Vincent Performance Services LLC

VPS Views & News

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October 2008

Highlights from the GIPS® Standards Annual Conference

The 13th Annual GIPS® Standards Conference was held in Boston on September 25th and 26th. The conference sold out well in advance and was hosted by Jonathan Boersma, Executive Director, Global Investment Performance Standards, CFA Institute. Highlights from various sessions follow.

SEC Update

Gene Gohlke, Associate Director in the Security and Exchange Commission's (SEC) Office of Compliance Inspections and Examinations, was a guest speaker this year. He addressed three primary areas: current big picture events, market volatility and valuations, and the SEC's outlook on firms claiming compliance with the GIPS standards. A constant theme that seemed to resonate throughout his speech is the importance of a firm's written policies and procedures, including how they are being implemented, and the processes used to test if the policies and procedures are effective.

Mr. Gohlke commented on the big picture events that have occurred recently, such as the failure of Lehman Brothers, the purchase of Merrill Lynch by Bank of America, and the government bailout of AIG. In particular, he mentioned that the SEC has been paying particular attention to "rumor mongering" where firms intend to manipulate prices. The SEC has issued a number of subpoenas to investment firms for possible rumor mongering. The SEC asked a number of hedge fund firms to provide all trades and e-mails so that they could determine if any manipulation was occurring in the markets. (VPS note: The SEC recently restricted "naked" short-selling as a result of trading on such rumors. From SEC release No. 34-58572 on September 17, 2008: "we are concerned about the possible unnecessary or artificial price movements based on unfounded rumors regarding the stability of financial institutions and other issuers exacerbated by 'naked' short selling. Our concerns, however, are no longer limited to just the financial institutions that were the subject of the July Emergency Order. In addition, we have become concerned that some persons may take advantage of issuers that have become temporarily weakened by current market conditions to engage in inappropriate short selling in the securities of such issuers." Mr. Gohlke said that as a preventive measure, Chief Compliance Officers (CCOs) should be taking a step back to evaluate what their firm is doing and what steps they need to put in place to prevent and detect trading resulting from rumor mongering. Accordingly, firms should be doing some after-the-fact testing to ensure there was no trading based on rumors intended to manipulate prices.

To address this concern, the SEC is incorporating into their exams a review of a firm's policies and procedures to prevent price manipulation and the testing a firm is performing to spot and prevent it from happening.

Mr. Gohlke discussed the volatility in the market place and the impact it is having on asset valuations. He mentioned a retail money market fund that broke the proverbial "buck," trading at 97 cents on the dollar. (VPS note: The money market fund in question was Reserve Management Co.'s Reserve Primary Fund, whose holdings in Lehman Brothers Holdings, Inc. with a $785 million face value were valued at zero on September 16, 2008. As most of you may know, most firms will step in and add capital to prevent a fund from breaking a buck, but Reserve Management is a privately held firm that apparently didn't have deep enough pockets to maintain the $1.00 NAV. Several other firms have recently stepped in to shore up their money market funds.)

Mr. Gohlke said that when he asked a trader at a firm where he saw October commercial paper trading, the trader told him that one issue was trading at 90 cents on the dollar. Mr. Gohlke also used the example of Merrill Lynch's sale of super senior collateralized debt obligations (CDOs) in July when the firm unloaded the securities at 22 cents on the dollar in an apparent "fire sale." Mr. Gohlke questioned how other firms were valuing their securities. Did the sale of Merrill Lynch's super senior CDOs really represent a fire sale, or did they represent what a holder could sell the assets for to an informed counterparty at the time of the valuation? Obviously this is an extremely important question, because if the transaction is really a fire sale then other firms can ignore, at least to some extent, the sales price on these types of securities. However, if it is deemed that 22 cents on the dollar is the readily available market price for these types of securities, then firms may be re-

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quired to write assets down, otherwise they would be incorrectly valuing their portfolios and overstating their returns and fees. (VPS note: One of the important proposed changes to the GIPS standards is the move from market value to fair value. The SEC just came out with some clarification on fair value accounting on September 30, 2008. The following is from a Q&A included in this release: "Are transactions that are determined to be disorderly representative of fair value? When is a distressed (disorderly) sale indicative of fair value? The results of disorderly transactions are not determinative when measuring fair value. The concept of a fair value measurement assumes an orderly transaction between market participants. An orderly transaction is one that involves market participants that are willing to transact and allows for adequate exposure to the market. Distressed or forced liquidation sales are not orderly transactions, and thus the fact that a transaction is distressed or forced should be considered when weighing the available evidence. Determining whether a particular transaction is forced or disorderly requires judgment." To read the entire release, please see the following link: http://sec.gov/news/press/2008/2008-234.htm.)

