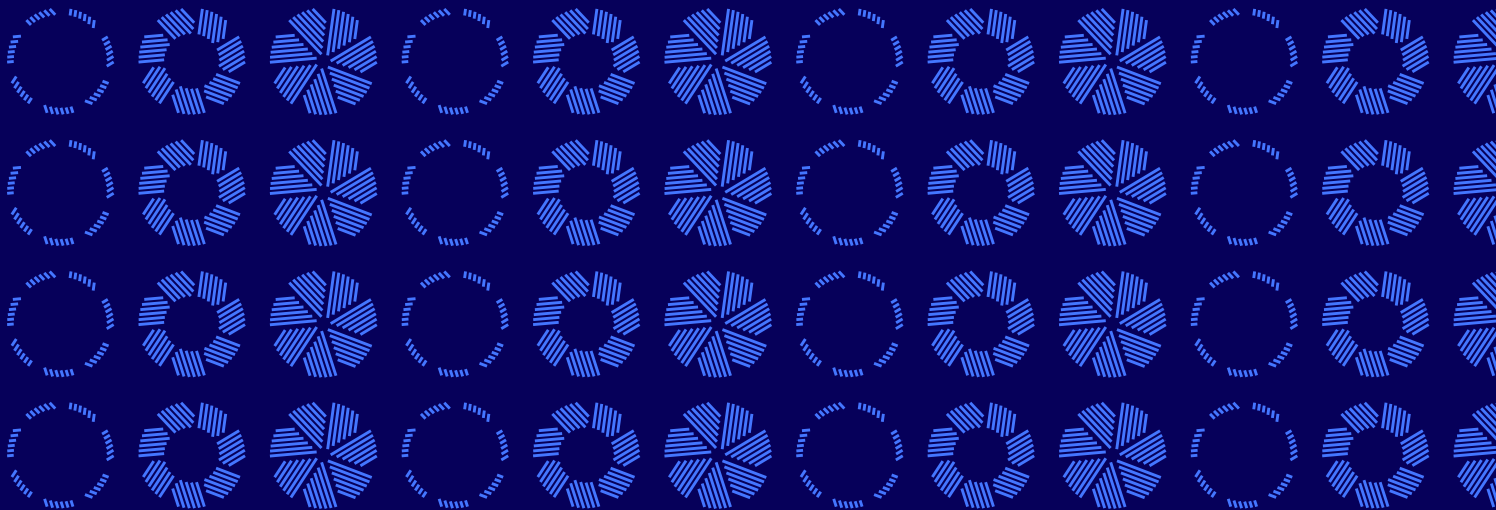




**Global Investment
Performance Standards**

GIPS® STANDARDS ASSET OWNER PERFORMANCE SURVEY REPORT

SEPTEMBER 2024



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GIPS® STANDARDS ASSET OWNER PERFORMANCE SURVEY REPORT (SEPTEMBER 2024)

Executive Summary

In the third quarter of 2024, CFA Institute, together with the Global Investment Performance Standards (GIPS®) Asset Owner Subcommittee, conducted a survey of asset owners globally to learn how they manage assets, report performance, and consider the GIPS standards when doing so.

This survey follows up and expands on the US-based survey conducted in 2020 by CFA Institute in conjunction with the United States Investment Performance Committee (USIPC), which is the GIPS Standards Sponsor in the United States. Nearly half of the 2024 survey respondents are headquartered in the Americas (48%), with 43% from Europe, the Middle East, and Africa (EMEA) and 9% from Asia Pacific. Respondents included pension funds, endowments, insurance companies, sovereign wealth funds, and family offices, among others.

Key takeaways from the 2024 global survey include the following:

- The vast majority (93%) of respondents have some level of familiarity with the GIPS standards.
- Currently, 31% of respondents claim compliance with the GIPS standards, compared with just under 21% in the 2020 US survey. In the 2024 survey, an additional 9% plan to claim compliance in the future.
- More than two-thirds (68%) of survey respondents require or ask about GIPS compliance when selecting external managers of liquid asset classes, with 19% of respondents requiring external managers of liquid asset classes to claim compliance for selection.
- Additionally, 8% of survey respondents require external managers for illiquid asset classes to claim compliance with the GIPS standards, and 41% of them require or ask about GIPS compliance when selecting external managers.
- Although a majority of asset owners provide only time-weighted returns (TWRs) for total funds to oversight bodies, more than 40% of survey respondents provide both TWRs and money-weighted returns (MWRs).

