



The Spaulding Group – GIPS® Common Mistakes

The GIPS standards afford many opportunities for making mistakes; this is partly due to the Standards' complexity but also because every situation cannot be anticipated.¹ Here is a list of some of the common mistakes we have seen:

- not using the GIPS provisions for real estate and private equity when the firm should be
- using the GIPS provisions for real estate and private equity when they do not have to be
- noting the number of portfolios at the end of the period as the number of portfolios in the period the entire year
- calculating dispersion using accounts not in the composite the entire period
- not annualizing the three-year standard deviation
- not creating GIPS presentations for all composites (including nonmarketed)
- not indicating whether the returns are gross- or net-of-fee
- failing to include a fee schedule
- referring to another document (e.g., the SEC ADV Part II) rather than including the fee schedule in the presentation
- omitting the currency the returns and assets are based in
- not writing the compliance statement verbatim
- not having a description of the benchmark
- not highlighting gaps in performance history
- not differentiating between a composite description and definition
- showing the composite inception date rather than the composite creation date
- not having a policy that clearly articulates the firm's rules for discretion
- having an incomplete error correction policy
- failing to have a policy to ensure "the existence and ownership of client assets"
- inconsistent timing on adding new accounts to composites
- missing accounts that should be removed from composites because their assets fall below the composite's minimum
- failing to keep up with changes in the Standards.

¹ Note that this is a partial list, and a more expansive one is available; just contact us to get a copy.

² ¶ I.O.A.5