



Performance Perspectives

Insights from the performance experts

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If We Could Only Rethink Asset-Weighting

By David D. Spaulding, DPS, CIPM

The AIMR-PPS^{®1} went into effect in 1993; i.e., more than 32 years ago. For the most part, it was welcomed by one-and-all, with the exception of one of its requirements: that the composite returns be asset- not equal-weighted.

Two industry groups, the ICAA² and IMCA³ opposed this, rather strongly. So much so that IMCA launched its own standard, that also went into effect in 1993. Suffice it to say, the AIMR-PPS had a stronger following, and eventually both the ICAA and IMCA endorsed the AIMR-PPS.

Their opposition boiled down to, as I recall, their concern that managers would favor larger clients, since these larger clients' returns would have a greater impact on the overall composite return. Fortunately, the U.S. Securities & Exchange Commission (SEC) prohibits such favoritism, and I'm unaware of any evidence that this has occurred.

When the GIPS[®] standards went into effect in 1999, there was no opposition to the asset-weighting requirement, at least that I'm aware of. In hindsight, that's unfortunate.

Why asset-weight?

As I recall, the argument for asset-weighting was so that the composite would look like a single portfolio. Well, this could have been accomplished by using the aggregate method. But rather than require this formula,⁴ asset-weighting was mandated.

Think about it: does a prospect really want to see an asset-weighted return, though?

The manager is not managing the composite; he/she is managing the underlying portfolios. We should care how the individual portfolios did, right? And this is represented by equal-weighting.

If, for example, a composite has 10 accounts, and one is a great deal larger than the others, so much so that the composite return is skewed in the direction of the largest account, is that meaningful in anyway to the prospect?

Wouldn't you think they'd be more interested in the average experience of all investors?

Recent events that spawned this piece

The reality is, the Standards are not about to change, not after 30+ years. But, it's still worth reflecting on this.

Coincidentally, I conducted back-to-back GIPS standards verifications recently, that both dealt with this matter.

The first was a client who had mistakenly established a policy for excluding accounts: that if the account was "too large" (i.e., above some threshold), it would be excluded from the composite. The reason for this was their portfolio manager was concerned that account would skew the composite's return. Well, in reality, it's supposed to skew the return: that's the whole point of asset-weighting, right?

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The Voice

Have You Noticed?

Written by: David D. Spaulding, DPS, CIPM

Restaurant servers and a change in their grammar

Over the past few years, I've noticed a shift in the way restaurant servers interact with guests, kind of evolving "server speak" that's become increasingly common. While language is always changing, some of these expressions stand out, not just for their novelty but for how they depart from traditional grammar rules. And to be clear, this isn't about those for whom English is a second language; rather, this seems to be a homegrown phenomenon among American-born servers.

The "Server's We"

One of the more noticeable trends is what I've come to call the *Server's We*. My wife and I are frequently greeted with lines like, "How are we tonight?" or "Are we ready to order?" or "What are we having for dinner?" It's a pattern that's hard to miss and seems to have become the default for many.

While it's likely meant to foster warmth or a sense of togetherness, I can't help but wonder: are they planning to join us for the meal? Whatever happened to the simple "you," as in, "How are you tonight?" or "What will you have for dinner?" It seems the intent is to establish a kind of camaraderie, though the effect may be more curious than connective.

That said, their two prior verifiers allowed this. When I learned of it, I told them that not only was this in conflict with the rules, they had to retroactively put the large account back into the composite.⁵ Had there been some reason other than size (e.g., if this account mandated something that would have caused them to be excluded, anyway), then this wouldn't have been necessary. The client must now go back over the past 25 years⁶ of performance and add this account, which isn't going to be an easy task.