- A majority (59%) of respondents indicated that they already present the returns required by the GIPS standards (i.e., returns that are net of fees and costs) to their oversight body; however, only 31% of them claim compliance. The organizations that are calculating and presenting returns required by the GIPS standards have done much of the work needed to claim compliance with the GIPS standards.
- A large majority of asset owners (79%) provide asset class returns for all asset classes to the oversight body.
- When presenting asset class performance, 49% of survey respondents present TWR for all asset classes and 35% present TWRs for liquid asset classes and MWRs for illiquid asset classes.
- Whereas 59% of respondents use only one benchmark, 41% use more than one. Some respondents indicated using three, four, or even five total fund benchmarks.
- Weighted benchmarks based on policy asset-class weights are most commonly used, with 61% of asset owners using such a benchmark. Target returns, weighted benchmark based on actual asset-class weights, and market indexes are the next most commonly used benchmarks.

What Are the GIPS Standards?

The GIPS standards are ethical standards for calculating and presenting investment performance based on the principles of fair representation and full disclosure. Although the GIPS standards were originally created in response to investment manager demand for a standardized, industry-wide approach to calculating and reporting investment results, in the last few years the number of asset owners complying with the GIPS standards has increased. Unlike investment managers, asset owners—which include but are not limited to public and private pension funds, endowments, foundations, family offices, provident funds, insurers and reinsurers, sovereign wealth funds, and fiduciaries—do not compete for business.

Much of the guidance in prior editions of the GIPS standards focused on a firm's marketing efforts, which is not applicable for asset owners. In 2020, the GIPS standards underwent a major update, and a version of the GIPS standards was created specifically for asset owners.

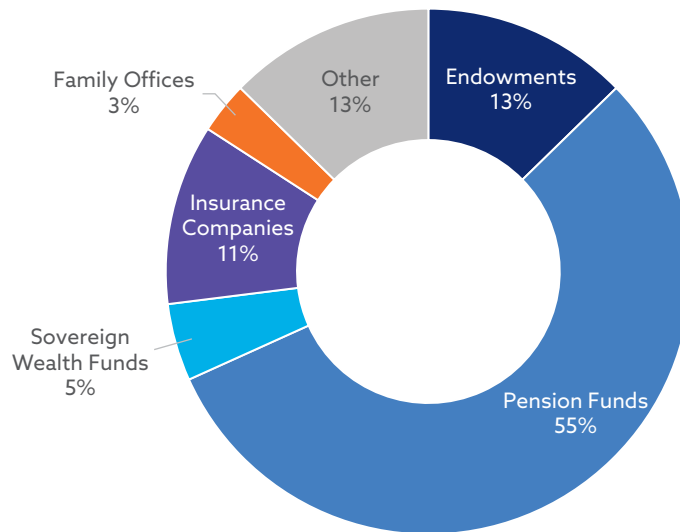
Survey Results

The 2024 survey was conducted by CFA Institute and the GIPS Standards Asset Owner Subcommittee. Sixty-three asset owners from at least 15 countries responded.

About the Survey Respondents

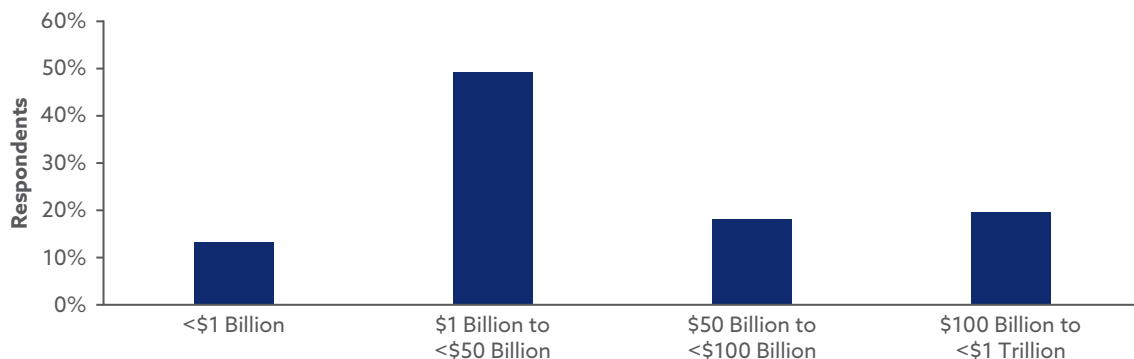
Respondents were classified into seven groups: endowments, pension funds, sovereign wealth funds, insurance companies, family offices, and other asset owners. As shown in **Exhibit 1**, pension funds constitute the majority of respondents (55%).

