

Global Investment Performance Standards (GIPS®)

The following redline version of the 2005 edition of the GIPS standards highlights the revisions to the GIPS standards to provide transparency regarding all of the changes. This document is provided as a resource and in the case of any discrepancies, the 2010 edition of the GIPS standards posted on the [GIPS standards website](#) is the controlling version. Also available on the GIPS standards website is a cross-reference guide that maps the provisions between the 2005 edition and the 2010 edition.

0. FUNDAMENTALS OF COMPLIANCE

Fundamentals of Compliance — Requirements

- 0.A.1 FIRMS ~~are encouraged to comply with the RECOMMENDATIONS and~~ MUST comply with all the applicable REQUIREMENTS of the GIPS standards, including any updates, ~~reports, Guidance Statements, interpretations, Questions & Answers (Q&As), or and~~ clarifications published by CFA Institute and the ~~Investment Performance Council~~ GIPS Executive Committee, which ~~will be made are~~ available ~~via on~~ the ~~CFA Institute~~ GIPS standards website (www.gipsstandards.org) as well as in the *GIPS Handbook*.
- 0.A.2 FIRMS MUST comply with all applicable laws and regulations regarding the calculation and presentation of performance.
- 0.A.3 FIRMS MUST NOT present performance or performance-related information that is false or misleading.
- 0.A.4 The GIPS standards MUST be applied on a FIRM-wide basis.
- 0.A.5 FIRMS MUST document, ~~in writing,~~ their policies and procedures used in establishing and maintaining compliance with ~~all the applicable REQUIREMENTS of~~ the GIPS standards, including ensuring the existence and ownership of client assets, and MUST apply them consistently.
- 0.A.6 If the FIRM does not meet all the REQUIREMENTS of the GIPS standards, the FIRM ~~cannot~~ MUST NOT represent or state that it is “in compliance with the Global Investment Performance Standards except for...” or make any other statements that may indicate partial compliance with the GIPS standards.
- 0.A.7 Statements referring to the calculation methodology ~~used in a COMPOSITE presentation~~ as being “in accordance,” ~~for “in compliance,” or “consistent”~~ with the Global Investment Performance Standards, or similar statements, are prohibited.
- 0.A.8 Statements referring to the performance of a single, existing client PORTFOLIO as being “calculated in accordance with the Global Investment Performance Standards” are prohibited, except when a GIPS-compliant FIRM reports the performance of an individual client’s account PORTFOLIO to ~~the existing that~~ client.
- 0.A.9 FIRMS MUST make every reasonable effort to provide a compliant presentation COMPLIANT PRESENTATION to all ~~prospective clients~~ PROSPECTIVE CLIENTS. ~~That is,~~ FIRMS ~~cannot~~ MUST NOT choose to whom they ~~want to present a COMPLIANT PRESENTATION~~ compliant performance. (As long as a ~~prospective client~~ PROSPECTIVE CLIENT has received a compliant presentation COMPLIANT PRESENTATION within the previous 12 months, the FIRM has met this REQUIREMENT.)
- 0.A.10 FIRMS MUST provide a complete list of COMPOSITE DESCRIPTIONS ~~list and~~ COMPOSITE DESCRIPTION to any PROSPECTIVE CLIENT ~~prospective client~~ that makes such a request (~~a sample list and COMPOSITE DESCRIPTION are included in Appendix B~~). FIRMS MUST list include “discontinued-terminated” COMPOSITES on the FIRM’S list of COMPOSITES DESCRIPTIONS for at least 5 five years after ~~discontinuation~~ the COMPOSITE TERMINATION DATE.

- 0.A.11 FIRMS MUST provide a ~~compliant presentation~~ COMPLIANT PRESENTATION for any COMPOSITE listed on the FIRM'S list ~~and a of~~ COMPOSITE DESCRIPTIONS to any ~~prospective client~~ PROSPECTIVE CLIENT that makes such a request.
- 0.A.12 FIRMS MUST be defined as an investment firm, subsidiary, or division held out to clients or ~~potential clients~~ PROSPECTIVE CLIENTS as a DISTINCT BUSINESS ENTITY.
- 0.A.13¹ ~~For periods beginning on or after 1 January 2011,~~ TOTAL FIRM ASSETS MUST be the aggregate ~~of the~~ MARKET FAIR VALUE of all discretionary and non-discretionary assets ~~under management within managed by~~ the ~~defined~~ FIRM. This includes both fee-paying and non-fee-paying ~~assets~~ PORTFOLIOS.
- 0.A.14 TOTAL FIRMS ASSETS MUST include ~~the performance of~~ assets assigned to a SUB-ADVISOR ~~subadvisor in a COMPOSITE~~ provided the FIRM has discretion over the selection of the ~~subadvisor~~ SUB-ADVISOR.
- 0.A.15 Changes in a FIRM'S organization ~~are not permitted to~~ MUST NOT lead to alteration of historical COMPOSITE ~~results~~ performance.
- ~~0.A.7 — Once a FIRM has met all the REQUIRED elements of the GIPS standards, the FIRM MUST use the following compliance statement to indicate that the FIRM is in compliance with the GIPS standards.~~
- ~~“[Insert name of FIRM] has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).”~~
- 0.A.16 When the FIRM jointly markets with other FIRMS firms, the FIRM claiming compliance with the GIPS standards MUST be sure that it is clearly defined and separate relative to ~~any other~~ FIRMS firms being marketed, and that it is clear which FIRM is claiming compliance.

Fundamentals of Compliance — Recommendations

- 0.B.1 FIRMS SHOULD comply with the RECOMMENDATIONS of the GIPS standards, including RECOMMENDATIONS in any updates, Guidance Statements, interpretations, Questions & Answers (Q&As), and clarifications published by CFA Institute and the GIPS Executive Committee, which will be made available on the GIPS website (www.gipsstandards.org) as well as in the GIPS Handbook.
- 0.B.2 FIRMS SHOULD be verified. ~~are encouraged to undertake the verification process, defined as the review of a FIRM'S performance measurement processes and procedures by an independent third-party verifier. A single verification report is issued in respect to the whole FIRM; verification cannot be carried out for a single COMPOSITE. The primary purpose of verification is to establish that a FIRM claiming compliance with the GIPS standards has adhered to the Standards.~~
- ~~0.B.3 — FIRMS that have been verified are encouraged to add a disclosure to COMPOSITE presentations or advertisements stating that the FIRM has been verified. FIRMS MUST disclose the periods of verification if the COMPOSITE presentation includes results for periods that have not been subject to FIRM-wide verification. The verification disclosure language SHOULD read:~~
- ~~“[Insert name of FIRM] has been verified for the periods [insert dates] by [name of verifier]. A copy of the verification report is available upon request.”~~
- 0.B.3 FIRMS ~~are encouraged to~~ SHOULD adopt the broadest, most meaningful definition of the FIRM. The

¹For periods prior to 1 January 2011, TOTAL FIRM ASSETS MUST be the aggregate of the MARKET VALUE of all discretionary and non-discretionary assets under management within the defined FIRM.

scope of this definition SHOULD include all geographical (country, regional, etc.) offices operating under the same brand name regardless of the actual name of the individual investment management company.

- 0.B.4 FIRMS SHOULD provide to each existing client, on an annual basis, a COMPLIANT PRESENTATION of the COMPOSITE in which the client's PORTFOLIO is included.

1. INPUT DATA

Input Data — Requirements

- 1.A.1 All data and information necessary to support all items included in a COMPLIANT PRESENTATION ~~FIRM'S performance presentation and to perform the REQUIRED calculations~~ MUST be captured and maintained.
- 1.A.2² For periods beginning on or after 1 January 2011, PORTFOLIOS valuations MUST be valued based on MARKET VALUES in accordance with the definition of FAIR VALUE and the GIPS Valuation Principles in Chapter II. ~~(not cost basis or book values).~~
- 1.A.3 ~~For periods prior to 1 January 2001, PORTFOLIOS MUST be valued at least quarterly.~~ FIRMS MUST value PORTFOLIOS in accordance with the COMPOSITE-specific valuation policy. PORTFOLIOS MUST be valued:
- ³ For periods ~~between beginning on or after~~ 1 January 2001 and 1 January 2010, PORTFOLIOS MUST be valued at least monthly.
 - For periods beginning on or after 1 January 2010, ~~FIRMS MUST value PORTFOLIOS~~ on the date of all LARGE CASH FLOWS. FIRMS MUST define LARGE CASH FLOW for each COMPOSITE to determine when PORTFOLIOS in that COMPOSITE MUST be valued.
 - No more frequently than required by the valuation policy.
- 1.A.4 For periods beginning on or after 1 January 2010, FIRMS MUST value PORTFOLIOS as of the calendar month end or the last business day of the month.
- 1.A.5 For periods beginning on or after 1 January 2005, FIRMS MUST use TRADE DATE ACCOUNTING.
- 1.A.6 ACCRUAL ACCOUNTING MUST be used for fixed-income securities and all other ~~assets~~ investments that ~~accrue~~ earn interest income. The MARKET VALUES value of fixed-income securities MUST include accrued income.
- 1.A.7 For periods beginning on or after 1 January 2006, COMPOSITES MUST have consistent beginning and ending annual valuation dates. Unless the COMPOSITE is reported on a non-calendar fiscal year, the beginning and ending valuation dates MUST be at calendar year end ~~(or on the last business day of the year).~~

Input Data — Recommendations

- 1.B.1 FIRMS SHOULD value PORTFOLIOS on the date of all ~~LARGE~~ EXTERNAL CASH FLOWS.

²For periods prior to 1 January 2011, PORTFOLIO valuations MUST be based on MARKET VALUES (not cost basis or book values).

³For periods prior to 1 January 2001, PORTFOLIOS MUST be valued at least quarterly.

- 1.B.2 Valuations SHOULD be obtained from a qualified independent third party.
- ~~1.B.3 — Calendar month end valuations or valuations the last business day of the month are RECOMMENDED.~~
- 1.B.3 ACCRUAL ACCOUNTING SHOULD be used for dividends (as of the ex-dividend date).
- 1.B.4 ~~When presenting NET OF FEES RETURNS,~~ FIRMS SHOULD accrue INVESTMENT MANAGEMENT FEES.

2. CALCULATION METHODOLOGY

Calculation Methodology — Requirements

- 2.A.1 ~~Total return~~ TOTAL RETURNS, ~~including realized and unrealized gains and losses plus income~~ MUST be used.
- 2.A.2 FIRMS MUST calculate TIME-WEIGHTED RATES OF RETURN that adjust for EXTERNAL CASH FLOWS ~~MUST be used.~~ Both ~~P~~ periodic and sub-period returns MUST be geometrically ~~linked~~ LINKED. EXTERNAL CASH FLOWS MUST be treated ~~in a consistent manner according to with~~ the FIRM'S ~~documented,~~ COMPOSITE-specific policy. At a minimum:
- a. For periods beginning on or after 1 January 2001, FIRMS MUST calculate PORTFOLIO returns at least monthly.
 - ~~b. For periods beginning 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.~~
 - b. For periods beginning on or after 1 January 2005, FIRMS MUST ~~use~~ calculate ~~approximated rates of~~ PORTFOLIO returns that adjust for daily-weighted EXTERNAL CASH FLOWS.
- 2.A.3 Returns from cash and cash equivalents held in PORTFOLIOS MUST be included in ~~TOTAL RETURN~~ all return calculations.
- 2.A.4 All returns MUST be calculated after the deduction of the actual TRADING EXPENSES incurred during the period. FIRMS MUST NOT use ~~E~~ estimated TRADING EXPENSES ~~are not permitted~~.
- 2.A.5 If the actual ~~direct~~ TRADING EXPENSES cannot be identified and segregated from a BUNDLED FEE:
- a. When calculating GROSS-OF-FEES ~~RETURNS~~ returns, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the ~~direct~~ TRADING EXPENSES. FIRMS MUST NOT ~~The use of~~ estimated TRADING EXPENSES ~~is not permitted~~.
 - b. When calculating NET-OF-FEES ~~RETURNS~~ returns, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the ~~direct~~ TRADING EXPENSES and the INVESTMENT MANAGEMENT FEE. FIRMS MUST NOT ~~The use of~~ estimated TRADING EXPENSES ~~is not permitted~~.
- 2.A.6 COMPOSITE returns MUST be calculated by asset-~~w~~ weighting the individual PORTFOLIO returns using beginning-of-period values or a method that reflects both beginning-of-period values and EXTERNAL CASH FLOWS.
- 2.A.7 COMPOSITE returns MUST be calculated:

- a. For periods beginning on or after 1 January 2006, ~~FIRMS MUST calculate COMPOSITE returns~~ by asset weighting the individual PORTFOLIO returns at least quarterly.
- b. For periods beginning on or after 1 January 2010, ~~COMPOSITE returns MUST be calculated~~ by asset-weighting the individual PORTFOLIO returns at least monthly.

Calculation Methodology — Recommendations

- 2.B.1 Returns SHOULD be calculated net of non-reclaimable withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes SHOULD be accrued.
- 2.B.2 For periods prior to 1 January 2010, FIRMS SHOULD calculate COMPOSITE returns by asset-weighting the ~~member individual~~ PORTFOLIOS returns at least monthly.

~~2.B.3 — FIRMS SHOULD value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.~~

3. COMPOSITE CONSTRUCTION

Composite Construction — Requirements

- 3.A.1 All actual, fee-paying, discretionary PORTFOLIOS MUST be included in at least one COMPOSITE. Although non-fee-paying discretionary PORTFOLIOS may be included in a COMPOSITE (with appropriate disclosures), non-discretionary PORTFOLIOS ~~are not permitted to~~ MUST NOT be included in a FIRM'S COMPOSITES.
- 3.A.2 COMPOSITES MUST include only actual assets ~~under management within managed by~~ the ~~defined~~-FIRM.
- 3.A.3 FIRMS ~~are not permitted to~~ MUST NOT link-LINK performance of simulated or model PORTFOLIOS with actual performance.
- 3.A.4 COMPOSITES MUST be defined according to ~~similar~~ investment mandate, objectives, and/or strategyies. COMPOSITES MUST include all PORTFOLIOS that meet the COMPOSITE DEFINITION. Any Changes to a COMPOSITES DEFINITION ~~are not permitted to~~ MUST NOT be applied retroactively. The ~~full~~-COMPOSITE DEFINITION MUST be made available upon request.
- 3.A.5 COMPOSITES MUST include new PORTFOLIOS on a timely and consistent basis after ~~the each~~ PORTFOLIO comes under management ~~unless specifically mandated by the client~~.
- 3.A.6 Terminated PORTFOLIOS MUST be included in the historical returns performance of the ~~appropriate~~ COMPOSITES up to the last full measurement period that ~~the each~~ PORTFOLIO was under management.
- 3.A.7 PORTFOLIOS ~~are not permitted to~~ MUST NOT be switched from one COMPOSITE to another unless documented changes to a PORTFOLIO'S investment mandate, objective, or strategy in client guidelines or the redefinition of the COMPOSITE makes it appropriate. The historical record performance of the PORTFOLIO MUST remain with the ~~appropriate~~ original COMPOSITE.
- ~~3.A.6 Convertible and other hybrid securities MUST be treated consistently across time and within COMPOSITES.~~
- 3.A.8⁴ ~~CARVE-OUT segments excluding cash are not permitted to be used to represent a discretionary~~

⁴For periods prior to 1 January 2010, if CARVE-OUTS were included in a COMPOSITE, cash MUST have been allocated to the CARVE-OUT in a timely and consistent manner.

~~PORTFOLIO and, as such, are not permitted to be included in COMPOSITE returns. When a single asset class is carved out of a multiple asset class PORTFOLIO and the returns are presented as part of a single asset COMPOSITE, cash MUST be allocated to the CARVE-OUT returns in a timely and consistent manner. B-For periods beginning on or after 1 January 2010, a CARVE-OUT returns are not permitted to MUST NOT be included in a single asset class COMPOSITE returns unless the CARVE-OUT is actually managed separately with its own cash balance.~~

- 3.A.9 If ~~the~~ a FIRM sets a minimum asset level for PORTFOLIOS to be included in a COMPOSITE, the FIRM MUST NOT include ~~no~~ PORTFOLIOS below that ate minimum asset level ~~can be included~~ in that COMPOSITE. Any changes to a COMPOSITE-specific minimum asset level ~~are not permitted to~~ MUST NOT be applied retroactively.
- 3.A.10 FIRMS that wish to remove PORTFOLIOS from COMPOSITES in cases of SIGNIFICANT CASH FLOWS MUST define “significant” on an EX-ANTE, COMPOSITE-specific basis and MUST consistently follow the COMPOSITE-specific policy.

Composite Construction — Recommendations

- ~~3.B.1 — CARVE-OUT returns SHOULD not be included in single asset class COMPOSITE returns unless the CARVE-OUTS are actually managed separately with their own cash balance.~~
- 3.B.1 If the FIRM sets a minimum asset level for PORTFOLIOS to be included in a COMPOSITE, the FIRMS SHOULD NOT ~~not market present~~ a COMPOSITE-COMPLIANT PRESENTATION of the COMPOSITE to a prospective client PROSPECTIVE CLIENT known not to meet ~~who has assets less than~~ the COMPOSITE’S minimum asset level.
- 3.B.2 To remove the effect of a ~~significant~~ SIGNIFICANT EXTERNAL CASH FLOW, the FIRM SHOULD use the use of a TEMPORARY NEW ACCOUNT is RECOMMENDED ~~(as opposed to adjusting the COMPOSITE composition to remove PORTFOLIOS with significant EXTERNAL CASH FLOWS)~~

4. DISCLOSURE

Disclosure — Requirements

- 4.A.1 Once a FIRM has met all the REQUIREMENTS ~~elements~~ of the GIPS standards, the FIRM MUST disclose its compliance with the GIPS standards using one of the following compliance statements ~~to indicate that the FIRM is in compliance with the GIPS standards. The claim of compliance MUST only be used in a COMPLIANT PRESENTATION.~~

For FIRMS that are verified:

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

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.”

For COMPOSITES of a verified FIRM that have also had a PERFORMANCE EXAMINATION:

“[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].

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The [insert name of COMPOSITE] composite has been examined for the periods [insert dates]. The verification and performance examination reports are available upon request."

For FIRMS that have not been verified:

"[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."

4.A.2 FIRMS MUST disclose the definition of the "FIRM" used to determine ~~the~~ TOTAL FIRM ASSETS and FIRM-wide compliance.

4.A.3 FIRMS MUST disclose the COMPOSITE DESCRIPTION.

4.A.4 FIRMS MUST disclose the BENCHMARK DESCRIPTION.

4.A.5 When presenting GROSS-OF-FEES ~~RETURNS~~ returns, FIRMS MUST disclose if any other fees are deducted in addition to the ~~direct~~ TRADING EXPENSES.