"The fair value of something should represent what the holding could be sold for to an informed counterparty at the time of valuation."

Gene Gohlke
U.S. Securities and Exchange Commission

Mr. Gohlke said firms need to consider how they are pricing securities, monitoring liquidity, handling large redemptions, and valuing securities, especially for illiquid securities. He reiterated that the fair value of something should represent what the holding could be sold for to an informed counterparty at the time of valuation.

Mr. Gohlke mentioned the announcement by the Treasury whereby the Treasury would temporarily guarantee money market funds for those firms that signed up for the Treasury's Temporary Guarantee Program for Money Market Funds. If a firm signs up for this program, the compliance department will need to make sure it is implementing the new program procedures. (VPS note: The guarantee agreement and related documents can be found at http://www.treas.gov/offices/domestic-finance/key-initiatives/money-market-fund.shtml.)

Mr. Gohlke stated that compliance programs must be constantly evaluated, to make sure they reflect the risks the firm is facing in the current operating environment. Specifically, firms must have written policies and procedures that should be evergreen, i.e. living, ever-changing documents. The SEC will look to see how these policies and procedures are implemented as well the firm's testing of the procedures to ensure they are adequate and are operating as expected.

Related to the GIPS standards, Mr. Gohlke said when he looked back to enforcement actions thus far in 2008, almost every case was related to firms providing misleading performance information to either prospective or existing clients. In every examination, the SEC will spend a fair amount of time looking at a firm's control environment for how it calculates and presents performance information. For firms claiming compliance with the GIPS standards, they will review policies and procedures to ensure full compliance with all requirements of the Standards. They will also ask what kind of testing is done to ensure the performance numbers are true and accurate. They would expect a GIPS-compliant firm to have the necessary infrastructure, including policies and procedures, to ensure full compliance with the Standards. One of the SEC's most frequent comments is that a firm is not following all of the criteria laid out in the Standards. For example, one firm had no written policies, while another firm did not include all accounts in a composite. Several times he stressed the importance of having adequate policies and procedures in place in order to properly claim compliance with the GIPS standards.

Examiners will refer to Enforcement "recidivist" firms. While the SEC will frequently find issues related to GIPS compliance, if the firm only fixes the problem temporarily and the same GIPS-related issue arises again during the next SEC exam, this shows the firm does not have a culture of compliance. If a firm needs to fix a problem, they should ensure procedures are adequate to make sure the problem stays fixed.

Some of the questions in the concluding Q&A session, followed by Mr. Gohlke's answers, were as follows:

- Does being verified have any bearing on an SEC examination? The SEC can obtain some comfort if the firm is verified, especially if they recognize the verifier's name and they have examined other firms that have used the same verifier.
- How does the SEC view errors in compliant presentations and other marketing materials? The firm should have procedures in place to hopefully catch and correct errors in a timely manner, and the SEC would look to make sure the procedures are being followed. Errors will occur nonetheless, and the SEC will normally look to see the timeliness in

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which the error was identified and corrected and that the corrective process was documented. After a firm identifies an error, they should go back and determine why the error occurred and update policies and procedures if needed. Also key is whether the error resulted in a financial impact to the client. If the client is harmed financially, then the firm should make the client whole, unless it is made very clear from the beginning that the client will bear the cost of manager errors, as is commonly done with hedge funds. It was noted that this would not be acceptable in the "registered world."

- How long does a firm need to maintain support for performance numbers? As long as a client account is in a composite presentation you need to be able to show all the transactions and how those transactions were used in the calculation. If you are planning on showing 20 years worth of returns, you will need 20 years of transaction data to support the returns. Also, it is not enough to have the support on a disk that is no longer supported by current technology. A firm would have to have a way of getting the information from the disk and providing it in the case of an examination.
- Can performance from a prior firm be shown if the firm does not have supporting records, as long as they disclose that the firm does not have the supporting records? The SEC would not look kindly on this, and firms should think long and hard about doing so.
- Can a firm that manages SMA/Wrap accounts rely on sponsors for support for performance numbers? The SEC would be willing to rely on support provided by the sponsor, but the manager should have an agreement in place with the sponsor stating that the sponsor will provide support within a reasonable timeframe in the case of an examination. The investment manager is ultimately responsible for providing support for the performance numbers. Absent the ability to place reliance on the sponsor's records, the SEC would look for the firm to shadow the sponsor's records.