Exhibit 1. Classification of Asset Owner Survey Respondents



To gain insight into the asset owners that responded, we asked respondents to provide total assets under management (AUM) at the time of the survey. Nearly half (49%) manage assets ranging from US\$1 billion to less than US\$50 billion. **Exhibit 2** details the AUM responses by amount.

Exhibit 2. AUM at Respondents' Organizations



We also asked about the percentage of organizations’ AUM that is invested in illiquid assets, such as private equity and real estate. As shown in **Exhibit 3**, more than 90% of survey respondents invest in illiquid assets, with nearly half (45%) allocating between 26% and 50% of AUM to such assets.

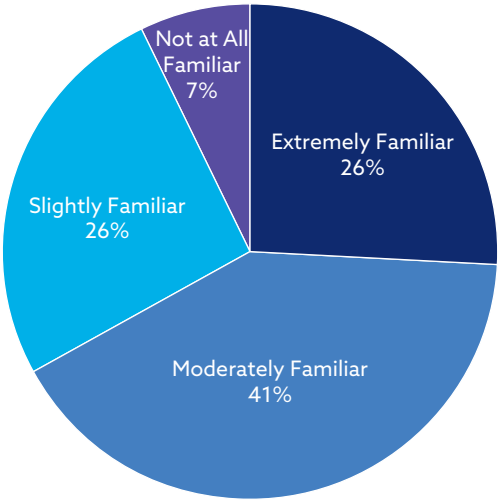
Exhibit 3. Percentage of Total AUM Invested in Illiquid Assets

| AUM Invested in Illiquid Assets | Percentage of Respondents |
|---------------------------------|---------------------------|
| 0% | 10% |
| 1%–25% | 36% |
| 26%–50% | 45% |
| 51%–75% | 7% |
| 76%–99% | 2% |
| 100% | 0% |

Familiarity with the GIPS Standards

We were pleased to find that 93% of respondents indicated at least some degree of familiarity with the GIPS standards. As **Exhibit 4** illustrates, approximately two-thirds are extremely familiar (26%) or moderately familiar (41%) with them.

Exhibit 4. Familiarity with the GIPS Standards



GIPS Compliance Status

We asked respondents about their organization's status with respect to claiming compliance with the GIPS standards. Because the GIPS Standards for Asset Owners are fairly new, we expected the majority of respondents to indicate that they do not claim compliance. We were pleased to find, however, that 31% currently claim compliance and another 9% are in the process of claiming compliance or plan to comply in the future (see **Exhibit 5**).

Exhibit 5. GIPS Compliance Status



Exhibit 6 shows compliance status based on the type of asset owner.

Exhibit 6. GIPS Compliance Status by Asset Owner Type

| | Yes | No | No, but We Plan to Claim Compliance in the Future |
|------------------------|-----|------|---|
| Endowments | 38% | 50% | 12% |
| Pension Funds | 30% | 61% | 9% |
| Sovereign Wealth Funds | 67% | 33% | 0% |
| Insurance Companies | 43% | 57% | 0% |
| Family Offices | 0% | 100% | 0% |
| Other | 0% | 83% | 17% |

For those organizations that do not claim compliance with the GIPS standards, we asked about the reasons for not doing so. Some respondents were unsure why their organization did not elect to claim GIPS compliance, but others gave the following reasons:

- They see no benefits to claiming compliance.
- It would take too much time and resources.
- They adhere to a different local regulation or local standard.
- Custodians are calculating performance.
- It is not a priority among other projects.

We realize that we have an opportunity to communicate the benefits of claiming GIPS compliance more effectively, including the following:

- Compliance helps ensure that the asset owner's investment performance is complete and fairly presented, regardless of whether assets are managed internally, externally, or both.
- Compliance demonstrates a commitment to follow global industry standards and best practice for valuation, performance calculation, and performance presentation.
- Compliance requires establishment of robust investment performance policies and procedures, and it allows an asset owner to be confident that the data being presented to the oversight body are consistent and transparent.
- Compliance shows a commitment to adopt the same principles that may be required of external investment managers.

Selecting External Managers

Demanding compliance with the GIPS standards makes manager searches and requests for proposal (RFPs) more efficient because only those firms that have designed and implemented policies and procedures to fairly present their past performance will pass the initial screen.

