither provides strategic investment advice nor manages the entire OCIO Portfolio, the firm would not apply the Guidance Statement for OCIO Portfolios to this portfolio.

Example 6

A firm has institutional clients for which it manages multi-asset-class portfolios, a process that includes implementing the client-provided strategic asset allocation and selecting managers. The firm is not responsible for oversight of the client's strategic asset allocation or recommending changes to the client's investment policy statement. Because the firm is providing only investment management services and is not providing strategic investment advice for these portfolios, the firm would not apply the Guidance Statement for OCIO Portfolios to these portfolios.

Example 7

A firm is hired by a pension fund client to develop the strategic asset allocation and investment policy statement for the pension fund's OCIO Portfolio. For ongoing management of the portfolio, the firm's delegated responsibility is limited to the administrative or back-office tasks associated with the investments, such as raising cash monthly to pay beneficiaries or to meet operating expenses, rebalancing, and managing private market investment cash flows. The firm has no authority to make other changes to the underlying portfolio investments. Because the firm is providing only strategic investment advice and is not providing ongoing investment management services for the pension fund client, the firm would not apply the Guidance Statement for OCIO Portfolios to this portfolio.

Total Firm Assets

OCIO Portfolios for which the firm provides both strategic investment advice and investment management services are included in total firm assets. Those portfolios for which the firm provides only strategic investment advice and does not provide investment management services would be considered advisory-only assets, and such portfolios are not included in total firm assets. Those portfolios for which the firm provides investment management services but does not provide strategic investment advice are included in total firm assets.

Required OCIO Composites

Defining composites for strategies that include multiple asset classes can be challenging, given the variety of ways a firm could define composites. To assist OCIO Portfolio prospective clients and provide comparability of performance results across firms, a firm that manages OCIO Portfolios is required to create composites that are consistent with the structure shown in **Figure 1**.

Figure 1. Required OCIO Composites for OCIO Portfolios

Required OCIO Composites	Strategic Allocation to:	
Liability-Focused Strategy	***Liability-Hedging Assets***	***Growth Assets***
Liability-Focused Aggressive	0%–14%	86%–100%
Liability-Focused Moderate Aggressive	15%–29%	71%–85%
Liability-Focused Moderate	30%–49%	51%–70%
Liability-Focused Moderate Conservative	50%–74%	26%–50%
Liability-Focused Conservative	75%–100%	0%–25%
Total Return Strategy	***Growth Assets***	***Risk-Mitigating Assets***
Total Return Aggressive	86%–100%	0%–14%
Total Return Moderate Aggressive	71%–85%	15%–29%
Total Return Moderate	51%–70%	30%–49%
Total Return Moderate Conservative	26%–50%	50%–74%
Total Return Conservative	0%–25%	75%–100%

A Required OCIO Composite is defined as a composite that is created consistent with this strategic asset allocation structure. A firm must create a Required OCIO Composite if it manages at least one OCIO Portfolio in the respective strategy.

The names of Required OCIO Composites should be consistent with this structure and should include "OCIO" within the composite name—for example, Total Return Moderate OCIO Composite.

Required OCIO Composites differentiate "liability-focused" strategies from "total return" strategies, as follows:

- Liability-focused composites: consist of OCIO Portfolios managed with an objective to meet a liability stream, which may be contractually prescribed. Examples include corporate pension fund and insurance portfolios.
- Total return composites: consist of OCIO Portfolios managed with a primary focus on capital appreciation with no liability matching. Examples include endowment, foundation, operating reserve, and family office portfolios.

The Required OCIO Composites are defined based on a combination of the strategy (liability-focused or total return) and strategic asset allocation rather than by client type. This approach will allow OCIO Portfolio prospective clients to better compare small and large firms that manage OCIO Portfolios.

All discretionary, fee-paying OCIO Portfolios must be included in a Required OCIO Composite. An OCIO Portfolio must be assigned to a Required OCIO Composite based on the portfolio's strategic allocation to certain types of assets. OCIO Portfolios with a liability-hedging mandate will be assigned to a liability-focused composite based on the strategic allocation to liability-hedging assets. OCIO Portfolios with a total return mandate will be assigned to a total return composite based on the strategic allocation to growth assets.

OCIO Portfolios must be assigned to Required OCIO Composites based on each OCIO Portfolio's strategic asset allocation and not based on tactical asset allocation. OCIO Portfolios must not be moved from one composite to another because of tactical asset allocation decisions.

OCIO Portfolios that include a glide path will change strategic asset allocations over time, which will typically result in changes to composite assignment. For example, a pension plan may have a strategic investment policy that results in a strategic asset allocation change as the funded ratio of the pension plan changes (e.g., a reduction in the percentage invested in equities and an increase in the percentage invested in fixed-income assets) that will result in a change in composite assignment over time. When the OCIO Portfolio changes composites, the historical performance must remain with the old composite and the performance after the change in strategic asset allocation must be included in the new composite.