~~4.A.6 — FIRMS MUST clearly label returns as GROSS OF FEES or NET OF FEES.~~

4.A.6 When presenting NET-OF-FEES ~~RETURNS~~ returns, FIRMS MUST disclose:

- a. If any other fees are deducted in addition to the INVESTMENT MANAGEMENT FEES and ~~direct~~ TRADING EXPENSES;
- b. If model or actual INVESTMENT MANAGEMENT FEES are used; and
- c. If returns are net of any PERFORMANCE-BASED FEES.

4.A.7 FIRMS MUST disclose the currency used to express performance.

4.A.8 FIRMS MUST disclose which measure of INTERNAL DISPERSION ~~measure~~ is presented.

4.A.9 FIRMS MUST disclose the FEE SCHEDULE appropriate to the ~~presentation~~ COMPLIANT PRESENTATION.

4.A.10 FIRMS MUST disclose the COMPOSITE CREATION DATE.

4.A.11 FIRMS MUST disclose ~~that the availability of the FIRM'S a complete list of and description of all of the FIRM'S COMPOSITES~~ DESCRIPTIONS is available upon request.

4.A.12 FIRMS MUST disclose that ~~ADDITIONAL INFORMATION regarding~~ policies for valuing PORTFOLIOS, calculating and reporting returns performance, and preparing COMPLIANT PRESENTATIONS are ~~is~~ available upon request.

~~4.A.13 — If a COMPOSITE contains PORTFOLIOS with BUNDLED FEES, FIRMS MUST disclose for each annual period shown the percentage of COMPOSITE assets that is BUNDLED FEE PORTFOLIOS.~~

4.A.13 FIRMS MUST disclose the presence, use, and extent of leverage, ~~or~~ derivatives, and short positions, (if

- material), including a ~~sufficient~~ description of the ~~use~~, frequency, of use and characteristics of the instruments sufficient to identify risks.
- 4.A.14 FIRMS MUST disclose all significant events that would help a ~~prospective client~~ PROSPECTIVE CLIENT interpret the COMPLIANT PRESENTATION ~~performance record~~.
- 4.A.15 For any performance presented for periods prior to 1 January 2000 that does not comply with the GIPS standards, FIRMS MUST disclose the periods of non-compliance, ~~and how the presentation is not in compliance with the GIPS standards~~.
- 4.A.16 If ~~a~~ the FIRM is redefined, the FIRM MUST disclose the date of description of, and reason for the redefinition.
- 4.A.17 If a COMPOSITE FIRM ~~has~~ is redefined ~~a COMPOSITE~~, the FIRM MUST disclose the date of description of, and nature reason for ~~of the change~~ redefinition. ~~Changes to COMPOSITES are not permitted to be applied retroactively~~.
- 4.A.18 FIRMS MUST disclose ~~any~~ changes to the name of a COMPOSITE.
- 4.A.19 FIRMS MUST disclose the minimum asset level, if any, below which PORTFOLIOS are not included in a COMPOSITE. FIRMS MUST also disclose any changes to the minimum asset level.
- 4.A.20 FIRMS MUST disclose relevant details of the treatment of withholding taxes on dividends, interest income, and capital gains, if material. ~~If using indexes that are net of taxes, the FIRM MUST disclose the tax basis of the BENCHMARK (e.g., Luxembourg based or U.S. based) versus that of the COMPOSITE. FIRMS MUST also disclose if BENCHMARK returns are net of withholding taxes if this information is available~~.
- 4.A.21⁵ For periods beginning on or after 1 January 2011, FIRMS MUST disclose and describe any known material inconsistencies ~~differences~~ in the exchange rates or valuation sources used among the PORTFOLIOS within a COMPOSITE, and between the COMPOSITE and the BENCHMARK.
- 4.A.22 If the COMPLIANT PRESENTATION ~~presentation~~ conforms with ~~local~~ laws and or regulations that ~~differ conflict from with~~ the GIPS REQUIREMENTS of the GIPS standards, FIRMS MUST disclose this fact and disclose the manner in which the ~~local~~ laws and or regulations conflict with the GIPS standards.
- 4.A.23 For periods prior to 1 January 2010, if CARVE-OUTS are included in a COMPOSITE, ~~when a single asset class is carved out of a multiple asset PORTFOLIO and the returns are presented as part of a single asset COMPOSITE~~, FIRMS MUST disclose the policy used to allocate cash to ~~the~~ CARVE-OUTS ~~returns~~.
- 4.A.24 If a COMPOSITE contains PORTFOLIOS with BUNDLED FEES, FIRMS MUST disclose the ~~various~~ types of fees that are included in the BUNDLED FEE.
- 4.A.25 For periods beginning on or after 1 January 2006, FIRMS MUST disclose the use of a ~~subadvisor~~ SUB-ADVISOR(s) and the periods a ~~subadvisor(s)~~ SUB-ADVISOR was used.
- 4.A.26 For periods prior to 1 January 2010, FIRMS MUST disclose if ~~prior to 1 January 2010, calendar month end any~~ PORTFOLIOS were not valued at calendar month end or ~~valuations or valuations~~ on the last business day of the month ~~are not used~~.
- 4.A.27 For periods beginning on or after 1 January 2011, FIRMS MUST disclose the use of subjective unobservable inputs for valuing PORTFOLIO investments (as described in the GIPS Valuation Principles in Chapter II) if the PORTFOLIO investments valued using subjective unobservable inputs are material to the COMPOSITE.

⁵For periods prior to 1 January 2011, FIRMS MUST disclose and describe any known inconsistencies in the exchange rates used among the PORTFOLIOS within a COMPOSITE and between the COMPOSITE and the BENCHMARK.

- 4.A.28 For periods beginning on or after 1 January 2011, FIRMS MUST disclose if the COMPOSITE'S valuation hierarchy materially differs from the RECOMMENDED hierarchy in the GIPS Valuation Principles in Chapter II.
- 4.A.29 If ~~no BENCHMARK is presented, the presentation MUST explain why no BENCHMARK is disclosed.~~ the FIRM determines no appropriate BENCHMARK for the COMPOSITE exists, the FIRM MUST disclose why no BENCHMARK is presented.
- 4.A.30 If the FIRM changes the BENCHMARK, ~~that is used for a given COMPOSITE in the performance presentation,~~ the FIRM MUST disclose ~~both~~ the date of description of, and reasons, for the change.
- 4.A.31 If a custom BENCHMARK or combination of multiple BENCHMARKS is used, the FIRM MUST ~~describe the BENCHMARK creation~~ disclose the BENCHMARK components, weights, and rebalancing process.
- 4.A.32 If the FIRM has adopted a SIGNIFICANT CASH FLOW policy for a specific COMPOSITE, the FIRM MUST disclose how the FIRM defines a SIGNIFICANT CASH FLOW for that COMPOSITE and for which periods.
- 4.A.33 FIRMS MUST disclose if the three-year annualized EX-POST STANDARD DEVIATION of the COMPOSITE and/or BENCHMARK is not presented because 36 monthly returns are not available.
- 4.A.34 If the FIRM determines that the three-year annualized EX-POST STANDARD DEVIATION is not relevant or appropriate, the FIRM MUST:
- a. Describe why EX-POST STANDARD DEVIATION is not relevant or appropriate; and
 - b. Describe the additional risk measure presented and why it was selected.
- 4.A.35 The ~~new~~ FIRMS MUST disclose ~~that if~~ the performance ~~results~~ from a ~~the~~ past FIRM ~~firm~~ or affiliation are ~~is~~ linked ~~LINKED~~ to the performance ~~record~~ of the ~~new~~ FIRM.

Disclosure — Recommendations

- 4.B.1 FIRMS SHOULD disclose material changes to valuation policies and/or methodologies.
- 4.B.2 FIRMS SHOULD disclose ~~when a material~~ changes ~~in the~~to calculation policies and/or methodology~~ies or valuation source results in a material impact on the performance of COMPOSITE return.~~
- ~~4.B.3 FIRMS that have been verified SHOULD add a disclosure to their COMPOSITE presentation stating that the FIRM has been verified and clearly indicating the periods the verification covers if the COMPOSITE presentation includes results for periods that have not been subject to FIRM wide verification~~
- 4.B.3 FIRMS SHOULD disclose material differences between the BENCHMARK and the COMPOSITE'S investment mandate, objective, or strategy.
- 4.B.4 FIRMS SHOULD disclose the key assumptions used to value PORTFOLIO investments.
- 4.B.5 If a parent company contains multiple ~~defined FIRMS~~ firms, each FIRM within the parent company ~~is encouraged to~~ SHOULD disclose a list of the other ~~FIRMS~~ firms contained within the parent company.
- 4.B.6 For periods prior to 1 January 2011, FIRMS SHOULD disclose the use of subjective unobservable inputs for valuing PORTFOLIO investments (as described in the GIPS Valuation Principles in Chapter II) if the PORTFOLIO investments valued using subjective unobservable inputs are material to the COMPOSITE.

- 4.B.7 For periods prior to 1 January 2006, FIRMS SHOULD disclose the use of a SUB-ADVISOR and the periods a SUB-ADVISOR was used.
- 4.B.8 FIRMS SHOULD disclose if a COMPOSITE contains PROPRIETARY ASSETS.

5. PRESENTATION AND REPORTING

Presentation and Reporting — Requirements

- 5.A.1 The following items MUST be presented in each COMPLIANT PRESENTATION:
~~reported for each COMPOSITE presented:~~
- At least ~~5~~ five years of performance (or ~~a record~~ for the period since the FIRM'S inception or the COMPOSITE inception- INCEPTION DATE if the FIRM or the COMPOSITE has been in existence less than ~~5~~ five years) that meets the REQUIREMENTS of the GIPS standards. ~~;~~ After a FIRM presents ~~ing a minimum of 5~~ a minimum of 5 years of GIPS-compliant performance (or for the period since the FIRM'S inception or the COMPOSITE INCEPTION DATE if the FIRM or the COMPOSITE has been in existence less than five years), the FIRM MUST present an additional annual-year of performance each year, building up to so that after 5 years of claiming compliance, the FIRM presents a minimum of 10 10 years of GIPS-compliant performance. (For example, after a FIRM presents 5 years of compliant history, the FIRM MUST add an additional year of performance so that after 5 years of claiming compliance, the FIRM presents a 10-year performance record.)
 - Annual COMPOSITE returns for each annual period all years. ~~FIRMS COMPOSITE~~ returns MUST be clearly ~~label~~ identified ~~returns~~ as GROSS-OF-FEES or NET-OF-FEES.
 - For COMPOSITES with a COMPOSITE INCEPTION DATE of 1 January 2011 or later, when the initial period is less than a full year, returns from the COMPOSITE INCEPTION DATE through the initial annual period end.
 - For COMPOSITES with a COMPOSITE TERMINATION DATE of 1 January 2011 or later, returns from the last annual period end through the COMPOSITE TERMINATION DATE.
 - The ~~total return~~ TOTAL RETURN for the BENCHMARK for each annual period (or BENCHMARKS) The BENCHMARK MUST ~~that~~ reflect the investment mandate, objective, or strategy or mandate represented by of the COMPOSITE ~~MUST be presented for each annual period.~~
 - The number of PORTFOLIOS in the COMPOSITE as of each annual period end. If the COMPOSITE contains ~~5~~ five or fewer PORTFOLIOS ~~or less~~ at period end, the number of PORTFOLIOS is not REQUIRED.
 - ~~and amount of assets in the~~ COMPOSITE assets at the end of as of each annual period ~~end,~~ and
 - Either the percentage of the TOTAL FIRM ASSETS ~~represented by the COMPOSITE or the amount of or~~ COMPOSITE assets as a percentage of TOTAL FIRM ASSETS, ~~at the end as~~ of each annual period end.
 - A measure of INTERNAL DISPERSION of individual PORTFOLIO returns for each annual period. If the COMPOSITE contains ~~5~~ five ~~PORTFOLIOS~~ or ~~less~~ fewer PORTFOLIOS for the full year, a measure of INTERNAL DISPERSION is not REQUIRED.
- 5.A.2 For periods ending on or after 1 January 2011, FIRMS MUST present, as of each annual period end:

- a. The three-year annualized EX-POST STANDARD DEVIATION (using monthly returns) of both the COMPOSITE and the BENCHMARK; and
 - b. An additional three-year EX-POST risk measure for the BENCHMARK (if available and appropriate) and the COMPOSITE, if the FIRM determines that the three-year annualized EX-POST STANDARD DEVIATION is not relevant or appropriate. The PERIODICITY of the COMPOSITE and the BENCHMARK MUST be identical when calculating the EX-POST risk measure.
- 5.A.3 FIRMS ~~MAY LINK~~ MUST NOT ~~LINK~~ non-GIPS-compliant ~~returns~~ performance for periods beginning on or after 1 January 2000 to their GIPS-compliant ~~history~~ performance. FIRMS ~~MAY LINK~~ MUST NOT ~~LINK~~ non-GIPS-compliant ~~performance to~~ so long as the FIRMS meet the disclosure REQUIREMENTS for noncompliant performance and only GIPS-compliant performance provided that only GIPS-compliant performance ~~returns are~~ is presented for periods beginning on or after 1 January 2000. ~~(For example, a FIRM that has been in existence since 1995 and that wants to present its entire performance history and claim compliance beginning 1 January 2005 MUST present returns that meet the REQUIREMENTS of the GIPS standards at least from 1 January 2000 and MUST meet the disclosure REQUIREMENTS for any noncompliant history prior to 1 January 2000.)~~
- 5.A.4 Returns ~~of PORTFOLIOS and COMPOSITES~~ for periods of less than one year ~~are not permitted to~~ MUST NOT be annualized.
- 5.A.5 ~~For periods beginning on or after 1 January 2006 and ending prior to 1 January 2011~~, if a COMPOSITE includes ~~or is formed using single asset class~~ CARVE-OUTS from multiple asset class PORTFOLIOS, the ~~presentation~~ FIRM MUST present ~~MUST include~~ the percentage of ~~the~~ COMPOSITE assets that is composed of represented by CARVE-OUTS ~~prospectively for~~ as of each annual period end.
- ~~5.A.6 The total return for the BENCHMARK (or BENCHMARKS) that reflects the investment strategy or mandate represented by the COMPOSITE MUST be presented for each annual period. If no BENCHMARK is presented, the presentation MUST explain why no BENCHMARK is disclosed. If the FIRM changes the BENCHMARK that is used for a given COMPOSITE in the performance presentation, the FIRM MUST disclose both the date and the reason(s) for the change. If a custom BENCHMARK or combination of multiple BENCHMARKS is used, the FIRM MUST describe the BENCHMARK creation and re-balancing process.~~
- 5.A.6 If a COMPOSITE ~~contains~~ includes ~~any~~ non-fee-paying PORTFOLIOS, the FIRM MUST present ~~as of the end of each annual period~~, the percentage of ~~the~~ COMPOSITE assets represented by ~~the~~ non-fee-paying PORTFOLIOS as of each annual period end.
- 5.A.7 If a COMPOSITE ~~contains~~ includes PORTFOLIOS with BUNDLED FEES, ~~the FIRMS MUST disclose~~ present for each annual period shown the percentage of COMPOSITE assets represented by PORTFOLIOS with that is BUNDLED FEES PORTFOLIOS as of each annual period end.
- 5.A.8 a. Performance ~~track records~~ of a past FIRM firm or affiliation MUST be linked LINKED to or used to represent the historical ~~record~~ performance of a new or acquiring FIRM ~~or new affiliation~~ if, on a COMPOSITE-specific basis:
- i. Substantially all of the investment decision makers are employed by the new or acquiring FIRM (e.g., research department staff, portfolio managers, and other relevant staff);
 - ii. The ~~staff and~~ decision-making process remains substantially intact and independent within the new or acquiring FIRM; and
 - iii. The new or acquiring FIRM has records that document and support the ~~reported~~ performance.
- ~~b) The new FIRM MUST disclose that the performance results from the past FIRM are linked to the performance record of the new FIRM.~~

- e) ~~In addition to 5.A.4.a and 5.A.4.b, when one FIRM joins an existing FIRM, performance of COMPOSITES from both FIRMS MUST be linked to the ongoing returns if substantially all the assets from the past FIRM'S COMPOSITE transfer to the new FIRM.~~
- b. If a ~~compliant~~ FIRM acquires another firm or affiliation ~~or is acquired by a noncompliant FIRM~~, the FIRMS ~~have~~ has ~~one~~ year to bring ~~the~~ any non-compliant assets into compliance.

Presentation and Reporting — Recommendations

- 5.B.1 FIRMS SHOULD present GROSS-OF-FEES returns.
- 5.B.2 ~~It is RECOMMENDED that~~ FIRMS SHOULD present the following items:
 - a. ~~COMPOSITE returns gross of INVESTMENT MANAGEMENT FEES and ADMINISTRATIVE FEES and before taxes (except for nonreclaimable withholding taxes);~~
 - a. Cumulative returns ~~for~~ of the COMPOSITE and the BENCHMARKS for all periods;
 - b. Equal-weighted mean and median COMPOSITE returns ~~for each COMPOSITE~~;
 - d. ~~Graphs and charts presenting specific information REQUIRED or RECOMMENDED under the GIPS standards~~
 - c. ~~Returns for~~ Quarterly and/or shorter-monthly time periods returns; and
 - d. Annualized COMPOSITE and BENCHMARK returns for periods ~~greater~~ longer than 12 months.
 - g. ~~COMPOSITE-level country and sector weightings.~~
- 5.B.3 For periods prior to 1 January 2011, FIRMS SHOULD present the three-year annualized EX-POST STANDARD DEVIATION (using monthly returns) of the COMPOSITE and the BENCHMARK as of each annual period end.
- 5.B.4 For each period for which an annualized EX-POST STANDARD DEVIATION of the COMPOSITE and the BENCHMARK are presented, the corresponding annualized return of the COMPOSITE and the BENCHMARK SHOULD also be presented.
- 5.B.5 For each period for which an annualized return of the COMPOSITE and the BENCHMARK are presented, the corresponding annualized EX-POST STANDARD DEVIATION (using monthly returns) of the COMPOSITE and the BENCHMARK SHOULD also be presented.
- 5.B.6 ~~It is RECOMMENDED that~~ FIRMS SHOULD present additional relevant COMPOSITE-level EX-POST risk measures, ~~such as beta, tracking error, modified duration, information ratio, Sharpe ratio, Treynor ratio, credit ratings, value at risk (VaR), and volatility, over time of the COMPOSITE and BENCHMARK.~~
- 5.B.7 FIRMS SHOULD present more than 10 years of annual performance in the COMPLIANT PRESENTATION.
- 5.B.8 ~~After presenting the REQUIRED 5 years of compliant historical performance, the FIRMS is encouraged to~~ SHOULD comply with the GIPS standards for all historical periods ~~bring any remaining portion of its historical track record into compliance with the GIPS standards. (This does not preclude the REQUIREMENT that the FIRM MUST add annual performance to its track record on an on-going basis to build a 10-year track record.)~~
- 5.B.9 FIRMS SHOULD update COMPLIANT PRESENTATIONS quarterly.

6. REAL ESTATE

~~Following are provisions that apply to Unless otherwise noted, the calculation and presentation of REAL ESTATE assets. The following REAL ESTATE provisions supplement all the REQUIRED and RECOMMENDED elements provisions of the GIPS standards (outlined in Sections H.1.0 through Section H.5 in Chapter I), except.~~

~~REAL ESTATE provisions were first included in the GIPS standards in 2005 and became effective 1 January 2006. All COMPLIANT PRESENTATIONS that included REAL ESTATE performance for periods beginning on or after 1 January 2006 were REQUIRED to meet all the REQUIREMENTS of the REAL ESTATE provisions that override of the existing 2005 edition of the GIPS standards. The following REAL ESTATE provisions for valuation: H.6.A.1, H.6.A.2, H.6.B.1 are effective 1 January 2011. All REAL ESTATE COMPOSITES that include performance for periods beginning on or after 1 January 2011 MUST comply with all the REQUIREMENTS and H.6.B.2 SHOULD adhere to the RECOMMENDATIONS of the following REAL ESTATE provisions.~~

~~The following investment types are not considered as REAL ESTATE and, therefore, addressed elsewhere in the general provisions of the GIPS standards MUST follow Sections 0–5 in Chapter I include:~~

- ~~Publicly traded REAL ESTATE securities; including any listed securities issued by public companies;~~
- ~~Commercial mortgage-backed securities (CMBS); and~~
- ~~Private debt investments, including commercial and residential loans where the expected return is solely related to contractual interest rates without any participation in the economic performance of the underlying REAL ESTATE.~~

~~If a PORTFOLIO includes a mix of REAL ESTATE and other investments that are not REAL ESTATE, then these REQUIREMENTS and RECOMMENDATIONS only apply to the REAL ESTATE portion of the PORTFOLIO, and when the FIRM CARVES OUT the REAL ESTATE portion of the PORTFOLIO, the GIPS CARVE OUT provisions (see H.3.A.7) MUST also be applied.~~

REAL ESTATE — REQUIREMENTS

Input Data — Requirements (the following provisions do not apply: 1.A.3.a, 1.A.3.b, and 1.A.4)

- 6.A.1⁶ ~~For periods beginning on or after 1 January 2011, REAL ESTATE investments MUST be valued at MARKET in accordance with the definition of FAIR VALUE at least once every 12 months, and the GIPS Valuation Principles in Chapter II.~~
- 6.A.2⁷ For periods beginning on or after 1 January 2008, REAL ESTATE investments MUST be valued at least quarterly.
- 6.A.3 For periods beginning on or after 1 January 2010, FIRMS MUST value PORTFOLIOS as of each quarter end or the last business day of each quarter.
- 6.A.4 REAL ESTATE investments MUST ~~be have an valued EXTERNAL VALUATION; by an external PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser~~
- For periods prior to 1 January 2012, at least once every 36 months.
 - For periods beginning on or after 1 January 2012, at least once every 12 months unless client agreements stipulate otherwise, in which case REAL ESTATE investments MUST have an

⁶For periods prior to 1 January 2011, REAL ESTATE investments MUST be valued at MARKET VALUE (as previously defined for REAL ESTATE in the 2005 edition of the GIPS standards).

⁷For periods prior to 1 January 2008, REAL ESTATE investments MUST be valued at least once every 12 months.

EXTERNAL VALUATION at least once every 36 months or per the client agreement if the client agreement requires EXTERNAL VALUATIONS more frequently than every 36 months.

- 6.A.5 EXTERNAL VALUATIONS must be performed by an independent external PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser. In markets where ~~neither professionally designated nor appropriately sanctioned valuers or appraisers~~ these professionals are not available, ~~and valuers or appraisers from other countries bearing such credentials do not commonly operate, then the party responsible for engaging such services locally shall~~ the FIRM MUST take necessary steps to ensure that only well-qualified independent property valuers or appraisers are used.

Calculation Methodology — Requirements (the following provisions do not apply: 2.A.2.a, 2.A.4, and 2.A.7)

- 6.A.6 FIRMS MUST calculate PORTFOLIO returns at least quarterly.
- 6.A.7 All returns MUST be calculated after the deduction of actual TRANSACTION EXPENSES incurred during the period.
- 6.A.8 For periods beginning on or after 1 January 2011, INCOME RETURNS and CAPITAL RETURNS (component returns) MUST be calculated separately using geometrically LINKED TIME-WEIGHTED RATES OF RETURN.
- 6.A.9 COMPOSITE TIME-WEIGHTED RATES OF RETURN, including component returns, MUST be calculated by asset-weighting the individual PORTFOLIO returns at least quarterly.

Disclosure — Requirements (the following provisions do not apply: 4.A.5, 4.A.6.a, 4.A.15, 4.A.26, 4.A.33, and 4.A.34)

- 6.A.10 ~~In addition to the other disclosure REQUIREMENTS of the GIPS standards, performance presentations for REAL ESTATE investments MUST disclose:~~ The following items MUST be disclosed in each COMPLIANT PRESENTATION:
- a. The FIRM'S description of discretion;
 - b. The ~~valuation methods and procedures~~ INTERNAL VALUATION methodologies used to value REAL ESTATE investments for the most recent period (e.g., discounted cash flow valuation model, capitalized income approach, sales comparison approach, the valuation of debt payable in determining the value of leveraged REAL ESTATE);
 - c. For periods beginning on or after 1 January 2011, material changes to valuation policies and/or methodologies;
 - d. ~~The range of performance returns for the individual accounts in the COMPOSITE.~~
 - d. For periods beginning on or after 1 January 2011, material differences between an EXTERNAL VALUATION and the valuation used in performance reporting and the reason for the differences;
 - e. ~~The source of the valuation (whether valued by an external valuer or INTERNAL VALUATION or whether values are obtained from a third party manager) for each period;~~
 - e. The frequency REAL ESTATE investments are valued by ~~external valuers~~ an independent external PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser;
 - f. ~~The percent of total MARKET VALUE of COMPOSITE assets (asset weighted not equally weighted) to total REAL ESTATE assets valued by an EXTERNAL VALUATION for each period, and~~

- f. ~~The calculation methodology for component returns—that is, When~~ component returns are ~~(1)~~ calculated separately using ~~chain-linked-geometrically LINKED~~ TIME-WEIGHTED RATES OF RETURN; ~~or and~~
 - g. ~~For periods prior to 1 January 2011, if component returns are (2)-adjusted such that the sum of the INCOME RETURN and the CAPITAL RETURN is-equals to-the~~ TOTAL RETURN.
- 6.A.11 For any performance presented for periods prior to 1 January 2006 that does not comply with the GIPS standards, FIRMS MUST disclose the periods of non-compliance.
- 6.A.12 When presenting GROSS-OF-FEES returns, FIRMS MUST disclose if any other fees are deducted in addition to the TRANSACTION EXPENSES.
- 6.A.13 When presenting NET-OF-FEES returns, FIRMS MUST disclose if any other fees are deducted in addition to the INVESTMENT MANAGEMENT FEES and TRANSACTION EXPENSES.

Presentation and Reporting — Requirements (the following provisions do not apply: 5.A.1.i, 5.A.2, and 5.A.3)

- 6.A.14 ~~The income and capital appreciation~~ FIRMS MUST present component returns ~~MUST be presented~~ in addition to TOTAL RETURNS. COMPOSITE component returns MUST be clearly identified as GROSS-OF-FEES or NET-OF-FEES.
- 6.A.15 FIRMS MUST NOT LINK non-GIPS-compliant performance for periods beginning on or after 1 January 2006 to their GIPS-compliant performance. FIRMS may LINK non-GIPS-compliant performance to their GIPS-compliant performance provided that only GIPS-compliant performance is presented for periods beginning on or after 1 January 2006.
- 6.A.16 The following items MUST be presented in each COMPLIANT PRESENTATION:
- a. As a measure of INTERNAL DISPERSION, ~~the range-high and low of performance returns-annual~~ TIME-WEIGHTED RATES OF RETURN for the individual ~~accounts~~ PORTFOLIOS in the COMPOSITE. If the COMPOSITE contains five or fewer PORTFOLIOS for the full year, a measure of INTERNAL DISPERSION is not REQUIRED.
 - b. As of each annual period end, the percentage ~~of total MARKET VALUE~~ of COMPOSITE assets ~~(asset weighted-not equally weighted) to total REAL ESTATE assets~~ valued ~~by using~~ an EXTERNAL VALUATION ~~during the for each annual~~ period.

The following provisions are additional REQUIREMENTS for REAL ESTATE CLOSED-END FUND COMPOSITES:

Calculation Methodology — Requirements

- 6.A.17 FIRMS MUST calculate annualized SINCE INCEPTION INTERNAL RATES OF RETURN (SI-IRR).
- 6.A.18 The SI-IRR MUST be calculated using quarterly cash flows at a minimum.

Composite Construction — Requirements

- 6.A.19 COMPOSITES MUST be defined by VINTAGE YEAR and investment mandate, objective, or strategy. The COMPOSITE DEFINITION MUST remain consistent throughout the life of the COMPOSITE.

Disclosure — Requirements

- 6.A.20 FIRMS MUST disclose the FINAL LIQUIDATION DATE for liquidated COMPOSITES.
- 6.A.21 FIRMS MUST disclose the frequency of cash flows used in the SI-IRR calculation.
- 6.A.22 FIRMS MUST disclose the VINTAGE YEAR of the COMPOSITE and how the VINTAGE YEAR is defined.

Presentation and Reporting — Requirements

- 6.A.23 The following items MUST be presented in each COMPLIANT PRESENTATION:
 - a. FIRMS MUST present the NET-OF-FEES SI-IRR of the COMPOSITE through each annual period end. FIRMS MUST initially present at least five years of performance (or for the period since the FIRM'S inception or the COMPOSITE INCEPTION DATE if the FIRM or the COMPOSITE has been in existence less than five years) that meets the REQUIREMENTS of the GIPS standards. Each subsequent year, FIRMS MUST present an additional year of performance.
 - b. For periods beginning on or after 1 January 2011, when the initial period is less than a full year, FIRMS MUST present the non-annualized NET-OF-FEES SI-IRR through the initial annual period end.
 - c. For periods ending on or after 1 January 2011, FIRMS MUST present the NET-OF-FEES SI-IRR through the COMPOSITE FINAL LIQUIDATION DATE.
- 6.A.24 If the GROSS-OF-FEES SI-IRR of the COMPOSITE is presented in the COMPLIANT PRESENTATION, FIRMS MUST present the GROSS-OF-FEES SI-IRR of the COMPOSITE for the same periods as the NET-OF-FEES SI-IRR is presented.
- 6.A.25 FIRMS MUST present, as of each annual period end:
 - a. COMPOSITE SINCE INCEPTION PAID-IN CAPITAL;
 - b. COMPOSITE SINCE INCEPTION DISTRIBUTIONS;
 - c. COMPOSITE cumulative COMMITTED CAPITAL;
 - d. TOTAL VALUE to SINCE INCEPTION PAID-IN CAPITAL (INVESTMENT MULTIPLE or TVPI);
 - e. SINCE INCEPTION DISTRIBUTIONS to SINCE INCEPTION PAID-IN CAPITAL (REALIZATION MULTIPLE or DPI);
 - f. SINCE INCEPTION PAID-IN CAPITAL to cumulative COMMITTED CAPITAL (PIC MULTIPLE); and
 - g. RESIDUAL VALUE TO SINCE INCEPTION PAID-IN CAPITAL (UNREALIZED MULTIPLE or RVPI).
- 6.A.26 FIRMS MUST present the SI-IRR of the BENCHMARK through each annual period end. The BENCHMARK MUST:
 - a. Reflect the investment mandate, objective, or strategy of the COMPOSITE;

- b. Be presented for the same time period as presented for the COMPOSITE; and
- c. Be the same VINTAGE YEAR as the COMPOSITE.

REAL ESTATE — RECOMMENDATIONS

Input Data — Recommendations (the following provision does not apply: 1.B.1)

~~6.B.1 — REAL ESTATE investments SHOULD be valued at least quarterly.~~

6.B.1 For periods prior to 1 January 2012, REAL ESTATE investments SHOULD be valued by an independent external ~~valuer or appraiser~~ PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser at least once every 12 months.

6.B.2 REAL ESTATE investments SHOULD be valued as of the annual period end by an independent external PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser.

~~6.B.3 If since inception INTERNAL RATE OF RETURN performance results are shown, the FIRM SHOULD disclose the time period that is covered as well as the frequency of the cash flows used in the calculation.~~

Disclosure — Recommendations

6.B.3 FIRMS SHOULD disclose the basis of accounting for the PORTFOLIOS in the COMPOSITE (e.g. U.S. GAAP, IFRS).

~~6.B.5 — When available, the capital and income segments of the appropriate REAL ESTATE BENCHMARK SHOULD be presented.~~

~~6.B.6 — It is RECOMMENDED that FIRMS present the since inception INTERNAL RATE OF RETURN for the COMPOSITE.~~

~~6.B.7 — It is RECOMMENDED that the following items be presented, especially in those circumstances when the investment manager has the ability to control the timing of investor capital call tranches during the fund's or PORTFOLIO'S initial acquisition period:~~

~~a. — GROSS and NET OF FEES (including incentive allocations) annualized since inception TIME-WEIGHTED RATE OF RETURN and INTERNAL RATE OF RETURN (terminal value based on ENDING MARKET VALUE net assets of the COMPOSITE) to the last year reported for the COMPOSITE.~~

~~b. — GROSS and NET OF FEES (including incentive allocations) annualized since inception TIME-WEIGHTED RATE OF RETURN and INTERNAL RATE OF RETURN (based on realized cash flows only, excluding unrealized gains) to the last year reported for the COMPOSITE.~~

~~c. — In addition, other performance measures may provide additional useful information for both prospective and existing investors. The GIPS PRIVATE EQUITY Provisions (See GIPS standards II.7) provide guidance with regard to such additional measures as investment and REALIZATION MULTIPLES and ratios relating to PAID IN CAPITAL.~~

6.B.4 FIRMS SHOULD explain and disclose material differences between the valuation used in performance reporting and the valuation used in financial reporting as of each annual period end.

- 6.B.5 For periods prior to 1 January 2011, FIRMS SHOULD disclose material changes to valuation policies and/or methodologies.

Presentation and Reporting — Recommendations (the following provisions do not apply: 5.B.3, 5.B.4, and 5.B.5)

- 6.B.6 FIRMS SHOULD present both GROSS-OF-FEES and NET-OF-FEES returns.
- 6.B.7 FIRMS SHOULD present the percentage of the total value of COMPOSITE assets that are not REAL ESTATE as of each annual period end.
- 6.B.8 FIRMS SHOULD present ~~When available, the capital and income segments~~ the component returns of the ~~appropriate REAL ESTATE BENCHMARK SHOULD be presented.~~, if available.

The following provision is an additional RECOMMENDATION for REAL ESTATE CLOSED-END FUND COMPOSITES:

Calculation Methodology — Recommendations

- 6.B.9 ~~If calculating the INTERNAL RATE OF RETURN, FIRMS SHOULD use quarterly cash flows at a minimum.~~ The SI-IRR SHOULD be calculated using daily cash flows.

7. PRIVATE EQUITY

~~Following are provisions that apply to the calculation and presentation of PRIVATE EQUITY investments other than OPEN-END EVERGREEN FUNDS (which MUST follow the main GIPS provisions). Unless otherwise noted, the following~~ The PRIVATE EQUITY provisions supplement ~~all~~ the REQUIRED and RECOMMENDED ~~elements~~ provisions of the GIPS standards ~~(outlined in Sections II.0— through Section II.5 in Chapter I.), except these PRIVATE EQUITY provisions that override the existing GIPS provisions for valuation (II.7.A.1 and II.7.B.1), calculation methodology (II.7.A.2 and II.7.A.3), fees (II.7.A.4 and II.7.A.5), and presentation and reporting of returns (II.7.A.20). [Corrected January 2006]~~

PRIVATE EQUITY provisions were first included in the GIPS standards in 2005 and became effective 1 January 2006. All COMPLIANT PRESENTATIONS that included PRIVATE EQUITY performance for periods ending on or after 1 January 2006 were REQUIRED to meet all the REQUIREMENTS of the PRIVATE EQUITY provisions of the 2005 edition of the GIPS standards. The following PRIVATE EQUITY provisions are effective 1 January 2011. All PRIVATE EQUITY COMPOSITES that include performance for periods ending on or after 1 January 2011 MUST comply with all the REQUIREMENTS and SHOULD comply with the RECOMMENDATIONS of the following PRIVATE EQUITY provisions.

The following are provisions that apply to the calculation and presentation of PRIVATE EQUITY investments made by fixed life, fixed commitment PRIVATE EQUITY investment vehicles including PRIMARY FUNDS and FUNDS OF FUNDS. These provisions also apply to fixed life, fixed commitment SECONDARY FUNDS, which MUST apply either the provisions applicable to PRIMARY FUNDS or the provisions applicable to FUNDS OF FUNDS depending on which form the SECONDARY FUND uses to make investments. PRIVATE EQUITY OPEN-END and EVERGREEN FUNDS MUST follow Sections 0–5 in Chapter I. REAL ESTATE CLOSED-END FUNDS MUST follow Section 6 in Chapter I.

PRIVATE EQUITY — REQUIREMENTS

Input Data — Requirements (the following provisions do not apply: 1.A.3.a, 1.A.3.b, and 1.A.4)

- 7.A.1⁸ For periods ending on or after 1 January 2011, PRIVATE EQUITY investments MUST be valued in accordance with the definition of FAIR VALUE and to the GIPS PRIVATE EQUITY Valuation Principles provided in Chapter II Appendix D.
- 7.A.2 PRIVATE EQUITY investments MUST be valued (preferably quarterly but at least annually).

Calculation Methodology — Requirements (the following provisions do not apply: 2.A.2, 2.A.4, 2.A.6, and 2.A.7)

- 7.A.3 FIRMS MUST calculate ~~the annualized since inception~~ SINCE INCEPTION INTERNAL RATES OF RETURN (SI-IRR).
- 7.A.4⁹ For periods ending on or after 1 January 2011, the annualized SI-IRR MUST be calculated using either daily or monthly cash flows, and the period end valuation of the unliquidated remaining holdings. Stock DISTRIBUTIONS MUST be included as cash flows and MUST be valued at the time of DISTRIBUTION.
- 7.A.5 All returns MUST be calculated after the deduction of actual TRANSACTION EXPENSES incurred during the period.
- 7.A.6 NET-OF-FEES ~~RETURNS~~ returns MUST, ~~in addition,~~ be net of ~~all the actual~~ actual INVESTMENT

⁸For periods ending prior to 1 January 2011, PRIVATE EQUITY investments MUST be valued according to either the GIPS Private Equity Valuation Principles in Appendix D of the 2005 edition of the GIPS standards or the GIPS Valuation Principles in Chapter II of the 2010 edition of the GIPS standards.

⁹For periods ending prior to 1 January 2011, the SI-IRR MUST be calculated using either daily or monthly cash flows.

MANAGEMENT FEES, ~~ADVISOR'S expenses, and (including~~ CARRIED INTEREST).

- 7.A.7 For ~~INVESTMENT ADVISORS~~ FUNDS OF FUNDS, all returns MUST be net of all underlying partnership and/or fund fees and expenses, and including CARRIED INTEREST, ~~and TRANSACTION EXPENSES.~~

Composite Construction — Requirements (the following provision does not apply: 3.A.10)

- 7.A.8 COMPOSITE DEFINITIONS MUST remain consistent throughout the life of the COMPOSITE.

~~7.A.7 Partnership/fund investments, DIRECT INVESTMENTS, and OPEN-END PRIVATE EQUITY investments (e.g., EVERGREEN FUNDS) MUST be in separate COMPOSITES.~~

- 7.A.9 PRIMARY FUNDS ~~ALL CLOSED-END PRIVATE EQUITY investments, including, but not limited to, fund-of-funds, partnerships, or DIRECT INVESTMENTS,~~ MUST be included in at least one COMPOSITE defined by VINTAGE YEAR and investment mandate, objective, or strategy ~~and VINTAGE YEAR.~~

- 7.A.10 FUNDS OF FUNDS MUST be included in at least one COMPOSITE defined by VINTAGE YEAR of the FUND OF FUNDS and/or investment mandate, objective, or strategy.

Disclosure — Requirements (the following provisions do not apply: 4.A.5, 4.A.6.a, 4.A.6.b, 4.A.8, 4.A.15, 4.A.26, 4.A.32, 4.A.33, and 4.A.34)

- 7.A.11 FIRMS MUST disclose the VINTAGE YEAR of the COMPOSITE and how the VINTAGE YEAR is defined.

- 7.A.12 ~~For all closed (discontinued) COMPOSITES,~~ FIRMS MUST disclose the ~~final realization~~ FINAL LIQUIDATION DATE for (liquidated ion) date of the COMPOSITES.

~~7.A.10 FIRMS MUST disclose the unrealized appreciation/depreciation of the COMPOSITE for the most recent period.~~

~~7.A.11 FIRMS MUST disclose the total COMMITTED CAPITAL of the COMPOSITE for the most recent period.~~

- 7.A.13 ~~For the most recent period,~~ FIRMS MUST disclose the valuation methodologies used to value ~~their~~ PRIVATE EQUITY investments for the most recent period.

- 7.A.14 For periods ending on or after 1 January 2011, FIRMS MUST disclose ~~If any change occur in either material changes to valuation basis policies and/or methodologies, from the prior period, the change MUST be disclosed.~~

- 7.A.15 If the FIRM adheres to any presentation complies with any local or regional industry valuation guidelines in addition to the GIPS ~~PRIVATE EQUITY~~ Valuation Principles, the FIRMS MUST disclose which ~~local or regional~~ guidelines have been used/applied.

~~7.A.14 FIRMS MUST document the FIRM'S valuation review procedures and disclose that the procedures are available upon request.~~

~~7.A.15 FIRMS MUST disclose the definition of the COMPOSITE investment strategy (e.g., early stage, development, buy-outs, generalist, turnaround, mezzanine, geography, middle market, and large transaction).~~

- 7.A.16 ~~If a BENCHMARK is used,~~ FIRMS MUST disclose the calculation methodology used for the BENCHMARK. If FIRMS present the PUBLIC MARKET EQUIVALENT of a COMPOSITE as a BENCHMARK, FIRMS MUST disclose the index used to calculate the PUBLIC MARKET EQUIVALENT.
- ~~7.A.17 If a valuation basis other than FAIR VALUE is used to value investments within the COMPOSITE, FIRMS MUST disclose for the most recent period presented their justification for why FAIR VALUE is not applicable. Additionally, FIRMS MUST disclose the following:~~
- ~~a. The carrying value of non FAIR VALUE basis investments relative to total fund.~~
 - ~~b. The number of holdings valued on a non FAIR VALUE basis.~~
 - ~~c. The absolute value of the non FAIR VALUE basis investments.~~
- ~~7.A.18 FIRMS MUST disclose whether they are using daily or monthly cash flows in the SI-IRR calculation.~~
- 7.A.17 FIRMS MUST disclose the frequency of ~~whether they are using daily or monthly~~ cash flows used in the SI-IRR calculation if daily cash flows are not used for periods prior to 1 January 2011.
- 7.A.18 For GROSS-OF-FEES returns, FIRMS MUST disclose if any other fees are deducted in addition to the TRANSACTION EXPENSES.
- ~~7.A.19 If a FIRM does not use a calendar year period end, a disclosure MUST be made indicating the period end used.~~
- 7.A.19 For NET-OF-FEES returns, FIRMS MUST disclose if any other fees are deducted in addition to the INVESTMENT MANAGEMENT FEES and TRANSACTION EXPENSES.
- 7.A.20 For any performance presented for periods ending prior to 1 January 2006 that does not comply with the GIPS standards, FIRMS MUST disclose the periods of non-compliance.

Presentation and Reporting — Requirements (the following provisions do not apply: 5.A.1.a, 5.A.1.b, 5.A.1.c, 5.A.1.d, 5.A.1.e, 5.A.1.i, 5.A.2, and 5.A.3)

- 7.A.21 ~~FIRMS MUST present both the NET-OF-FEES and GROSS-OF-FEES annualized SI-IRR of the COMPOSITE for each year since inception~~The following items MUST be presented in each COMPLIANT PRESENTATION:
- a. FIRMS MUST present both the NET-OF-FEES and GROSS-OF-FEES SI-IRR of the COMPOSITE through each annual period end. FIRMS MUST initially present at least five years of performance (or for the period since the FIRM'S inception or the COMPOSITE INCEPTION DATE if the FIRM or the COMPOSITE has been in existence less than five years) that meets the REQUIREMENTS of the GIPS standards. Each subsequent year, FIRMS MUST present an additional year of performance. COMPOSITE returns MUST be clearly identified as GROSS-OF-FEES or NET-OF-FEES.
 - b. For periods beginning on or after 1 January 2011, when the initial period is less than a full year, FIRMS MUST present the non-annualized NET-OF-FEES and GROSS-OF-FEES SI-IRR through the initial annual period end.
 - c. For periods ending on or after 1 January 2011, FIRMS MUST present the NET-OF-FEES and GROSS-OF-FEES SI-IRR through the COMPOSITE FINAL LIQUIDATION DATE.

7.A.22 For periods ending on or after 1 January 2011, for FUND OF FUNDS COMPOSITES, if the COMPOSITE is defined only by investment mandate, objective, or strategy, FIRMS MUST also present the SI-IRR of the underlying investments aggregated by VINTAGE YEAR as well as other measures as REQUIRED in 7.A.23. These measures MUST be presented gross of the FUND OF FUNDS INVESTMENT MANAGEMENT FEES and MUST be presented as of the most recent annual period end.

7.A.23 ~~For each period presented,~~ FIRMS MUST ~~report:~~ present as of each annual period end:

a. COMPOSITE SINCE INCEPTION PAID-IN CAPITAL ~~to date (cumulative DRAWDOWN);~~

~~b. Total current INVESTED CAPITAL, and~~

b. COMPOSITE SINCE INCEPTION ~~Cumulative~~-DISTRIBUTIONS; ~~to date.~~

c. COMPOSITE cumulative COMMITTED CAPITAL;

~~7.A.22 For each period presented, FIRMS MUST report: the following multiples:~~

d. TOTAL VALUE to SINCE INCEPTION PAID-IN CAPITAL (INVESTMENT MULTIPLE or TVPI);

e. SINCE INCEPTION ~~Cumulative~~-DISTRIBUTIONS to SINCE INCEPTION PAID-IN CAPITAL (REALIZATION MULTIPLE or DPI);

f. SINCE INCEPTION PAID-IN CAPITAL to cumulative COMMITTED CAPITAL (PIC MULTIPLE); and

g. RESIDUAL VALUE to SINCE INCEPTION PAID-IN CAPITAL (UNREALIZED MULTIPLE or RVPI).

~~7.A.23 that reflects the same strategy and VINTAGE YEAR of the COMPOSITE MUST be presented for the same periods for which the COMPOSITE is presented.~~

7.A.24 ~~If a BENCHMARK is shown, the cumulative annualized~~ FIRMS MUST present the SI-IRR for the BENCHMARK through each annual period end. The BENCHMARK MUST:

a. ~~R~~eflects the ~~same~~ investment mandate, objective, or strategy ~~and VINTAGE YEAR~~ of the COMPOSITE;

b. ~~B~~e presented for the same time periods as presented for the COMPOSITE; and

c. Be the same VINTAGE YEAR as the COMPOSITE.

~~If no BENCHMARK is shown, the presentation MUST explain why no BENCHMARK is disclosed.~~

7.A.25 For FUND OF FUNDS COMPOSITES, if the COMPOSITE is defined only by investment mandate, objective, or strategy and a BENCHMARK is presented for the underlying investments, the BENCHMARK MUST be the same VINTAGE YEAR and investment mandate, objective, or strategy as the underlying investments.

7.A.26 For periods ending on or after 1 January 2011, for FUND OF FUNDS COMPOSITES, FIRMS MUST present the percentage, if any, of COMPOSITE assets that is invested in DIRECT INVESTMENTS (rather than in fund investment vehicles) as of each annual period end.

7.A.27 For periods ending on or after 1 January 2011, for PRIMARY FUND COMPOSITES, FIRMS MUST present the percentage, if any, of COMPOSITE assets that is invested in fund investment vehicles (rather

than in DIRECT INVESTMENTS) as of each annual period end.

- 7.A.28 FIRMS MUST NOT present non-GIPS-compliant performance for periods ending on or after 1 January 2006. For periods ending prior to 1 January 2006, FIRMS may present non-GIPS-compliant performance.

PRIVATE EQUITY — RECOMMENDATIONS

Input Data — Recommendations (the following provision does not apply: 1.B.1)

- 7.B.1 PRIVATE EQUITY investments SHOULD be valued at least quarterly.

~~7.B.2 FIRMS SHOULD present the average holding period of the investments (PORTFOLIO companies) over the life of the COMPOSITE.~~

Calculation Methodology — Recommendations (the following provision does not apply: 2.B.2)

- 7.B.2 For periods ending prior to 1 January 2011, the SI-IRR SHOULD be calculated using daily cash flows.

Composite Construction — Recommendations (the following provision does not apply: 3.B.2)

Disclosure — Recommendations

- 7.B.3 FIRMS SHOULD explain and disclose material differences between the valuations used in performance reporting and the valuations used in financial reporting as of each annual period end.
- 7.B.4 For periods prior to 1 January 2011, FIRMS SHOULD disclose material changes to valuation policies and/or methodologies.

Presentation and Reporting — Recommendations (the following provisions do not apply: 5.B.2, 5.B.3, 5.B.4, and 5.B.5)

- 7.B.5 For periods ending on or after 1 January 2011, for FUND OF FUNDS COMPOSITES, if the COMPOSITE is defined only by VINTAGE YEAR of the FUND OF FUNDS, FIRMS SHOULD also present the SI-IRR of the underlying investments aggregated by investment mandate, objective, or strategy and other measures as listed in 7.A.23. These measures SHOULD be presented gross of the FUND OF FUNDS INVESTMENT MANAGEMENT FEES.
- 7.B.6 For periods ending prior to 1 January 2011, for FUND OF FUNDS COMPOSITES, FIRMS SHOULD present the percentage, if any, of COMPOSITE assets that is invested in DIRECT INVESTMENTS (rather than in fund investment vehicles) as of each annual period end.
- 7.B.7 For periods ending prior to 1 January 2011, for PRIMARY FUND COMPOSITES, FIRMS SHOULD present the percentage, if any, of COMPOSITE assets that is invested in fund investment vehicles (rather than in DIRECT INVESTMENTS) as of each annual period end.

8. WRAP FEE/SEPARATELY MANAGED ACCOUNT (SMA) PORTFOLIOS

The following ~~are additional requirements~~ provisions apply to the calculation and presentation of performance ~~for firms to follow~~ when presenting a COMPLIANT PRESENTATION ~~wrap fee/SMA performance~~ to a WRAP FEE/SMA PROSPECTIVE CLIENT (which includes prospective ~~wrap fee~~ WRAP FEE/SMA sponsors, ~~or prospective wrap fee~~ WRAP FEE/SMA clients, ~~prospects (“wrap fee/SMA prospect”)~~ and existing ~~wrap fee~~ WRAP FEE/SMA sponsors ~~or existing wrap fee/SMA clients (“wrap fee/SMA client”)~~ in compliance with the GIPS standards (“Standards”). Unless otherwise noted, the following WRAP FEE/SMA provisions supplement all the REQUIRED and RECOMMENDED provisions of the GIPS standards in Sections 0–5 in Chapter I.

Although there are different types of WRAP FEE/SMA structures, these provisions apply to all WRAP FEE/SMA PORTFOLIOS where there are BUNDLED FEES and the WRAP FEE/SMA sponsor serves as an intermediary between the FIRM and the end user of the investment services. These provisions are not applicable to PORTFOLIOS defined as other types of BUNDLED FEE PORTFOLIOS. These provisions are also not applicable to model PORTFOLIOS that are provided by a FIRM to a WRAP FEE/SMA sponsor if the FIRM does not have discretionary PORTFOLIO management responsibility for the individual WRAP FEE/SMA PORTFOLIOS. Similarly, a FIRM or overlay manager in a Multiple Strategy Portfolio (MSP) or similar program is also excluded from applying these provisions to such PORTFOLIOS if they do not have discretion.

All WRAP FEE/SMA COMPLIANT PRESENTATIONS that include performance results for periods beginning on or after 1 January 2006 MUST meet all the REQUIREMENTS of the following WRAP FEE/SMA provisions.

WRAP FEE/SMA REQUIREMENTS

Composite Construction — Requirements

- 8.A.1 ~~The firm~~ FIRMS ~~must~~ MUST include the performance record of actual ~~wrap fee~~ WRAP FEE/SMA portfolios PORTFOLIOS in appropriate ~~composites~~ COMPOSITES in accordance with the ~~firm’s~~ FIRM’S established ~~portfolio~~ PORTFOLIO inclusion policies. Once established, these ~~composites~~ COMPOSITES (containing actual ~~wrap fee~~ WRAP FEE/SMA portfolios PORTFOLIOS) ~~must~~ MUST be used in the ~~firm’s~~ FIRM’S COMPLIANT PRESENTATIONS presented ~~presentations~~ to ~~wrap fee~~ WRAP FEE/SMA prospects PROSPECTIVE CLIENTS.

Disclosure — Requirements (the following provision does not apply: 4.A.15)

- 8.A.2 For all ~~wrap fee~~ WRAP FEE/SMA ~~composite~~ COMPLIANT PRESENTATIONS ~~presentations~~ that include periods prior to the ~~inclusion of composite containing an actual wrap fee~~ WRAP FEE/SMA ~~portfolio~~ PORTFOLIO in the COMPOSITE, the ~~firm~~ FIRM ~~must~~ MUST disclose, for each period presented, that the ~~composite~~ COMPOSITE does not contain actual ~~wrap fee~~ WRAP FEE/SMA portfolios PORTFOLIOS (i.e., that 0% or none of the composite portfolios are ~~wrap fee/SMA portfolios~~).
- 8.A.3 For any performance presented for periods prior to 1 January 2006 that does not comply with the GIPS standards, FIRMS MUST disclose the periods of non-compliance.
- 8.A.4 When ~~firms~~ FIRMS present ~~composite~~ COMPOSITE performance to an existing ~~wrap fee~~ WRAP FEE/SMA sponsor ~~that, which~~ includes only that sponsor’s ~~wrap fee~~ WRAP FEE/SMA portfolios PORTFOLIOS (resulting in a “sponsor-specific ~~composite~~ COMPOSITE”):
- ~~firms~~ FIRMS ~~must~~ MUST disclose the name of the ~~wrap fee~~ WRAP FEE/SMA sponsor represented by the sponsor-specific ~~composite~~ COMPOSITE; and
 - If the sponsor-specific ~~composite~~ COMPOSITE ~~presentation~~ COMPLIANT PRESENTATION is intended for the purpose of generating ~~wrap fee~~ WRAP FEE/SMA business and does not include performance net of the entire ~~WRAP FEE~~ ~~wrap fee~~, the ~~presentation~~ COMPLIANT PRESENTATION

~~must~~MUST disclose that the named sponsor-specific ~~presentation~~COMPLIANT PRESENTATION is only for the use of the named ~~wrap-fee~~WRAP FEE/SMA sponsor.

Presentation and Reporting — Requirements (the following provision does not apply: 5.A.3)

- 8.A.5 When ~~firms~~FIRMS present performance to a ~~wrap-fee~~WRAP FEE/SMA ~~prospect~~PROSPECTIVE CLIENT, the ~~composite~~COMPOSITE presented ~~must include~~MUST include the performance of all ~~appropriate,~~ actual ~~wrap-fee~~WRAP FEE/SMA ~~portfolios~~PORTFOLIOS, if any, managed ~~with~~according to the COMPOSITE similar-investment ~~mandate,~~ objectives, ~~and/or~~ strategies, regardless of the ~~wrap-fee~~WRAP FEE/SMA sponsor (resulting in a “style-defined ~~composite~~COMPOSITE”).
- 8.A.6 When ~~firms~~FIRMS present performance to a ~~wrap-fee~~WRAP FEE/SMA ~~prospect~~PROSPECTIVE CLIENT, performance ~~must~~MUST be ~~shown~~presented net of the entire ~~WRAP FEE~~WRAP FEE~~wrap-fee~~.
- 8.A.7 FIRMS MUST NOT LINK non-GIPS-compliant performance for periods beginning on or after 1 January 2006 to their GIPS-compliant performance. FIRMS may LINK non-GIPS-compliant performance to their GIPS-compliant performance provided that only GIPS-compliant performance is presented for periods beginning on or after 1 January 2006.

II. GIPS VALUATION PRINCIPLES

The GIPS standards are based on the ethical principles of fair representation and full disclosure. In order for the performance calculations to be meaningful, the valuations of PORTFOLIO investments must have integrity and fairly reflect their value. Effective 1 January 2011, the GIPS standards REQUIRE FIRMS to apply a FAIR VALUE methodology following the definition and REQUIREMENTS listed below. The GIPS Valuation Principles, including the definition of FAIR VALUE, were developed with consideration of the work done by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) as well as other organizations.

The shift to a broader FAIR VALUE REQUIREMENT has implications for all FIRMS claiming compliance with the GIPS standards. For liquid investments in active markets, the change to FAIR VALUE from MARKET VALUE will typically not result in a change to valuations. FIRMS MUST use the objective, observable, unadjusted quoted market prices for identical investments in active markets on the measurement date, if available.

Markets are not always liquid and investment prices are not always objective and/or observable. For illiquid or hard to value investments, or for investments where no observable MARKET VALUE or market price is available, additional steps are necessary. A FIRM'S valuation policies and procedures MUST address situations where the market prices may be available for similar but not identical investments, inputs to valuations are subjective rather than objective, and/or markets are inactive instead of active. There is a RECOMMENDED valuation hierarchy in Section C below. FIRMS MUST disclose if the COMPOSITE'S valuation hierarchy materially differs from the RECOMMENDED valuation hierarchy.

Although a FIRM may use external third parties to value investments, the FIRM still retains responsibility for compliance with the GIPS standards, including the GIPS Valuation Principles.

FIRMS claiming compliance with the GIPS standards MUST adhere to all the REQUIREMENTS and SHOULD comply with the RECOMMENDATIONS below.

A. FAIR VALUE DEFINITION

FAIR VALUE is defined as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently. The valuation MUST be determined using the objective, observable, unadjusted quoted market price for an identical investment in an active market on the measurement date, if available. In the absence of an objective, observable, unadjusted quoted market price for an identical investment in an active market on the measurement date, the valuation MUST represent the FIRM'S best estimate of the MARKET VALUE. FAIR VALUE MUST include accrued income.

B. VALUATION REQUIREMENTS

FIRMS MUST comply with the following valuation REQUIREMENTS:

1. For periods beginning on or after 1 January 2011, PORTFOLIOS MUST be valued in accordance with the definition of FAIR VALUE and the GIPS Valuation Principles in Chapter II (Provision 1.A.2).
2. FIRMS MUST value investments using objective, observable, unadjusted quoted market prices for identical investments in active markets on the measurement date, if available.
3. FIRMS MUST comply with all applicable laws and regulations regarding the calculation and presentation of performance (Provision 0.A.2). Accordingly, FIRMS MUST comply with applicable laws and regulations relating to valuation.
4. If the COMPLIANT PRESENTATION conforms with laws and/or regulations that conflict with the REQUIREMENTS of the GIPS standards, FIRMS MUST disclose this fact and disclose the manner in which the laws and/or regulations conflict with the GIPS standards (Provision 4.A.22). This includes any conflicts between laws and/or regulations and the GIPS Valuation Principles.

5. FIRMS MUST document their policies and procedures used in establishing and maintaining compliance with the GIPS standards, including ensuring the existence and ownership of client assets, and MUST apply them consistently (Provision 0.A.5). Accordingly, FIRMS MUST document their valuation policies, procedures, methodologies, and hierarchy, including any changes, and MUST apply them consistently.
6. FIRMS MUST disclose that policies for valuing PORTFOLIOS, calculating performance, and preparing COMPLIANT PRESENTATIONS are available upon request (Provision 4.A.12).
7. For periods beginning on or after 1 January 2011, FIRMS MUST disclose the use of subjective unobservable inputs for valuing PORTFOLIO investments (as described in the GIPS Valuation Principles in Chapter II) if the PORTFOLIO investments valued using subjective unobservable inputs are material to the COMPOSITE (Provision 4.A.27).
8. For periods beginning on or after 1 January 2011, FIRMS MUST disclose if the COMPOSITE'S valuation hierarchy materially differs from the RECOMMENDED hierarchy in the GIPS Valuation Principles in Chapter II (Provision 4.A.28).

ADDITIONAL REAL ESTATE VALUATION REQUIREMENTS:

9. REAL ESTATE investments MUST have an EXTERNAL VALUATION (Provision 6.A.4).
10. The EXTERNAL VALUATION process MUST adhere to practices of the relevant valuation governing and standard setting body.
11. The FIRM MUST NOT use EXTERNAL VALUATIONS where the valuer's or appraiser's fee is contingent upon the investment's appraised value.
12. EXTERNAL VALUATIONS must be performed by an independent external PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser. In markets where these professionals are not available, the FIRM MUST take necessary steps to ensure that only well-qualified independent property valuers or appraisers are used (Provision 6.A.5).
13. FIRMS MUST disclose the INTERNAL VALUATION methodologies used to value REAL ESTATE investments for the most recent period (Provision 6.A.10.b).
14. For periods beginning on or after 1 January 2011, FIRMS MUST disclose material changes to valuation policies and/or methodologies (Provision 6.A.10.c).
15. For periods beginning on or after 1 January 2011, FIRMS MUST disclose material differences between an EXTERNAL VALUATION and the valuation used in performance reporting and the reason for the differences (Provision 6.A.10.d).
16. FIRMS MUST present, as of each annual period end, the percentage of COMPOSITE assets valued using an EXTERNAL VALUATION during the annual period (Provision 6.A.16.b).

ADDITIONAL PRIVATE EQUITY VALUATION REQUIREMENTS:

17. The valuation methodology selected MUST be the most appropriate for a particular investment based on the nature, facts, and circumstances of the investment.
18. FIRMS MUST disclose the valuation methodologies used to value PRIVATE EQUITY investments for the most recent period (Provision 7.A.13).
19. For periods ending on or after 1 January 2011, FIRMS MUST disclose material changes to valuation policies and/or methodologies (Provision 7.A.14).
20. If the FIRM adheres to any industry valuation guidelines in addition to the GIPS Valuation Principles, the FIRM MUST disclose which guidelines have been applied (Provision 7.A.15).

C. VALUATION RECOMMENDATIONS

FIRMS SHOULD comply with the following valuation RECOMMENDATIONS:

1. **Valuation Hierarchy:** FIRMS SHOULD incorporate the following hierarchy into the policies and procedures for determining FAIR VALUE for PORTFOLIO investments on a COMPOSITE-specific basis.
 - a. Investments MUST be valued using objective, observable, unadjusted quoted market prices for identical investments in active markets on the measurement date, if available. If not available, then investments SHOULD be valued using:
 - b. Objective, observable quoted market prices for similar investments in active markets. If not available or appropriate, then investments SHOULD be valued using:
 - c. Quoted prices for identical or similar investments in markets that are not active (markets in which there are few transactions for the investment, the prices are not current, or price quotations vary substantially over time and/or between market makers). If not available or appropriate, then investments SHOULD be valued based on:
 - d. Market-based inputs, other than quoted prices, that are observable for the investment. If not available or appropriate, then investments SHOULD be valued based on:
 - e. Subjective unobservable inputs for the investment where markets are not active at the measurement date. Unobservable inputs SHOULD only be used to measure FAIR VALUE to the extent that observable inputs and prices are not available or appropriate. Unobservable inputs reflect the FIRM'S own assumptions about the assumptions that market participants would use in pricing the investment and SHOULD be developed based on the best information available under the circumstances.
2. FIRMS SHOULD disclose material changes to valuation policies and/or methodologies (Provision 4.B.1).
3. FIRMS SHOULD disclose the key assumptions used to value PORTFOLIO investments (Provision 4.B.4).
4. For periods prior to 1 January 2011, FIRMS SHOULD disclose the use of subjective unobservable inputs for valuing PORTFOLIO investments (as described in the GIPS Valuation Principles in Chapter II) if the PORTFOLIO investments valued using subjective unobservable inputs are material to the COMPOSITE (Provision 4.B.6).
5. Valuations SHOULD be obtained from a qualified independent third party (Provision 1.B.2).

ADDITIONAL REAL ESTATE VALUATION RECOMMENDATIONS:

6. Although appraisal standards may allow for a range of estimated values, it is RECOMMENDED that a single value be obtained from external valuers or appraisers because only one value is used in performance reporting.
7. It is RECOMMENDED that the external appraisal firm be rotated every three to five years.
8. FIRMS SHOULD explain and disclose material differences between the valuation used in performance reporting and the valuation used in financial reporting as of each annual period end (Provision 6.B.4).
9. For periods prior to 1 January 2011, FIRMS SHOULD disclose material changes to valuation policies and/or methodologies (Provision 6.B.5).

ADDITIONAL PRIVATE EQUITY VALUATION RECOMMENDATIONS:

10. FIRMS SHOULD explain and disclose material differences between the valuations used in performance reporting and the valuations used in financial reporting as of each annual period end (Provision 7.B.3).

11. For periods prior to 1 January 2011, FIRMS SHOULD disclose material changes to valuation policies and/or methodologies (Provision 7.B.4).

12. The following considerations SHOULD be incorporated into the valuation process:

a. The quality and reliability of the data used in each methodology;

b. The comparability of enterprise or transaction data;

c. The stage of development of the enterprise; and

d. Any additional considerations unique to the enterprise.

III. GIPS ADVERTISING GUIDELINES

A. PURPOSE OF THE GIPS ADVERTISING GUIDELINES

~~The Global Investment Performance Standards provide the investment community with a set of ethical standards for FIRMS to follow when presenting their performance results to potential clients. The Standards serve to provide greater uniformity and comparability among investment managers without regard to geographical location and to facilitate a dialogue between FIRMS and their prospective clients about the critical issues of how the FIRM achieved historical performance results and determines future investment strategies.~~

The GIPS Advertising Guidelines provide FIRMS with options ~~attempt to serve as industry global best practice~~ for the advertising ingement of performance results when mentioning the FIRM'S claim of compliance. The GIPS Advertising Guidelines do not replace the GIPS standards, nor do they absolve FIRMS from presenting performance presentations that adhere to a COMPLIANT PRESENTATION as REQUIRED by the REQUIREMENTS of the full-GIPS standards. These guidelines only apply to FIRMS that already satisfy all the REQUIREMENTS of the GIPS Standards on a FIRM-wide basis and claim compliance with the GIPS Standards in an advertisement. FIRMS that choose to claim compliance ~~can choose to advertise that claim using~~ in an advertisement MUST follow the GIPS Advertising Guidelines or include a COMPLIANT PRESENTATION in the advertisement.

~~The guidelines are mandatory for FIRMS that include a claim of compliance with the GIPS Advertising Guidelines in their advertisements. The guidelines are voluntary for FIRMS that do not include a claim of compliance in their advertisements. All FIRMS are encouraged to abide by these ethical guidelines.~~

Definition of Advertisement

For the purposes of these guidelines, an advertisement includes any materials that are distributed to or designed for use in newspapers, magazines, FIRM brochures, letters, media, websites, or any other written or electronic material addressed to more than one ~~prospective client~~ PROSPECTIVE CLIENT. Any written material, ~~(other than one-on-one presentations and individual client reporting)~~, distributed to maintain existing clients or solicit new clients for ~~an advisor~~ a FIRM is ~~considered~~ considered an advertisement.

Relationship of GIPS Advertising Guidelines to Regulatory Requirements

~~The GIPS Advertising Guidelines are guidelines that promote an ethical framework for advertisements. They do not change the scope of the activities of local regulatory bodies regarding the regulation of advertisements. FIRMS advertising performance results MUST also adhere to all applicable regulatory rules, laws and regulations requirements governing advertisements. FIRMS are encouraged to seek legal or regulatory counsel because it is likely that additional disclosures are may be REQUIRED. In cases where applicable laws and/or regulations conflicts with the REQUIREMENTS of the GIPS standards and/or the GIPS Advertising Guidelines, the guidelines REQUIRE FIRMS are REQUIRED to comply with the law or regulation. FIRMS MUST disclose any conflicts between laws/regulations and the GIPS Advertising Guidelines.~~

The calculation and advertisement of pooled unitized products investment vehicles, such as mutual funds and open-ended investment companies, are regulated in most markets. These ~~a~~ GIPS Advertising Guidelines are not intended to replace ~~the~~ applicable laws and/or regulations when a FIRM is advertising performance solely for a pooled unitized product investment vehicle. ~~However, should a GIPS-compliant FIRM choose to advertise performance results, the FIRM MUST apply all applicable laws and regulations as well as the GIPS Advertising Guidelines in order to include a claim of compliance with the GIPS standards.~~

Other Information

The advertisement may include other information beyond what is REQUIRED under the GIPS Advertising Guidelines provided the information is shown with equal or lesser prominence relative to the information REQUIRED by the GIPS Advertising Guidelines and the information does not conflict with the REQUIREMENTS of the GIPS standards and/or the GIPS Advertising Guidelines. FIRMS MUST adhere to the principles of fair representation and full disclosure when advertising and MUST NOT present performance or performance-related information that is false or misleading.

B. REQUIREMENTS OF THE GIPS ADVERTISING GUIDELINES

All advertisements that include a claim of compliance with the GIPS standards by following the GIPS Advertising Guidelines MUST ~~include~~disclose the following:

1. ~~A description~~The definition of the FIRM. ~~How an interested party can obtain a presentation that complies with the REQUIREMENTS of GIPS standards and/or a list and description of all FIRM.~~
2. How an ~~interested party~~PROSPECTIVE CLIENT can obtain a COMPLIANT PRESENTATION ~~presentation that complies with the REQUIREMENTS of GIPS standards and/or a~~the FIRM'S list ~~and~~of COMPOSITE DESCRIPTIONS ~~description of all FIRM.~~
3. The GIPS ~~Advertising Guidelines~~ compliance statement: for advertisements:

“[Insert name of FIRM] claims compliance with the Global Investment Performance Standards (GIPS®).”

All advertisements that include a claim of compliance with the GIPS standards by following the GIPS Advertising Guidelines and that present performance ~~results~~ MUST also ~~include~~disclose the following information, ~~(which the relevant information MUST be taken~~or ~~derived from a presentation that adheres to the REQUIREMENTS of the GIPS standards):~~COMPLIANT PRESENTATION:

4. ~~A description of the strategy of the COMPOSITE being advertised.~~The COMPOSITE DESCRIPTION.
5. ~~Period to date COMPOSITE performance results in addition to either~~COMPOSITE TOTAL RETURNS according to one of the following:
 - a. ~~One-, three-, and five-year cumulative~~ annualized COMPOSITE returns through the most recent period with the ~~end of period~~end date clearly identified ~~(or annualized period since COMPOSITE inception if inception is greater than 1 and, if the COMPOSITE has been in existence for less than 5 five years), FIRMS MUST also present the annualized returns since the COMPOSITE INCEPTION DATE. (For example, if a COMPOSITE has been in existence for four years, FIRMS MUST present one-, three-, and four-year annualized returns through the most recent period.)~~ Returns for P periods of less than ~~one~~ year ~~are not permitted to~~ MUST NOT be annualized. ~~The annualized returns MUST be calculated through the same period of time as presented in the corresponding compliant presentation;~~ or
 - b. Period-to-date COMPOSITE returns in addition to one-, three-, and five-year annualized COMPOSITE returns through the same period of time as presented in the corresponding COMPLIANT PRESENTATION with the period end date clearly identified. If the COMPOSITE has been in existence for less than five years, FIRMS MUST also present the annualized returns since the COMPOSITE INCEPTION DATE (For example, if a COMPOSITE has been in existence for four years, FIRMS MUST present one-, three-, and four-year annualized returns in addition to the period-to-date COMPOSITE return.) Returns for periods of less than one year MUST NOT be annualized.
 - c. Period-to-date COMPOSITE returns in addition to 5 five years of annual COMPOSITE returns (or for the each annual period since the COMPOSITE INCEPTION DATE if the COMPOSITE has been in existence for less than five years) with the end of period end date clearly identified (or since COMPOSITE inception if inception is less than 5 years). The annual returns MUST be calculated through the same period of time as presented in the corresponding compliant presentation.COMPLIANT PRESENTATION.
6. Whether ~~performance returns are is shown gross~~presented GROSS-OF-FEES and/or ~~net of~~INVESTMENT MANAGEMENT-NET-OF-FEES.
7. The ~~BENCHMARK~~ TOTAL RETURN for the BENCHMARK for the same periods for which the COMPOSITE return is presented ~~and a description of that BENCHMARK. (The appropriate COMPOSITE BENCHMARK return is; FIRMS MUST present TOTAL RETURNS for the same BENCHMARK TOTAL RETURN as presented in the corresponding GIPS compliant presentation.)~~ If no BENCHMARK is presented, the advertisementCOMPLIANT PRESENTATION.

8. The BENCHMARK DESCRIPTION.
9. If the FIRM determines no appropriate BENCHMARK for the COMPOSITE exists, the FIRM MUST disclose why no BENCHMARK is presented.
10. The currency used to express returns performance.
11. The ~~description of the presence, use, and extent of leverage and derivatives, and short positions, if leverage or derivatives are used as an active part~~ material, including a description of the frequency of use and characteristics of the investment strategy (i.e., not merely for efficient PORTFOLIO management) of the COMPOSITE. Where leverage/derivatives do not have a material effect on returns, no disclosure is REQUIRED instruments sufficient to identify risks.
12. ~~When presenting noncompliant~~ For any performance information presented in an advertisement for periods prior to 1 January 2000 ~~in an advertisement that does not comply with the GIPS standards, FIRMS MUST disclose the period(s) and which specific information is not compliant as well as provide the reason(s) the information is not in~~ of non-compliance with the GIPS standards.
13. If the advertisement conforms with laws and/or regulations that conflict with the REQUIREMENTS of the GIPS standards and/or the GIPS Advertising Guidelines, FIRMS MUST disclose this fact and disclose the manner in which the laws and/or regulations conflict with the GIPS standards and/or the GIPS Advertising Guidelines.

Additional and Supplemental Information

~~FIRMS are encouraged to present SUPPLEMENTAL INFORMATION or ADDITIONAL INFORMATION (in addition to the information REQUIRED under the GIPS Advertising Guidelines) provided the SUPPLEMENTAL INFORMATION is clearly labeled as such and shown with equal or lesser prominence than the information REQUIRED under the guidelines. Where such SUPPLEMENTAL INFORMATION is included for noncompliant periods, these periods MUST be disclosed together with an explanation of which information is not compliant and why it is not in compliance with the GIPS standards.~~

~~SUPPLEMENTAL and ADDITIONAL INFORMATION is the subject of the “Guidance Statement on the Use of Supplemental Information” and users should refer to that guidance for further clarification on how to disclose such data.~~

IV. H- VERIFICATION

The primary purpose of verification VERIFICATION is intended to establish that provide a FIRM claiming and its existing clients and PROSPECTIVE CLIENTS additional confidence in the FIRM'S claim of compliance with the GIPS standards has adhered to the Standards. Verification will also, VERIFICATION may increase the understanding and professionalism knowledge of the FIRM'S performance measurement teams and team and improve the consistency and quality of the FIRM'S COMPLIANT PRESENTATIONS. VERIFICATION may also provide improved internal processes and procedures as well as marketing advantages to the FIRM. Verification does not ensure the accuracy of any specific COMPOSITE presentation of performance results.

The GIPS standards RECOMMEND that FIRMS be verified. VERIFICATION brings additional credibility to the claim of compliance and supports the overall guiding principles of fair representation and full disclosure of a FIRM'S investment performance.

The verification VERIFICATION procedures attempt to strike a balance between ensuring the quality, accuracy, and relevance of performance presentations and minimizing the cost to FIRMS of independent review of performance results. FIRMS SHOULD assess the benefits of improved internal processes and procedures, which are as significant as the marketing advantages of verification.

The goal of the IPC in drafting the verification procedures is to encourage broad acceptance of verification.

Verification is strongly encouraged and is expected to become mandatory at a future date. The IPC will re-evaluate all aspects of mandatory verification by 2010 and provide the industry sufficient time to implement any changes.

A. SCOPE AND PURPOSE OF VERIFICATION

1. Verification is the review of an investment management FIRM'S performance measurement processes and procedures VERIFICATION MUST be performed by an a qualified independent third party "verifier".
2. Verification tests: VERIFICATION assesses whether:
 - a. Whether the The FIRM has complied with all the COMPOSITE construction REQUIREMENTS of the GIPS standards on a FIRM-wide basis, and
 - b. Whether the The FIRM'S processes policies and procedures are designed to calculate and present performance results in compliance with the GIPS standards.
3. A single verification report VERIFICATION REPORT is issued in with respect of to the whole FIRM; verification, VERIFICATION cannot be carried out for on a single COMPOSITE and, accordingly, does not provide assurance about the performance of any specific COMPOSITE. FIRMS MUST NOT state that a particular COMPOSITE has been "verified" or make any claim to that effect.
- ~~2-~~ Third party verification brings credibility to the claim of compliance and supports the overall guiding principles of full disclosure and fair representation of investment performance
4. The initial minimum period for which verification VERIFICATION can be performed is one+ year (or from FIRM inception date through period end if less than one year) of a FIRM'S presented performance. The RECOMMENDED period over which verification VERIFICATION is performed is that part of the FIRM'S track record performance for which compliance with the GIPS compliance standards is claimed.
5. A verification report must confirm VERIFICATION REPORT MUST opine that:
 - a. The FIRM has complied with all the COMPOSITE construction REQUIREMENTS of the GIPS standards on a FIRM-wide basis, and

- b. The FIRM'S ~~processes~~ policies and procedures are designed to calculate and present performance ~~results~~ in compliance with the GIPS standards.

~~Without such a report from the verifier, the~~ The FIRM cannot ~~MUST NOT~~ state that ~~its claim of compliance with the GIPS standards~~ it has been verified unless a VERIFICATION REPORT has been issued.

6. A principal verifier may accept the work of ~~another local or previous~~ verifier as part of the basis for the principal verifier's opinion. A principal verifier may also choose to rely on the audit and/or internal control work of a qualified and reputable independent third party. In addition, a principal verifier may choose to rely on the other audit and/or internal control work performed by the VERIFICATION firm. If reliance on another party's work is planned, the scope of work, including time period covered, results of procedures performed, qualifications, competency, objectivity, and reputation of the other party, MUST be assessed by the principal verifier when making the determination as to whether to place any reliance on such work. Reliance considerations and conclusions MUST be documented by the principal verifier. The principal verifier MUST use professional skepticism when deciding whether to place reliance on work performed by another independent third party.
7. Sample ~~Account~~ PORTFOLIO Selection: Verifiers ~~must obtain a listing of open and closed accounts for all COMPOSITES for the years under examination. Verifiers may check compliance with the GIPS standards using a selected sample of a FIRM'S accounts. Verifiers SHOULD~~ MUST subject the entire FIRM to testing when performing VERIFICATION procedures unless reliance is placed on work performed by a qualified and reputable independent third party or appropriate alternative control procedures have been performed by the verifier. Verifiers may use a sampling methodology when performing such procedures. Verifiers MUST consider the following criteria when selecting ~~the samples~~ accounts for examination:
 - a. Number of COMPOSITES at the FIRM;
 - b. Number of PORTFOLIOS in each COMPOSITE;
 - c. ~~Nature~~ Type of ~~the~~ COMPOSITE;
 - d. TOTAL FIRM ASSETS; ~~Total assets under management~~;
 - e. Internal control structure at the FIRM (system of checks and balances in place);
 - f. Number of years ~~under examination~~ being verified; and
 - g. Computer applications, software used in the construction and maintenance of COMPOSITES, the use of external performance measurers, and the method of calculating ~~on of~~ performance ~~results~~.

This list is not all-inclusive and contains only the minimum criteria that ~~SHOULD~~ MUST be considered ~~be used~~ in the selection and evaluation of a sample ~~for testing~~. For example, one potentially useful approach would be to ~~choose~~ include in the sample a PORTFOLIO ~~for the study sample~~ that has the largest impact on COMPOSITE performance because of its size or because of extremely good or bad performance. ~~The lack of explicit record keeping~~ Missing or incomplete documents, or the presence of errors ~~may~~ would normally be expected to warrant selecting a larger sample or applying additional ~~verification~~ VERIFICATION procedures.

8. After performing the VERIFICATION, the verifier may conclude that the FIRM is not in compliance with the GIPS standards or that the records of the FIRM cannot support a ~~complete verification~~ VERIFICATION. In such situations, the verifier ~~must~~ MUST issue a statement to the FIRM clarifying why a ~~verification report~~ VERIFICATION REPORT ~~was not possible~~ could not be issued. A VERIFICATION REPORT MUST NOT be issued when the verifier knows that the FIRM is not in compliance with the GIPS standards or the records of the FIRM cannot support a VERIFICATION.
9. The minimum ~~GIPS verification~~ VERIFICATION procedures are described below in Section ~~III-B—Required~~ VERIFICATION Procedures. The VERIFICATION REPORT MUST state that the VERIFICATION has been conducted in accordance with these VERIFICATION procedures.

B. REQUIRED VERIFICATION PROCEDURES

The following are the minimum procedures that verifiers ~~must~~ **MUST** follow when ~~conducting a VERIFICATION~~ **verifying an investment FIRM'S compliance with the GIPS standards**. Verifiers ~~MUST~~ **must complete the VERIFICATION in accordance with** ~~follow~~ these procedures prior to issuing a ~~VERIFICATION REPORT~~ **verification report** to the FIRM:

1. Pre-~~verification~~ **VERIFICATION** Procedures:

- a. Knowledge of ~~the~~ **GIPS Standards**: Verifiers ~~must~~ **MUST** understand all the REQUIREMENTS and RECOMMENDATIONS of the GIPS standards, including any updates, ~~reports, g~~ **Guidance s** Statements, interpretations, **Questions & Answers (Q&As)**, and clarifications published by CFA Institute and the ~~Investment Performance Council~~ **GIPS Executive Committee**, which ~~will be made~~ **are** available ~~via on~~ the **CFA Institute** ~~GIPS standards~~ website ([www.cfainstitute.org/gipsstandards.org](http://www.cfainstitute.org/gipsstandards)) as well as ~~in~~ the **GIPS Handbook**. ~~All clarification and update information must be considered when determining a FIRM'S claim of compliance.~~
- b. Knowledge of ~~the Performance Standards~~ **Regulations**: Verifiers ~~must~~ **MUST** be knowledgeable of ~~country-specific applicable~~ **laws and regulations regarding the calculation and presentation of performance applicable to the FIRM** and ~~must~~ **MUST consider** ~~determine~~ any differences between ~~these laws and regulations and the~~ **GIPS standards** ~~and the country-specific laws and regulations.~~
- c. Knowledge of the FIRM: Verifiers ~~must~~ **MUST** ~~gain an understanding of the FIRM, including the corporate structure of the FIRM and how it operates,~~ **obtain selected samples of the FIRM'S investment performance reports and other available information regarding the FIRM to ensure appropriate knowledge of the FIRM.**
- d. Knowledge of ~~the~~ **FIRM'S Policies and Procedures**: Verifiers ~~must~~ **MUST** ~~determine~~ **understand** the FIRM'S ~~assumptions and~~ **policies and procedures** for establishing and maintaining compliance with all ~~the~~ **applicable REQUIREMENTS and adopted RECOMMENDATIONS** of the GIPS standards. ~~The verifier MUST obtain a copy of the FIRM'S policies and procedures used in establishing and maintaining compliance with the GIPS standards and ensure that all applicable policies and procedures are properly included and adequately documented.~~ **At a minimum, verifiers must determine the following policies and procedures of the FIRM:**
 - i. ~~Policy with regard to investment discretion. The verifier must receive from the FIRM, in writing, the FIRM'S definition of investment discretion and the FIRM'S guidelines for determining whether accounts are fully discretionary;~~
 - ii. ~~Policy with regard to the definition of COMPOSITES according to investment strategy. The verifier must obtain the FIRM'S list of COMPOSITE DEFINITIONS with written criteria for including accounts in each COMPOSITE;~~
 - iii. ~~Policy with regard to the timing of inclusion of new accounts in the COMPOSITES;~~
 - iv. ~~Policy with regard to timing of exclusion of closed accounts in the COMPOSITES;~~
 - v. ~~Policy with regard to the accrual of interest and dividend income;~~
 - vi. ~~Policy with regard to the market valuation of investment securities;~~
 - vii. ~~Method for computing the TIME WEIGHTED RATE OF RETURN for the portfolio;~~
 - viii. ~~Assumptions on the timing of capital inflows/outflows;~~
 - ix. ~~Method for computing COMPOSITE returns;~~
 - x. ~~Policy with regard to the presentation of COMPOSITE returns;~~
 - xi. ~~Policies regarding timing of implied taxes due on income and realized capital gains for reporting performance on an after-tax basis;~~
 - xii. ~~Policies regarding use of securities/countries not included in a COMPOSITE'S BENCHMARK;~~
 - xiii. ~~Use of leverage and other derivatives; and~~
 - xiv. ~~Any other policies and procedures relevant to performance presentation.~~
- e. Knowledge of Valuation Basis ~~for and~~ **Performance Calculations**: Verifiers ~~must~~ **MUST** ~~ensure that they understand the methods and~~ **policies, procedures, and methodologies** used to ~~record valuation information for~~ **PORTFOLIOS and compute investment performance, calculation purposes.** ~~In particular, verifiers must determine that:~~

2. ~~Verification~~ VERIFICATION Procedures:
- a. ~~COMPOSITE Construction~~ Fundamentals of Compliance: Verifiers ~~must~~ MUST perform sufficient procedures to ~~determine~~ be satisfied that:
 - i. ~~Definition of the FIRM: Verifiers must determine that~~ The FIRM is, and has been, appropriately defined;
 - ii. The FIRM has defined and maintained COMPOSITES ~~according to reasonable guidelines~~ in compliance with the GIPS standards;
 - iii. All the FIRM'S actual, fee-paying, discretionary ~~fee-paying~~ PORTFOLIOS are included in at least one COMPOSITE;
 - iv. The FIRM'S definition of discretion has been consistently applied over time;
 - v. At all times, all ~~accounts~~ PORTFOLIOS are included in their respective COMPOSITES and no ~~accounts~~ PORTFOLIOS that belong in a particular COMPOSITE have been excluded;
 - vi. The FIRM'S policies and procedures for ensuring the existence and ownership of client assets are appropriate and have been consistently applied;
 - vii. The COMPOSITE BENCHMARKS are consistent with ~~reflects~~ reflects the investment mandate, objective, or strategy of the COMPOSITE ~~DEFINITIONS and have been consistently applied over time;~~
 - viii. The FIRM'S ~~guidelines~~ policies and procedures for creating and maintaining COMPOSITES have been consistently applied; ~~and~~
 - ix. The FIRM'S list of COMPOSITES DESCRIPTIONS is complete; ~~and~~
 - x. TOTAL FIRM ASSETS are appropriately calculated and disclosed.
 - b. Determination of Non ~~Discretionary~~ Status of Accounts PORTFOLIOS: Verifiers ~~must~~ MUST obtain a listing of all FIRM PORTFOLIOS; ~~and~~ Verifiers MUST select PORTFOLIOS from this list and perform sufficient procedures to determine that ~~determine on a sampling basis whether~~ the ~~manager's~~ FIRM'S classification of the ~~account~~ PORTFOLIOS as discretionary or non-discretionary is appropriate by referring to the ~~account's~~ PORTFOLIO'S investment management agreement and/or investment guidelines and the FIRM'S ~~written~~ guidelines policies and procedures for determining investment discretion.
 - c. Allocation of PORTFOLIOS to COMPOSITES: Verifiers MUST obtain lists of all open (both new and existing) and closed PORTFOLIOS for all COMPOSITES for the periods being verified. Verifiers MUST select PORTFOLIOS from these lists and perform sufficient procedures to determine that:
 - e. ~~Account Review: For selected accounts, verifiers must determine:~~
 - i. ~~Whether~~ The timing of ~~the initial~~ inclusion in the COMPOSITE is in accordance with policies and procedures of the FIRM.;
 - ii. ~~Whether the~~ The timing of exclusion from the COMPOSITE is in accordance with policies and procedures of the FIRM ~~for closed accounts;~~
 - iii. ~~Whether the~~ The objectives set forth in the ~~account~~ PORTFOLIO'S investment mandate, objective, or strategy, agreement as indicated by the PORTFOLIO'S investment management agreement, investment guidelines, PORTFOLIO summary, and/or other appropriate documentation, are is consistent with the ~~manager's~~ COMPOSITE DEFINITION ~~as indicated by the account agreement, PORTFOLIO summary, and COMPOSITE DEFINITION;~~

- ~~iv. The existence of the accounts by tracing selected accounts from account agreements to the COMPOSITES;~~
- iv. PORTFOLIOS are completely and accurately included in COMPOSITES by tracing selected PORTFOLIOS from:
- a. The PORTFOLIO'S investment management agreement and/or investment management guidelines to the COMPOSITE(S); and
 - b. The COMPOSITE(S) to the PORTFOLIO'S investment management agreement and/or investment guidelines.
- v. ~~That all~~ PORTFOLIOS sharing the same investment guidelines, mandate, objective, or strategy are included in the same COMPOSITE, ~~and~~
- vi. ~~That shifts~~ Movements from one COMPOSITE to another are appropriate and consistent with ~~the guidelines set forth by the specific account agreement or with~~ documented changes to a PORTFOLIO'S investment mandate, objective, or strategy or the redefinition of the COMPOSITE ~~guidelines of the FIRM'S clients.~~
- d. Data Review: For selected PORTFOLIOS, verifiers MUST perform sufficient procedures to determine that the treatment of the following items is consistent with the FIRM'S policy:
- i. ~~The FIRM'S policy on e~~ Classification ~~ing of PORTFOLIO fund~~ flows (e.g., injections, receipts, disbursements, dividends, interest, fees, and taxes) ~~is consistent with the desired results and will give rise to accurate returns;~~
 - ii. ~~The FIRM'S a~~ Accounting treatment of income, interest, and dividend accruals and receipts ~~is consistent with cash account and cash accruals definitions;~~
 - iii. ~~The FIRM'S~~ Accounting treatment of taxes, tax reclaims, and tax accruals ~~is correct and the manner used is consistent with the desired method (i.e., gross or net of tax return);~~
 - iv. ~~The FIRM'S policies on recognizing~~ Accounting treatment of purchases, sales, and the opening and closing of other positions ~~are internally consistent and will produce accurate results;~~ and
 - v. ~~The FIRM'S a~~ Accounting treatment for investments and and valuation methodologies for investments, including derivatives ~~is consistent with the GIPS standards.~~
- e. Performance Measurement Calculation: ~~Verifiers must determine whether~~ Recognizing that VERIFICATION does not provide assurance that specific COMPOSITE returns are correctly calculated and presented, verifiers MUST determine that the FIRM has ~~computed~~ calculated and presented performance in accordance with the FIRM'S policies and procedures ~~assumptions adopted by the FIRM and disclosed in its presentations. In doing so, verifiers SHOULD.~~ Verifiers MUST perform the following procedures:
- i. Recalculate rates of return for a sample of ~~accounts~~ PORTFOLIOS, in the FIRM using determine that an acceptable return formula as ~~prescribed~~ REQUIRED by the GIPS standards (~~e.g., TIME-WEIGHTED RATE OF RETURN~~ is used, and determine that the FIRM'S calculations are in accordance with the FIRM'S policies and procedures. The verifier MUST also determine that any fees and expenses are treated in accordance with the GIPS standards and the FIRM'S policies and procedures. and
 - ii. Take a ~~reasonable~~ sample of COMPOSITE and BENCHMARK calculations to ~~assure themselves of~~ determine the accuracy of ~~the asset weighting of returns, the geometric linking of returns to produce annual rates of returns, and the calculation of the DISPERSION of individual returns around the aggregate COMPOSITE return~~ all required numerical data (e.g., risk measures, INTERNAL DISPERSION).
 - iii. If a custom BENCHMARK or combination of multiple BENCHMARKS is used, take a sample of the BENCHMARK data used by the FIRM to determine that the calculation methodology has been correctly

applied and the data used are consistent with the BENCHMARK disclosure in the COMPLIANT PRESENTATION.

- f. ~~Disclosures~~COMPLIANT PRESENTATIONS: Verifiers ~~must review~~MUST perform sufficient procedures on a sample of ~~COMPOSITE presentations~~COMPLIANT PRESENTATIONS to ~~ensure~~determine that the presentations include all the information and disclosures REQUIRED by the GIPS standards. The information and disclosures MUST be consistent with the FIRM'S records, the FIRM'S documented policies and procedures, and the results of the verifier's procedures.
- g. Maintenance of Records: The verifier ~~must~~MUST maintain sufficient ~~information~~documentation to support all procedures performed supporting the verification report: issuance of the VERIFICATION REPORT, including all significant judgments and conclusions made by the verifier.
- h. Representation Letter: The verifier ~~must~~MUST obtain a representation letter from the ~~client~~-FIRM confirming that ~~major~~ policies and procedures used in establishing and maintaining compliance with the GIPS standards are as described in the FIRM'S policies and procedures documents and have been consistently applied throughout the periods being verified. The representation letter MUST confirm that the FIRM complies with the GIPS standards for the period being verified. The representation letter MUST also contain any other specific representations made to the verifier during the ~~examination~~:VERIFICATION.

C. DETAILED EXAMINATIONS OF INVESTMENT PERFORMANCE PRESENTATIONSEXAMINATIONS

~~Separate from a GIPS verification~~In addition to a VERIFICATION, a FIRM may choose to have a ~~further, more extensive,~~ specifically focused ~~examination (or performance audit)~~PERFORMANCE EXAMINATION of a ~~specific particular~~ COMPOSITE COMPLIANT PRESENTATION:~~presentation.~~

~~FIRMS cannot make any claim that a particular COMPOSITE has been independently examined with respect to the GIPS standards unless the verifier has also followed the GIPS verification procedures set forth in section III.B. FIRMS cannot state that a particular COMPOSITE presentation has been "GIPS verified" or make any claim to that affect. GIPS verification relates only to FIRM wide verification. FIRMS can make a claim of verification only after a verifier has issued a GIPS verification report~~However, a PERFORMANCE EXAMINATION REPORT MUST NOT be issued unless a VERIFICATION REPORT has also been issued. The PERFORMANCE EXAMINATION may be performed concurrently with the VERIFICATION.

A PERFORMANCE EXAMINATION ~~To assert a verification report has been received, a detailed examination of a~~ ~~COMPOSITE presentation~~ is not REQUIRED for a FIRM to be verified. ~~Examinations of this type are unlikely to become~~The FIRM MUST NOT state that a REQUIREMENT of COMPOSITE has been examined unless the GIPS standards or become mandatory.PERFORMANCE EXAMINATION REPORT has been issued for the specific COMPOSITE.

Please see the Guidance Statement on PERFORMANCE EXAMINATIONS for additional guidance.

V. GLOSSARY

ACCRUAL ACCOUNTING

The ~~system of~~ recording of financial transactions as they come into existence ~~as a legally enforceable claim~~, rather than when they are paid or settled.

ADDITIONAL INFORMATION

Information that is REQUIRED or RECOMMENDED under the GIPS standards and is not considered ~~as “SUPPLEMENTAL INFORMATION” for the purposes of compliance.~~

ADMINISTRATIVE FEES

All fees other than TRADING EXPENSES and the INVESTMENT MANAGEMENT FEE. ADMINISTRATIVE FEES include CUSTODY FEES, accounting fees, auditing fees, consulting fees, legal fees, performance measurement fees, ~~or and~~ other related fees. ~~These ADMINISTRATIVE FEES are typically outside the control of the investment management FIRM and are not included in either the GROSS OF FEES RETURN or the NET OF FEES return. However, there are some markets and investment vehicles where ADMINISTRATIVE FEES are controlled by the FIRM. (See the term “BUNDLED FEE”)~~

ALL-IN-FEE

~~Due to the universal banking system in some countries, asset management, brokerage, and custody are often part of the same company. This allows banks to offer a variety of choices to customers regarding how the fee will be charged. Customers are offered numerous fee models in which fees may be bundled together or charged separately. All in fees~~ A type of BUNDLED FEE that can include any combination of INVESTMENT MANAGEMENT FEES, TRADING EXPENSES, CUSTODY FEES, and other ADMINISTRATIVE FEES. ALL-IN-FEES are client specific and typically offered in certain jurisdictions where asset management, brokerage, and custody services are part offered by the same company.

BENCHMARK

~~An independent rate of return (or hurdle rate) forming an objective test of the effective implementation of of an investment strategy~~ A point of reference against which the COMPOSITE’S performance and/or risk is compared.

BENCHMARK DESCRIPTION

General information regarding the investments, structure, and/or characteristics of the BENCHMARK. The description MUST include the key features of the BENCHMARK, or the name of the BENCHMARK for a readily recognized index or other point of reference.

BUNDLED FEE

A fee that combines multiple fees into one total or “bundled” fee. BUNDLED FEES can include any combination of management, transaction, custody, and other INVESTMENT MANAGEMENT FEES, TRADING EXPENSES, CUSTODY FEES, and/or ADMINISTRATIVE FEES. Two specific examples of BUNDLED FEES are the wrap fee WRAP FEES and the all-in fee ALL-IN-FEES.

All-In Fee—Due to the universal banking system in some countries, asset management, brokerage, and custody are often part of the same company. This allows banks to offer a variety of choices to customers regarding how the fee will be charged. Customers are offered numerous fee models in which fees may be bundled together or charged separately. All in fees can include any combination of INVESTMENT MANAGEMENT, TRADING EXPENSES, CUSTODY, and other ADMINISTRATIVE FEES.

Wrap Fee—Wrap fees are specific to a particular investment product. The U.S. Securities and Exchange Commission (SEC) defines a wrap fee account (now more commonly known as a separately managed account or SMA) as “any advisory program under which a specified fee or fees not based upon transactions in a client’s account is charged for INVESTMENT ADVISORY services (which may include PORTFOLIO management or advice concerning the selection of other investment advisers) and execution of client transactions.”²² A typical separately managed account has a contract or contracts (and fee) involving a sponsor (usually a broker or independent provider) acting as the INVESTMENT ADVISOR, an investment management firm typically as the subadvisor, other services (custody, consulting, reporting, performance, manager selection, monitoring, and execution of trades), distributor, and the client (brokerage customer). Wrap fees can be all inclusive, asset based fees (which may include any combination of management, transaction, custody, and other ADMINISTRATIVE FEES).

CAPITAL EMPLOYED
(REAL ESTATE)

The denominator of the return ~~expressions~~calculations and is defined as the “weighted-average equity” (weighted-average capital) during the measurement period. CAPITAL EMPLOYED ~~SHOULD~~does not include any ~~income~~INCOME RETURN or CAPITAL RETURN ~~accrued~~earned during the measurement period. Beginning capital is adjusted by weighting the EXTERNAL CASH FLOWS~~cash flows (contributions and distributions)~~ that occurred during the period. ~~Cash flows are typically weighted based on the actual days the flows are in or out of the PORTFOLIO. Other weighting methods are acceptable; however, once a methodology is chosen, it SHOULD be consistently applied.~~

CAPITAL RETURN
(REAL ESTATE)

The change in ~~the MARKET VALUE~~value of the REAL ESTATE investments and cash and/or cash equivalent assets held throughout the measurement period, ~~(ENDING MARKET VALUE less beginning MARKET VALUE)~~ adjusted for all capital expenditures (subtracted) and ~~the~~ net proceeds from sales (added). The ~~return~~CAPITAL RETURN is computed as a percentage of the CAPITAL EMPLOYED ~~through the measurement period. Synonyms: Also known as “capital appreciation return” or “appreciation return.”~~

CARRIED INTEREST
(REAL ESTATE and PRIVATE EQUITY)

The profits that GENERAL PARTNERS ~~earn~~are allocated from the profits ~~of~~on the investments made by the ~~fund~~investment vehicle ~~(generally 20-25%)~~. Also known as “carry” or “promote.”

CARVE-OUT

~~A single or multiple asset class segment of a multiple asset class PORTFOLIO~~ A portion of a PORTFOLIO that is by itself representative of a distinct investment strategy. It is used to create a track record for a narrower mandate from a multiple-strategy PORTFOLIO managed to a broader mandate. For periods beginning on or after 1 January 2010, a CARVE-OUT MUST be managed separately with its own cash balance.

CLOSED-END FUND
(REAL ESTATE and PRIVATE EQUITY)

A type of investment ~~fund~~vehicle where the number of investors, ~~and the~~ total COMMITTED CAPITAL, is fixed and life are fixed and not open for subscriptions and/or redemptions. CLOSED-END FUNDS have a capital call (drawdown) process in place that is controlled by the GENERAL PARTNER.

COMMITTED CAPITAL
(REAL ESTATE and PRIVATE EQUITY)

Pledges of capital to an investment vehicle ~~VENTURE CAPITAL fund~~by investors (LIMITED PARTNERS and the GENERAL PARTNER) or by the FIRM. This ~~money~~COMMITTED CAPITAL is typically not ~~received~~drawn down at once but drawn down over ~~three to five years, starting in the year the fund is formed~~a period of time. Also known as “commitments.”

COMPLIANT PRESENTATION

A presentation for a COMPOSITE that contains all the information REQUIRED by the GIPS standards and may also include ADDITIONAL INFORMATION or SUPPLEMENTAL INFORMATION. (See Sample COMPLIANT PRESENTATIONS in Appendix A)

COMPOSITE

An Aggregation of ~~individual~~ one or more PORTFOLIOS representing managed according to a similar investment mandate, objective, or strategy.

COMPOSITE CREATION DATE

The date when the FIRM first groups ~~the~~ one or more PORTFOLIOS to create a COMPOSITE. The COMPOSITE CREATION DATE is not necessarily the ~~same as the earliest date for which performance is reported for the COMPOSITE.~~ (See COMPOSITE INCEPTION DATE.)

COMPOSITE DEFINITION

Detailed criteria that determine the ~~allocation~~ assignment of ~~portfolios~~ PORTFOLIOS to COMPOSITES. ~~COMPOSITE DEFINITIONS MUST be documented in the FIRM'S policies and procedures.~~ Criteria may include investment mandate, style or strategy, asset class, the use of derivatives, leverage and/or hedging, targeted risk metrics, investment constraints or restrictions, and/or PORTFOLIO type (e.g. segregated or pooled, taxable versus tax exempt).

COMPOSITE DESCRIPTION

General information regarding the investment mandate, objective, or strategy of the COMPOSITE. ~~A description~~ The COMPOSITE DESCRIPTION may be more abbreviated than the COMPOSITE DEFINITION but ~~MUST~~ include ~~s~~ all ~~salient features~~ key features of the COMPOSITE and ~~MUST~~ include enough information to allow a PROSPECTIVE CLIENT to understand the key characteristics of the COMPOSITE'S investment mandate, objective, or strategy. (See the Sample List of Composite Descriptions in Appendix C)

COMPOSITE INCEPTION DATE

The ~~earliest~~ initial date ~~for which~~ of the COMPOSITE'S performance ~~is reported for the COMPOSITE~~ record. The COMPOSITE INCEPTION DATE is not necessarily the ~~same as the date the PORTFOLIOS are grouped together to create a COMPOSITE.~~ Instead, it is the initial date of the performance record. (See COMPOSITE CREATION DATE).

COMPOSITE TERMINATION DATE

The date that the last PORTFOLIO exits a COMPOSITE.

CUSTODY FEES

The fees payable to the custodian for the safekeeping of ~~the PORTFOLIO'S~~ SPORTFOLIO assets. CUSTODY FEES are considered to be ADMINISTRATIVE FEES and typically contain an asset-based portion and a transaction-based portion ~~of the fee~~. The ~~total~~ CUSTODY FEE may also include charges for additional services, including accounting, securities lending, and/or performance measurement. Custodial ~~USTODY FEES~~ fees that are charged per transaction SHOULD be included in the CUSTODY FEE and not included as part of ~~the~~ TRADING EXPENSES.

DIRECT INVESTMENTS (PRIVATE EQUITY)

~~An~~ Investments made directly in ~~VENTURE CAPITAL or PRIVATE EQUITY~~ investments ~~assets rather than investments made in fund investment vehicles or cash and/or cash equivalents (i.e., not via a partnership or fund).~~

DISPERSION

~~A measure of the spread of the annual returns of individual PORTFOLIOS within a COMPOSITE. Measures may include, but are not limited to, high/low, inter-quartile range, and standard deviation (asset-weighted or equal-weighted).~~

DISTINCT BUSINESS ENTITY

A unit, division, department, or office that is organizationally and functionally segregated from other units, divisions, departments, or offices and that retains discretion over the assets it manages and that should have autonomy over the investment decision-making process. Possible criteria that can be used to determine this include:

- being a legal entity,
- having a distinct market or client type (e.g., institutional, retail, private client, etc.), and
- using a separate and distinct investment process.

DISTRIBUTION (REAL ESTATE and PRIVATE EQUITY)

Cash or ~~the value of~~ stock distributed ~~disbursed~~ to ~~the~~ LIMITED PARTNERS (or investors) from an investment vehicle. of a venture fund. DISTRIBUTIONS are typically at the discretion of the GENERAL PARTNER (or the FIRM). DISTRIBUTIONS include both recallable and non-recallable DISTRIBUTIONS.

DRAWDOWN (PRIVATE EQUITY)

~~After the total committed capital has been agreed upon between the GENERAL PARTNER and the LIMITED PARTNERS, the actual transfer of funds from the LIMITED PARTNERS to the GENERAL PARTNER'S control in as many stages as deemed necessary by the GENERAL PARTNER.~~

ENDING MARKET VALUE (PRIVATE EQUITY)

~~The remaining equity that a LIMITED PARTNER has in a fund. Also referred to as net asset value or RESIDUAL VALUE.~~

DPI (REAL ESTATE and PRIVATE EQUITY)

SINCE INCEPTION DISTRIBUTIONS divided by SINCE INCEPTION PAID-IN CAPITAL. (See "REALIZATION MULTIPLE")

EVERGREEN FUND
(PRIVATE EQUITY)

An OPEN-END FUND that allows for on-going investment subscriptions and/or redemptions by investors. ~~Some EVERGREEN FUNDS reinvest profits in order to ensure the availability of capital for future investments.~~

EX-ANTE

Before the fact. ~~(See EX-POST.)~~

EX-POST

After the fact. ~~(See EX-ANTE.)~~

EXTERNAL CASH FLOW

~~Cash, securities, Capital~~ (cash or assets investments) that enters or exits a PORTFOLIO.

EXTERNAL VALUATION
(REAL ESTATE)

An ~~EXTERNAL VALUATION is an~~ assessment of MARKET VALUE value performed by an independent external third party who is a qualified, PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser. ~~EXTERNAL VALUATIONS MUST be completed following the valuation standards of the local governing appraisal body.~~

FAIR VALUE

The amount at which an asset investment could be acquired or sold-exchanged in a current arm's length transaction between willing parties in which the parties each acted knowledgeably, and prudently, and without compulsion. The valuation MUST be determined using the objective, observable, unadjusted quoted market price for an identical investment in an active market on the measurement date, if available. In the absence of an objective, observable, unadjusted quoted market price for an identical investment in an active market on the measurement date, the valuation MUST represent the FIRM'S best estimate of the MARKET VALUE. FAIR VALUE MUST include accrued income.

FEE SCHEDULE

The FIRM'S current schedule of INVESTMENT MANAGEMENT FEES or BUNDLED FEES ~~for the particular presentation. This schedule is typically listed by asset level ranges and should be appropriate-relevant~~ to the particular prospective client-COMPLIANT PRESENTATION.

FINAL REALIZATION
(LIQUIDATION) DATE
(REAL ESTATE and PRIVATE EQUITY)

The date when the last PORTFOLIO in a COMPOSITE is fully distributed.

FIRM

~~For purposes of the GIPS standards, the term "FIRM" refers to the~~ The entity defined for compliance with the GIPS standards. ~~(See the term "DISTINCT BUSINESS ENTITY.")~~

FUND OF FUNDS
(PRIVATE EQUITY)

An investment vehicle that invests in underlying investment vehicles. PRIVATE EQUITY FUNDS OF FUNDS predominately invest in CLOSED-END FUNDS and may make opportunistic DIRECT INVESTMENTS.

GENERAL PARTNER
(REAL ESTATE and PRIVATE EQUITY)

A class of partner in a partnership LIMITED PARTNERSHIP. The GP-GENERAL PARTNER retains liability for the actions of the partnership LIMITED PARTNERSHIP. ~~In the PRIVATE EQUITY world, the GP~~ The GENERAL PARTNER is typically the fund manager, and the LIMITED PARTNERS (LPs) are the ~~institutional and high-net-worth~~ other investors in the partnership LIMITED PARTNERSHIP. The GP-GENERAL PARTNER earns an INVESTMENT MANAGEMENT FEE management fee and that typically includes a percentage of the LIMITED PARTNERSHIP'S profits. (See ~~the term~~ "CARRIED INTEREST")

GROSS-OF-FEES RETURN

The return on assets investments reduced by any TRADING EXPENSES incurred during the period.

GROSS-OF-FEES RETURN
(REAL ESTATE and PRIVATE EQUITY)

The return on assets investments reduced by any TRANSACTION EXPENSES incurred during the period.

INCOME RETURN
(REAL ESTATE)

The investment income ~~accrued~~ earned on all assets investments (including cash and cash equivalents) during the measurement period net of all non-recoverable expenditures, interest expense on debt, and property taxes. The ~~return~~ INCOME RETURN is computed as a percentage of the CAPITAL EMPLOYED ~~through the measurement period~~.

INTERNAL DISPERSION

A measure of the spread of the annual returns of individual PORTFOLIOS within a COMPOSITE. Measures may include, but are not limited to, high/low, ~~inter quartile~~ range, or ~~standard deviation~~ STANDARD DEVIATION (asset weighted or equal weighted) of PORTFOLIO returns.

INTERNAL VALUATION
(REAL ESTATE)

~~An INTERNAL VALUATION is an advisor's or underlying third party manager's~~ A FIRM'S best estimate of MARKET VALUE value based on the most current and accurate information available under the circumstances. ~~An~~ INTERNAL VALUATION ~~could include industry practice techniques~~ methodologies include, such as applying a discounted cash flow model, using a sales comparison or replacement cost approach, or conducting a review of all significant events (both general market and asset specific) that could have a material impact on the investment. Prudent assumptions and estimates MUST be used, and the process MUST be applied consistently from period to period, except where a change would result in better estimates of MARKET VALUE.

**INTERNAL RATE OF RETURN
(PRIVATE EQUITY)**

is the annualized implied discount rate (effective compounded rate) that equates the present value of all the appropriate cash inflows (PAID-IN-CAPITAL, such as DRAWDOWNS for net investments) associated with an investment with the sum of the present value of all the appropriate cash outflows (such as DISTRIBUTIONS) accruing from it and the present value of the unrealized RESIDUAL PORTFOLIO (unliquidated holdings). For an interim cumulative return measurement, any IRR depends on the valuation of the residual assets.

**INVESTED CAPITAL
(PRIVATE EQUITY)**

The amount of PAID-IN-CAPITAL that has been invested in PORTFOLIO companies.

**INVESTMENT ADVISOR
(PRIVATE EQUITY)**

Any individual or institution that supplies investment advice to clients on a per fee basis. The INVESTMENT ADVISOR inherently has no role in the management of the underlying capital PORTFOLIO companies of a partnership/fund.

INVESTMENT MANAGEMENT FEE

The fee payable to the investment management FIRM for the ongoing management of a PORTFOLIO. INVESTMENT MANAGEMENT FEES are typically asset-based (percentage of assets), performance-based (based on performance relative to a BENCHMARK), see “PERFORMANCE-BASED FEE”, or a combination of the two but may take different forms as well. INVESTMENT MANAGEMENT FEES also include CARRIED INTEREST.

**INVESTMENT MULTIPLE (TVPI
MULTIPLE)
(REAL ESTATE and PRIVATE EQUITY)**

The ratio of TOTAL VALUE divided by to SINCE INCEPTION PAID-IN CAPITAL. It represents the TOTAL RETURN of the investment to the original investment not taking into consideration the time invested, a compound rate of return. TOTAL VALUE can be found by adding the RESIDUAL VALUE and distributed capital together.

LARGE EXTERNAL CASH FLOW

The level at which the FIRM determines that an EXTERNAL CASH FLOW The Standards do may distort performance if the PORTFOLIO is not contain a specified valued. FIRMS MUST define the amount in terms of the value of cash or/asset flow or in terms of a percentage that is considered to be a LARGE EXTERNAL CASH FLOW. Instead, FIRMS MUST define the of the PORTFOLIO assets or the COMPOSITE assets specific size (amount or percentage) that constitutes a LARGE EXTERNAL CASH FLOW.

**LIMITED PARTNER
(REAL ESTATE and PRIVATE EQUITY)**

An investor in a LIMITED PARTNERSHIP. The GENERAL PARTNER is liable for the actions of the LIMITED PARTNERSHIP partnership and the LIMITED PARTNERS are generally protected from legal actions and any losses beyond their original investment COMMITTED CAPITAL. The LIMITED PARTNER receives income, capital gains, and tax benefits.

LIMITED PARTNERSHIP
(REAL ESTATE and PRIVATE EQUITY)

The legal structure used by most ~~venture and~~ PRIVATE EQUITY ~~and REAL ESTATE funds~~ Usually, CLOSED-END FUNDS. LIMITED PARTNERSHIPS are usually fixed-life investment vehicles. The GENERAL PARTNER ~~or management firm~~ manages the LIMITED PARTNERSHIP partnership using the policy laid down in a pursuant to the partnership agreement. ~~The agreement also covers terms, fees, structures, and other items agreed between the LIMITED PARTNERS and the GENERAL PARTNER.~~

LINK

1. Mathematical Linking: The method by which sub-period returns are geometrically combined to calculate the period return using the following formula:

$$\text{Period return} = [(1+R_1) \times (1+R_2) \dots (1+R_n)] - 1$$

where R_1, R_2, \dots, R_n are the sub-period returns for sub-period 1 through n , respectively.

2. Presentational Linking: To be visually connected or otherwise associated within a COMPLIANT PRESENTATION (e.g., two pieces of information are LINKED by placing them next to each other).

MARKET VALUE

The ~~current~~ price at which investors can buy or sell ~~securities~~ an investment at a given time multiplied by the quantity held plus any accrued income.

~~MARKET VALUE~~
(~~REAL ESTATE~~)

~~The most probable price that a property SHOULD bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:~~

- ~~a.— Buyer and seller are typically motivated.~~
- ~~b.— Both parties are well informed or well advised and each acting in what they consider their own best interests.~~
- ~~c.— A reasonable time is allowed for exposure in the open market.~~
- ~~d.— Payment is made in terms of currency or in terms of financial arrangements comparable thereto.~~
- ~~e.— The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.~~

MUST

A provision, task, or action that is mandatory or REQUIRED ~~provision for claiming compliance with the GIPS standards~~ to be followed or performed. (See ~~the term~~ “REQUIRE/REQUIREMENT”)

MUST NOT

A task or action that is forbidden or prohibited.

NET-OF-FEES RETURN

The GROSS-OF-FEES ~~RETURN~~return reduced by the INVESTMENT MANAGEMENT FEES (including PERFORMANCE-BASED FEES and CARRIED INTEREST).

OPEN-END FUND
(REAL ESTATE and PRIVATE EQUITY)

A type of investment ~~fund-vehicle~~ where the number of investors and the total COMMITTED CAPITAL is not fixed (~~i.e., and is~~ open for subscriptions and/or redemptions). (See ~~the term~~ “EVERGREEN FUND”)

OPEN MARKET VALUE (REAL ESTATE)

~~An opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:~~

- ~~a. — willing seller;~~
- ~~b. — that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms, and for the completion of the sale;~~
- ~~c. — that the state of the market, level of values, and other circumstances were on any earlier assumed date of exchange of contracts the same as on the date of valuation;~~
- ~~d. — that no account is taken of any additional bid by a prospective purchaser with a special interest; and~~
- ~~e. — that both parties to the transaction had acted knowledgeably, prudently, and without compulsion.~~

PAID-IN CAPITAL
(REAL ESTATE and PRIVATE EQUITY)

Capital inflows to an investment vehicle. COMMITTED CAPITAL is typically drawn down from LIMITED PARTNERS (or investors) over a period of time through a series of capital calls, which are at the discretion of the GENERAL PARTNER or FIRM. PAID-IN CAPITAL is equal to the ~~The~~ amount of COMMITTED CAPITAL that has been drawn down SINCE INCEPTION ~~a LIMITED PARTNER has actually transferred to a venture fund.~~ PAID-IN CAPITAL includes DISTRIBUTIONS that are subsequently recalled by the GENERAL PARTNER or FIRM and reinvested into the investment vehicle. ~~Also known as the cumulative DRAWDOWN amount.~~

PERFORMANCE-BASED FEE

A type of INVESTMENT MANAGEMENT FEE that is typically based on the performance of the PORTFOLIO on an absolute basis or relative to a BENCHMARK.

PERFORMANCE EXAMINATION

A detailed examination of a specific COMPOSITE'S COMPLIANT PRESENTATION by an independent verifier.

PERFORMANCE EXAMINATION REPORT

A PERFORMANCE EXAMINATION REPORT is issued after a PERFORMANCE EXAMINATION has been performed and opines that a particular COMPOSITE'S COMPLIANT PRESENTATION has been prepared and presented in compliance with the GIPS standards.

PERIODICITY

The length of the time period over which a variable is measured (e.g., a variable that is measured at a monthly PERIODICITY consists of observations for each month).

PIC MULTIPLE
(REAL ESTATE and PRIVATE EQUITY)

~~The ratio of SINCE INCEPTION PAID-IN CAPITAL to cumulative COMMITTED CAPITAL. This ratio gives prospective clients information regarding how much of the total commitments has been drawn down.~~

PORTFOLIO

An individually managed ~~pool~~ group of ~~assets~~ investments. A PORTFOLIO may be ~~a subportfolio, an~~ account or pooled ~~fund~~ investment vehicle.

PRIMARY FUND
(PRIVATE EQUITY)

An investment vehicle that makes DIRECT INVESTMENTS rather than investing in other investment vehicles.

PRIVATE EQUITY

Investment strategies includes, but ~~is~~ are not limited to, ~~organizations devoted to VENTURE CAPITAL~~ venture capital, leveraged buyouts, consolidations, mezzanine and distressed debt investments, and a variety of hybrids, such as venture leasing and venture factoring.

PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser
(REAL ESTATE)

In Europe, Canada, and parts of Southeast Asia, the predominant professional designation is that of the Royal Institution of Chartered Surveyors (RICS). In the United States, the professional designation is Member ~~of the~~ Appraisal Institute (MAI). In addition, each state regulates REAL ESTATE appraisers, and registers, licenses, or certifies them based on ~~one's~~ their experience, ~~body of work,~~ and test results, ~~is then registered, licensed, or certified.~~

PROPRIETARY ASSETS

Investments owned by the FIRM, the FIRM'S management, and/or the FIRM'S parent company that are managed by the FIRM.

PROSPECTIVE CLIENT

Any person or entity that has expressed interest in one of the FIRM'S COMPOSITE strategies and qualifies to invest in the COMPOSITE. Existing clients may also qualify as PROSPECTIVE CLIENTS for any strategy that is different from their current investment strategy. Investment consultants and other third parties are included as PROSPECTIVE CLIENTS if they represent investors that qualify as PROSPECTIVE CLIENTS.

PUBLIC MARKET EQUIVALENT (PME)
(PRIVATE EQUITY)

The performance of a public market index expressed in terms of an internal rate of return (IRR), using the same cash flows and timing as those of the COMPOSITE over the same time period. A PME can be used as a BENCHMARK by comparing the IRR of a PRIVATE EQUITY COMPOSITE with the PME of a public market index.

REAL ESTATE

~~REAL ESTATE investments include:~~ Investments in:

- Wholly owned or partially owned properties,
- Commingled funds, property unit trusts, and insurance company separate accounts,
- Unlisted, private placement securities issued by private REAL ESTATE investment trusts (REITs) and REAL ESTATE operating companies (REOCs), and
- Equity-oriented debt; ~~(e.g., such as~~ participating mortgage loans) or any private interest in a property where some portion of return to the investor at the time of investment is related to the performance of the underlying REAL ESTATE.

REALIZATION MULTIPLE (DPI)
(REAL ESTATE and PRIVATE EQUITY)

~~The REALIZATION MULTIPLE (DPI) is calculated by dividing the cumulative SINCE INCEPTION DISTRIBUTIONS~~ divided by the SINCE INCEPTION PAID-IN CAPITAL.

RECOMMEND/RECOMMENDATION

~~Suggested~~ A suggested provision ~~for claiming compliance with the GIPS standards~~ task, or action that SHOULD be followed or performed. A RECOMMENDATION is considered to be best practice but is not a REQUIREMENT. (See “SHOULD”)

REQUIRE/REQUIREMENT

A provision, task, or action that MUST be followed or performed ~~for compliance with the GIPS standards.~~ (See “MUST”)

RESIDUAL VALUE
(PRIVATE EQUITY and REAL ESTATE)

The remaining equity that ~~a LIMITED PARTNER~~ has LIMITED PARTNERS (or investors) have in the an fund investment vehicle at the end of the performance reporting period.

~~RESIDUAL VALUE TO PAID-IN CAPITAL (RVPI)~~
(REAL ESTATE and PRIVATE EQUITY)

RESIDUAL VALUE divided by ~~the~~ SINCE INCEPTION PAID-IN CAPITAL. (See “UNREALIZED MULTIPLE”)

SECONDARY FUND
(PRIVATE EQUITY)

An investment vehicle that buys interests in existing investment vehicles.

SETTLEMENT DATE ACCOUNTING

Recognizing the asset or liability on the date when the exchange of cash, ~~and investments is completed, securities, and paperwork involved in a transaction is completed.~~ ~~Impact on performance: Between TRADE DATE and SETTLEMENT DATE, an account does not recognize any change between the price of the transaction and the current MARKET VALUE. Instead, on SETTLEMENT DATE, the total difference between the price of the transaction and the current MARKET VALUE is recognized on that day. (See TRADE DATE ACCOUNTING.)~~

SHOULD

~~Encouraged (A provision, task, or action that is RECOMMENDED) to follow the RECOMMENDATION of the GIPS standards be followed or performed and is considered to be best practice, but is not REQUIRED. (See “RECOMMEND²⁾/RECOMMENDATION”)~~

SIGNIFICANT CASH FLOW

The level at which the FIRM determines that a client-directed EXTERNAL CASH FLOW may temporarily prevent the FIRM from implementing the COMPOSITE strategy. The measure of significance MUST be determined as either a specific monetary amount (e.g., €50,000,000) or a percentage of PORTFOLIO assets (based on the most recent valuation).

SINCE INCEPTION **(REAL ESTATE and PRIVATE EQUITY)**

From the initial cash flow of a COMPOSITE.

SINCE INCEPTION INTERNAL RATE OF RETURN (SI-IRR) **(REAL ESTATE and PRIVATE EQUITY)**

The internal rate of return (IRR) is the annualized implied discount rate (or effective compounded rate) of return that equates the present value of all the appropriate cash outflows with the present value of cash inflows (PAID-IN-CAPITAL, such as DRAWDOWNS for net investments) associated with an investment with the sum of the present value of all the appropriate outflows (such as DISTRIBUTIONS) accruing from it and the present value of the unrealized RESIDUAL PORTFOLIO (unliquidated holdings). For an interim cumulative return measurement, any IRR depends on the valuation of the residual assets. The SI-IRR is a special case of the IRR that equates the present value of all cash flows (capital calls and DISTRIBUTIONS) with the period end value. The SI-IRR is always annualized except when the reporting period is less than one year, in which case the SI-IRR is not annualized.

STANDARD DEVIATION

A measure of the variability of returns. As a measure of INTERNAL DISPERSION, STANDARD DEVIATION quantifies the distribution of the returns of the individual PORTFOLIOS within the COMPOSITE. As a measure of historical risk, STANDARD DEVIATION quantifies the variability of the COMPOSITE and/or BENCHMARK returns over time. Also referred to as “external STANDARD DEVIATION.”

SUB-ADVISOR

A third-party investment manager hired by the FIRM to manage some or all of the assets for which a FIRM has investment management responsibility.

SUPPLEMENTAL INFORMATION

Any performance-related information included as part of a ~~compliant performance presentation~~ COMPLIANT PRESENTATION that supplements or enhances the REQUIRED and/or RECOMMENDED ~~disclosure and presentation~~ provisions of the GIPS standards.

TEMPORARY NEW ACCOUNT

~~A tool that~~ An account for temporarily holding client-directed EXTERNAL CASH FLOWS until they are invested according to the COMPOSITE strategy or disbursed. FIRMS can use a TEMPORARY NEW ACCOUNT to remove the effect of ~~significant cash flows~~ a SIGNIFICANT CASH FLOW on a PORTFOLIO. When a ~~significant cash flow~~ SIGNIFICANT CASH FLOW occurs in a PORTFOLIO, the FIRM may ~~treat this cash flow as a "TEMPORARY NEW ACCOUNT,"~~ allowing the FIRM to ~~implement~~ direct the ~~mandate of~~ EXTERNAL CASH FLOW to a TEMPORARY NEW ACCOUNT according to the ~~PORTFOLIO without the impact of the cash flow on the performance of the PORTFOLIO.~~ COMPOSITE'S SIGNIFICANT CASH FLOW policy.

TIME-WEIGHTED RATE OF RETURN

~~Calculation that computes~~ A method of calculating period-by-period returns ~~on an investment and removes~~ that negates the effects of EXTERNAL CASH FLOWS, ~~which are generally client driven, and best reflects the FIRM'S ability to manage assets according to a specified strategy or objective.~~

TOTAL FIRM ASSETS

~~TOTAL FIRM ASSETS are all~~ All discretionary and non-discretionary assets for which a FIRM has investment management responsibility. TOTAL FIRM ASSETS includes assets ~~managed outside of the FIRM (e.g., by subadvisors) for which the FIRM has asset allocation authority assigned to a SUB-ADVISOR~~ provided the FIRM has discretion over the selection of the SUB-ADVISOR.

TOTAL RETURN

The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

TOTAL RETURN (REAL ESTATE)

The ~~change in the MARKET VALUE of the PORTFOLIO, adjusted for all capital expenditures (subtracted), net proceeds from sales (added), and investment income accrued (added) during the measurement period~~ rate of return, including all CAPITAL RETURN and INCOME RETURN components, expressed as a percentage of the CAPITAL EMPLOYED ~~in the PORTFOLIO~~ over the measurement period.

TOTAL VALUE (REAL ESTATE and PRIVATE EQUITY)

~~RESIDUAL VALUE of the PORTFOLIO plus distributed capital plus~~ DISTRIBUTIONS.

TRADE DATE ACCOUNTING

~~The transaction is reflected in the PORTFOLIO~~ Recognizing the asset or liability on the date of the purchase or sale; and not on the ~~SETTLEMENT DATE~~ settlement date. Recognizing the asset or liability within ~~at least 3~~ three days of the date the transaction is entered into (~~Trade Date~~ trade date, T+ 1, T+2, or T+3) ~~all satisfy~~ satisfies the TRADE DATE ACCOUNTING REQUIREMENT for purposes of the GIPS standards. (See “SETTLEMENT DATE ACCOUNTING”.)

TRADING EXPENSES

The actual costs of buying or selling ~~a security~~ investments. These costs typically take the form of brokerage commissions, ~~or~~ exchange fees and/or taxes, and/or bid-offer spreads from either internal or external brokers. Custodial ~~USTODY fees~~ FEES charged per transaction SHOULD be considered CUSTODY FEES and not ~~direct transaction costs~~. ~~Estimated~~ TRADING EXPENSES are not permitted.

TRANSACTION EXPENSES (REAL ESTATE and PRIVATE EQUITY)

~~Include a~~ All actual legal, financial, advisory, and investment banking fees related to buying, selling, restructuring, and/or recapitalizing PORTFOLIO ~~companies~~ investments as well as TRADING EXPENSES, if any.

TVPI (REAL ESTATE and PRIVATE EQUITY)

TOTAL VALUE divided by SINCE INCEPTION PAID-IN CAPITAL. (See “INVESTMENT MULTIPLE”)

UNREALIZED MULTIPLE (RVPI) (REAL ESTATE and PRIVATE EQUITY)

RESIDUAL VALUE divided by SINCE INCEPTION PAID-IN CAPITAL.

VENTURE CAPITAL (PRIVATE EQUITY)

~~Risk capital in the form of equity and/or loan capital that is provided by an investment institution to back a business venture that is expected to grow in value.~~

VERIFICATION

A process by which an independent verifier assesses whether (1) the FIRM has complied with all the COMPOSITE construction REQUIREMENTS of the GIPS standards on a FIRM-wide basis and (2) the FIRM’S policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

VERIFICATION REPORT

A VERIFICATION REPORT is issued after a VERIFICATION has been performed and opines that the FIRM has complied with all the COMPOSITE construction REQUIREMENTS of the GIPS standards on a FIRM-wide basis and that the FIRM’S policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

VINTAGE YEAR
(REAL ESTATE and PRIVATE EQUITY)

Two methods used to determine VINTAGE YEAR are:

1. The year ~~that the VENTURE CAPITAL or PRIVATE EQUITY fund or partnership of the investment vehicle's~~ first draws down or ~~calls~~ capital call from its investors; or
2. The year when the first COMMITTED CAPITAL from outside investors is closed and legally binding.

WRAP FEE

WRAP FEES are a type of BUNDLED FEE and ~~Wrap fees~~ are specific to a particular investment product. The WRAP FEE is charged by a WRAP FEE sponsor for investment management services and typically includes associated TRADING EXPENSES that cannot be separately identified. The U.S. Securities and Exchange Commission (SEC) defines a wrap fee account (now more commonly known as a separately managed account or SMA) as "any advisory program under which a specified fee or fees not based upon transactions in a client's account is charged for INVESTMENT ADVISORY services (which may include PORTFOLIO management or advice concerning the selection of other investment advisers) and execution of client transactions." A typical separately managed account has a contract or contracts (and fee) involving a sponsor (usually a broker or independent provider) acting as the INVESTMENT ADVISOR, an investment management firm typically as the sub-advisor, other services (custody, consulting, reporting, performance, manager selection, monitoring, and execution of trades), distributor, and the client (brokerage customer). ~~Wrap fees~~ WRAP FEES can be all-inclusive, asset-based fees (~~and which~~ may include ~~any a~~ combination of INVESTMENT management MANAGEMENT FEES, TRADING transaction EXPENSES, ~~custody~~CUSTODY FEES, and/or other ADMINISTRATIVE FEES). A WRAP FEE PORTFOLIO is sometimes referred to as a "separately managed account" (SMA) or "managed account."