



CFA Institute

Global Investment Performance Standards

Introduction to the GIPS® Standards for Asset Owners Requirements

WHAT ARE THE GIPS STANDARDS?

The CFA Institute **Global Investment Performance Standards (GIPS®)** are an investment industry standard for calculating and presenting historical investment performance.

The GIPS standards are developed, maintained, and promoted through the collaboration of:



Volunteers from the investment community



GIPS Standards Sponsors, which include 60+ not-for-profit organizations



CFA Institute®, a global association of investment management professionals

- Over 1,700 firms and asset owners from 50 markets claim compliance with the GIPS standards
- 25 of the top 25 and 86 of the top 100 global investment managers* claim compliance for all or a part of their business

* per *Pensions and Investments* as of 31 Dec 2023

CFA INSTITUTE

The mission of CFA Institute is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

- CFA Institute provides the staff and funding to maintain the GIPS standards
- CFA Institute does not earn revenue from the GIPS standards – they are provided to all market participants free of charge
- CFA Institute jointly approves, along with the volunteer GIPS Standards Technical Committee, the issuance of the GIPS standards, ensuring they are aligned with the organization's mission

THE GIPS STANDARDS: 4 CHAPTERS



ASSET OWNERS

- For GIPS compliance purposes, an asset owner is defined as an entity that manages investments, directly and/or through the use of external managers, on behalf of participants, beneficiaries, or the organization itself
- Asset owners are typically accountable to an oversight body (e.g., board of trustees) responsible for establishing investment policies and monitoring performance