Important Dates Related to the GIPS Standards

Now we turn to the GIPS standards themselves. There are three sets of changes (and proposed changes) to the Standards and related guidance that we all need to mark on our calendars. The first results from provisions of the current version of the GIPS standards that have an effective date of January 1, 2010. The second is a change resulting from the recently issued Error Correction guidance statement, which also has an effective date of January 1, 2010. The third are proposed changes to the GIPS standards which will have an effective date of January 1, 2011. Confused? So are we! Here are the dates to note:

- January 2009 - Draft of the revised Standards will be available for public comment.
- July 2009 - Public comment period closes.
- January 1, 2010 - (1) Provisions with a January 1, 2010 effective date from the current version of the Standards become effective; and (2) The Error Correction Guidance Statement will be effective.
- January 2010 - Final version of the revised Standards will be published; and
- January 1, 2011 - The revised Standards will become effective. Early adoption is encouraged.

We attempt to explain the dates throughout the next sections.

GIPS Update—What to Expect in the (draft) Next Version of the GIPS Standards

The GIPS update was given by Sunette Mulder, Executive Committee ("EC") Chair and Investment Manager Subcommittee Chair, and Karyn Vincent, Interpretations Subcommittee Chair and EC member. The two covered the GIPS standards update process; the decision on verification; key issues being considered for the revised GIPS standards; and how firms (including you!) can influence the next version of the GIPS standards.

Sunette and Karyn gave a review of the Standards revision process, noting that the Standards are set up on a five year review cycle. The process is meant to be an update, and not a complete overhaul. All guidance statements and Q&As were reviewed and changes were considered for possible inclusion as either requirements or recommendations. They noted that you should not assume that recommendations will become future requirements, but should instead be viewed as best practices.

The current draft of the GIPS standards will be made available for public comment in January 2009. There will be a six-month public comment period, which closes July 2009. The goal is to issue the revised GIPS stan-

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"The current draft of the GIPS standards will be made available for public comment in January 2009. There will be a six-month public comment period, which closes July 2009. The goal is to issue revised GIPS standards in early 2010 with an effective date of January 1, 2011."

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dards in early 2010 with an effective date of January 1, 2011. Compliant presentations that include performance results for periods that begin on or after January 1, 2011 must be prepared in accordance with the revised GIPS standards, although early adoption is encouraged.

Many people, included various subcommittees and working groups, the Executive Committee, and CFA Institute staff have been working their way through the GIPS standards and have come up with proposed changes to sections 0-5. Other sections, such as real estate and private equity, are currently being reviewed. Highlights of the changes in sections 0-5 that will be reflected in the draft of the revised GIPS standards follow. Please remember that just because something will be included in the draft of the revised Standards does not mean it is set in stone. All proposed changes may be amended to reflect comments received.

"Composites that have a partial first year will explicitly be required to show the initial partial first year in the compliant presentation."

- It was expected that mandatory verification would become a requirement at some point in the future. However, after much discussion, the EC decided not to mandate verification. Instead a firm's claim of compliance will include language as to whether the firm has been verified or not. The new proposed claim of compliance for a firm that has been verified is: "[Insert name of FIRM] 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 FIRM] has been independently verified for the periods [insert dates]. A copy of the verification report(s) is/are available upon request." For a compliant firm that has not been verified, their claim of compliance will read as follows: "[Insert name of FIRM] 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 FIRM] has not been independently verified." Note that the EC realizes that there are still some questions to be answered, such as: What if a firm was verified 15 years ago? Does the firm still get to say they were verified? Does the verification status ever go stale?
- Currently, a firm must make every reasonable effort to provide a compliant presentation to all prospective clients. (Provision 0.A.11.) The revised Standards will also recommend providing a compliant presentation to current clients on an annual basis.
- While a definition of "prospective client" will not be included in the GIPS Glossary, it was agreed that additional guidance on this topic is needed. The Investment Manager Subcommittee has drafted a new Q&A to address who qualifies as a prospective client.
- Currently, a firm must provide a compliant presentation for any composite on the firm's list and a composite description to any prospective client that makes such a request. (Provision 0.A.12.) This will be changed to require a firm to provide such information to any prospective *or current* client who makes such a request.
- Currently, a firm must provide a composite list and description to any prospective client that makes such a request. (Provision 0.A.12.) Similarly, this will be changed to any prospective *or current* client who makes such a request.
- And speaking of compliant presentations, a definition of "compliant presentation" will be added to the GIPS Glossary.
- Currently, a firm is required to present a minimum of 5 years of history, building to 10 years. (Provision 5.A.1.a.) Firms will be recommended to show more than 10 years of history. However, note that the minimum effective dates of compliance still apply: January 1, 2000 for most assets and January 1, 2006 for Real Estate, Private Equity, and SMA/ Wrap Fee accounts.
- Composites that have a partial first year will explicitly be required to show the initial partial first year in the compliant presentation. For example, a firm that starts a new composite on June 1, 2007 and presents compliant presentations for all composites with annual periods ended December 31 will be required to show the initial partial year return from June - December 2007 in the compliant presentation. Also look for a future Q&A addressing when the initial compliant presentation must be prepared and provided to prospective clients.
- Clarity surrounding what is and what is not supplemental information is needed. Supplemental information may be shown, but must be labeled as such and must accompany a compliant presenta-