Recommended Asset Classifications

For liability-focused composites, assets will be classified as either liability-hedging or growth assets. For total return composites, assets will be classified as either growth or risk-mitigating assets.

For Liability-Focused Composites:

Liability-hedging assets are assets used to hedge liabilities. These assets are intended to move in the same direction as the liability stream. Investment-grade fixed income and cash are recommended to be classified as liability-hedging assets. Hedge funds may be classified as either liability-hedging or growth assets. All other assets should be classified as growth assets.

For Total Return Composites:

Growth assets are assets used for long-term capital appreciation, typically with accompanying higher volatility. All assets should be classified as growth assets except for investment-grade fixed income and cash, which should be classified as risk-mitigating assets, and hedge funds, which may be classified as either growth or risk-mitigating assets.

Figure 2 summarizes the recommended classifications.

Figure 2. Recommended Classifications

Asset Class/Type	Liability-Focused Composites	Total Return Composites
Investment-grade fixed income	Liability-hedging	Risk-mitigating
Cash	Liability-hedging	Risk-mitigating
Hedge funds	Liability-hedging or growth	Risk-mitigating or growth
All other assets	Growth	Growth

A firm must establish policies and procedures for determining how assets are classified. Once a firm establishes its policies and procedures, it must apply them consistently.

Firms have discretion to categorize assets differently during different time periods. As an example, a firm could classify a specific asset class or asset type as risk-mitigating/liability-hedging for some periods but then change to classifying it as growth for subsequent periods. A firm may not, however, classify a specific asset class or asset type as both growth and risk-mitigating/liability-hedging in the same period. For example, a firm may not classify high-yield fixed income as 60% growth assets and 40% risk-mitigating/liability-hedging assets.

When determining if an asset class or asset type should be classified as a growth asset, the firm could consider the asset class or asset type's sensitivity to equities, using a measure such as beta. It may also consider other factors, such as volatility or correlation.

If a firm uses derivatives in managing the OCIO Portfolio, it should associate the derivative with the asset class or asset type with which it is intended to align. For example, if a derivative is used to gain exposure to an equity index, it would be classified as a growth asset under the recommended classification. A firm should consider how it treats derivatives that are used to lever the portfolio and whether the leverage causes the firm to classify any asset type differently because of the leverage.

A firm's policies may differ from the recommended asset classification. In such cases, a firm must disclose how the composite's asset classifications differ from the recommended classification. This disclosure must be made for all periods presented.

Given the various approaches to using hedge funds, there is no recommended classification for hedge funds. A firm may establish classifications for hedge funds that differ based on hedge fund types. A firm is required to disclose how it classifies hedge funds.

Disclosures about asset classification will allow an OCIO Portfolio prospective client to better understand a firm's investment approach and more readily assess performance between firms.

> **Sample Disclosure**
> "The Total Return Aggressive OCIO Composite includes an allocation to high-yield fixed income and fixed-income arbitrage hedge funds, both of which are classified as risk-mitigating. The strategy also includes an allocation to global macro hedge funds, which are classified as growth assets."

Optional Non-Required OCIO Composites

Although firms are required to include all discretionary, fee-paying OCIO Portfolios in a Required OCIO Composite, a firm may also include OCIO Portfolios in composites other than Required OCIO Composites. For example, a firm might create a composite that is more broadly defined than the Required OCIO Composites (e.g., a composite combining the Total Return Aggressive OCIO Composite and the Total Return Moderate

Aggressive OCIO Composite). A firm may also create composites that are more narrowly defined (e.g., a sub-composite from a Required OCIO Composite based on client type). Although the GIPS standards do not allow firms to define composites using client type alone as the primary criterion, because OCIO Portfolios must be included in a Required OCIO Composite that must be provided to OCIO Portfolio prospective clients, an exception is made for defining non-Required OCIO Composites based on client type (e.g., Total Return Moderate – Endowment and Foundation Only Composite).

Firms may have composites that they created for OCIO Portfolios prior to the existence of the Guidance Statement for OCIO Portfolios. Firms may terminate previously created composites once the OCIO Portfolios are included in Required OCIO Composites. Firms may also choose to keep the previously created composites.

Use of Asset Allocation Ranges

If an OCIO Portfolio's strategic asset allocation includes ranges and not specific percentages for asset types, the firm should use the midpoint of the asset allocation range as the strategic allocation. For example, if an OCIO Portfolio has a strategic allocation to liability-hedging assets of 70%–80%, the firm should use the midpoint of 75% for composite assignment purposes.