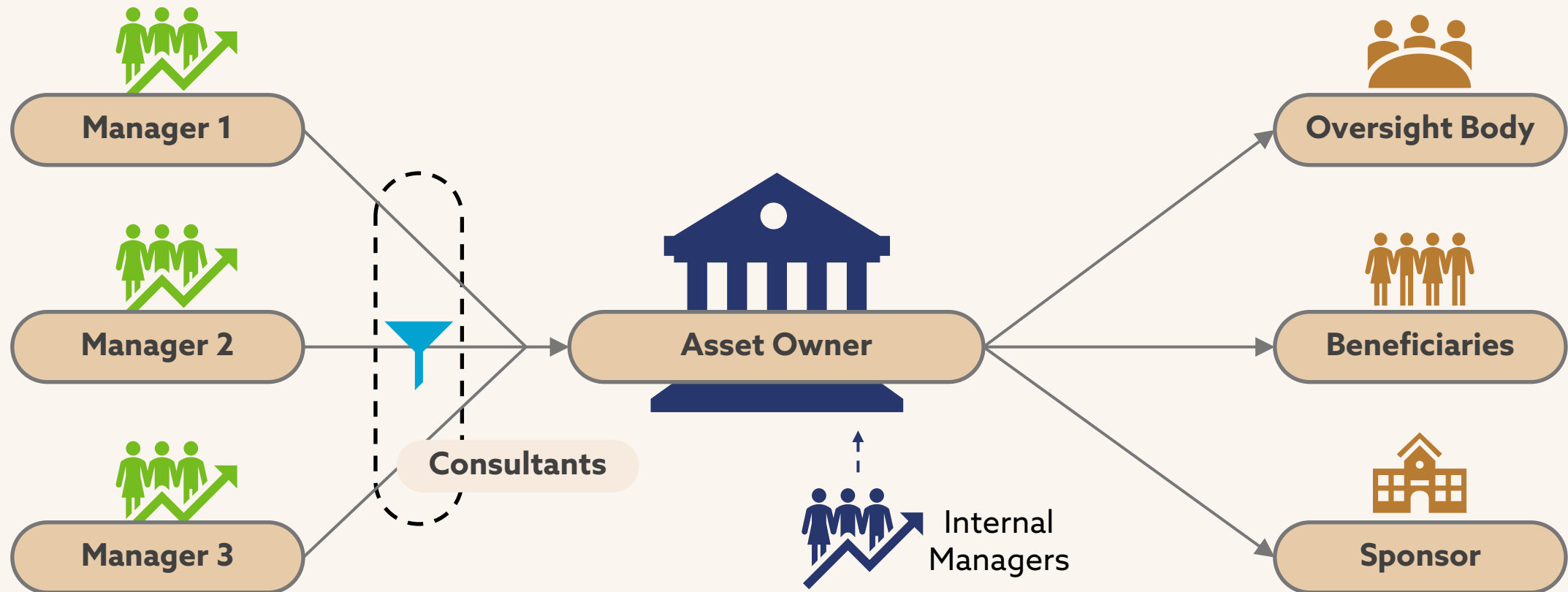


Pensions
Endowments
Foundations
Family offices
Provident funds
Insurers and reinsurers
Sovereign wealth
funds
Fiduciaries

HOW DO ASSET OWNERS USE THE GIPS STANDARDS?

Asset owners, often with the help of consultants, use historical performance to select and evaluate external managers.

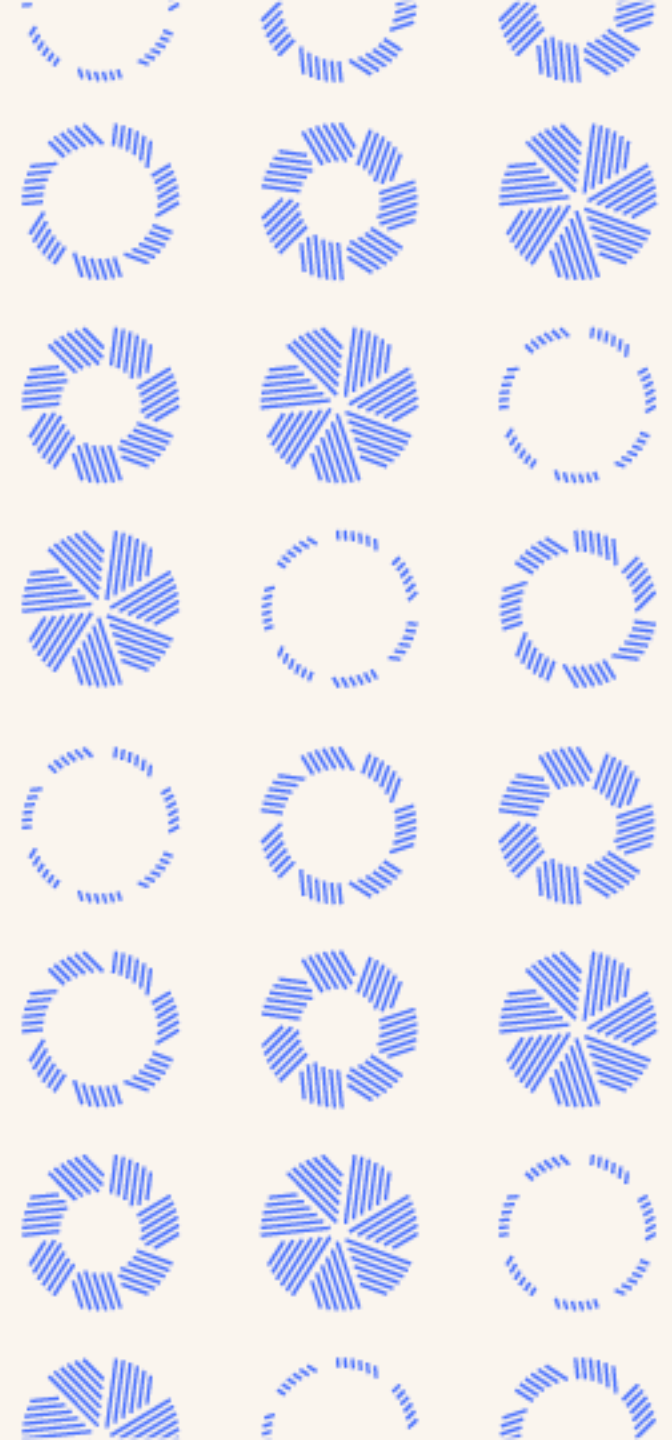
Asset owners report historical performance of assets managed by both external managers and internal managers.