The second client was quite like the example I showed above. That is, they added an ETF that they just launched to the composite, and because this ETF's return differs, for a variety of reasons, from those of the five separate accounts in the composite, it is skewing the return so much that at times the composite return actually equals that of the ETF. It is having a material effect on both the monthly and annual composite returns. While I think there's justification⁷ to exclude the ETF, the client wants to include it, no doubt because it raises the composite's assets by quite a bit.

I suggested to this latter client that they include the equal-weighted composite return⁸ in this composite's GIPS report, and they will. To me, this is a much better representation of the performance of the composite's underlying portfolios.

That ship has sailed

While we cannot do anything about changing the way composite returns are calculated, we can, as the one client mentioned above is doing, include the equal-weighted composite return. I've done hundreds of GIPS verifications, and have never seen the composite's equal-weighted return shown. In reality, the asset-weighted return is probably relatively close to the equal-weighted return, in most cases. But, there will be times when it isn't (as noted above). In those cases, it would be incumbent upon the firm to include the equal-weighted composite return.

¹ Association for Investment Management & Research, Performance Presentation Standards. AIMR was the prior name for CFA Institute.

² Investment Counsel Association of America; now the IAA or Investment Adviser Association.

³ Investment Management Consultants Association; now the Investments and Wealth Institute.

⁴ Which I'm actually pleased with, because the aggregate method actually conflicts with the definition of what a composite return is supposed to measure. See "An Analysis of the Aggregate Method to Calculate Composite Returns," *The Journal of Performance Measurement*®, Winter 2010 / 2011.

⁵ As a "sanity check," I confirmed with both my fellow TSG verifiers and the GIPS Help Desk that my understanding was, in fact, correct. I knew that this would cause our client a lot of work, and didn't want to ask them to do something they didn't really need to do.

⁶ While the Standards only require a minimum of ten (or since inception) to start, building to ten, this client likes to show their since inception returns in their GIPS reports.

⁷ My basis for this belief is that the ETF experiences daily cash flows, which results in much more frequent trading, which is quite unlike that of the separate accounts.

⁸ See ¶ 4.B.2.b. Since this is a recommendation, it is not "supplemental information." I suggest you include a footnote to explain the difference.

Of course, this use of "we" is very different from the *royal* we, historically used by monarchs or those in high office to refer to themselves. And it differs as well from the editorial "we" that many writers, including myself, use in place of "I." Those are first-person uses. The *Server's We*, by contrast, is a second-person substitute: one that replaces "you" with "we," in ways that can feel oddly intimate or presumptuous.

Other Plural Oddities

At a favorite restaurant of ours, Ocean Prime in Naples (where my wife and I first met), we've encountered another curious habit: being greeted with, "Good evening, ladies and gentlemen," even when there are clearly only two of us. The plural feels strangely theatrical. It raises questions: Is this part of the server's personal flair? A standard greeting used regardless of table size? Or simply an attempt at showmanship?

A Compliment or a Cue?

Then there's the occasional "Good afternoon, young man," delivered by a bartender or server, often one who appears to be in their 30s or 40s. Now, I'm not one to call myself "old" (I prefer "older"), but I haven't been "young" by any stretch for quite a while. Is this just playful banter? An attempt at flattery? Or a subtle tactic to earn a larger tip?

So What's Going On?

I appreciate creativity in language as it can add color to conversation and a human touch to service. But at the same time, clarity and thoughtfulness matter. Using the wrong pronoun, ignoring the number of people at the table, or misjudging someone's age can come across as more awkward than endearing.

These quirks aren't grave offenses by any means, just fascinating shifts in language and tone worth noticing. Perhaps they're harmless. Perhaps they're a new norm. Either way, they've certainly caught my attention and are a bit annoying.

Any thoughts?