Currencies

Reporting currency must not be used as a criterion for assigning OCIO Portfolios to a Required OCIO Composite denominated in a different currency unless the reporting currency affects the investment strategy. For example, suppose that a firm manages OCIO Portfolios invested in a Total Return Moderate strategy. Some investors in this strategy require reporting in Swiss francs (CHF), some require reporting in euros (EUR), and others require reporting in US dollars (USD). If the difference in reporting currencies creates no difference in the strategy, the firm may not create different composites based on the client reporting currencies.

In contrast, differences in portfolio base currencies may have a material effect on strategy implementation. For example, if one OCIO Portfolio hedges assets to the client's base currency in Canadian dollars (CAD) and another OCIO Portfolio hedges assets to the client's base currency in euros, this difference may justify the creation of Required OCIO Composites in different base currencies—for example, Total Return Moderate (CAD) OCIO Composite and Total Return Moderate (EUR) OCIO Composite.

Firms must assess such differences and determine if it is appropriate to create Required OCIO Composites in different base currencies.

Legacy Assets

Firms that manage OCIO Portfolios often inherit legacy assets that they might wish to sell but may not be able to sell on a timely basis or even on a longer-term basis. The high cost of disposing of some legacy assets may also cause a firm to keep legacy assets it would otherwise wish to sell. A firm must determine how the existence of legacy assets in a portfolio affects the firm's classification of the portfolio as discretionary or non-discretionary. A discretionary portfolio is one for which the firm has the ability to implement its intended strategy. Firms have three options for determining which OCIO Portfolios with legacy assets are considered discretionary and will be included in a Required OCIO Composite:

- Exclude from composites portfolios with legacy assets when the legacy assets materially affect the ability of the firm to implement its intended strategy. A firm may consider the amount of legacy assets and type of legacy assets when making this determination.
- Include in composites portfolios with legacy assets, regardless of the amount or type of legacy assets, because the firm determines that it can manage these portfolios to its intended strategy.
- Include in composites the portion of the portfolio that excludes legacy assets when the non-legacy portion of the portfolio is consistent with the mandate for an OCIO Portfolio.

A firm must establish a composite-specific policy for the treatment of legacy assets and apply the policy consistently. Because the approach to legacy assets and the effect on discretion may vary from composite to composite and from firm to firm, the firm must disclose information about the portfolios or assets it excludes from the composite as a result of legacy assets. This disclosure will allow the user of the GIPS Report to compare composites across firms and to inquire further about legacy asset positions.

> **Sample Disclosure for a Policy That Excludes Portfolios with Legacy Assets from Composites**
>
> "The Total Return Aggressive OCIO Composite excludes those portfolios whose private market investments acquired by a prior investment manager exceed 5% of the portfolio's total value. Such portfolios are reassessed for potential composite inclusion annually."

Benchmark Selection

Benchmarks are important tools that aid in the planning, implementation, and evaluation of a composite's track record. They also help facilitate discussions with prospects regarding the relationship between risk and return. As a result, firms are required to present the total return for a benchmark that reflects the composite's investment mandate, objective, or strategy in all GIPS Reports, with one exception. If the firm determines there is no appropriate benchmark, then no benchmark is required. However, this scenario is not expected to be the case for OCIO Portfolios. If the firm determines that no appropriate benchmark exists, the firm must disclose why no benchmark is presented.

Benchmarks are addressed in detail in the Guidance Statement on Benchmarks for Firms.

Common Benchmarks for Required OCIO Composites

Blended Benchmarks

A blended benchmark is a type of custom benchmark that is created by combining two or more indexes. This type of benchmark may be used as a comparison when the strategic asset allocation of OCIO Portfolios is similar. The components of a blended benchmark can range from a simple blend (e.g., 60% XYZ World, 40% XYZ Aggregate Fixed Income, rebalanced on a monthly basis) to complex blends of multiple indexes rebalanced at irregular intervals.

> **Sample Disclosure for a Blended Benchmark**
> "The benchmark is a blend of 60% of the XYZ Equity Index and 40% of the XYZ Fixed Income Index, and it is rebalanced monthly. Although the composite's strategic allocation is 60% equity/40% fixed income, the composite strategy may tactically change the equity allocation between 50% and 70%."