In the 2020 survey, 21% of asset owners recognized this benefit and required GIPS compliance when selecting all external managers, and 8% required GIPS compliance for some but not all of their external managers. Combined with the 39% of asset owners that asked about GIPS compliance, these responses indicate that more than two-thirds (68%) of asset owners required or asked about GIPS compliance when selecting external managers at the time the 2020 survey was conducted.

Anecdotally, we understand that asset owners may demand compliance from traditional asset managers but may feel unable to do so for managers of alternative strategies

because fewer of these managers claim compliance. We implemented changes in the 2020 edition of the GIPS Standards for Firms to provide more helpful guidance to managers of pooled funds and alternative strategies. Our hope was that more managers of these products would take the steps to claim compliance with the GIPS standards, so that asset owners would then be in a position to demand compliance from these managers. Therefore, in the 2024 global survey, we asked separate questions about whether asset owners required compliance with the GIPS standards from managers of liquid asset classes (e.g., equities, fixed income, or cash) and illiquid asset classes (e.g., private equity or real estate).

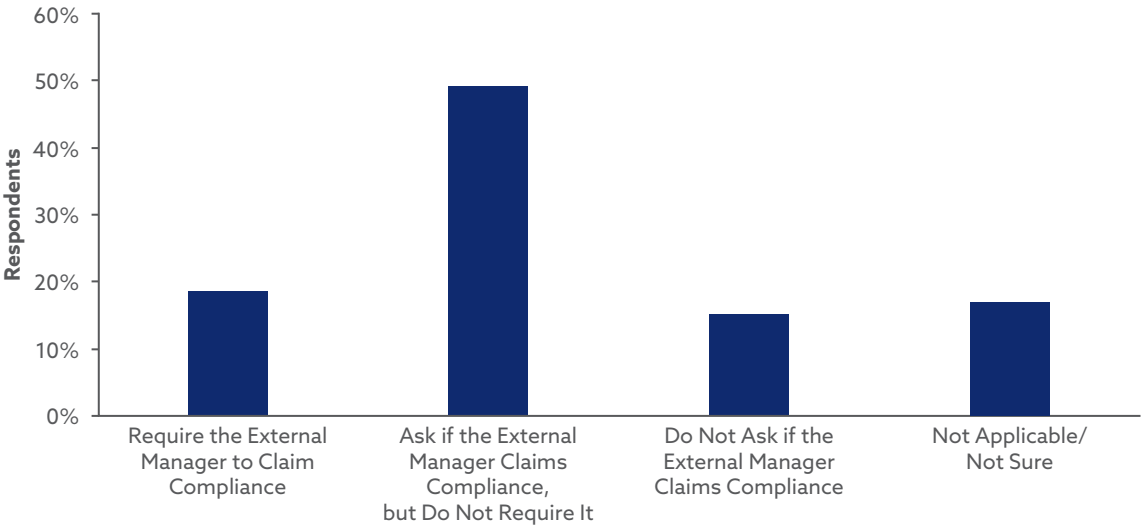
To better understand the landscape, we also asked asset owners what percentage of their total AUM was being externally managed. In response, 93% indicated that they use external managers to manage at least a portion of their AUM. As detailed in **Exhibit 7**, only 7% of respondents manage 100% of their AUM internally.

Exhibit 7. Percentage of Total AUM Managed Externally

| Range of AUM Managed Externally | Percentage of Respondents |
|---------------------------------|---------------------------|
| 0% | 7% |
| 1%–25% | 17% |
| 26%–50% | 17% |
| 51%–75% | 11% |
| 76%–99% | 31% |
| 100% | 17% |