P.S. Patrick Fowler noted (unsurprisingly) that I'm not the first to observe these patterns. For a bit of fun, here's a light take from The Chicago Tribune:
<https://tinyurl.com/52bsp5mx>

Institute / Training

Access TSG's Online Training Content With One Pass

Our classes cover a wide range of performance measurement concepts, including the Fundamentals (Rates of Return, Attribution, Benchmarking, Risk, and the GIPS standards), and deeper dives into Attribution to include Equity Attribution, Fixed Income Attribution, Multi-Level Attribution, and Multi-Period Attribution. Students will also have access to the newly released Python for the Performance Measurement Professional class. Whether you want to get new members of your performance team trained, or you're looking to fill in gaps of experienced staff, these classes fit every experience level. This is also a great way to give non-performance professionals a solid overview of performance methodologies and jargon.

The multi-pass gives students *unrestricted access* to TSG's entire suite of on-demand training classes and conference recordings available on our online training Institute. This includes more than 80 lessons and over 50 hours of content that's directly beneficial to investment professionals. To learn more, contact Andrew Tona at (ATona@TSGPerformance.com).



GIPS®

TIPS

Train Your Team on GIPS Standards Updates

Conduct an internal training session to review any recent guidance and updates, including Q&As that have been released. This is especially important for ensuring everyone is aligned with new procedures or interpretations of the GIPS standards.

Experience "White Glove" GIPS Standards Verification With TSG

Are you tired of being treated like just another number by your GIPS verifier? At TSG, we prioritize your satisfaction and success above all else.

Partnering with us means gaining access to a team of seasoned GIPS specialists dedicated to delivering unparalleled service and exceptional value. Whether you're seeking a new verifier, preparing for your initial verification, or just starting to explore GIPS compliance, TSG is the best choice.

Why Choose TSG?

Unmatched Expertise: Our experienced team brings unmatched proficiency in the GIPS standards, ensuring thorough and efficient (not "never-ending") verifications.

Personalized Support: We understand that the journey toward GIPS compliance is complex. That's why we offer ongoing support and guidance as needed, as well as access to a suite of exclusive proprietary tools, designed to make compliance and verification as easy as possible for you and your firm.

Actionable Insights: When you choose TSG, you will work with ONLY highly experienced senior-level GIPS and performance specialists. Their expertise translates into actionable advice, helping you navigate the complexities of the Standards in the most ideal way for your firm.

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Quote of the Month

"The Stock Market is designed to transfer money from the active to the patient."

– Warren Buffett

Industry Dates and Conferences

Celebrating 35 Years of Excellence: What to Expect from TSG in 2025

As TSG marks its 35th anniversary, we're thrilled to announce a dynamic lineup of events, learning opportunities, and networking activities designed to elevate your performance measurement expertise and strengthen our vibrant community. Here's what's in store for the year ahead:

May: PMAR North America

Join the Premier Conference in Investment Performance Measurement

- May **21st-22nd: PMAR North America** at The Heldrich in New Brunswick – Experience cutting-edge sessions and thought-provoking discussions led by top industry speakers.

For over 26 years, PMAR has been the flagship conference where investment performance professionals gather to shape the industry's future.

June: EMEA Forum in Belfast

- June 19th-20th: Performance Measurement Forum (EMEA)** – Belfast, Northern Ireland – Convene with global leaders for dynamic discussions.

Explore performance and risk topics, implementation strategies, and innovative solutions tailored to the European market.

July: Toronto Networking Event

- July 22nd: Performance Measurement Networking in Toronto, Canada** – Partnering with Rimes Technologies and First Rate, this event provides a space to connect and share insights.

Stay tuned for additional details on this interactive gathering in one of Canada's key financial hubs.

September: PMAR Europe in London

- September 17th: PMAR Europe** – London's premier event for innovation and networking.

This is the European counterpart to our North American event, focusing on cutting-edge topics and innovations.

October: Performance Training in San Francisco

Develop key skills with our in-depth, in-person training programs:

- October 7th-8th: Fundamentals of Performance Measurement Training** – Ideal for newcomers or those seeking a refresher.
- October 8th-9th: Performance Measurement Attribution Training** – Dive deep into attribution methodologies to enhance your expertise.

