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Global Investment Performance Standards

2010

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ISBN 978-0-938367-24-6

29 March 2010

V. GLOSSARY

ACCRUAL ACCOUNTING	The recording of financial transactions as they come into existence rather than when they are paid or settled.
ADDITIONAL INFORMATION	Information that is REQUIRED or RECOMMENDED under the GIPS standards and is not considered SUPPLEMENTAL INFORMATION.
ADMINISTRATIVE FEE	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, and other related fees. (See “BUNDLED FEE”)
ALL-IN FEE	A type of BUNDLED FEE that can include any combination of INVESTMENT MANAGEMENT FEES, TRADING EXPENSES, CUSTODY FEES, and ADMINISTRATIVE FEES. ALL-IN FEES are client specific and typically offered in certain jurisdictions where asset management, brokerage, and custody services are offered by the same company.
BENCHMARK	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 INVESTMENT MANAGEMENT FEES, TRADING EXPENSES, CUSTODY FEES, and/or ADMINISTRATIVE FEES. Two examples of BUNDLED FEES are WRAP FEES and ALL-IN FEES.
CAPITAL EMPLOYED (REAL ESTATE)	The denominator of the return calculations and is defined as the “weighted-average equity” (weighted-average capital) during the measurement period. CAPITAL EMPLOYED does not include any INCOME RETURN or CAPITAL RETURN earned during the measurement period. Beginning capital is adjusted by weighting the EXTERNAL CASH FLOWS that occurred during the period.
CAPITAL RETURN (REAL ESTATE)	The change in value of the REAL ESTATE investments and cash and/or cash equivalent assets held throughout the measurement period, adjusted for all capital expenditures (subtracted) and net proceeds from sales (added). The CAPITAL RETURN is computed as a percentage of the CAPITAL EMPLOYED. Also known as “capital appreciation return” or “appreciation return.”

CARRIED INTEREST (REAL ESTATE and PRIVATE EQUITY)	The profits that GENERAL PARTNERS are allocated from the profits on the investments made by the investment vehicle. Also known as “carry” or “promote.”
CARVE-OUT	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 vehicle where the number of investors, total COMMITTED CAPITAL, 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 by investors (LIMITED PARTNERS and the GENERAL PARTNER) or by the FIRM. COMMITTED CAPITAL is typically not drawn down at once but drawn down over 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 one or more PORTFOLIOS managed according to a similar investment mandate, objective, or strategy.
COMPOSITE CREATION DATE	The date when the FIRM first groups one or more PORTFOLIOS 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 PORTFOLIOS to COMPOSITES. 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. 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. (See the Sample List of Composite Descriptions in Appendix C)

COMPOSITE INCEPTION DATE	The initial date of the COMPOSITE’s performance record. The COMPOSITE INCEPTION DATE is not necessarily the same as the COMPOSITE CREATION DATE.
COMPOSITE TERMINATION DATE	The date that the last PORTFOLIO exits a COMPOSITE.
CUSTODY FEE	The fees payable to the custodian for the safekeeping of PORTFOLIO 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 TRADING EXPENSES.
DIRECT INVESTMENTS (PRIVATE EQUITY)	Investments made directly in PRIVATE EQUITY investments rather than investments made in fund investment vehicles or cash and/or cash equivalents.
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: <ul style="list-style-type: none"> • 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 stock distributed to LIMITED PARTNERS (or investors) from an investment vehicle. DISTRIBUTIONS are typically at the discretion of the GENERAL PARTNER (or the FIRM). DISTRIBUTIONS include both callable and non-callable DISTRIBUTIONS.
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 ongoing subscriptions and/or redemptions by investors.
EX-ANTE	Before the fact.
EX-POST	After the fact.
EXTERNAL CASH FLOW	Capital (cash or investments) that enters or exits a PORTFOLIO.
EXTERNAL VALUATION (REAL ESTATE)	An assessment of value performed by an independent external third party who is a qualified, PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRaiser.

FAIR VALUE	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.
FEE SCHEDULE	The FIRM'S current schedule of INVESTMENT MANAGEMENT FEES or BUNDLED FEES relevant to the particular COMPLIANT PRESENTATION.
FINAL LIQUIDATION DATE (REAL ESTATE and PRIVATE EQUITY)	The date when the last PORTFOLIO in a COMPOSITE is fully distributed.
FIRM	The entity defined for compliance with the GIPS standards. (See "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 LIMITED PARTNERSHIP. The GENERAL PARTNER retains liability for the actions of the LIMITED PARTNERSHIP. The GENERAL PARTNER is typically the fund manager, and the LIMITED PARTNERS (LPs) are the other investors in the LIMITED PARTNERSHIP. The GENERAL PARTNER earns an INVESTMENT MANAGEMENT FEE that typically includes a percentage of the LIMITED PARTNERSHIP'S profits. (See "CARRIED INTEREST")
GROSS-OF-FEES	The return on investments reduced by any TRADING EXPENSES incurred during the period.
GROSS-OF-FEES (REAL ESTATE and PRIVATE EQUITY)	The return on investments reduced by any TRANSACTION EXPENSES incurred during the period.
INCOME RETURN (REAL ESTATE)	The investment income earned on all investments (including cash and cash equivalents) during the measurement period net of all non-recoverable expenditures, interest expense on debt, and property taxes. The INCOME RETURN is computed as a percentage of the CAPITAL EMPLOYED.
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, range, or STANDARD DEVIATION (asset weighted or equal weighted) of PORTFOLIO returns.