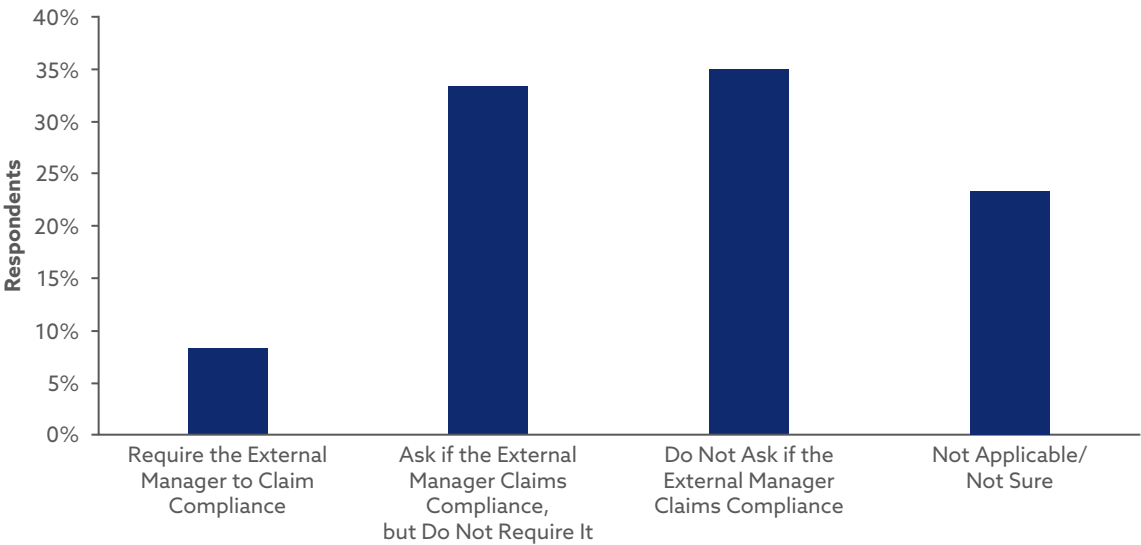
We learned that 68% of survey respondents require or ask about GIPS compliance when selecting external managers for liquid asset classes: 19% of survey respondents require the external manager to claim GIPS compliance, whereas 49% of respondents ask whether the firm claims compliance with the GIPS standards (see **Exhibit 8**).

Exhibit 8. GIPS Compliance When Selecting External Managers for Liquid Asset Classes



Asset owners ask managers of illiquid asset classes about their GIPS compliance status less frequently than they ask managers of liquid asset classes. We learned that 41% of respondents require or ask about GIPS compliance when selecting external managers of illiquid asset classes, compared with 68% for liquid asset classes. Only 8% of survey respondents require the external manager of illiquid asset classes to claim GIPS compliance, whereas 33% of survey respondents ask whether the firm claims compliance with the GIPS standards (see **Exhibit 9**).

Exhibit 9. GIPS Compliance When Selecting External Managers for Illiquid Asset Classes



Return Information

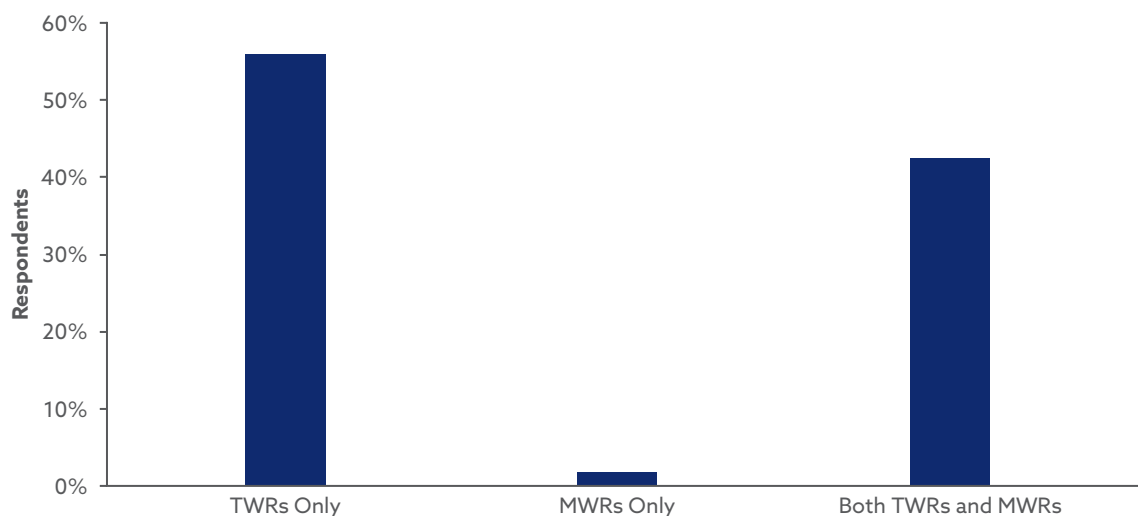
We asked asset owners which types of returns they present to the oversight body.

Type of Total Fund Returns Provided

Asset owners that claim compliance with the GIPS standards are required to present total fund time-weighted returns in a GIPS Asset Owner Report provided to the oversight body. A total fund is a pool of assets managed by an asset owner according to a specific investment mandate, which is typically composed of multiple asset classes. A GIPS Asset Owner Report is a presentation that includes all the information required by the GIPS standards. An oversight body has direct oversight responsibility for total fund assets and total asset owner assets (e.g., a board of trustees).