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tion. At this point, it is quite widely acknowledged that some other word and/or category of performance information is needed. Note that the word "additional" is already used. If you have any great ideas for how to solve this dilemma, please let us know.

- Currently, firm assets must include all discretionary and nondiscretionary assets under management. However, there is an exception for excluding assets to which the Standards cannot be applied. Originally this was written contemplating Guaranteed Investment Contracts (GICs) that were carried at book value. There is also an exclusion for "art or other hard to value" assets. A change in the definition of firm assets will be proposed to require inclusion of all managed assets that have a fair value in firm assets.
- Currently, the term "market value" is used throughout the Standards, with an exception for Private Equity, which uses the concept of fair value. The term fair value, versus market value, will be incorporated throughout the Standards. There will also be a recommendation to have fair values obtained from an independent third party.
- Provision 3.A.2, which says composites must be defined according to similar investment objectives and/or strategies, will be changed to also state that composites must include all portfolios that meet the composite definition.
- One big proposed change will be to the treatment of non-fee paying portfolios. Currently non-fee paying portfolios are allowed to be excluded from composites based solely on their non-fee paying status. Non-fee paying portfolios, if discretionary, may be included in a composite with additional disclosures. The proposed change will remove the distinction between fee paying and non-fee paying status, requiring all discretionary portfolios to be included in a composite regardless of fee paying status. The disclosure to show the percentage of the composite that is composed of non-fee paying portfolios as of each annual period end will remain.
- A new proposed requirement will require firms to disclose the percentage of a composite that is composed of proprietary portfolios. A proprietary portfolio is a portfolio that is funded by the firm itself, and may also be known as seed money or a house account.
- Currently, a firm should not market a composite that has a minimum size for inclusion to a prospective client who has less money than the required composite minimum. (Provision 3.B.3.) This will be changed to a requirement, with the added language that a firm must not show such a composite to a prospective client if the firm knows that the prospective client would not qualify for inclusion in the composite. As an example, a firm would not be allowed to show a composite to a prospective client where the composite minimum is $10 million and the client only has $1 million to invest in the strategy.
- One of the most highly debated topics over the past year has been how to handle carve-outs. The guidance that goes into effect on January 1, 2010 will no longer allow firms to allocate cash to carve-out segments. There were many in the industry that hoped there would be a change and the topic was heavily debated. Alas, although many people do believe firms should be allowed to continue to allocate cash, the ban on such allocation will go into effect as of January 1, 2010. As of this date, carve-outs must have their own cash accounts. Also, "fully invested" carve-out segments, such as "equity only with no cash" must not be included in composites.
- Effective January 1, 2010, firms must value portfolios at month-end, and on the date of large cash flows. This should impact very few firms in the U.S.
- As of January 1, 2010, firms are required to revalue portfolios on the date of all "large" external cash flows. (Provision 2.A.2.b.) The definition of "large" is left to each firm to decide and can be different from composite to composite. We will see a new explicit requirement to not deviate from this policy, meaning that if a cash flow falls below your threshold, you won't be allowed to revalue the portfolio opportunistically. There will also be a recommendation to revalue all portfolios on the date of all external cash flows, as more frequently calculated returns are more accurately calculated returns.
- A firm must disclose the composite description, which is currently defined as general information regarding the strat-

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"The proposed change will remove the distinction between fee paying and non-fee paying, requiring all discretionary portfolios to be included in a composite regardless of fee paying status."