Portfolio-Weighted Custom Benchmarks

A portfolio-weighted custom benchmark is created using the benchmarks of the individual portfolios in the composite, and such a benchmark is often the most meaningful benchmark for a Required OCIO Composite. Although the investment mandates, objectives, or strategies of the portfolios in the composite are similar, the actual application of the strategies may differ. This type of benchmark, however, has limitations with respect to its comprehension by an OCIO Portfolio prospective client. The GIPS standards require that if a portfolio-weighted custom benchmark is used, the firm must disclose

- that the benchmark is rebalanced using the weighted average returns of the benchmarks of all of the portfolios included in the composite,
- the frequency of the rebalancing,
- the components that constitute the portfolio-weighted custom benchmark, including the weights that each component represents, as of the most recent annual period end, and
- that the components of the portfolio-weighted custom benchmark, including the component weights, are available for prior periods upon request.

For a composite that includes multiple OCIO Portfolios with highly customized benchmarks, there may be instances in which the portfolio-weighted custom benchmark consists of a very large number of underlying benchmarks. In these cases, some of the weightings of the component parts may be so small and the list of benchmarks may be so long that listing all of them would make the disclosures difficult to read. In these instances, a firm has options for making this required disclosure. For purposes of meeting the requirement to disclose the components that constitute the portfolio-weighted custom benchmark, the firm may determine how best to disclose the benchmark components given the respective composite strategy. The definition of component can be determined on a composite-specific basis. Components could be defined as

- the individual benchmarks within the portfolio-weighted custom benchmark,
- the regions or asset classes of the individual benchmarks within the portfolio-weighted custom benchmark, or
- criteria important to the management of portfolios in the composite, such as maturity groupings within the portfolio-weighted custom benchmark.

The firm must disclose the components and related weightings of those components as of the most recent annual period end. If the firm discloses aggregated benchmark component information, it must offer to provide information about the benchmarks within each component upon request. The firm must also disclose that the individual benchmarks that constitute the portfolio-weighted custom benchmark, including the weights that each individual benchmark represents, are available for prior periods upon request. A firm is not required to disclose how the underlying portfolio benchmarks and weights have changed each period.

If the firm chooses to include in composites the portion of the portfolio that excludes legacy assets, and the firm uses a portfolio-weighted custom benchmark, the firm must consider the exclusion of the legacy assets when calculating the benchmark returns and adjust the benchmark if this exclusion is material. For example, assume a portfolio has a 10% strategic allocation to legacy assets that are excluded from the portfolio. If the firm determined that this difference is material, it would recalculate the portfolio's policy benchmark to reflect only the remaining 90% of assets that are included in the composite. It would not be appropriate to use the return of the total policy benchmark, because that benchmark includes an allocation to legacy assets that is not reflected in the portfolio's returns.

Sample Disclosure for a Total Return Portfolio-Weighted Custom Benchmark

"The Total Return Moderate OCIO Composite benchmark is a portfolio-weighted custom benchmark that is calculated using the benchmarks of the portfolios in the composite. The benchmark is rebalanced monthly based on the beginning values of portfolios included in the composite. Each portfolio's benchmark is based on its strategic asset allocation. As of 31 December 20XX, the composite benchmark is composed of

- 9% International XYZ Index,
- 8% Global ABC Equity Index,
- 9% DEF US Equity Large Cap,
- 17% GHI US Equity All Cap,
- 12% JKL US Aggregate,
- 4% MNO US High Yield,
- 4% PQR Emerging Markets Bond,
- 3% TSU US Credit,
- 3% US TIPS,
- 6% QQQ Hedge Fund Peer Group,
- 9% DEF US Equity Large Cap + 5% p.a.,
- 5% YRT Private Equity Peer Group, and
- 8% RTO Real Estate Peer Group.

The remaining allocations are all under 1% and are available upon request. The breakdown of the custom benchmark for prior periods is available upon request."

Sample Disclosure for a Liability-Focused Portfolio-Weighted Custom Benchmark

"The Liability-Focused Moderate OCIO Composite custom benchmark is calculated monthly by asset-weighting the individual portfolio benchmark returns using the same weights as the portfolio weights in the composite. Each portfolio in the composite uses as the benchmark its projected liability cash flows. As of 31 December 20XX, the duration of the portfolio-weighted custom benchmark is approximately 15 years and consists of

- 5% in AA Credit 3–5 years,
- 7% in AA Credit 5–7 years,
- 22% in AA Credit 7–15 years,
- 43% in AA Credit 15–25 years, and
- 23% in Treasury STRIPS 20+ years.

Information about the individual benchmarks within each duration range is available upon request. Information about benchmark components for prior periods is also available upon request."

Sample Disclosure for a Portfolio-Weighted Custom Benchmark Adjusted for Legacy Assets Exclusion

"The Total Return Moderate OCIO Composite includes portfolios that have legacy assets. The legacy assets are excluded from the portfolio, and the remaining portion is included in the composite. The individual portfolio benchmarks used within the portfolio-weighted custom benchmark are also adjusted to remove the benchmarks associated with the excluded legacy assets."