GIPS compliant asset owners may also present money-weighted returns in addition to the required TWRs. As **Exhibit 10** shows, a majority of survey respondents (56%) provide only TWRs, whereas 42% provide both TWRs and MWRs for total funds.

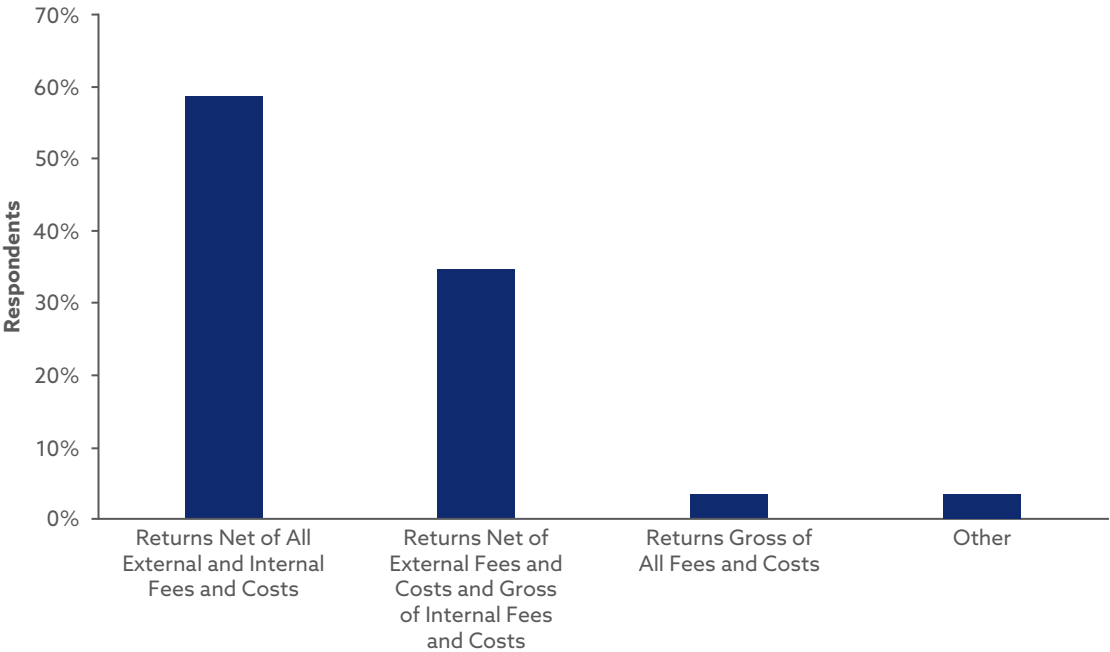
Exhibit 10. Type of Total Fund Return Provided to the Oversight Body



Treatment of Fees and Costs

Asset owners incur a variety of fees and costs. Asset owners that claim compliance with the GIPS standards are required to present total fund TWRs that are net of all external and internal fees and costs to the oversight body in a GIPS Asset Owner Report. Interestingly, 59% of respondents indicated that they already present the returns required by the GIPS standards to their oversight body (see **Exhibit 11**), but only 31% of respondents claim compliance (see **Exhibit 5**).

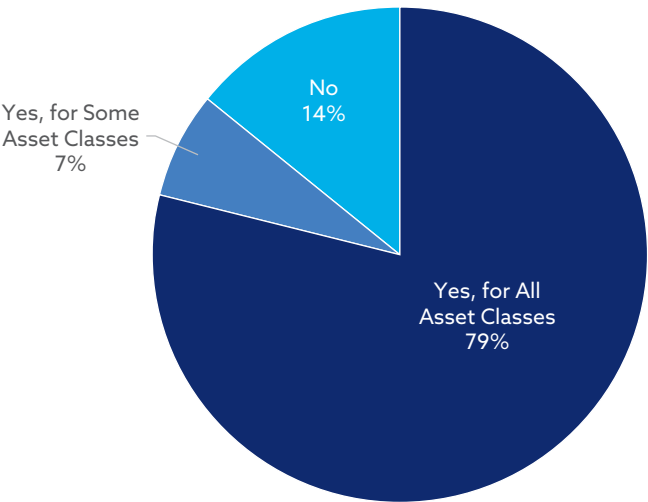
Exhibit 11. Treatment of Fees in Returns Provided to the Oversight Body



Asset Class Returns

In an effort to better understand the types of returns asset owners present to their oversight body, we asked whether asset owners provide asset class returns to their oversight body. As shown in **Exhibit 12**, the vast majority of asset owners (79%) provide asset class returns for all asset classes to their oversight body.