ASSET OWNERS HIRING EXTERNAL MANAGERS

Some of the benefits of asset owners hiring GIPS-compliant external managers are:

- Hiring a GIPS-compliant firm provides greater confidence that the manager will act in a trustworthy, ethical, and professional manner
- Standardized GIPS Reports from prospective external managers provide comparable and fully disclosed performance information, thereby improving the quality of due diligence and risk management
- Demanding compliance with the GIPS standards makes manager searches and RFPs more efficient because it allows only those firms that have designed and implemented policies and procedures to fairly present their past performance to pass the initial screen, a labor-intensive step of the process
- Asking whether the firm is GIPS-compliant in an RFP puts managers on notice that GIPS compliance is an important consideration



REASONS ASSET OWNERS COMPLY

- 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
- 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
- Demonstrates a commitment to adopt the same principles that may be required of external investment managers



ASSET OWNER SURVEY FINDINGS

Some of the highlights from [CFA Institute's GIPS Standards Asset Owner Performance Survey](#) performed in September 2024 are the following:

- 93% of respondents have some familiarity with the GIPS standards
- 31% of respondents currently claim compliance with the GIPS standards
 - 9% of respondents plan to claim compliance in the future
- For liquid asset classes, 68% of respondents require or ask about GIPS compliance when selecting external managers
 - 19% of respondents require GIPS compliance
- For illiquid asset classes, more than 41% of respondents require or ask about GIPS compliance when selecting external managers
 - 8% of respondents require GIPS compliance

ASSET OWNERS THAT CLAIM GIPS COMPLIANCE

The asset owners that claim compliance are some of the largest in the world

Some of the sovereign wealth funds (SWFs) claim compliance with the GIPS standards are the following:

- Public Investment Fund (PIF) in Saudi Arabia
- Korea Investment Corporation (KIC) in Korea
- General Organization for Social Insurance ("GOSI" or "Hassana") in Saudi Arabia
- Oman Investment Authority in Oman
- Folketrygdfondet in Norway

ASSET OWNERS THAT CLAIM GIPS COMPLIANCE

Some of the public pension funds claim compliance with the GIPS standards are the following:

- California Public Employees Retirement System (CalPERS) in the United States
- Caisse de depot et placement du Quebec (CDPQ) in Canada
- California State Teachers Retirement System (CalSTRS) in the United States
- Massachusetts Pension Retirement Investment Management Board (PRIM) in the United States
- State Teachers Retirement System of Ohio (STRS Ohio) in the United States
- Vestcor (jointly owned by New Brunswick Public Service Pension Plans and New Brunswick Teachers Pension Plan) in Canada

ASSET OWNERS THAT CLAIM GIPS COMPLIANCE

Some insurance companies that claim compliance are the following:

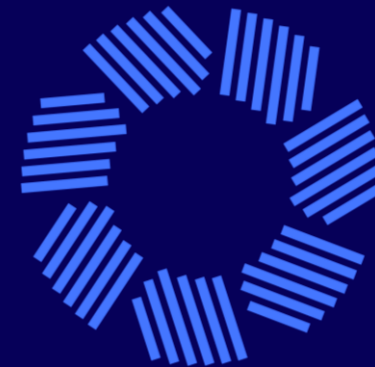
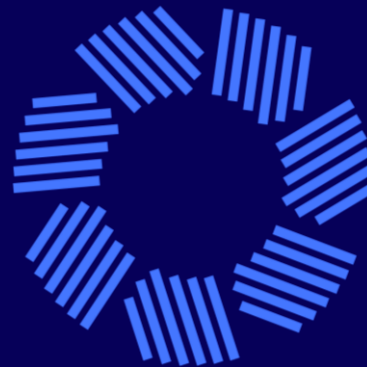
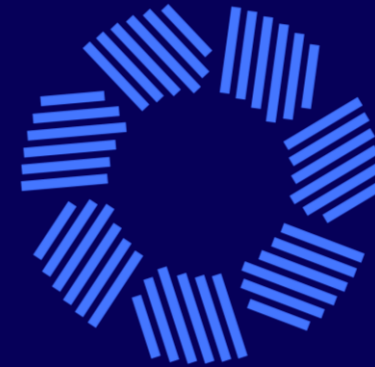
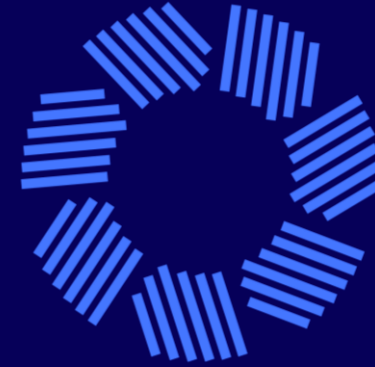
- Suva is the Swiss National Accident Insurance Fund
 - A public sector insurer and leading provider of health care coverage for employees in case of accidents in Switzerland
- AIA was the first insurer and asset owner to claim compliance with the GIPS Standards
 - Subject of a case study called "AIA's Journey to GIPS Compliance, A Case Study in Future-Proofing Investment Operations"
 - Detailed in a 5-minute video on AIA's journey to GIPS compliance

