

# Wealth Managers Applying the GIPS® Standards

2020 GIPS STANDARDS AND PERFORMANCE ADVERTISING  
UPDATE

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PRESENTED BY:

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CFA SOCIETY ORANGE COUNTY WEALTH MANAGEMENT  
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# Today's Presenter

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- Amy works with advisory firms to achieve and maintain ongoing compliance with the GIPS standards.
- Amy's clients vary in size and complexity, ranging from the single owner advisory firm to firms with over \$450 billion under management.
- Currently a member of the United States Investment Performance Committee (USIPC), the official local sponsoring organization for the GIPS standards in the U.S.
- She holds a Certificate in Investment Performance Measurement and is a member of the CIPM Association, CFA Institute, and the National Society of Compliance Professionals (NSCP).



# CFA Institute

## Global Investment Performance Standards

[www.gipsstandards.org](http://www.gipsstandards.org)

**1,735 Firms Comply\***

\* - As of March 2019 reported by CFA Institute

Private Wealth Managers	Institutional Managers
Goal based investing	Strategy based investing
Clients are individuals	Clients are organizations
Selling relationships	Selling performance
Long-term focus and goals	Evaluated on short-term results

# Why Comply with the GIPS Standards?



Demand driven



Differentiator



Transparency



Enhances internal controls



Commitment to best practices



Regulatory safe harbor



PRESENTING  
PERFORMANCE



DEFINING  
STRATEGIES



CONSTRUCTING  
COMPOSITES



INPUT DATA



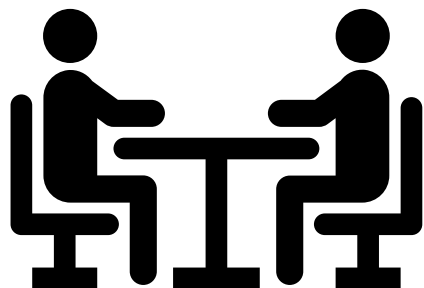
RECORD KEEPING



DETERMINING  
BENCHMARKS

# Considerations for Defining Composites

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- Investment strategy
- Target asset allocation
- Risk tolerance / risk profile
- Type of investments
- Time horizon
- Passive vs active management

# 2020 GIPS Standards

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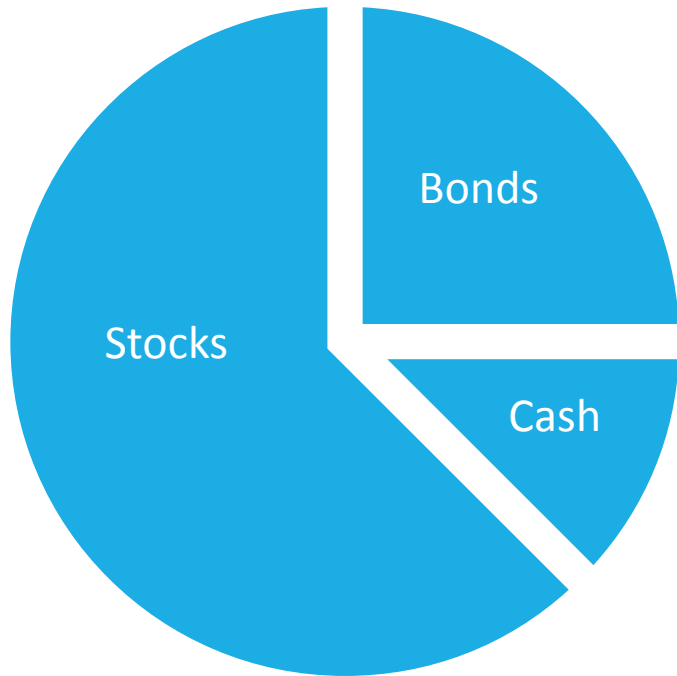
## 2020 GIPS® Standards

The industry-driven GIPS standards are evolving to meet investor needs.

- Next edition of the GIPS standards
- GIPS 2020 final version expected to be issued **June 30, 2019** with an effective date of **January 1, 2020**
- Represents the most fundamental restructuring of GIPS since the standards were first established
- Expected to permit composites consisting of “carve-outs” with allocated cash



**Carve-out: portion of a portfolio that by itself is representative of a distinct investment strategy**



## Return of Carve-outs

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- 2020 GIPS standards expected to allow more flexibly for the use of “carve-outs”
- Cash Treatment Methods
  - Accounted for separately
  - Allocated synthetically on a timely and consistent basis
- Could simplify composite construction for wealth managers

# Paving a Path to Compliance



- Evaluate methods for calculating portfolio performance to confirm alignment with methodologies outlined in the GIPS standards
- Maintain your books and records
- Adopt processes to track changes to investment objectives or asset allocation targets
- Start constructing composites of similarly managed accounts even if you don't use them externally
- Align materials with GIPS requirements where possible

# GIPS Compliance Misconceptions

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**Firms must have a 5-year track record before they comply**

**The GIPS standards are performance calculation standards**

**GIPS compliance is only valuable as a marketing tool**

**Clients don't understand or know what GIPS compliance is**

**Software can make you GIPS compliant**

**Composites can be GIPS compliant**

**GIPS compliance is expensive**

**GIPS compliance increases regulatory risk**

# Resources

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The GIPS standards website:

- The GIPS Handbook
- Guidance Statements
- Q&A Database
- Disclosure Guide Matrix
- Implementation Assistance Paper

GIPS standards Annual Conference in Scottsdale, Arizona September 2019

GIPS standards E-mail Alert List: [standards@CFAINstitute.org](mailto:standards@CFAINstitute.org)

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