



## GIPS® Standards 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. Here is a list of some of the common mistakes we have seen:

- not distributing GIPS reports to all prospective clients and prospective investors
- not tracking the distribution of GIPS reports
- calculating dispersion using accounts not in the composite the entire period
- not annualizing the three-year standard deviation
- not correctly applying the GIPS standards provisions for private market investments
- 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
- not differentiating between a composite description and definition
- not having a policy that clearly articulates the firm's rules for discretion
- having an incomplete error correction policy
- not documenting all of the reasons an account may be excluded from a composite
- not creating GIPS reports for, or being able to do so upon request, for all composites and/or pooled funds
- not indicating whether the returns are gross-of-fee or net-of-fee
- failing to include a fee schedule
- referring to another document (e.g., the SEC ADV Brochure) rather than including the fee schedule in the GIPS report
- failing to add the three-year standard deviation once the composite and/or pooled fund has three annual periods
- presenting the number of portfolios at the end of the period in the GIPS report as the number of portfolios included for the entire year
- not writing the compliance statement verbatim
- not having a description of the benchmark
- not highlighting gaps in performance history
- failing to keep up with changes in the Standards

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