ASSET OWNERS THAT CLAIM GIPS COMPLIANCE

Some other notable asset owners that claim compliance are the following:

- United Nations Joint Staff Pension Fund
- Saudi Central Bank (SAMA)
- Pennsylvania Treasury Department
- Missouri Education Pension Trust
- South Carolina Public Employees
- Texas Municipal Retirement System
- University of California (UC) Investments

Highlights from the GIPS Standards for Asset Owners



COMPLIANCE WITH THE GIPS STANDARDS

- Compliance is voluntary
- Any asset owner with actual assets under management may choose to comply with the GIPS standards
- Assets may be managed directly or by having the discretion to hire and fire external managers
- An asset owner must comply with all applicable requirements of the GIPS standards



PERIOD OF COMPLIANCE

- Asset owners must initially attain compliance, on an asset-owner-wide basis, for a minimum of one year
- GIPS Asset Owner Reports must initially include the track record for the period for which the asset owner claims compliance
- Prospectively, the asset owner must build towards presenting at least a 10-year compliance track record
- Only GIPS-compliant performance may be included in GIPS Asset Owner Reports
- GIPS-compliant and non-GIPS-compliant returns can be linked outside of a GIPS Asset Owner Report



POLICIES AND PROCEDURES

- Must document policies and procedures used in establishing and maintaining compliance with the GIPS standards requirements, and must apply them consistently
- Must comply with all applicable laws and regulations regarding the calculation and presentation of performance



REQUIRED TOTAL FUNDS

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
- usually consists of underlying portfolios, each representing one of the strategies used to achieve the asset owner's investment mandate
- must include all assets managed by the asset owner as part of the total fund's investment mandate, objective, or strategy



REQUIRED TOTAL FUNDS

- If the asset owner manages more than one total fund according to the same strategy, all total funds managed according to the same investment strategy must be presented either
 - separately to the oversight body, or
 - as a composite to the oversight body
- If the asset owner manages total funds according to different strategies, then each total fund must be presented separately to the oversight body



ADDITIONAL COMPOSITES

- A composite is an aggregation of one or more portfolios that are managed according to a similar investment mandate, objective, or strategy
(e.g., domestic equities within the total fund)
- Asset owners may choose to create additional composites and present them in a GIPS Asset Owner Report
- If the asset owner chooses to create an additional composite, all portfolios that meet the composite definition must be included in the additional composite



GIPS ASSET OWNER REPORTS

- A GIPS Asset Owner Report is a presentation for a total fund or composite that contains all the information required by the GIPS standards
- The asset owner must
 - provide a GIPS Asset Owner Report for all total funds and any additional composites that have been created to the oversight body
 - an updated GIPS Asset Owner Report at least once every 12 months