Peer Groups

Peer groups are often used for comparing similarly managed strategies. For example, the investment objective may be to perform in the top quartile of similar OCIO mandates managed by firms over a three-year period. A peer group benchmark may be used, but it must reflect the investment mandate, objective, or strategy of the composite.

Peer group benchmarks may have limitations, such as a self-reporting bias, differences in periodicity of returns, or survivorship bias, wherein historical returns of closed portfolios are removed from the peer group benchmark. When using a benchmark that has limitations, the firm should disclose these limitations.

Sample Disclosure for a Peer Group Benchmark

"The benchmark is a peer group of OCIO portfolios with a 0%–20% allocation to risk-mitigating assets. It is calculated using the average net-of-fees return as reported by OCIOs, equally weighted, for all constituents within this asset allocation range. Constituents must be at least $50 million or greater and are classified as fully discretionary by the respective firm managing the OCIO portfolio."

Lagged Benchmarks

Because some firms use private market investments in multi-asset strategies, there is often a timing difference between the performance used for traditional assets (e.g., equity and fixed income) and that used for private market investments (e.g., private equity). Firms should consider how private market investments are valued when determining the appropriate benchmark for these assets, in order to prevent a mismatch of information between the composite and the benchmark.

Consider a scenario in which information for the equity and fixed-income asset classes within a composite and the related policy benchmark is as of 30 June but the information from private market investments is as of 31 March. In this instance, the firm should use the private equity benchmark return from the previous quarter (i.e., 31 March) to match the timing of the return for the private equity asset class but use the equity and fixed-income benchmarks as of 30 June. The firm would disclose that there is a difference in valuation dates for those asset classes. The portfolio and benchmark timing should be synchronized to prevent differences caused by timing mismatches. In addition to matching the timing, lagging the benchmark also addresses an availability issue. Private equity peer universe benchmarks are often not available until three months or more after the valuation date. It is not feasible to use the current-period private equity benchmark in a timely fashion.

Required OCIO Composite Returns

Time-Weighted Returns

An OCIO Portfolio typically has multiple asset classes and asset types. Some of these asset classes or asset types are liquid, such as equity and fixed income, and some are illiquid, such as real estate and private equity. Performance for some of the illiquid asset classes or asset types, including real estate and private equity, is often reported using money-weighted returns. When calculating performance for an OCIO Portfolio, however, the firm must calculate a time-weighted return.

Gross and Net Returns

OCIO Portfolios may incur investment management fees in a variety of ways. For example, an OCIO Portfolio may pay investment management fees to the firm managing the OCIO Portfolio, to external managers, and through pooled fund holdings. The pooled fund holdings could be proprietary funds or externally managed funds. Also, investment management fees paid to the firm managing the OCIO Portfolio may be offset by fees paid to proprietary funds. Because of the complexity of the different investment management fees that may be incurred by an OCIO Portfolio, a firm must present both gross-of-fees and net-of-fees returns for Required OCIO Composites. Presenting both of these returns, along with the fee schedule, will allow OCIO Portfolio prospective clients to understand the full costs of the strategy and assess returns from different firms.

Both gross-of-fees and net-of-fees returns for a Required OCIO Composite must reflect the deduction of transaction costs, as well as fees and expenses for underlying pooled funds and externally managed segregated accounts. Net-of-fees returns must also reflect the deduction of the investment management fees for the firm managing the OCIO Portfolios. The difference between gross-of-fees and net-of-fees returns for a Required OCIO Composite will typically be the investment management fees paid to the firm managing the OCIO Portfolios.

There is an exception for calculating gross-of-fees returns when the firm controls the investment management fees of the underlying pooled funds. A firm may calculate gross-of-fees returns that do not reflect the deduction of the underlying pooled fund investment management fees when the firm controls the investment management fees of the underlying pooled funds. In such a case, the firm may calculate a gross-of-fees return that is gross of the underlying pooled funds’ investment management fees but net of the underlying pooled funds’ transaction costs and other expenses.

Firms may also present pure gross-of-fees returns as supplemental information. A pure gross-of-fees return is the return on investments that is not reduced by any transaction costs or fees and expenses of underlying pooled funds and segregated accounts.

Figure 3 illustrates the calculations for the different types of returns that a firm may calculate. The example assumes that the firm deducts fees and expenses for all underlying pooled funds when calculating gross-of-fees returns.