Exhibit 12. Asset Class Returns

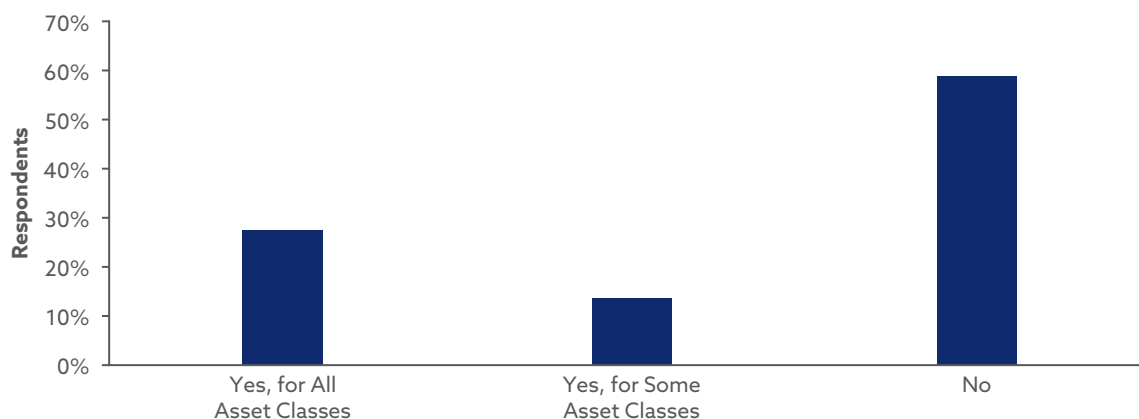


Additional Composites

For GIPS compliance purposes, an additional composite is a grouping of portfolios representing a particular strategy or asset class that the asset owner chooses to present in a GIPS Asset Owner Report. GIPS compliant asset owners are not required to provide GIPS Asset Owner Reports for asset classes to the oversight body but may choose to do so for any or all asset classes.

Of those asset owners that claim compliance, 27% of respondents indicated that they provide GIPS Asset Owner Reports for additional composites for all asset classes to the oversight body. Another 14% indicated that they provide GIPS Asset Owner Reports for additional composites for some asset classes to the oversight body, and 59% indicated that they do not provide GIPS Asset Owner Reports for any additional composites to the oversight body (see **Exhibit 13**).

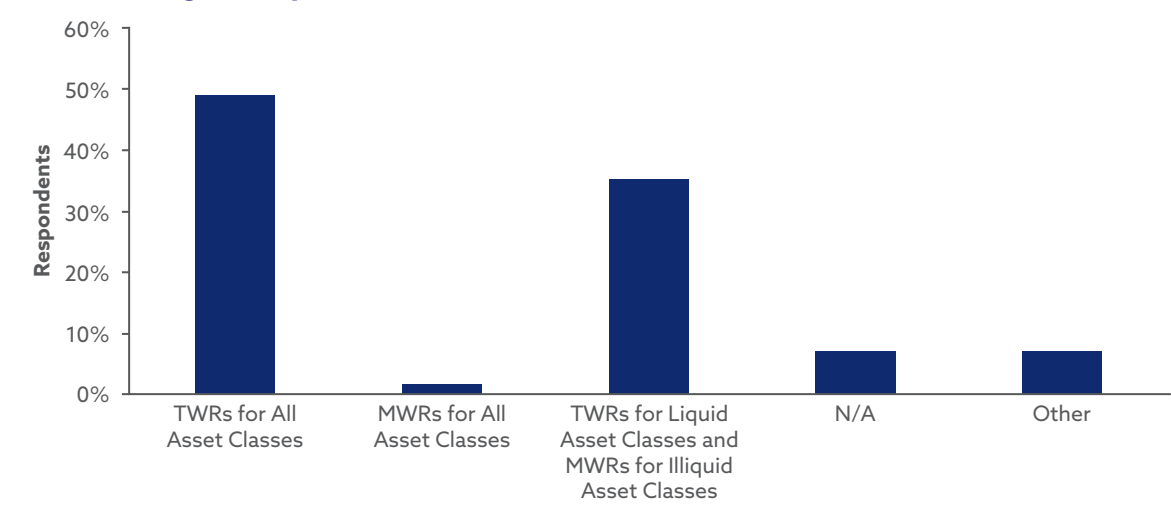
Exhibit 13. GIPS Compliant Asset Owners That Provide GIPS Asset Owner Reports for Additional Composites to the Oversight Body