See GIPS Asset Owner Report excerpt on the next page



Centerville Police and Fire Retirement System

Total Fund

1 January 2011 to 31 December 2020

Year	Total Fund Gross Return (%)	Total Fund Net Return (%)	Blended Benchmark Return (%)	Total Fund Assets and Total Asset Owner Assets (\$ M)	3-Year Annualized Std Deviation	
					Total Fund (Gross) (%)	Benchmark (%)
2020	10.93	10.80	11.30	514.2	3.25	3.37
2019	12.73	12.61	13.03	461.4	5.03	5.32
2018	1.79	1.67	1.17	428.7	5.14	5.37
2017	14.63	14.50	14.86	412.2	5.14	5.32
2016	6.12	5.99	6.07	369.0	3.62	3.57
2015	28.26	28.11	27.99	327.6	2.88	2.84
2014	10.28	10.15	9.50	394.7	2.33	2.23
2013	17.78	17.65	17.87	368.8	2.88	2.81
2012	13.12	13.00	11.95	324.3	3.11	3.09
2011	12.84	12.71	11.60	291.8	3.10	3.09

Centerville Police and Fire Retirement System (CPFRS) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. CPFRS has been independently verified for the periods from 1 January 2006 to 31 December 2020.

An asset owner 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 asset owner's policies and procedures related to total fund and composite 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 an asset owner-wide basis. The Total Fund has had a performance examination for the periods from 1 January 2012 through 31 December 2020. The verification and performance examination reports are available upon request.

TIME-WEIGHTED VS MONEY-WEIGHTED RETURNS

- A *time-weighted return* (TWR) is a method of calculating period-by-period returns that reflects the change in value and negates the effects of external cash flows
- A *money-weighted return* (MWR) is a return for a period that reflects the change in value and the timing and size of external cash flows
- Asset owners must present TWRs for total funds or composites of total funds
- Asset owners may present either TWRs or MWRs for additional composites

VALUATION FREQUENCY

TWRs

- Total funds and portfolios in composites (except private market investment portfolios)
 - At least monthly
 - At the time of large cash flows
 - As of calendar month-end or last business day of month
- Private market investment portfolios in composites
 - At least quarterly
 - No requirement to value at the time of large cash flows

MWRs

- All portfolios in composites
 - Annually
 - Whenever returns are calculated

TOTAL FUND AND PORTFOLIO LEVEL RETURN CALCULATIONS

TWRs

- Total funds and portfolios in composites (except private market investment portfolios)
 - At least monthly
 - Subperiod returns at the time of large cash flows
 - Use daily-weighted cash flows
- Private market investment portfolios in composites
 - At least quarterly
 - Use daily-weighted cash flows

MWRs

- All portfolios in composites
 - Annualized since-inception MWRs
 - Or for the longest period for which the asset owner has sufficient records
 - Use daily cash flows as of 1 Jan 2020 and at least quarterly cash flows before then

COMPOSITE LEVEL RETURN CALCULATIONS

TWRs

- Composites (except private market investment composites)
 - Asset weight portfolio returns (or use the aggregate method) at least monthly
- Private market investments composites
 - Asset weight portfolio returns (or use the aggregate method) at least quarterly

MWRs

- Must aggregate the portfolio-level information for those portfolios included in the composite for the period from inception through the most recent annual period-end
 - Or for the longest period for which the asset owner has sufficient records

TOTAL FUND RETURNS IN GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

- TWRs are required
- MWRs are recommended
- All returns must reflect the deduction of transaction costs
- Net-of-fees returns are required
 - Reflects performance after all costs associated with the management of the assets
 - Other returns may be presented, but they are not required



TOTAL FUND RETURNS IN GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

- Full gross-of-fees return
 - Return on investments that reflects the deduction of only transaction costs
 - Does not reflect the deduction of investment management fees that are embedded in the externally managed pooled fund asset values or paid from assets outside of the pooled fund
 - May be presented as supplemental information only



TOTAL FUND RETURNS IN GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

- Gross-of-fees return
 - Return on investments reduced by embedded investment management fees for externally managed pooled funds and any other investment management fees paid for the management of the pooled funds
 - Investment management fees paid to externally managed separate accounts are not deducted
- Net-of-external-costs-only return
 - Gross-of-fees return reduced by all costs for externally managed separate accounts