Figure 3. Types of Returns

Return Type	Return	Information Type
Pure gross-of-fees return	11.00%	Supplemental information
Fees and expenses for underlying pooled funds and externally managed segregated accounts	–0.40%	
Transaction costs	–0.04%	
Gross-of-fees return	10.56%	Required
OCIO investment management fee	–0.50%	
Net-of-fees return	10.06%	Required

Information in GIPS Reports Specific to Required OCIO Composites

A GIPS Report for a Required OCIO Composite must include all the information required by the GIPS Standards for Firms as well as any disclosures or information required by the Guidance Statement for OCIO Portfolios. The GIPS Report should also include disclosures or information recommended by the GIPS Standards for Firms and the Guidance Statement for OCIO Portfolios.

Information about Asset Allocation

As mentioned earlier, OCIO Portfolios must be assigned to Required OCIO Composites based on each OCIO Portfolio's strategic asset allocation and not based on the tactical asset allocation. To assist OCIO Portfolio prospective clients in comparing composites, firms are required to provide information about actual allocations to certain asset classes or asset types held by portfolios in the composite. For liability-focused composites, firms must present the percentage of composite assets represented by liability-hedging assets and growth assets as of each annual period end for periods ending on or after 31 December 2025. For total return composites, firms must present the percentage of composite assets represented by growth assets and risk-mitigating assets as of each annual period end for periods ending on or after 31 December 2025. Firms are recommended to present this information for all annual period ends.

Knowing these percentages will help an OCIO Portfolio prospective client understand where within a Required OCIO Composite's asset class range the total composite assets fall. For example, if Firm A's allocation to growth assets for its Total Return Moderate Aggressive OCIO Composite is 73% and Firm B's allocation to growth assets for its Total Return Moderate Aggressive OCIO Composite is 82%, an OCIO Portfolio prospective client could benefit from this information when comparing these composites.

Firms must also present the percentage of composite assets represented by private market investments and hedge funds as of each annual period end for periods ending on or after 31 December 2025. Private market investments include real assets (e.g., real estate and infrastructure), private equity, and similar investments that are illiquid, not publicly traded, and not traded on an exchange. Firms are recommended to present this information for all annual period ends. These allocations may have a material impact on performance.

For example, assume an OCIO Portfolio prospective client receives a GIPS Report for the Total Return Aggressive OCIO Composite from Firm C and Firm D. Firm C's Total Return Aggressive OCIO Composite has a 30% allocation to private market investments, and

Firm D's Total Return Aggressive OCIO Composite has a 0% allocation to private market investments. Knowing the difference in the allocation to private market investments could help the OCIO Portfolio prospective client compare these two track records.

Composite Constituent Disclosure

The underlying principles of the GIPS standards are fair representation and full disclosure. To comply with these principles, a firm should include additional disclosures about the portfolios in the composite.

Because of the customized nature of OCIO Portfolios, the firm should disclose information about the asset allocation differences and types of portfolios included in the composite to fully explain the composite performance. For example, the firm might disclose that portfolios in the composite have strategic asset allocation ranges for private equity assets ranging from 10% to 30% as of the most recent year end, in addition to the required disclosure of the percentage of composite assets represented by private market investments. It may also be important for the OCIO Portfolio prospective client to understand other information about the portfolios in the composite, such as the average tenure of the private equity assets, the type of alternative investments used, and the funded status of the portfolios. For example, for liability-focused composites, it may be helpful for OCIO Portfolio prospective clients to understand the following:

- The types of portfolios included in the composite (e.g., the percentage of portfolios that are government pensions versus corporate pensions or the percentage of pension portfolios that are open versus frozen).
- Funding ratio (e.g., the range of funding ratios of the portfolios in the composite).
- Duration (e.g., the weighted average duration of the liabilities of the portfolios in the composite or the range of portfolio durations in the composite).

It will be up to the firm to determine what information about the portfolios in the composite should be disclosed to allow an OCIO Portfolio prospective client to understand the composite performance.

> **Sample Disclosure about Funding Ratio**
> "A pension fund's liabilities are calculated by discounting its liabilities using an appropriate discount rate representing the current market conditions. The funding ratio of a pension fund portfolio measures to what extent the fair value of the pension fund's liabilities is covered by the fair value of the pension fund's assets. The funding ratios of the portfolios in this composite as of 31 December 20XX range from 93% to 112%."

Fee Schedule Disclosure

Firms are required to disclose the current fee schedule appropriate to OCIO Portfolio prospective clients. Because a firm managing OCIO Portfolios can earn fees in a variety of ways, the firm must provide enough information about the fees to allow an OCIO Portfolio prospective client to understand all the fees the firm will earn from the client's portfolio.

For example, an OCIO Portfolio may be invested in a firm's proprietary funds. A firm that uses proprietary funds for which the firm earns investment management fees may charge a much lower or even no investment management fee, whereas a firm that does not use proprietary funds may charge what appears to be a much higher investment management fee. The fee schedule must include information about the types of fees that are earned on proprietary funds (e.g., investment management fees, performance-based fees) and any other fees that are earned, such as placement fees earned on proprietary or third-party funds.