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egy of the composite. (Provision 4.A.20.) This will be expanded to require disclosing enough information to allow a prospective client to understand all of the key characteristics, including risks, of the composite strategy. (VPS note: It is up to the firm to decide how much to disclose, but the spirit is to disclose more rather than less.)

- Currently, if net returns are presented, the firm must disclose if anything other than transaction costs and management fees are deducted. (Provision 4.A.16.) It is proposed that a firm will be required to disclose how the net returns are calculated, i.e. whether actual fees or model fees are used, and how performance-based fees, if any, are reflected in calculations.
- Currently, firms must disclose relevant details of the treatment of withholding taxes. (Provision 4.A.7.) It will be proposed that this disclosure will only be required if withholding taxes are material. (VPS note: This lifts the burden from firms having to make this disclosure even if they have only a single security with withholding tax.) Also being proposed is that firms will be required to disclose if benchmark returns are reflected net of withholding taxes. If benchmark returns are gross of withholding taxes no disclosure would be required.
- Currently, firms must disclose the presence, use and extent of leverage and/or derivatives, if material. (Provision 4.A.5.) It is proposed that "short positions" will be added to this disclosure requirement.
- Currently, firms are required to disclose any periods of non-compliance prior to January 1, 2000 and the reason why the presentation is not in compliance. (Provision 4.A.10.) The requirement to disclose the reason for non-compliance will be eliminated, but a firm must continue to disclose if any non-compliant periods are presented.
- Currently, firms are required to disclose that additional information regarding policies for calculating and reporting returns is available upon request. (Provision 4.A.17.) This provision will be amended to say, "additional information for calculating and reporting returns *and preparing compliant presentations* is available upon request." (VPS note: This broader disclosure acknowledges that there is more to a compliant presentation than simply calculating returns.)
- Currently, there is no requirement to disclose the valuation methods used. It will be recommended that firms disclose key assumptions and principles used to value investments. (VPS note: This will be particularly important where firms are fair valuing illiquid or hard to value investments.)
- Currently, a firm may adopt, on a composite specific basis, a significant cash flow (SCF) policy, whereby accounts that experience a SCF are temporarily removed from the composite. The currently required disclosures when SCFs are used for a composite will be streamlined; however, a firm would still be required to track all activity for SCFs, and be ready to provide that information upon request.
- Firms will be required to disclose, for a minimum period of 12 months, any changes to a compliant presentation due to a correction of a material error. (VPS note: This requirement comes directly from the recently adopted Error Correction Guidance Statement.)
- Firms will be required to disclose an ex-post (after-the-fact) annualized standard deviation of the composite and the benchmark for the most recent three-year period presented in the compliant presentation. Stand by for additional guidance on this disclosure.
- Up for discussion is how long certain disclosures should be included in a compliant presentation. There is acknowledgement that some disclosures may lose relevance over time. (VPS note: an example of this would be a composite name change. How relevant is a composite name change that occurred 9 years ago?) How to address this is under discussion, so please provide any thoughts you may have on this topic.
- Currently, firms are required to update compliant presentations annually. Firms will be recommended to update compliant presentations more frequently, on a quarterly basis.
- Currently, the word "linking" can have two meanings within the GIPS framework. One definition is to geometrically "link," i.e. compound returns over a time period. The other use relates to presenting a track record that looks "continuous" when it is not. An example is a composite that shows a track record from 2001-2007, but it actually

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"It is proposed that a firm will be required to disclose how the net returns are calculated (i.e. whether actual fees or model fees are used, and how performance-based fees, if any, are reflected in calculations.)"

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represents model returns for 2001-2005 presented with ("linked to") actual returns for 2006-2007. There will be a definition of "linking" included in the GIPS Glossary.