TOTAL FUND GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

- Required numerical information as of each annual period-end:
 - Annual total fund/composite net-of-fees returns
 - Annual benchmark total returns
 - Price-only benchmark returns are not allowed
 - A measure of internal dispersion of individual total fund returns for each annual period
 - Not required if less than 5 total funds in the composite for the full year
 - 3-year annualized ex-post standard deviation (using monthly returns) of the total fund/composite and the benchmark
 - Required for annual periods ended on or after 1 January 2011



TOTAL FUND GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

- Required numerical information as of each annual period-end:
 - Number of total funds in the composite
 - Required for periods ending on or after 31 Dec 2020
 - Total fund/composite assets
 - Total asset owner assets
 - If only one total fund, will be the same as total fund/composite assets)
 - % of the total fair value of total fund or composite or pooled fund assets that were valued using subjective unobservable inputs as of the most recent annual period-end, if such investments represent a material amount of the total fund or composite assets
 - As described in provision 22.B.6 – the recommended fair-value hierarchy



TOTAL FUND GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

A series of required disclosures, including

- Compliance statement (using the exact language below), which includes whether the asset owner has been verified
 - For an asset owner that has been verified:

"[Insert name of asset owner] claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. [Insert name of asset owner] has been independently verified for the periods [insert dates]. The verification report(s) is/are available upon request.

An asset owner 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 asset owner's policies and procedures related to total fund and composite 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 an asset owner-wide basis. Verification does not provide assurance on the accuracy of any specific performance report."

TOTAL FUND GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

A series of required disclosures, including the following:

- Total fund description
 - General information regarding the total fund's investment mandate, objective, or strategy, and is expected to include the following:
 - Total fund's asset allocation as of the most recent annual period-end
 - Total fund's investment objective
 - Total fund's material risks
 - Actuarial rate of return or spending policy description

TOTAL FUND GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

A series of required disclosures, including the following:

- A description of the asset classes and/or other groupings within the total fund, such as the composition of the asset class, strategy used, types of management used (e.g., active, passive, internal, external), and relevant exposures
- How leverage, derivatives, and short positions may be used, if they are a material part of the strategy
- If illiquid investments are a material part of the strategy

TOTAL FUND GIPS ASSET OWNER REPORTS

(includes composites with multiple total funds)

A series of required disclosures, including the following:

- Benchmark description
 - General information regarding the investments, structure, and characteristics of the benchmark
 - Must include the key features of the benchmark or
 - Name of the benchmark for a readily recognized index or other point of reference
- If the total fund benchmark is a blend of asset class benchmarks based on the policy weights of the respective asset classes:
 - Benchmarks used by each asset class along with their weights as of the most recent annual period-end
 - General information regarding the investments, structure, and/or characteristics of the benchmarks

RESOURCES

[GIPS Standards Website](http://www.gipsstandards.org) (**www.gipsstandards.org**)

[2020 Edition of the GIPS Standards for Asset Owners](#)

[GIPS Standards Handbook for Asset Owners](#)

[Guidance Statement on Benchmarks for Asset Owners](#)

[Guidance Statement on Verifier Independence](#)

[Case Study with AIA](#) and accompanying [Video](#)

[GIPS® Trademark Guidelines](#)

[GIPS Standards Newsletter](#)

<https://www.gipsstandards.org/resources/tools/>

TOOLS

[Assistance to Asset Owners Considering Compliance](#)

[Asset Owners Policies and Procedures Manual](#)

[Requirements Outside the Provisions for Asset Owners](#)

[Supporting Calculations for GIPS Standards Handbook Section 22](#)

[Supporting Calculations for GIPS Standards Handbook Section 24](#)

[Disclosure Checklist for Asset Owners](#)

[Service Providers Listing](#)

GIPS Standards Helpdesk (email to: gips@cfainstitute.org)

<https://www.gipsstandards.org/resources/tools/>

Thank you