INTERNAL VALUATION
(REAL ESTATE)

A FIRM'S best estimate of value based on the most current and accurate information available under the circumstances. INTERNAL VALUATION methodologies include 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.

INVESTMENT MANAGEMENT FEE

A fee payable to the FIRM for the management of a PORTFOLIO. 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. INVESTMENT MANAGEMENT FEES also include CARRIED INTEREST.

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

TOTAL VALUE divided by SINCE INCEPTION PAID-IN CAPITAL.

LARGE CASH FLOW

The level at which the FIRM determines that an EXTERNAL CASH FLOW may distort performance if the PORTFOLIO is not valued. FIRMS MUST define the amount in terms of the value of cash/asset flow or in terms of a percentage of the PORTFOLIO assets or the COMPOSITE assets.

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, and the LIMITED PARTNERS are generally protected from legal actions and any losses beyond their COMMITTED CAPITAL.

LIMITED PARTNERSHIP
(REAL ESTATE and
PRIVATE EQUITY)

The legal structure used by most PRIVATE EQUITY and REAL ESTATE CLOSED-END FUNDS. LIMITED PARTNERSHIPS are usually fixed life investment vehicles. The GENERAL PARTNER manages the LIMITED PARTNERSHIP pursuant to the partnership agreement.

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. **Presentation 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 price at which investors can buy or sell an investment at a given time multiplied by the quantity held plus any accrued income.

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-OF-FEES	The GROSS-OF-FEES return reduced by INVESTMENT MANAGEMENT FEES (including PERFORMANCE-BASED FEES and CARRIED INTEREST).
OPEN-END FUND (REAL ESTATE and PRIVATE EQUITY)	A type of investment vehicle where the number of investors and the total COMMITTED CAPITAL is not fixed and is open for subscriptions and/or redemptions. (See “EVERGREEN FUND”)
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 amount of COMMITTED CAPITAL that has been drawn down SINCE INCEPTION. PAID-IN CAPITAL includes DISTRIBUTIONS that are subsequently recalled by the GENERAL PARTNER or FIRM and reinvested into the investment vehicle.
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)	SINCE INCEPTION PAID-IN CAPITAL divided by cumulative COMMITTED CAPITAL.
PORTFOLIO	An individually managed group of investments. A PORTFOLIO may be an account or pooled investment vehicle.
PRIMARY FUND (PRIVATE EQUITY)	An investment vehicle that makes DIRECT INVESTMENTS rather than investing in other investment vehicles.

PRIVATE EQUITY	Investment strategies include, but are not limited to, 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 their experience and test results.
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	Investments in: <ul style="list-style-type: none"> • 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., 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)	$\text{SINCE INCEPTION DISTRIBUTIONS} \div \text{SINCE INCEPTION PAID-IN CAPITAL}$
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. (See “ MUST ”)
RESIDUAL VALUE (PRIVATE EQUITY and REAL ESTATE)	The remaining equity that LIMITED PARTNERS (or investors) have in an investment vehicle at the end of the performance reporting period.
RVPI (REAL ESTATE and PRIVATE EQUITY)	RESIDUAL VALUE divided by 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.
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 . (See “ RECOMMEND/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 implied discount rate or effective compounded rate of return that equates the present value of cash outflows with the present value of cash inflows. 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 PRESENTATION that supplements or enhances the REQUIRED and/or RECOMMENDED provisions of the GIPS standards.
TEMPORARY NEW ACCOUNT	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 a SIGNIFICANT CASH FLOW on a PORTFOLIO. When a SIGNIFICANT CASH FLOW occurs in a PORTFOLIO, the FIRM may direct the EXTERNAL CASH FLOW to a TEMPORARY NEW ACCOUNT according to the COMPOSITE'S SIGNIFICANT CASH FLOW policy.
TIME-WEIGHTED RATE OF RETURN	A method of calculating period-by-period returns that negates the effects of EXTERNAL CASH FLOWS.
TOTAL FIRM ASSETS	All discretionary and non-discretionary assets for which a FIRM has investment management responsibility. TOTAL FIRM ASSETS includes assets 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 rate of return, including all CAPITAL RETURN and INCOME RETURN components, expressed as a percentage of the CAPITAL EMPLOYED over the measurement period.
TOTAL VALUE (REAL ESTATE and PRIVATE EQUITY)	RESIDUAL VALUE plus DISTRIBUTIONS.
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 days of the date the transaction is entered into (trade date, T+ 1, T+2, or T+3) 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 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 TRADING EXPENSES.
TRANSACTION EXPENSES (REAL ESTATE and PRIVATE EQUITY)	All actual legal, financial, advisory, and investment banking fees related to buying, selling, restructuring, and/or recapitalizing PORTFOLIO 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.
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: <ol style="list-style-type: none"> 1. The year of the investment vehicle’s first drawdown or 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 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. WRAP FEES can be all-inclusive, asset-based fees and may include a combination of INVESTMENT MANAGEMENT FEES, TRADING EXPENSES, CUSTODY FEES, and/or ADMINISTRATIVE FEES. A WRAP FEE PORTFOLIO is sometimes referred to as a “separately managed account” (SMA) or “managed account.”