> **Sample Disclosure for a Firm That Uses Proprietary Funds**
>
> "The current fee schedule is 0.10% per annum on all assets. The firm also earns investment management fees from proprietary funds held in client portfolios. Investment management fees on these proprietary funds differ, and details about each fund's fees are available upon request. Given the expected asset allocation for this strategy, XYZ Firm estimates the average annual fee from all proprietary funds will be approximately 0.50%–0.60% per annum."
>
> **Sample Disclosure for a Firm That Uses Primarily External Funds**
>
> "The OCIO investment management fee is 0.20% p.a. on all assets, excluding legacy assets. In addition, we earn placement fees on certain third-party funds."

Periods Presented in GIPS Reports

When initially preparing a GIPS Report for a Required OCIO Composite, a firm is required to initially present at least five years of performance that meets the requirements of the GIPS standards and the Guidance Statement for OCIO Portfolios. If the composite has been in existence less than five years, the firm must present performance since the composite inception date. Prospectively, the firm must present an additional year of performance each year, building up to a minimum of 10 years of performance.

Distribution of GIPS Reports

Firms must make every reasonable effort to provide the relevant Required OCIO Composite's GIPS Report to all OCIO Portfolio prospective clients. If the firm does not have an appropriate Required OCIO Composite to present to an OCIO Portfolio prospective client, the firm must communicate this fact to the OCIO Portfolio prospective client.

A firm may also provide a GIPS Report for composites beyond those required to be provided to an OCIO Portfolio prospective client. If the firm also provides the GIPS Report for a non-Required OCIO Composite that is a sub-composite of a Required OCIO Composite or a combination of two or more Required OCIO Composites to an OCIO Portfolio prospective client, it must include all disclosures and other information that would be required for a Required OCIO Composite. For example, if the firm provides the GIPS Report for the Total Return Moderate – Endowment and Foundation Only Composite to an OCIO Portfolio prospective client, this GIPS Report must include all disclosures and other information required by the Guidance Statement for OCIO Portfolios. If the firm provides the GIPS Report for a composite that is not a sub-composite of a Required OCIO Composite or a combination of two or more Required OCIO Composites, it is not required to include all disclosures and other information required by the Guidance Statement for OCIO Portfolios.

A firm may provide any additional information that the OCIO Portfolio prospective client requests. For example, an OCIO Portfolio prospective client might request information based on one or more characteristics, such as client type (e.g., pensions or endowments and foundations), portfolio size (e.g., portfolios with assets between $1 billion to $5 billion), or funded status (e.g., funded status of 80% or higher). In such cases, the firm may provide the information requested by the OCIO Portfolio prospective client. The firm must also provide the GIPS Report for the composite, if such a composite exists.

All composites, including any non-Required OCIO Composites, must be included on the firm's list of composite descriptions. The firm must provide the GIPS Report for any composite on this list if the OCIO Portfolio prospective client requests it.

OCIO Portfolios Invested in a Pooled Fund

Some firms manage pooled funds that represent a specific strategic asset allocation and offer participation in the pooled funds to OCIO Portfolio prospective clients instead of managing investments in a segregated account. In such a case, the firm may provide a GIPS Pooled Fund Report instead of a GIPS Composite Report to OCIO Portfolio prospective clients. Alternatively, the firm could include the pooled fund in one of the Required OCIO Composites and provide that composite's GIPS Report to the OCIO Portfolio prospective client.

When the firm provides a GIPS Pooled Fund Report to an OCIO Portfolio prospective client, the firm must present both pooled fund gross returns and pooled fund net returns. The firm must also include all disclosures and other information required by the Guidance Statement for OCIO Portfolios that would be required if the pooled fund was included in a Required OCIO Composite.

Laws and Regulations

Firms must comply with all applicable laws and regulations regarding the calculation and presentation of performance, which may require calculating returns in a certain manner or presenting specific returns. For example, firms that are registered with the US Securities and Exchange Commission are subject to the SEC Marketing Rule, which has specific requirements when presenting performance in advertisements. Information about the SEC Marketing Rule that is helpful to firms that claim compliance with the GIPS standards can be found on the US SEC Marketing Rule webpage[1] of the GIPS standards website.

Effective Date

The Guidance Statement for OCIO Portfolios has an effective date of 31 December 2025. GIPS Reports for Required OCIO Composites that include performance for periods ending on or after 31 December 2025 must be prepared in accordance with the Guidance Statement for OCIO Portfolios.

Firms are encouraged but not required to apply this guidance prior to the effective date and for more than the minimum five-year period.

[1] See www.gipsstandards.org/resources/us-sec-marketing-rule/.