Asset Class Returns

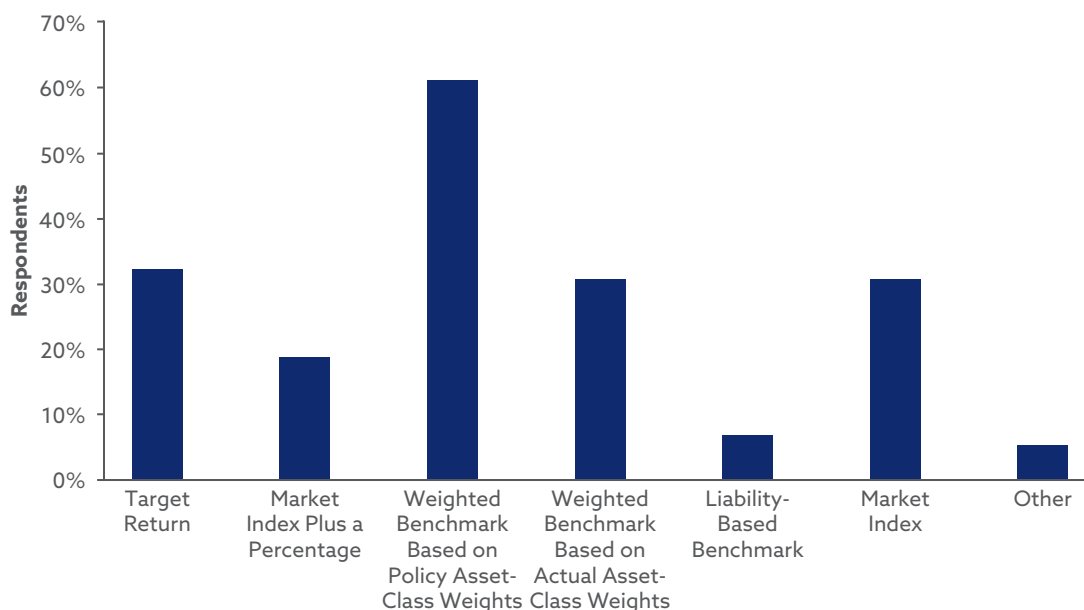
In the GIPS Standards for Asset Owners, the asset owner must choose to present TWRs, MWRs, or both for each additional composite and must consistently present the selected returns for each additional composite. In the survey, we asked which types of returns asset owners present for asset classes. As **Exhibit 14** shows, nearly half of the survey respondents (49%) present TWRs for all asset classes, whereas 35% present TWRs for liquid asset classes and MWRs for illiquid asset classes.

Exhibit 14. Type of Asset Class Returns the Asset Owner Provides to the Oversight Body



Total Fund Benchmarks

The survey asked asset owners to indicate all the benchmarks used for total fund benchmarks. In the GIPS standards, a benchmark used in a GIPS Asset Owner Report must reflect the investment mandate, objective, or strategy of the total fund. Although 51% of respondents use only one benchmark, 49% use more than one. Some respondents indicated using three, four, or even five total fund benchmarks. Weighted benchmarks based on policy asset-class weights are most commonly used, with 61% of asset owners using such a benchmark (see **Exhibit 15**). Target returns, weighted benchmarks based on actual asset-class weights, and market indexes are each used by just above 30%. Other benchmarks used include a peer group benchmark and a weighted average peer group benchmark.

Exhibit 15. Benchmarks Used for Total Fund Benchmarks**Conclusion**

The 2024 survey results demonstrate that the GIPS standards matter to asset owners. Compared with the 2020 survey, more asset owners are claiming compliance, planning to claim compliance, and asking about compliance from firms they hire.

A majority of respondents are already calculating performance that is consistent with the requirements of the GIPS standards. These asset owners are well positioned to claim compliance in the future should they choose to do so.

Based on these survey responses, we are hopeful that asset owners that do not already claim compliance with the GIPS standards will do so in the future. In addition, survey results indicate that an increasing number of asset owners are requiring compliance or asking external managers of both liquid and illiquid assets whether they claim compliance. We expect this trend to continue.

The GIPS standards website provides information about the GIPS standards, including a video introducing the GIPS Standards for Asset Owners and a case study describing how and why an asset owner chose to comply with the GIPS standards. The website also includes many tools and resources to help an asset owner claim compliance.

If you have any questions or need additional information about claiming compliance with the GIPS standards or demanding compliance from the external managers you hire, please contact us at gips@cfainstitute.org.