

Global Investment Performance Standards (GIPS) Compliance

Several factors are driving increased adoption of Global Investment Performance Standards (GIPS) by asset managers. Firms with a global presence see the need for standardized performance reporting across regions. Greater government oversight and regulation, especially since the 2008 financial crisis, now dovetail with GIPS requirements. Finally, institutional investors demand transparency and a consistent methodology for comparing manager performance.

GIPS Compliance in Charles River

Charles River has developed Performance Measurement & Attribution (PMA) capabilities for portfolio managers who wish to comply with GIPS. Managers can access all capabilities that support GIPS compliance through the centralized portfolio management workspace in the Charles River Investment Management Solution (IMS). Data is maintained with the latest GIPS standards and guidance, and the platform allows GIPS verification of performance, attribution, and risk measures of portfolios and composites using the PMA dashboard. In addition, verifiers can access the composite construction rules repository and reports to verify investment firms' claims of GIPS compliance.

Managers have access to data and reporting that have been designed specifically to support GIPS requirements:

- To fulfill GIPS data input requirements, Charles River IMS provides valuation through the Investment Book of Record (IBOR) with automatic restatements, accrual and trade-based performance, management fee accruals, and custom benchmark construction.
- A standard calculation methodology is required to facilitate comparability among investment managers. Charles River PMA includes transaction-based, time-weighted returns, and GIPS-compliant attribution methods.
- Composite management and construction are fundamental requirements of GIPS compliance. Through the PMA dashboard, managers can create composite definitions and disclosures, member rules, establish timing of inclusion/exclusion, and access asset-weighted composite returns and internal dispersion measures.
- Managers can "lock" GIPS composite and account performance so any upstream data doesn't affect performance in the reports. In addition, returns can be scrubbed and errors fixed.
- Charles River PMA supports GIPS reporting and disclosure requirements that include drill-down capabilities, outlier analysis, and an audit trail of changes.

Key Capabilities and Benefits

- A single source of reference data helps ensure consistency and comparability
- Automatic rules-based capability to track composite entries and exits
- Calculation methodologies are consistent with GIPS recommendations
- Maintain a full audit trail by creating, maintaining, and storing composites
- Supports firm and composite disclosure reporting
- Customize report footnotes and disclosures

GIPS 2020: Broader Standards, Greater Consistency across Asset Classes

Revised GIPS standards are in effect as of January 1, 2020. GIPS 2020 addresses shortcomings that existed in prior guidelines and addresses the needs of asset owners, not just managers. Compliance standards encompass three main types of relationships between asset owners and asset managers, including:

- One to one: the typical approach addressed in past GIPS guidelines where a strategy's performance is shown through composite returns, and the investment manager has an individual relationship with clients
- One to many: a pooled fund distributed across many investors
- One to none: accounts for those who only report internally and not to outside clients such as family offices or sovereign wealth funds

Charles River strives to remain abreast of upcoming changes to GIPS guidelines and implements enhancements to our systems in advance of dates stipulated by the CFA Institute. Our platform can adapt to new guidelines for calculation methodologies, composite construction, disclosures, and performance presentation both from an asset manager's, as well as an asset owner's, perspective.

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Investment firms, asset owners, wealth managers, hedge funds and insurers in more than 30 countries rely on Charles River's front and middle office investment management platform to manage more than US\$30 Trillion in assets. Together with State Street's middle and back office capabilities, Charles River's software technology forms the foundation of State Street AlphaSM. The Charles River Investment Management Solution (Charles River IMS) is designed to automate and simplify the institutional investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. Charles River's growing partner ecosystem enables clients to seamlessly access external data and analytics, applications and liquidity venues that support the unique demands of their product and asset class mix. Headquartered in Burlington, Massachusetts, we serve clients globally with more than 975 employees in 11 regional offices. (Statistics as of October 2019)

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