Appendix A. Sample GIPS Composite Report for a Required OCIO Composite

Ipne Investments

Total Return Moderate OCIO Composite

31 December 2025

Year	Composite		Custom Benchmark Return (%)	Dispersion (%)	3-Year Std Deviation		As of 31 December		
	Gross Return (%)	Net Return (%)			Composite (%)	Benchmark (%)	# of Portfolios	Composite Assets ($ M)	Firm Assets ($ M)
2021	21.60	21.14	21.17	2.9	n/a	n/a	16	2,975	5,206
2022	15.71	15.28	15.18	3.1	n/a	n/a	19	3,203	5,820
2023	11.96	11.50	11.70	1.5	12.27	12.91	21	3,231	5,863
2024	–17.51	–17.98	–17.09	2.5	9.84	8.72	20	3,275	6,379
2025	18.91	18.39	17.51	2.4	11.82	10.63	22	3,580	6,804

Year	As of 31 December			
	Growth Assets (%)	Risk-Mitigating Assets (%)	Private Market Investments (%)	Hedge Funds (%)
2025	63	37	18	6

1. Ipne Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Ipne Investments has been independently verified for the periods 1 January 2010 to 31 December 2025. The verification report is available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

2. Ipne Investments is an independent investment adviser registered under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training. Ipne Investments provides discretionary and nondiscretionary investment management services to institutional clients, including OCIO advisory services.

3. The Total Return Moderate OCIO Composite includes all fee-paying, discretionary portfolios that are invested in the Total Return Moderate OCIO strategy. Portfolios in this composite have a strategic allocation to growth assets between 51% and 70%, with the remainder of portfolio assets allocated to risk-mitigating assets. Growth assets include equities, emerging market bonds, high-yield bonds, and alternative investments, such as real estate, commodities, private equity, and private debt. Risk-mitigating assets include investment-grade fixed income and absolute return hedge funds. Portfolios with legacy assets that exceed 10% of the portfolio's total value are excluded from the composite.

4. As of 31 December 2025, two portfolios in the composite representing 27% of composite assets had a 0% allocation to private equity. The average tenure of the private equity pooled fund investments in the remaining portfolios is eight years. Approximately half of the private equity assets are benchmarked against a public market index plus a premium, and half are benchmarked against an industry peer group index.

5. The Total Return Moderate OCIO Composite benchmark is a portfolio-weighted custom benchmark that is calculated using the benchmarks of the portfolios in the composites. The benchmark is rebalanced monthly based on the beginning values of portfolios included in the composite. Each portfolio's benchmark is based on its strategic asset allocation. As of 31 December 2025, the composite benchmark is composed of the following indexes:

Benchmark	%
International XYZ	9
Global ABC Equity	8
DEF US Equity Large Cap	9
GHI US Equity All Cap	11
JKL US Aggregate	19
MNO US High Yield	4
PQR Emerging Markets Bond	4
TSU US Credit	5
US TIPS	5
QQQ Hedge Fund Peer Group	6
DEF US Equity Large Cap + 5% p.a.	5
YRT Private Equity Peer Group	5
RTO Real Estate Peer Group	5

The remaining allocations are all under 2% and are available upon request. The breakdown of the portfolio-weighted custom benchmark for prior periods is available upon request.

Peer Group returns can be affected by the timing of voluntary reporting of performance by benchmark constituents, as well as survivorship bias, where the exclusion of collapsed or terminated benchmark constituents distorts the performance.

The QQQ Hedge Fund Peer Group and RTO Real Estate Peer Group returns are net of fees.

The YRT Private Equity Peer Group returns are net of fees and are reported on a quarterly lag consistent with the private equity returns included in OCIO Portfolios.

6. Returns presented are time-weighted total returns and reflect the reinvestment of dividends and other earnings. Valuations are computed and performance is reported in US dollars.

7. Gross returns are presented before OCIO management and custodial fees but after all transaction costs and underlying pooled fund fees and expenses. Net-of-fees returns are calculated by deducting a model monthly management fee of 0.0333%, which is 1/12th of the highest annual management fee of 0.40%, from the monthly gross composite return.

8. All composite returns are presented net of non-reclaimable withholding taxes. Reclaimable withholding taxes are recognized if and when received. Benchmark returns are gross of withholding taxes.

9. The OCIO investment management fee is 0.40% p.a. on all assets, excluding legacy assets. The firm also earns investment management fees from proprietary funds held in client portfolios. Investment management fees on these proprietary funds differ, and details about each fund's fees are available upon request.

10. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

11. A list of composite descriptions is available upon request.

12. The composite was created in November 2025, and the inception date is 1 January 2021.

13. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year.

14. The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period.

15. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

16. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses.