GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®)

FOR FIDUCIARY MANAGEMENT PROVIDERS TO UK PENSION SCHEMES

CFA Institute®
Global Investment
Performance Standards

CONTENTS

INTRODUCTION

Preamble—Why Is a Global Investment Performance Standard Needed for Fiduciary Management Providers to UK Pension Schemes?

Standardize Investment Performance: The United Kingdom's Competition and Markets Authority (CMA) published "The Investment Consultancy and Fiduciary Management Market Investigation Order 2019" (the "Order") based on a market investigation of the supply and acquisition of investment consultancy services and fiduciary management services to prospective UK Pension Scheme Trustee clients. The CMA decided on a package of remedies to be implemented with respect to Investment Consultancy Services and Fiduciary Management Services. Part 6 of the Order outlines specific requirements for Fiduciary Management Providers when presenting historical performance to prospective Pension Scheme Trustee clients. Part 6 of the Order requires Fiduciary Management Providers to present historical performance to prospective Pension Scheme Trustee clients using standardized methodologies and templates. The Global Investment Performance Standards (GIPS®) for Fiduciary Management Providers to UK Pension Schemes ("GIPS standards for FMPs") addresses part 6 of the Order and will provide prospective Pension Scheme Trustee clients with greater transparency and comparability of Fiduciary Management Providers' historical investment performance.

Investor Confidence: Organizations that adhere to investment performance standards help assure investors and beneficiaries that the Fiduciary Management Provider's investment performance is complete and fairly presented. Both prospective and existing clients of Fiduciary Management Providers benefit from an investment performance standard by increasing their confidence in the performance information presented to them.

Applicability and Effective Date

Organizations that meet the definition of Fiduciary Management Provider as defined in the Order must comply with the GIPS Standards for FMPs.

Per article 10.4 of the Order, once the Fiduciary Management Performance Standard is approved by the CMA (expected to occur on 10 December 2019), it must be used by all Fiduciary Management Providers when providing information to potential Pension Scheme Trustee clients, including in all tender submissions and marketing communications.

Mission and Objectives

The mission of the GIPS standards for FMPs is to promote ethics and integrity and instill trust through the use of the GIPS standards for FMPs by achieving comparability of performance by Fiduciary Management Providers when presenting historical performance to prospective Pension Scheme Trustee clients, and support from regulators for the ultimate benefit of the investment community.

The objectives of the GIPS standards for FMPs are as follows:

- Promote Pension Scheme Trustee interests and instill Pension Scheme Trustee confidence.
- Ensure accurate and consistent data.
- Obtain acceptance of a single standard for calculating and presenting performance.
- Promote fair competition among Fiduciary Management Providers.

Overview

Key concepts of the GIPS standards for FMPs that apply to Fiduciary Management Providers include the following:

- The GIPS standards for FMPs are ethical standards for investment performance presentation to ensure fair representation and full disclosure of investment performance.
- Meeting the objectives of fair representation and full disclosure is likely to require more than simply adhering to the minimum requirements of the GIPS standards for FMPs. Fiduciary Management Providers should also adhere to the recommendations to achieve best practice in the calculation and presentation of performance.
- Fiduciary Management Providers must comply with all applicable requirements of the GIPS standards for FMPs, including any guidance published by CFA Institute and the GIPS standards for FMPs governing bodies.
- The GIPS standards for FMPs do not address every aspect of performance measurement and will continue to evolve to address additional areas of investment performance.
- The GIPS standards for FMPs require Fiduciary Management Providers to create and maintain composites for all strategies for which the Fiduciary Management Provider manages UK pension scheme assets. Fiduciary Management Providers must include all actual, fee-paying, discretionary UK pension schemes in at least one composite defined by investment mandate, objective, or strategy. Fiduciary Management Providers must maintain and make available information about all of the strategies they manage using composites. These requirements prevent Fiduciary Management Providers from cherry-picking their best performance.

- The GIPS standards for FMPs rely on the integrity of input data, the quality of which is critical to creating accurate performance presentations. The underlying valuations of scheme holdings drive performance. It is essential for these and other inputs to be accurate. The GIPS standards for FMPs require Fiduciary Management Providers to adhere to certain calculation methodologies to allow for comparability across Fiduciary Management Providers.

Historical Performance Record

A Fiduciary Management Provider is required to initially present, at a minimum, five years of annual investment performance that is compliant with the GIPS standards for FMPs. If the composite has been in existence less than five years, the Fiduciary Management Provider must present performance since the composite inception date. Prospectively, the Fiduciary Management Provider must present an additional year of performance each year, building up to a minimum of 10 years of compliant performance.

Claiming Compliance

Fiduciary Management Providers must take all steps necessary to ensure that they have satisfied all the applicable requirements of the GIPS standards for FMPs before claiming compliance. Fiduciary Management Providers are strongly encouraged to perform periodic internal compliance checks. Implementing adequate internal controls during all stages of the investment performance process—from data input to preparing GIPS Composite Reports—instills confidence in the validity of performance presented as well as in the claim of compliance.

Implementing a Fiduciary Management Provider Standard

One objective of the GIPS standards for FMPs is to obtain acceptance of a single standard for the calculation and presentation of investment performance in a fair and comparable format that provides full disclosure. To facilitate the implementation of the GIPS standards for FMPs, CFA Institute, together with the GIPS standards for FMPs governing bodies, creates and administers the GIPS standards for FMPs. The self-regulatory nature of the GIPS standards for FMPs necessitates a strong commitment to ethical integrity. Self-regulation also assists regulators in exercising their responsibility for ensuring the fair disclosure of information within financial markets. Regulators are encouraged to consider taking enforcement action against Fiduciary Management Providers that falsely claim compliance with the GIPS standards for FMPs.

Provisions of the Global Investment Performance Standards for FMPs

Fiduciary Management Providers that compete for UK pension scheme business must comply with the GIPS standards for FMPs. The GIPS standards for FMPs are divided into the following four sections:

31) Fundamentals of Compliance: Several core principles create the foundation for the GIPS standards for FMPs, including properly defining the Fiduciary Management Provider, providing GIPS Composite Reports to all prospective Pension Scheme Trustee clients, adhering to applicable laws and regulations, and ensuring that information presented is not false or misleading. Two important issues that a Fiduciary Management Provider must consider when becoming compliant with the GIPS standards for FMPs are the definition of the Fiduciary Management Provider and the Fiduciary Management Provider's definition of discretion. The definition of the Fiduciary Management Provider is the foundation for Fiduciary Management Provider–wide compliance and creates defined boundaries whereby total Fiduciary Management Provider assets can be determined. The Fiduciary Management Provider's definition of discretion establishes criteria to judge which schemes must be included in a composite and is based on the Fiduciary Management Provider's ability to implement its investment strategies.

32) Input Data and Calculation Methodology: Consistency of input data used to calculate performance is critical to effective compliance with the GIPS standards for FMPs and establishes the foundation for full, fair, and comparable investment performance presentations. Achieving comparability among Fiduciary Management Providers' performance presentations requires uniformity in methods used to calculate returns. The GIPS standards for FMPs mandate the use of certain calculation methodologies to facilitate comparability.

33) Composite Maintenance: A composite is an aggregation of one or more schemes managed according to a similar investment mandate, objective, or strategy. Creating meaningful composites is essential to the fair presentation, consistency, and comparability of performance over time and among Fiduciary Management Providers.

34) GIPS Composite Report: Details the requirements and recommendations for reporting composite relative returns and other information about the composite.

Glossary: Words appearing in small capital letters in Sections 31–34 are defined terms. The Glossary includes a description of each defined term.

Appendices: Appendix A is a list of required composites. Appendix B presents a sample GIPS Composite Report.

31. FUNDAMENTALS OF COMPLIANCE

31.A. Fundamentals of Compliance—Requirements

31.A.1 The GIPS standards for Fiduciary Management Providers to UK Pension Schemes (GIPS standards for FMPs) MUST be applied on a FIDUCIARY MANAGEMENT PROVIDER–wide basis to those organizations that are subject to Part 6 of the Competition and Markets Authority Order. Compliance MUST be met on a FIDUCIARY MANAGEMENT PROVIDER–wide basis and cannot be met on a COMPOSITE or SCHEME basis.

31.A.2 The FIDUCIARY MANAGEMENT PROVIDER MUST be defined to include all clients for which it acts as a FIDUCIARY MANAGEMENT PROVIDER.

31.A.3 To initially claim compliance with the GIPS standards for FMPs, the FIDUCIARY MANAGEMENT PROVIDER MUST attain compliance for a minimum of five years or for the period since the FIDUCIARY MANAGEMENT PROVIDER inception if the FIDUCIARY MANAGEMENT PROVIDER has been in existence for less than five years.

31.A.4 The FIDUCIARY MANAGEMENT PROVIDER MUST comply with all applicable REQUIREMENTS of the GIPS standards for FMPs, including any interpretive guidance published by CFA Institute and the GIPS standards for FMPs governing bodies.

31.A.5 The FIDUCIARY MANAGEMENT PROVIDER MUST:

- **a.** Document its policies and procedures used in establishing and maintaining compliance with the REQUIREMENTS of the GIPS standards for FMPs, as well as any RECOMMENDATIONS it has chosen to adopt, and apply them consistently.
- **b.** Create policies and procedures to monitor and identify changes and additions to the GIPS standards for FMPs, including any guidance published by CFA Institute and the GIPS standards for FMPs governing bodies.

31.A.6 The FIDUCIARY MANAGEMENT PROVIDER MUST:

- **a.** Comply with all applicable laws and regulations regarding the calculation and presentation of performance.
- **b.** Create policies and procedures to monitor and identify changes and additions to laws and regulations regarding the calculation and presentation of performance.

31.A.7 The FIDUCIARY MANAGEMENT PROVIDER MUST NOT present performance or PERFORMANCE-RELATED INFORMATION that is false or misleading. This REQUIREMENT applies to all performance or PERFORMANCE-RELATED INFORMATION on a FIDUCIARY MANAGEMENT PROVIDER–wide basis and is not limited to those materials that reference the GIPS standards for FMPs. The FIDUCIARY MANAGEMENT PROVIDER may provide any performance or PERFORMANCE-RELATED INFORMATION that is specifically requested by a PROSPECTIVE CLIENT for use in a one-on-one presentation.

31.A.8 If the FIDUCIARY MANAGEMENT PROVIDER does not meet all the applicable REQUIREMENTS of the GIPS standards for FMPs, the FIDUCIARY MANAGEMENT PROVIDER MUST NOT represent or state that it is "in compliance with the GIPS standards for FMPs except for..." or make any other statements that may indicate compliance or partial compliance with the GIPS standards for FMPs.

31.A.9 Statements referring to the calculation methodology as being "in accordance," "in compliance," or "consistent" with the GIPS standards for FMPs, or similar statements, are prohibited.

31.A.10 The FIDUCIARY MANAGEMENT PROVIDER MUST NOT make statements referring to the performance of a current client as being "calculated in accordance with the GIPS standards for FMPs," except for when a FIDUCIARY MANAGEMENT PROVIDER that claims compliance with the GIPS standards for FMPs reports the performance of a SCHEME to current clients.

31.A.11 The FIDUCIARY MANAGEMENT PROVIDER MUST make every reasonable effort to provide a GIPS COMPOSITE REPORT to all PROSPECTIVE CLIENTS when they initially become PROSPECTIVE CLIENTS. The FIDUCIARY MANAGEMENT PROVIDER MUST NOT choose to which PROSPECTIVE CLIENTS it presents a GIPS COMPOSITE REPORT.

31.A.12 Once the FIDUCIARY MANAGEMENT PROVIDER has provided a GIPS COMPOSITE REPORT to a PROSPECTIVE CLIENT, the FIDUCIARY MANAGEMENT PROVIDER MUST provide an updated GIPS COMPOSITE REPORT at least once every 12 months if the PROSPECTIVE CLIENT is still a PROSPECTIVE CLIENT.

31.A.13 When providing a GIPS COMPOSITE REPORT to PROSPECTIVE CLIENTS, the FIDUCIARY MANAGEMENT PROVIDER MUST update these reports to include information through the most recent annual period end within 12 months of that annual period end.

31.A.14 The FIDUCIARY MANAGEMENT PROVIDER MUST be able to demonstrate how it made every reasonable effort to provide a GIPS COMPOSITE REPORT to those PROSPECTIVE CLIENTS REQUIRED to receive a GIPS COMPOSITE REPORT.

31.A.15 The FIDUCIARY MANAGEMENT PROVIDER MUST correct MATERIAL ERRORS in GIPS COMPOSITE REPORTS and MUST:

a. Provide the corrected GIPS COMPOSITE REPORT to current clients that received the GIPS COMPOSITE REPORT that had the MATERIAL ERROR.

b. Make every reasonable effort to provide the corrected GIPS COMPOSITE REPORT to all current PROSPECTIVE CLIENTS that received the GIPS COMPOSITE REPORT that had the MATERIAL ERROR. The FIDUCIARY MANAGEMENT PROVIDER is not REQUIRED to provide the corrected GIPS COMPOSITE REPORT to former clients or former PROSPECTIVE CLIENTS.

31.A.16 The FIDUCIARY MANAGEMENT PROVIDER MUST maintain a complete list of COMPOSITE DESCRIPTIONS. The FIDUCIARY MANAGEMENT PROVIDER MUST include terminated COMPOSITES on this list for at least five years after the COMPOSITE TERMINATION DATE.

31.A.17 The FIDUCIARY MANAGEMENT PROVIDER MUST provide the complete list of COMPOSITE DESCRIPTIONS to any PROSPECTIVE CLIENT that makes such a request.

31.A.18 The FIDUCIARY MANAGEMENT PROVIDER MUST provide a GIPS COMPOSITE REPORT for any COMPOSITE listed on the FIDUCIARY MANAGEMENT PROVIDER'S list of COMPOSITE DESCRIPTIONS to any PROSPECTIVE CLIENT that makes such a request.

31.A.19 All data and information necessary to support all items included in GIPS COMPOSITE REPORTS MUST be captured, maintained, and available within a reasonable time frame, for all periods presented in these reports.

31.A.20 The FIDUCIARY MANAGEMENT PROVIDER is responsible for its claim of compliance with the GIPS standards for FMPs and MUST ensure that the records and information provided by any third party on which the FIDUCIARY MANAGEMENT PROVIDER relies meet the REQUIREMENTS of the GIPS standards for FMPs.

31.A.21 The FIDUCIARY MANAGEMENT PROVIDER MUST NOT include THEORETICAL PERFORMANCE in the GIPS COMPOSITE REPORT.

31.A.22 Changes in the FIDUCIARY MANAGEMENT PROVIDER'S organization MUST NOT lead to alteration of historical performance.

31.A.23 The FIDUCIARY MANAGEMENT PROVIDER MUST present only performance that is in compliance with the GIPS standards for FMPs in GIPS COMPOSITE REPORTS.

31.A.24 Performance from a past FIDUCIARY MANAGEMENT PROVIDER may be used to represent the historical performance of the new or acquiring FIDUCIARY MANAGEMENT PROVIDER and LINKED to the performance of the new or acquiring FIDUCIARY MANAGEMENT PROVIDER if the new or acquiring FIDUCIARY MANAGEMENT PROVIDER meets the following REQUIREMENTS on a COMPOSITE-specific basis:

- **a.** Substantially all of the investment decision makers MUST be employed by the new or acquiring FIDUCIARY MANAGEMENT PROVIDER (e.g., research department staff, portfolio managers, and other relevant staff);
- **b.** The decision-making process MUST remain substantially intact and independent within the new or acquiring FIDUCIARY MANAGEMENT PROVIDER;
- **c.** The new or acquiring FIDUCIARY MANAGEMENT PROVIDER MUST have records to support the performance; and
- **d.** There MUST be no break in the track record between the past FIDUCIARY MANAGEMENT PROVIDER and the new or acquiring FIDUCIARY MANAGEMENT PROVIDER.

If any of the above REQUIREMENTS are not met, the performance from a past FIDUCIARY MANAGEMENT PROVIDER MUST NOT be LINKED to the ongoing performance record of the new or acquiring FIDUCIARY MANAGEMENT PROVIDER.

31.A.25 Performance from a past FIDUCIARY MANAGEMENT PROVIDER may be used to represent the historical performance of the new or acquiring FIDUCIARY MANAGEMENT PROVIDER when there is a break in the track record between the past FIDUCIARY MANAGEMENT PROVIDER and the new or acquiring FIDUCIARY MANAGEMENT PROVIDER if the new or acquiring FIDUCIARY MANAGEMENT PROVIDER meets the following REQUIREMENTS on a COMPOSITE-specific basis:

a. Substantially all of the investment decision makers MUST be employed by the new or acquiring FIDUCIARY MANAGEMENT PROVIDER (e.g., research department staff, portfolio managers, and other relevant staff);

b. The decision-making process MUST remain substantially intact and independent within the new or acquiring FIDUCIARY MANAGEMENT PROVIDER;

c. The new or acquiring FIDUCIARY MANAGEMENT PROVIDER MUST have records to support the performance;

d. The new or acquiring FIDUCIARY MANAGEMENT PROVIDER MUST separately present the performance before the break and after the break; and

e. The new or acquiring FIDUCIARY MANAGEMENT PROVIDER MUST NOT LINK performance prior to the break in the track record to the performance after the break in the track record.

31.A.26 If the FIDUCIARY MANAGEMENT PROVIDER chooses to include a GIPS COMPOSITE REPORT in marketing materials, the FIDUCIARY MANAGEMENT PROVIDER MUST indicate this fact in the marketing materials.

31.A.27 The FIDUCIARY MANAGEMENT PROVIDER MUST notify CFA Institute of its claim of compliance by submitting the GIPS standards for FMPs COMPLIANCE NOTIFICATION FORM. This form:

a. MUST be filed when the FIDUCIARY MANAGEMENT PROVIDER initially claims compliance with the GIPS standards for FMPs.

b. MUST be updated annually with information as of the most recent 31 December, with the exception of FIDUCIARY MANAGEMENT PROVIDER contact information, which MUST be current as of the form submission date.

c. MUST be filed annually thereafter by 30 June.

31.B. Fundamentals of Compliance—Recommendations

31.B.1 The FIDUCIARY MANAGEMENT PROVIDER SHOULD comply with the RECOMMENDATIONS of the GIPS standards for FMPs, including RECOMMENDATIONS in any interpretive guidance published by CFA Institute and the GIPS standards for FMPs governing bodies.

31.B.2 The FIDUCIARY MANAGEMENT PROVIDER SHOULD update GIPS COMPOSITE REPORTS quarterly.

31.B.3 The FIDUCIARY MANAGEMENT PROVIDER SHOULD provide to each current client, on an annual basis, a GIPS COMPOSITE REPORT of the COMPOSITE in which the client's SCHEME is included.

32. INPUT DATA AND CALCULATION METHODOLOGY

32.A. Input Data and Calculation Methodology—Requirements

Fiduciary Management Provider Assets and Composite Assets

32.A.1 Total fiduciary management provider assets:

- a. Must be the aggregate fair value of all schemes managed by the fiduciary management provider.
- b. Must include assets assigned to a sub-advisor provided the fiduciary management provider has discretion over the selection of the sub-advisor.

32.A.2 Total fiduciary management provider assets and composite assets must:

- a. Include only actual assets managed by the fiduciary management provider.
- b. Be calculated net of discretionary leverage and not grossed up as if the leverage did not exist.

32.A.3 The fiduciary management provider must not double count assets when calculating total fiduciary management provider assets.

32.A.4 Composite performance must be calculated using only actual assets managed by the fiduciary management provider.

General/Accounting

32.A.5 Total returns must be used.

32.A.6 Trade date accounting must be used.

32.A.7 Accrual accounting must be used for fixed-income securities and all other investments that earn interest income, except that interest income on cash and cash equivalents may be recognized on a cash basis. Any accrued income must be included in the beginning and ending scheme values when performance is calculated.

32.A.8 Returns from cash and cash equivalents must be included in all return calculations, even if the fiduciary management provider does not control the specific cash investment(s).

32.A.9 Returns for periods of less than one year must not be annualized.

32.A.10 All returns must be calculated after the deduction of transaction costs incurred during the period.

32.A.11 The FIDUCIARY MANAGEMENT PROVIDER MUST calculate performance in accordance with its COMPOSITE-specific calculation policies.

32.A.12 For SCHEMES invested in underlying POOLED FUNDS, all returns MUST reflect the deduction of all fees and expenses charged at the underlying POOLED FUND level.

Valuation

32.A.13 SCHEMES MUST be valued in accordance with the definition of FAIR VALUE.

32.A.14 The FIDUCIARY MANAGEMENT PROVIDER MUST value SCHEMES in accordance with the COMPOSITE-specific valuation policy.

32.A.15 If the FIDUCIARY MANAGEMENT PROVIDER uses the last available historical price or a preliminary estimated value as FAIR VALUE, the FIDUCIARY MANAGEMENT PROVIDER MUST:

- **a.** Consider it to be the best approximation of the current FAIR VALUE.
- **b.** Assess the difference between the approximation and final value and the effect on COMPOSITE assets, TOTAL FIDUCIARY MANAGEMENT PROVIDER ASSETS, and performance, and also make any adjustments when the final value is received.

32.A.16 COMPOSITES MUST have consistent beginning and ending annual valuation dates. The beginning and ending valuation dates MUST be at calendar year end or on the last business day of the year.

Schemes—Time-Weighted Returns

32.A.17 The FIDUCIARY MANAGEMENT PROVIDER MUST value SCHEMES:

- **a.** At least monthly.
- **b.** As of the calendar month end or the last business day of the month.
- **c.** On the date of all LARGE CASH FLOWS. The FIDUCIARY MANAGEMENT PROVIDER MUST define LARGE CASH FLOW for each COMPOSITE to determine when SCHEMES in that COMPOSITE MUST be valued.

32.A.18 The FIDUCIARY MANAGEMENT PROVIDER MUST calculate TIME-WEIGHTED RETURNS and MUST:

- **a.** Calculate returns at least monthly.
- **b.** Calculate monthly returns through the calendar month end or the last business day of the month.
- **c.** Calculate sub-period returns at the time of all LARGE CASH FLOWS, if daily returns are not calculated.
- **d.** For EXTERNAL CASH FLOWS that are not LARGE CASH FLOWS, calculate SCHEME returns that adjust for daily-weighted EXTERNAL CASH FLOWS, if daily returns are not calculated.

e. Treat EXTERNAL CASH FLOWS according to the FIDUCIARY MANAGEMENT PROVIDER'S COMPOSITE-specific policy.
f. Geometrically LINK periodic and sub-period returns.
g. Consistently apply the calculation methodology used for an individual SCHEME.

Net Returns

32.A.19 SCHEME NET RETURNS MUST reflect the deduction of actual TRANSACTIONS COSTS and all other actual fees and expenses, including INVESTMENT MANAGEMENT FEES paid to both the FIDUCIARY MANAGEMENT PROVIDER and any SUB-ADVISORS.

32.A.20 When calculating SCHEME NET RETURNS, the FIDUCIARY MANAGEMENT PROVIDER MUST reflect any PERFORMANCE-BASED FEE CLAWBACK in the period in which it is repaid.

Composite Relative Returns

32.A.21 COMPOSITE RELATIVE RETURNS MUST be calculated at least monthly.

32.A.22 COMPOSITE RELATIVE RETURNS MUST be calculated by equal-weighting the individual SCHEME RELATIVE RETURNS.

Scheme Relative Returns

32.A.23 SCHEME RELATIVE RETURNS MUST be calculated as the difference between the SCHEME NET RETURN and the BENCHMARK return.

32.A.24 When calculating SCHEME RELATIVE RETURNS, any objective (e.g., BENCHMARK + x%) MUST be ignored.

32.A.25 SCHEME RELATIVE RETURNS for unconstrained mandates MUST be calculated using the liability BENCHMARK.

32.A.26 SCHEME RELATIVE RETURNS for hedge constrained mandates MUST be calculated using the liability BENCHMARK and the HEDGE RATIO–ADJUSTED BENCHMARK.

32.A.27 For periods beginning on or after 1 January 2020, SCHEME RELATIVE RETURNS MUST be calculated using the GEOMETRIC DIFFERENCE METHODOLOGY.

Benchmarks

32.A.28 When calculating SCHEME RELATIVE RETURNS using the liability BENCHMARK, the FIDUCIARY MANAGEMENT PROVIDER MUST use the liability BENCHMARK for each respective client. The BENCHMARK may be:

a. The full liability cash flows;

b. A liability proxy BENCHMARK constructed from gilts or swaps to represent the cash flow liabilities; or

c. A gilt of similar duration to the liabilities. This option may be used only when neither the full liability cash flows nor a liability proxy BENCHMARK constructed from gilts or swaps exists.

32.A.29 When calculating HEDGE RATIO–ADJUSTED BENCHMARKS, the FIDUCIARY MANAGEMENT PROVIDER MUST include cash for the proportion of liabilities where the interest rate hedging is not allowed and include the full liabilities for the proportion of liabilities where hedging is allowed.

Risk Measures

32.A.30 When calculating COMPOSITE EX POST STANDARD DEVIATION, the FIDUCIARY MANAGEMENT PROVIDER MUST use monthly COMPOSITE RELATIVE RETURNS.

32.A.31 When calculating MAXIMUM DRAWDOWN, the FIDUCIARY MANAGEMENT PROVIDER MUST use monthly COMPOSITE RELATIVE RETURNS.

32.A.32 When calculating the INFORMATION RATIO, the FIDUCIARY MANAGEMENT PROVIDER MUST use monthly COMPOSITE RELATIVE RETURNS.

32.B. Input Data and Calculation Methodology—Recommendations

32.B.1 The FIDUCIARY MANAGEMENT PROVIDER SHOULD value SCHEMES on the date of all EXTERNAL CASH FLOWS.

32.B.2 Valuations SHOULD be obtained from a qualified independent third party.

32.B.3 ACCRUAL ACCOUNTING SHOULD be used for dividends (as of the ex-dividend date).

32.B.4 The FIDUCIARY MANAGEMENT PROVIDER SHOULD accrue INVESTMENT MANAGEMENT FEES.

32.B.5 Returns SHOULD be calculated net of non-reclaimable withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes SHOULD be accrued.

32.B.6 The FIDUCIARY MANAGEMENT PROVIDER SHOULD incorporate the following hierarchy into its policies and procedures for determining FAIR VALUE for SCHEME 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 such prices are not available, then investments SHOULD be valued using;

b. Objective, observable quoted market prices for similar investments in active markets. If such prices are 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 such prices are not available or appropriate, then investments SHOULD be valued based on;

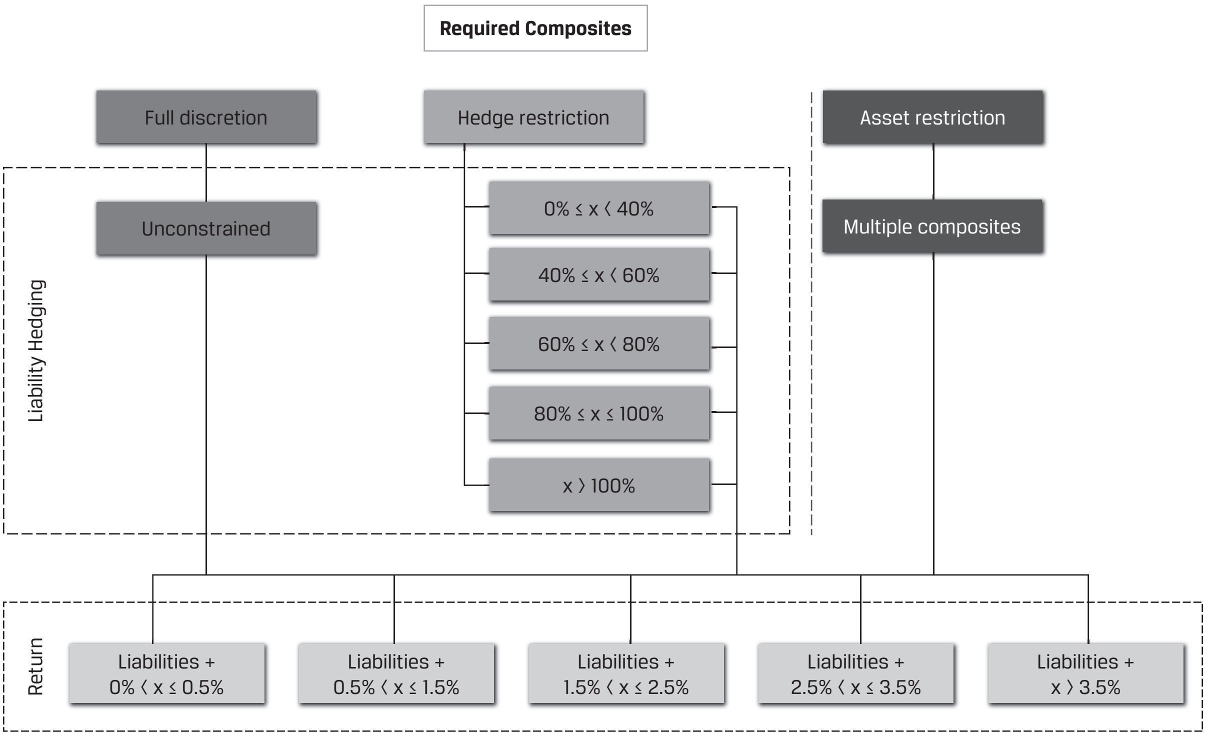
d. Market-based inputs, other than quoted prices, that are observable for the investment. If such inputs are not available or appropriate, then investments SHOULD be valued based on;

e. Subjective, unobservable inputs for the investment where markets are not active at the measurement date. Unobservable inputs SHOULD be used to measure FAIR VALUE only when observable inputs and prices are not available or appropriate. Unobservable inputs reflect the FIDUCIARY MANAGEMENT PROVIDER'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.

33. COMPOSITE MAINTENANCE

33.A. Composite Maintenance—Requirements

33.A.1 The FIDUCIARY MANAGEMENT PROVIDER MUST create COMPOSITES consistent with the following REQUIRED COMPOSITE STRUCTURE. (See Appendix A for a list of REQUIRED COMPOSITES.)



33.A.2 All actual discretionary SCHEMES included in TOTAL FIDUCIARY MANAGEMENT PROVIDER ASSETS MUST be included in at least one COMPOSITE that is consistent with the REQUIRED COMPOSITE STRUCTURE.

33.A.3 COMPOSITES MUST be defined according to investment mandate, objective, or strategy. COMPOSITES MUST include all SCHEMES that meet the COMPOSITE DEFINITION.

33.A.4 Any change to a COMPOSITE DEFINITION MUST NOT be applied retroactively.

33.A.5 COMPOSITES MUST include new SCHEMES on a timely and consistent COMPOSITE-specific basis after the FIDUCIARY MANAGEMENT PROVIDER becomes responsible for the SCHEME's performance.

33.A.6 Composites must include only those schemes that are managed for the full performance measurement period for which the composite return is calculated. Schemes that are not managed for the full performance measurement period must not be included in the composite.

33.A.7 Terminated schemes must be included in the historical performance of the composite up to the last full measurement period that each scheme was under management.

33.A.8 Schemes must not be moved from one composite to another unless documented client-directed changes to a scheme's investment mandate, objective, or strategy make it appropriate. The historical performance of the scheme must remain with the original composite. Schemes must not be moved into or out of composites as a result of the fiduciary management provider's tactical changes.

33.B. Composite Maintenance—Recommendations

33.B.1 Actual schemes may be included in composites other than those that are consistent with the required composite structure (e.g. sub-composites or umbrella composites), but fiduciary management providers are not required to create such composites.

34. GIPS COMPOSITE REPORT

34.A. Presentation and Reporting—Requirements

34.A.1 The FIDUCIARY MANAGEMENT PROVIDER MUST present in each GIPS COMPOSITE REPORT:

- **a.** At least five years of performance (or for the period since the COMPOSITE INCEPTION DATE if the COMPOSITE has been in existence less than five years) that meets the REQUIREMENTS of the GIPS standards for FMPs. After the FIDUCIARY MANAGEMENT PROVIDER presents a minimum of five years of performance in compliance with the GIPS standards for FMPs (or for the period since the COMPOSITE INCEPTION DATE if the COMPOSITE has been in existence less than five years), the FIDUCIARY MANAGEMENT PROVIDER MUST present an additional year of performance each year, building up to a minimum of 10 years of performance that is in compliance with the GIPS standards for FMPs.
- **b.** For unconstrained mandates, any information REQUIRED to be included in the GIPS COMPOSITE REPORT that is calculated using SCHEME RELATIVE RETURNS or COMPOSITE RELATIVE RETURNS MUST be presented relative to the liability BENCHMARK.
- **c.** For hedge-constrained mandates, any information REQUIRED to be included in the GIPS COMPOSITE REPORT that is calculated using SCHEME RELATIVE RETURNS or COMPOSITE RELATIVE RETURNS MUST be presented relative to both the liability BENCHMARK and the HEDGE RATIO–ADJUSTED BENCHMARK, with equal prominence.
- **d.** COMPOSITE RELATIVE RETURNS for each calendar year.
- **e.** When the initial period is less than a full year, the COMPOSITE RELATIVE RETURN from the COMPOSITE INCEPTION DATE through the initial calendar year end.
- **f.** When the COMPOSITE terminates, the COMPOSITE RELATIVE RETURN from the last calendar year end through the COMPOSITE TERMINATION DATE.
- **g.** The number of SCHEMES in the COMPOSITE as of each calendar year end. If the COMPOSITE contains three or fewer SCHEMES at calendar year end, the number of SCHEMES is not required.
- **h.** COMPOSITE assets as of each calendar year end.
- **i.** TOTAL FIDUCIARY MANAGEMENT PROVIDER ASSETS as of each calendar year end.
- **j.** Information about INTERNAL DISPERSION of annual individual SCHEME RELATIVE RETURNS for each calendar year.
  - **i.** If the COMPOSITE contains three or fewer SCHEMES for the full year, information about INTERNAL DISPERSION is not REQUIRED.

ii. If the COMPOSITE includes four to nine SCHEMES for the full calendar year, the median, high, and low annual individual SCHEME RELATIVE RETURNS MUST be presented.

iii. If the COMPOSITE includes 10 or more SCHEMES for the full calendar year, the median, high, low, 90th percentile, and 10th percentile annual individual SCHEME RELATIVE RETURNS MUST be presented.

k. The three-year annualized EX POST STANDARD DEVIATION (using monthly COMPOSITE RELATIVE RETURNS) as of each calendar year end.

l. The annualized EX POST STANDARD DEVIATION (using monthly COMPOSITE RELATIVE RETURNS) for the 3-, 5-, 7-, and 10-year periods and for the period from the COMPOSITE INCEPTION DATE through the most recent calendar year end.

m. The annualized COMPOSITE RELATIVE RETURNS for the 1-, 3-, 5-, 7-, and 10-year periods and for the period from the COMPOSITE INCEPTION DATE through the most recent calendar year end.

n. The three-year annualized INFORMATION RATIO (using monthly COMPOSITE RELATIVE RETURNS) as of each calendar year end.

o. The annualized INFORMATION RATIO (using monthly COMPOSITE RELATIVE RETURNS) for the 3-, 5-, 7-, and 10-year periods and for the period from the COMPOSITE INCEPTION DATE through the most recent calendar year end.

p. The MAXIMUM DRAWDOWN for the 1-, 3-, 5-, 7-, and 10-year periods and the period from the COMPOSITE INCEPTION DATE through the most recent calendar year end.

34.A.2 The FIDUCIARY MANAGEMENT PROVIDER MUST present the percentage of the total FAIR VALUE of COMPOSITE assets that were valued using subjective unobservable inputs (as described in Provision 32.B.6.e) as of the most recent calendar year end, if such investments represent a material amount of COMPOSITE assets.

34.A.3 The FIDUCIARY MANAGEMENT PROVIDER MUST clearly label or identify:

a. The periods that are presented.

b. The returns and risk measures that are presented.

34.A.4 If the COMPOSITE loses all of its member SCHEMES, the COMPOSITE track record MUST end. If SCHEMES are later added to the COMPOSITE, the COMPOSITE track record MUST restart. The periods both before and after the break in track record MUST be presented, with the break in performance clearly shown. The FIDUCIARY MANAGEMENT PROVIDER MUST NOT LINK performance prior to the break in track record to the performance after the break in track record.

34.B. Presentation and Reporting—Recommendations

34.B.1 The FIDUCIARY MANAGEMENT PROVIDER SHOULD present more than 10 years of annual performance in the GIPS COMPOSITE REPORT.

34.B.2 If the FIDUCIARY MANAGEMENT PROVIDER uses preliminary, estimated values as FAIR VALUE, the FIDUCIARY MANAGEMENT PROVIDER SHOULD present the percentage of assets in the COMPOSITE that were valued using preliminary, estimated values as of each calendar year end.

34.C. Disclosure—Requirements

34.C.1 Once the FIDUCIARY MANAGEMENT PROVIDER has met all the applicable REQUIREMENTS of the GIPS standards for FMPs, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose its compliance with the GIPS standards for FMPs as follows: "[Insert name of FIDUCIARY MANAGEMENT PROVIDER] claims compliance with the Global Investment Performance Standards (GIPS®) for FMPs and has prepared and presented this report in compliance with the GIPS standards for FMPs."

34.C.2 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the following: "GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein."

34.C.3 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the definition of the FIDUCIARY MANAGEMENT PROVIDER used to determine TOTAL FIDUCIARY MANAGEMENT PROVIDER ASSETS and FIDUCIARY MANAGEMENT PROVIDER–wide compliance.

34.C.4 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the COMPOSITE DESCRIPTION.

34.C.5 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the BENCHMARK.

34.C.6 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose or otherwise indicate the reporting currency.

34.C.7 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose that information about fees and other costs is available upon request.

34.C.8 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose that a list of COMPOSITE risks is available upon request.

34.C.9 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the COMPOSITE INCEPTION DATE.

34.C.10 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the COMPOSITE CREATION DATE.

34.C.11 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose that the list of COMPOSITE DESCRIPTIONS is available upon request.

34.C.12 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose that policies for valuing investments, calculating performance, and preparing GIPS COMPOSITE REPORTS are available upon request.

34.C.13 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose how leverage, derivatives, and short positions have been used historically, if material.

34.C.14 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose all significant events that would help a PROSPECTIVE CLIENT interpret the GIPS COMPOSITE REPORT. This disclosure MUST be included for a minimum of one year and for as long as it is relevant to interpreting the track record.

34.C.15 If the FIDUCIARY MANAGEMENT PROVIDER is redefined, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose the date and description of the redefinition.

34.C.16 If the COMPOSITE is redefined, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose the date and description of the redefinition.

34.C.17 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose changes to the name of the COMPOSITE. This disclosure MUST be included for a minimum of one year and for as long as it is relevant to interpreting the track record.

34.C.18 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose if SCHEME returns used to calculate COMPOSITE RELATIVE RETURNS are gross or net of withholding taxes, if material.

34.C.19 If the GIPS COMPOSITE REPORT conforms with laws and/or regulations that conflict with the REQUIREMENTS of the GIPS standards for FMPs, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose this fact and disclose the manner in which the laws and/or regulations conflict with the GIPS standards for FMPs.

34.C.20 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose the use of a SUB-ADVISOR and the periods a SUB-ADVISOR was used.

34.C.21 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose if the COMPOSITE's valuation hierarchy materially differs from the RECOMMENDED valuation hierarchy. (See Provision 32.B.6 for the RECOMMENDED valuation hierarchy.)

34.C.22 If a liability proxy BENCHMARK or a gilt of similar duration to the liabilities is used as the BENCHMARK, then the FIDUCIARY MANAGEMENT PROVIDER MUST disclose the following: "Some or all of the schemes have a performance track record using a liability proxy benchmark/gilt of similar duration to the liabilities. The level of volatility risk reported will typically be lower where a liability proxy benchmark/gilt of similar duration to the liabilities has been used."

34.C.23 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose if performance from a past FIDUCIARY MANAGEMENT PROVIDER is presented, and for which periods.

34.C.24 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose any change to the GIPS COMPOSITE REPORT resulting from the correction of a MATERIAL ERROR. Following the correction of the GIPS COMPOSITE REPORT, this disclosure MUST be included for a minimum of one year and for as long as it is relevant to interpreting the track record. This disclosure is not REQUIRED to be included in a GIPS COMPOSITE REPORT that is provided to a PROSPECTIVE CLIENT that did not receive the GIPS COMPOSITE REPORT containing the MATERIAL ERROR.

34.C.25 If the FIDUCIARY MANAGEMENT PROVIDER chooses to not present the number of SCHEMES in the COMPOSITE because there are three or fewer SCHEMES in the COMPOSITE, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose that the COMPOSITE contains three or fewer SCHEMES or use similar language.

34.C.26 If the FIDUCIARY MANAGEMENT PROVIDER chooses to not present the INTERNAL DISPERSION of annual individual SCHEME RELATIVE RETURNS because there are three or fewer SCHEMES in the COMPOSITE for the full year, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose that the INTERNAL DISPERSION measure is not applicable or use similar language.

34.C.27 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose if preliminary, estimated values are used to determine FAIR VALUE.

34.C.28 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose material changes to valuation policies and/or methodologies.

34.C.29 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose material changes to calculation policies and/or methodologies.

34.C.30 When calculating HEDGE RATIO–ADJUSTED BENCHMARKS, the FIDUCIARY MANAGEMENT PROVIDER MUST disclose the cash proxy or rate used.

34.C.31 The FIDUCIARY MANAGEMENT PROVIDER MUST disclose and describe any returns or risk measures that are included in the GIPS COMPOSITE REPORT beyond those that are REQUIRED to be included.

34.D. Disclosure—Recommendations

34.D.1 The FIDUCIARY MANAGEMENT PROVIDER SHOULD disclose material differences between the BENCHMARK and the COMPOSITE’s investment mandate, objective, or strategy.

34.D.2 The FIDUCIARY MANAGEMENT PROVIDER SHOULD disclose the key assumptions used to value investments.

34.D.3 The FIDUCIARY MANAGEMENT PROVIDER SHOULD disclose how research costs are reflected in returns.

GLOSSARY

ACCRUAL ACCOUNTING	The recording of transactions as income is earned or expenses are incurred, rather than when income is received, or expenses are paid (i.e., cash basis).
ADMINISTRATIVE FEE	All fees other than TRANSACTION COSTS and the INVESTMENT MANAGEMENT FEE. ADMINISTRATIVE FEES may include CUSTODY FEES, accounting fees, auditing fees, consulting fees, legal fees, performance measurement fees, and other related fees.
BENCHMARK	A point of reference against which the COMPOSITE's returns or risk are compared.
CLAWBACK	The repayment of previously earned PERFORMANCE-BASED FEES resulting from subsequent underperformance.
COMPLIANCE NOTIFICATION FORM	The form REQUIRED to be filed with CFA Institute to notify CFA Institute that the FIDUCIARY MANAGEMENT PROVIDER claims compliance with the GIPS standards for FMPs.
COMPOSITE	An aggregation of one or more SCHEMES that are managed according to a similar investment mandate, objective, or strategy.
COMPOSITE CREATION DATE	The date when the FIDUCIARY MANAGEMENT PROVIDER first groups one or more SCHEMES to create a COMPOSITE. The COMPOSITE CREATION DATE is not necessarily the same as the COMPOSITE INCEPTION DATE.
COMPOSITE DEFINITION	Detailed criteria that determine the assignment of SCHEMES to COMPOSITES. Criteria may include, but are not limited to the level of discretion, the nature of the BENCHMARK, any hedge ratio restriction, the objective or risk, and the asset restrictions that would materially affect performance.
COMPOSITE DESCRIPTION	General information regarding the investment mandate, objective, or strategy of the COMPOSITE. The COMPOSITE DESCRIPTION may be more abbreviated than the COMPOSITE DEFINITION but MUST include all 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, including: • If leverage, derivatives, and short positions are a material part of the strategy. • If ILLIQUID INVESTMENTS are a material part of the strategy.

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This list MUST also include the following information for each COMPOSITE:

- COMPOSITE name
- COMPOSITE CREATION DATE
- COMPOSITE INCEPTION DATE
- COMPOSITE TERMINATION DATE, if applicable
- Number of SCHEMES as of the most recent calendar year end.

COMPOSITE INCEPTION DATE	The initial date of the COMPOSITE's track record.
COMPOSITE RELATIVE RETURN	The equal-weighted average of SCHEME RELATIVE RETURNS.
COMPOSITE STRUCTURE	The grouping of COMPOSITES based on discretion, hedging restrictions, asset restrictions, and objective or risk.
COMPOSITE TERMINATION DATE	The date that the last SCHEME exits a COMPOSITE.
CRYSTALLIZATION SCHEDULE	The point in time when the FIDUCIARY MANAGEMENT PROVIDER is entitled to receive the PERFORMANCE-BASED FEE and the fee is effectively earned.
CUSTODY FEE	The fee payable to the custodian for the safekeeping of SCHEME assets. CUSTODY FEES are considered to be ADMINISTRATIVE FEES and typically contain an asset-based portion and a transaction-based portion. The CUSTODY FEE may also include charges for additional services, including accounting, securities lending, and/or performance measurement. Custodial fees that are charged per transaction SHOULD be included in the CUSTODY FEE and not included as part of TRANSACTION COSTS.
EX POST	After the fact.
EXTERNAL CASH FLOW	Capital (cash or investments) that enters or exits a SCHEME. Dividend and interest income payments are not considered EXTERNAL CASH FLOWS.
FAIR VALUE	The amount at which an investment could be sold in an arm's-length transaction between willing parties in an orderly transaction. 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 FIDUCIARY MANAGEMENT PROVIDER's best estimate of the FAIR VALUE. FAIR VALUE MUST include any accrued income.

FIDUCIARY MANAGEMENT PROVIDER	The entity defined for compliance with the GIPS standards for FMPs. A FIDUCIARY MANAGEMENT PROVIDER provides advice (or through an Interconnected Body Corporate of the provider, or a partnership or joint venture with the provider) and makes investment decisions on behalf of the Pension Scheme Trustees on an ongoing basis subject to the definition of Fiduciary Management Services in Part 2 of "The Investment Consultancy and Fiduciary Management Market Investigation Order 2019" issued on 10 June 2019 in respect of all or some of the pension SCHEME assets, for 100% of the Full Fiduciary Management Client Assets.
GEOMETRIC DIFFERENCE METHODOLOGY	Is equal to [(1 + NET RETURN)/(1 + BENCHMARK return)] – 1
GIPS COMPOSITE REPORT	A presentation for a COMPOSITE that contains all the information REQUIRED by the GIPS standards for FMPs and may also include RECOMMENDED information.
HEDGE RATIO–ADJUSTED BENCHMARK	The portion of the SCHEME in which the client has restricted the level of interest rate hedging and interest rate hedging is not allowed on the full liabilities.
HIGH WATERMARK	The return or value that a SCHEME MUST exceed for the FIDUCIARY MANAGEMENT PROVIDER to be entitled to earn a PERFORMANCE-BASED FEE.
HURDLE RATE	Minimum rate of return that a SCHEME MUST exceed in order for the FIDUCIARY MANAGEMENT PROVIDER to be able to accrue a PERFORMANCE-BASED FEE.
ILLIQUID INVESTMENTS	Investments that may be difficult to sell without a price reduction or that cannot be sold quickly because of a lack of market or ready/willing investors.
INFORMATION RATIO	Calculated as annualized COMPOSITE RELATIVE RETURN/annualized EX POST STANDARD DEVIATION of monthly COMPOSITE RELATIVE RETURNS.
INTERNAL DISPERSION	A measure of the spread of the annual individual SCHEME RELATIVE RETURNS within a COMPOSITE.
INVESTMENT MANAGEMENT FEE	The fee payable to the FIDUCIARY MANAGEMENT PROVIDER for management of a SCHEME. INVESTMENT MANAGEMENT FEES are typically asset based (percentage of assets), performance based (see "PERFORMANCE-BASED FEE"), or a combination of the two but may take different forms as well.

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LARGE CASH FLOW — The level at which the FIDUCIARY MANAGEMENT PROVIDER determines that an EXTERNAL CASH FLOW may distort the return if the SCHEME is not valued and a sub-period return is not calculated. The FIDUCIARY MANAGEMENT PROVIDER MUST define the amount in terms of the value of cash/asset flow or in terms of a percentage of the SCHEME assets. The FIDUCIARY MANAGEMENT PROVIDER MUST also determine if a LARGE CASH FLOW is a single EXTERNAL CASH FLOW or an aggregate of a number of EXTERNAL CASH FLOWS within a stated period.

LINK — The method by which sub-period returns are geometrically combined to calculate the period return, or by which periodic returns are geometrically combined to calculate longer-period returns, using the following formula:

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

where R_1, $R_2 \ldots R_n$ are the sub-period or periodic returns for sub-periods or periods 1 through n, respectively.

MATERIAL ERROR — An error in a GIPS COMPOSITE REPORT that MUST be corrected and disclosed in a corrected GIPS COMPOSITE REPORT.

MAXIMUM DRAWDOWN — Calculated as (peak value in COMPOSITE RELATIVE RETURN before largest drop – lowest value in COMPOSITE RELATIVE RETURN before a new high is established)/peak value in COMPOSITE RELATIVE RETURN before largest drop.

MUST — A provision, task, or action that is mandatory or REQUIRED to be followed or performed. (See "REQUIRE/REQUIREMENT.")

MUST NOT — A task or action that is forbidden or prohibited.

NET RETURN — The SCHEME return that reflects the deduction of all costs associated with the SCHEME's assets. These MUST include TRANSACTION COSTS, CUSTODY FEES, ADMINISTRATIVE FEES, and all other fees and expenses, including INVESTMENT MANAGEMENT FEES and PERFORMANCE-BASED FEES paid to the FIDUCIARY MANAGEMENT PROVIDER, underlying investment managers, and any SUB-ADVISORS.

PERFORMANCE-BASED FEE — A type of INVESTMENT MANAGEMENT FEE that is typically based on the SCHEME's performance on an absolute basis or relative to a BENCHMARK or other reference point.

PERFORMANCE-BASED FEE DESCRIPTION	General information regarding the PERFORMANCE-BASED FEE. It MUST include enough information to allow a PROSPECTIVE CLIENT to understand the key characteristics of the PERFORMANCE-BASED FEE. It MUST include relevant information (e.g., PERFORMANCE-BASED FEE, HURDLE RATE, CLAWBACK, HIGH WATERMARK, reset frequency, accrual frequency, CRYSTALLIZATION SCHEDULE) and on what basis fees are charged.
PERFORMANCE-RELATED INFORMATION	Includes: • Information expressed in terms of investment return and risk. • Other information and input data that directly relate to the calculation of investment return and risk (e.g., SCHEME holdings), as well as information derived from investment return and risk input data (e.g., performance contribution or attribution).
POOLED FUND	A fund whose ownership interests may be held by more than one investor.
PROSPECTIVE CLIENT	Any entity that has expressed interest in one of the FIDUCIARY MANAGEMENT PROVIDER'S COMPOSITE strategies and qualifies to invest in the COMPOSITE. Current clients may also qualify as PROSPECTIVE CLIENTS for any COMPOSITE strategy that differs from their current investment strategy. Investment consultants and other third parties are included as PROSPECTIVE CLIENTS if they represent entities that qualify as PROSPECTIVE CLIENTS.
RECOMMEND/ RECOMMENDATION	A suggested provision, 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.
SCHEME	A retirement account by which an employer, and usually an employee, pay into a fund that is invested to provide the employee with a pension at retirement.
SCHEME RELATIVE RETURN	The difference between the SCHEME NET RETURN and the BENCHMARK return.
SHOULD	A provision, task, or action that is RECOMMENDED to be followed or performed and is considered to be best practice but is not REQUIRED.
SINCE-INCEPTION	From the COMPOSITE INCEPTION DATE.

(continued)

STANDARD DEVIATION	A measure of the variability of returns. As a measure of INTERNAL DISPERSION, STANDARD DEVIATION quantifies the distribution of the individual SCHEME RELATIVE RETURNS within the COMPOSITE. As a measure of historical risk, STANDARD DEVIATION quantifies the variability of the COMPOSITE RELATIVE RETURNS over time. Also referred to as "external STANDARD DEVIATION."
SUB-ADVISOR	A third-party investment manager hired by the FIDUCIARY MANAGEMENT PROVIDER to manage some or all of the assets for which a FIDUCIARY MANAGEMENT PROVIDER has investment management responsibility. May also be referred to as a sub-manager or third-party investment manager.
THEORETICAL PERFORMANCE	Performance that is not derived from a SCHEME or COMPOSITE with actual assets invested in the strategy presented. THEORETICAL PERFORMANCE includes model, backtested, hypothetical, simulated, indicative, and forward-looking performance.
TIME-WEIGHTED RETURN (TWR)	A method of calculating period-by-period returns that reflects the change in value and negates the effects of EXTERNAL CASH FLOWS.
TOTAL FIDUCIARY MANAGEMENT PROVIDER ASSETS	All discretionary and non-discretionary assets for which a FIDUCIARY MANAGEMENT PROVIDER has investment management responsibility. TOTAL FIDUCIARY MANAGEMENT PROVIDER ASSETS include assets assigned to a SUB-ADVISOR provided the FIDUCIARY MANAGEMENT PROVIDER 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.
TRADE DATE ACCOUNTING	Recognizing the asset or liability on the date of the purchase or sale and not on the settlement date. Recognizing the asset or liability within three business days of the date upon which the transaction is entered (trade date, T + 1, T + 2, or T + 3) satisfies the TRADE DATE ACCOUNTING REQUIREMENT for purposes of the GIPS standards for FMPs.
TRANSACTION COSTS	The costs of buying or selling investments. These costs typically take the form of brokerage commissions, exchange fees and/or taxes, and/or bid–offer spreads from either internal or external brokers. Custodial fees charged per transaction SHOULD be considered CUSTODY FEES and not TRANSACTION COSTS.

APPENDIX A: REQUIRED COMPOSITES

A. Liabilities + 0% < x ≤ 0.5%
   1. Unconstrained
   2. Hedge restriction 0% ≤ x < 40%
   3. Hedge restriction 40% ≤ x < 60%
   4. Hedge restriction 60% ≤ x < 80%
   5. Hedge restriction 80% ≤ x ≤ 100%
   6. Hedge restriction x > 100%
   7. Asset restriction (May be unconstrained or hedge restricted)
B. Liabilities + 0.5% < x ≤ 1.5%
   1. Unconstrained
   2. Hedge restriction 0% ≤ x < 40%
   3. Hedge restriction 40% ≤ x < 60%
   4. Hedge restriction 60% ≤ x < 80%
   5. Hedge restriction 80% ≤ x ≤ 100%
   6. Hedge restriction x > 100%
   7. Asset restriction (May be unconstrained or hedge restricted)
C. Liabilities + 1.5% < x ≤ 2.5%
   1. Unconstrained
   2. Hedge restriction 0% ≤ x < 40%
   3. Hedge restriction 40% ≤ x < 60%
   4. Hedge restriction 60% ≤ x < 80%
   5. Hedge restriction 80% ≤ x ≤ 100%
   6. Hedge restriction x > 100%
   7. Asset restriction (May be unconstrained or hedge restricted)
D. Liabilities + 2.5% < x ≤ 3.5%
   1. Unconstrained
   2. Hedge restriction 0% ≤ x < 40%
   3. Hedge restriction 40% ≤ x < 60%
   4. Hedge restriction 60% ≤ x < 80%
   5. Hedge restriction 80% ≤ x ≤ 100%
   6. Hedge restriction x > 100%
   7. Asset restriction (May be unconstrained or hedge restricted)

E. Liabilities + x > 3.5%
   1. Unconstrained
   2. Hedge restriction 0% ≤ x < 40%
   3. Hedge restriction 40% ≤ x < 60%
   4. Hedge restriction 60% ≤ x < 80%
   5. Hedge restriction 80% ≤ x ≤ 100%
   6. Hedge restriction x > 100%
   7. Asset restriction (May be unconstrained or hedge restricted)

APPENDIX B: SAMPLE GIPS COMPOSITE REPORT

Big Ben Capital

Liability Plus 1.5%–2.5%, 60%–80% Hedging Constraint

1 January 2012 to 31 December 2019

Year	Composite Relative Net Returns to Full Liabilities TWR (%)	Composite Relative Net Returns to Hedge-Adjusted Liabilities TWR (%)	Annualized 36-Month Ex Post Std Dev to Full Liabilities (%)	Annualized 36-Month Information Ratio to Full Liabilities (%)	Annualized 36-Month Ex Post Std Dev to Hedge-Adjusted Liabilities (%)	Annualized 36-Month Information Ratio to Hedge-Adjusted Liabilities (%)	Number of Schemes	Composite Assets (£)	FMP Assets (£)
2019	−1.43	0.70	4.9	0.40	4.2	1.49	19	1,209,361,816	19,165,797,401
2018	1.36	1.84	5.1	0.58	4.5	0.88	19	1,354,208,490	20,898,279,167
2017	2.07	3.62	4.3	0.75	3.9	1.15	17	2,158,777,509	33,783,685,587
2016	−0.48	−1.47	4.8	−0.34	4.1	0.10	15	2,376,390,223	33,900,003,181
2015	1.62	2.34	4.4	−1.00	3.8	−0.04	15	2,148,356,889	32,257,610,946
2014	−2.71	−0.42	4.7	−1.16	4.3	−0.28	14	2,221,179,001	36,774,486,772
2013	−3.30	−2.04					2	1,968,762,570	33,200,043,339
2012	0.48	1.28					2	1,599,135,439	42,469,533,317

	Dispersion of Scheme Relative Net Returns to Full Liabilities						Dispersion of Scheme Relative Net Returns to Hedge-Adjusted Liabilities				
Year	**Low**	**10th Percentile**	**Median**	**90th Percentile**	**High**	**Year**	**Low**	**10th Percentile**	**Median**	**90th Percentile**	**High**
2019	−2.09	−2.00	−1.51	−0.94	−0.22	2019	0.26	0.35	0.84	1.41	2.13
2018	0.61	0.93	1.40	1.89	2.08	2018	0.94	1.26	1.73	2.22	2.41
2017	0.60	1.32	2.11	3.00	3.82	2017	2.04	2.76	3.55	4.44	5.26
2016	−1.06	−0.86	−0.46	0.32	0.81	2016	−2.00	−1.80	−1.40	−0.62	−0.13
2015	−0.85	0.76	1.43	1.87	2.29	2015	−0.13	1.48	2.15	2.59	3.01
2014	−3.82		−2.38		−0.05	2014	−1.83		−0.39		1.94
2013						2013					
2012						2012					

	Annualized Composite Relative Net Returns to Full Liabilities				Annualized Composite Relative Net Returns to Hedge-Adjusted Liabilities			
Period	Relative Net Return	Ex Post Std Dev	Information Ratio	Maximum Drawdown	Relative Net Return	Ex Post Std Dev	Information Ratio	Maximum Drawdown
1 Year	−1.43	–	–	−0.73	0.70	–	–	−0.12
3 Year	1.84	4.9	0.40	−0.84	2.05	4.4	1.49	−0.46
5 Year	0.86	4.1	0.61	−2.88	1.39	4.8	1.59	−2.68
7 Year	0.52	4.3	−0.69	−3.12	0.65	4.1	1.16	−2.94
Since Inception	0.46	4.2	−0.52	−3.12	0.73	3.9	1.43	−2.94

1. Big Ben Capital claims compliance with the Global Investment Performance Standards (GIPS®) for FMPs and has prepared and presented this report in compliance with the GIPS standards for FMPs.
2. Big Ben Capital is a privately owned investment manager registered in the United Kingdom that provides fiduciary management services to UK pension schemes.
3. The composite includes all schemes with a return target of the liability plus between 1.5% and 2.5%, with a 60%–80% hedging constraint. Interest rate swaps are used to extend the duration of scheme assets to match liabilities greater than 15 years. As of 31 December 2019, there were 19 schemes in the composite. A list of composite risks is available upon request.
4. Composite Relative Net Return to Full Liabilities: Composite relative net returns are calculated as the difference between the scheme net return and the full liabilities benchmark of the individual scheme used to report performance to the client. The liabilities benchmark is calculated by using either the full liability cash flows, a liability proxy benchmark constructed from gilts or swaps, or if neither of these exist, a gilt of similar duration to the liabilities. Some of the schemes have a performance track record using liability proxy benchmarks and gilts of similar duration to the liabilities. The level of volatility risk reported will typically be lower when a liability proxy benchmark or gilt of similar duration to the liabilities has been used.
5. Composite Relative Net Return to Hedge Ratio–Adjusted Liabilities: Composite relative net returns are calculated as the difference between the scheme net return and the hedge ratio–adjusted liability benchmark of the individual scheme used to report performance to the client. The hedge ratio–adjusted liability is calculated by including cash for the proportion of liabilities where interest rate hedging is not allowed and including the full liabilities for the proportion of the liabilities where hedging is allowed. The ABC cash rate is used where interest rate hedging is not allowed.

6. Scheme net returns are net of actual fees and costs, including transaction costs, custody, and other administrative fees, and investment management fees. Information about fees and other costs is available upon request. Returns are net of non-reclaimable withholding taxes. All returns and assets are presented in British pounds.
7. The composite was created in January 2020. The composite inception date is 1 January 2012.
8. The list of composite descriptions is available upon request.
9. Policies for valuing investments, calculating performance, and preparing GIPS Composite Reports are available upon request.
10. The three-year annualized ex post standard deviation measures the variability of monthly composite relative net returns over the preceding 36 months.
11. Dispersion of scheme relative net returns to full liabilities and hedge-adjusted liabilities is not presented for 2012 and 2013 because there were three or fewer schemes in the composite for the entire year and the dispersion information would not be meaningful.
12. Effective 1 June 2015, senior portfolio manager John Smith left the firm. Jane Doe took over as senior portfolio manager.
13. A sub-advisor was used for some investments for the periods from 1 January 2012 through 31 July 2015.
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