- Currently a firm is required to maintain all data and information necessary to support a firm's performance presentation and to perform the required calculations. (Provision 1.A.1.) It is being proposed that firms will be required to have supporting records for all items included in a compliant presentation, and not just for the information required by the GIPS standards. If you present equal weighted returns in a compliant presentation, or any other information that is not explicitly required by the GIPS standards, you will be required to have support for that information as well.
- Currently one of the portability tests states that the staff and decision making process must remain intact and independent within the new firm. (GIPS Provision 5.A.4.a.ii.) It is proposed that a "substantially all" threshold will be used instead of an "all or nothing" test. Also, the current test requiring "substantially all" of the assets from the prior firm to transfer to the new firm will be eliminated (GIPS Provision 5.A.4.c.) It is also proposed that the one year allowance for firms to bring acquired assets into compliance will not be limited to an acquisition where one of the firms is not compliant. There will also be clarification that portability tests must be met on a composite-specific basis, as opposed to a firm-wide basis. (VPS note: Yay all around!)
- You can influence the next version of the GIPS standards by writing a comment letter. Each and every comment is read and considered. The draft will be posted and available on the GIPS standards website (www.gipsstandards.org).

The changes above reflect the substantially completed review of sections 0-5 of the Standards. Review of all other sections, including advertising, verification, real estate, and private equity are not yet complete, therefore additional changes may be proposed in those sections.

(VPS note: As you were reading this, did you think oh my gosh, I love or hate something? If so, you need to write a comment letter! We hope that many of you will provide comments. And we promise that this is not the last time we will suggest you participate.)

"It is being proposed that firms will be required to have supporting records for all items included in a compliant presentation, and not just for the information required by the GIPS standards."

Error Correction - Applying New Guidance

We covered this topic quite extensively in our last newsletter, which is available on our website (see the July 2008 edition of **VPS Views & News**), so we won't go into great detail here, but will only hit the highlights.

Todd Juillerat, Americas Regional Investment Performance Subcommittee Chair and EC member, and Colin Morrison, Paradigm Investment Consulting Limited, discussed the new Error Correction Guidance Statement. The key highlights from their presentation are as follows:

- The Error Correction Guidance Statement was approved by the GIPS Executive Committee in June 2008, with an effective date of January 1, 2010. (VPS note: don't ignore this date. Although not included in the current version of the GIPS standards, as of January 1, 2010 you must have an error correction policy in place.)
- Retroactive application of the guidance statement is not required.
- The guidance statement only applies to errors impacting GIPS-compliant presentations, and does not apply to errors in advertisements or other marketing materials.
- Error correction policies and procedures must be established and consistently implemented.
- Any component of a GIPS-compliant presentation that is missing or inaccurate constitutes an error. An error can be quantitative or qualitative, meaning an incorrect calculation or a missing or inaccurate disclosure.
- A firm should have formally documented policies that consider issues of materiality and courses of action depending on the nature and materiality of the error.
- The guidance suggests four possible scenarios for how errors can be handled, although others may be appropriate. They are as follows: (1) Take no action; the error is not material, therefore no disclosure and no distribution of the corrected compliant presentation is necessary; (2) Correct the error, but do not disclose or distribute the corrected compliant presentation; (3) Correct the error and disclose the change, but do not distribute the corrected compliant

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presentation; and (4) Correct the error, disclose the change, and distribute the corrected compliant presentation.

Applying the GIPS Standards to Separately Managed Accounts/Wrap Programs

Diane Robertson, Legg Mason and Timothy Simons, Ashland Partners, highlighted some of the challenges that managers face when presenting composite performance for wrap fee/SMA accounts. A summary follows:

- Managers often lack the records needed to calculate performance because the manager's relationship is with the sponsor (who has the client records) and not the client.
- In order to calculate performance, managers may have to perform shadow accounting or rely on the sponsors' records.
- Because sponsors bundle fees, a manager is not able to calculate a gross-of-fee return. (VPS note: The total fee charged to the client by the sponsor is often difficult, if not impossible, for the manager to break out the portion of the bundled fee that is attributable to trading costs. The GIPS standards require that wrap fee/SMA performance must be shown net-of-fees, although firms may also present gross-of-fees and/or "pure" gross-of-fees returns as long as pure gross returns are labeled as supplemental information.)
- If a firm cannot obtain supporting records, the firm could consider defining SMA/Wrap accounts as a separate firm for GIPS-compliance purposes.

Upcoming GIPS® Standards Workshops: Toronto, NY and London

On behalf of CFA Institute, we will be co-instructing an introductory GIPS workshop in Toronto, New York, and London. This workshop is targeted to performance professionals who are new to the GIPS standards, or those who wish to have a thorough refresher on complying with the GIPS standards. Dates and locations are as follows:

Toronto: December 4, 2008
New York: February 5, 2009
London: February 10, 2009

Information is available on the GIPS Standards website http://www.gipsstandards.org/news/index.html. As always, we recommend registering early as the workshop typically sells out.