

## Steps to Achieving GIPS Compliance

1. Define the scope of the claim of compliance (i.e., what assets will be included in firm definition for GIPS purposes).
2. Determine how far back the GIPS standards will be applied (performance presented for 5 years, since firm inception, or somewhere in between).
3. Compile a list of total firm assets under management as of each year-end during the effective period of compliance, backing out any cross investments to avoid double-counting of assets.
4. Categorize portfolios by investment strategy and ensure that client-directed strategy changes have been tracked over time.
5. Categorize portfolios by type (segregated accounts, broad distribution pooled funds, or limited distribution pooled funds).
6. Define criteria that will make portfolios eligible for composite inclusion (i.e., establish definition of discretion for GIPS compliance purposes).
7. Determine what composites need to be created in order to house all discretionary portfolios that represent strategies offered as segregated accounts.
8. Determine whether pooled funds that do not represent strategies that are offered as segregated accounts will be included in composites.
9. Draft criteria for inclusion in each composite (i.e., composite definitions) and create policies addressing the timing of when portfolios will enter/exit composites.
10. Construct composites and assign all discretionary portfolios that meet the composite definition.
11. Create the firm's list of composite descriptions, list of limited distribution pooled fund descriptions, and/or list of broad distribution pooled funds.
12. Confirm which composites and/or pooled funds will present time-weighted returns (TWR) and which qualify to present money-weighted returns (MWR/IRR).
13. Evaluate calculation methods and systems currently utilized by the firm and determine whether they meet the requirements of the GIPS standards.

14. If needed, make necessary changes to calculation methods to ensure performance has been calculated in compliance with the GIPS standards for all portfolios that will be included within the defined firm for the effective period of compliance.
15. Assess the quality of books and records covering the entire period for the effective period of compliance. All data and information necessary to support all required calculations as well as other information included in the GIPS Reports must be captured and maintained. The firm must be able to produce supporting documentation to validate and/or recreate the information in the GIPS Reports and to recalculate the performance history.
16. Determine whether accurate fee information is available for each portfolio and whether actual or model fees will be used to calculate net-of-fees returns.
17. Calculate composite performance and other statistics required by the GIPS standards.
18. For composites/funds that present MWR/IRR that utilize a subscription line of credit (LOC), calculate performance with and without the impact of the LOC.
19. Create GIPS Composite Reports and/or GIPS Pooled Fund Reports.
20. Develop a process for ensuring delivery of GIPS Reports to all prospective clients and prospective limited distribution pooled fund investors.
21. Throughout the process, document the GIPS policies and procedures being applied.
22. When the Firm is comfortable with their claim of compliance with the GIPS standards, notify CFA Institute and begin formally claiming compliance.
23. Ensure responsible parties across the firm understand their role in the GIPS-compliance process.
24. Develop a process for maintaining GIPS compliance on an ongoing basis.

The earlier you start, wherever you are in the life of your business, the easier it is to achieve compliance. It will only get more difficult going forward once you have more accounts and a longer track record. If the Firm determines they are not ready to claim compliance at this time, we recommend the firm get organized and follow the GIPS standards as closely as possible. This will make achieving compliance an easier process in the future.

## About GPS

Guardian Performance Solutions LLC (GPS) is a specialty compliance consulting firm dedicated to providing customized solutions to the investment management industry with the objective of supporting firms to achieve and maintain compliance with the Global Investment Performance Standards (GIPS®) and the SEC Marketing Rule. Because GPS does not provide verification services, GPS is free from independence concerns and can take a hands-on approach to developing and managing an adviser's GIPS compliance program, which may include constructing composites, calculating and validating performance results, and writing GIPS compliance policies and procedures. Additional information can be found at [www.GuardianPerformanceSolutions.com](http://www.GuardianPerformanceSolutions.com).