November: Fall EMEA Forum in Copenhagen

- November 6th-7th: Performance Measurement Forum (EMEA)** – Copenhagen, Denmark – Expand your perspective with insights from global leaders at our fall meeting in Denmark.

The Journal of Performance Measurement®

This month's article brief spotlights "The Importance of Quality Verification" by Chris Lourens of Solve Consulting, which was published in the Winter 2024/2025 issue of *The Journal of Performance Measurement*. You can access this article by subscribing ([for free](#)) to *The Journal* ([link here](#)).

This article discusses the importance of quality verification in the context of the Global Investment Performance Standards (GIPS®). It highlights the risks and negative impacts of using inexperienced verifiers who lack asset management and performance expertise. The document uses real examples from an anonymous country, to illustrate how subpar verification can lead to widespread non-compliance and false claims of GIPS compliance. It emphasizes the need for proper education, asking the right questions, and improving the verification process to ensure firms truly comply with GIPS standards.

To confirm your email address, click the graphic below. If you're a subscriber but haven't received a link to the current issue, please reach out to Doug Spaulding at DougSpaulding@TSGperformance.com.

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Upcoming Webinars / Surveys

In Case You Missed It...

Webinar Replay: [Should Your Firm Pursue GIPS® Compliance and Verification?](#)

Webinar Replay: [Recently Published SEC Marketing Rule FAQ](#)

The Institute of Performance Measurement

On Demand Investment Performance Measurement Education

Article Submissions

The Journal of Performance Measurement® Is Currently Accepting Article Submissions

The Journal of Performance Measurement is currently accepting article submissions on topics including performance measurement, risk, ESG, AI, and attribution. We are particularly interested in articles that cover practical performance issues and solutions that performance professionals face every day. All articles are subject to a double-blind review process before being approved for publication. White papers will also be considered. For

December: Year-End Wrap-Up in Louisville

Conclude 2025 with these essential events:

- **December 3rd: Fall Asset Owner Roundtable (AORT)** – Louisville, KY – Advanced discussions to round out the year.
- **December 4th-5th: Fall North American Forum** – Louisville, KY – Close the year with innovation and collaboration.

Celebrating 35 Years of Excellence

- We take immense pride in our legacy of success, innovation, and leadership. As we look ahead, TSG remains committed to advancing the field of investment performance measurement and empowering professionals worldwide.

Mark Your Calendars! Let's make 2025 a year to remember.

For information on the 2025 events and membership opportunities, please contact [Patrick Fowler](#) at [732-873-5700](tel:732-873-5700).

Potpourri



DID YOU KNOW?

- A silverback gorilla can lift over 1,763 pounds.
- Over sixty percent of the world's lakes are located in Canada.
- Venus is the only planet to spin clockwise.
- Sea otters sleep while holding hands

<https://www.today.com/life/inspiration/interesting-facts-rcna130243>

Compliance Corner

New Rules, Regulations and Guidance

Special thanks to Vigilant Compliance for providing these upcoming dates. (www.Vigilantllc.com)

Upcoming Filings:

- **05/07/25** – SEC Form 13G 10%
- **05/15/25** – AIFMD Annex IV – Fund of Funds
- **05/15/25** – SEC Form 13F Quarterly
- **05/15/25** – SEC Form 13G 5%
- **05/15/25** – NFA Form CTA-PR
- **05/30/25** – SEC Form PF Private Equity Fund Advisers Quarterly Event Reporting
- **05/30/25** – SEC Form PF Large Hedge Fund Update
- **05/30/25** – NFA Form CPO-PQR

Events & Public Appearances by Officials:

- **05/06/25** – [Small Business Capital Formation Advisory Committee](#)

more information and to receive our manuscript guidelines, please contact Douglas Spaulding at DougSpaulding@TSGperformance.com.

Submission deadlines

Spring Issue: May 14, 2025

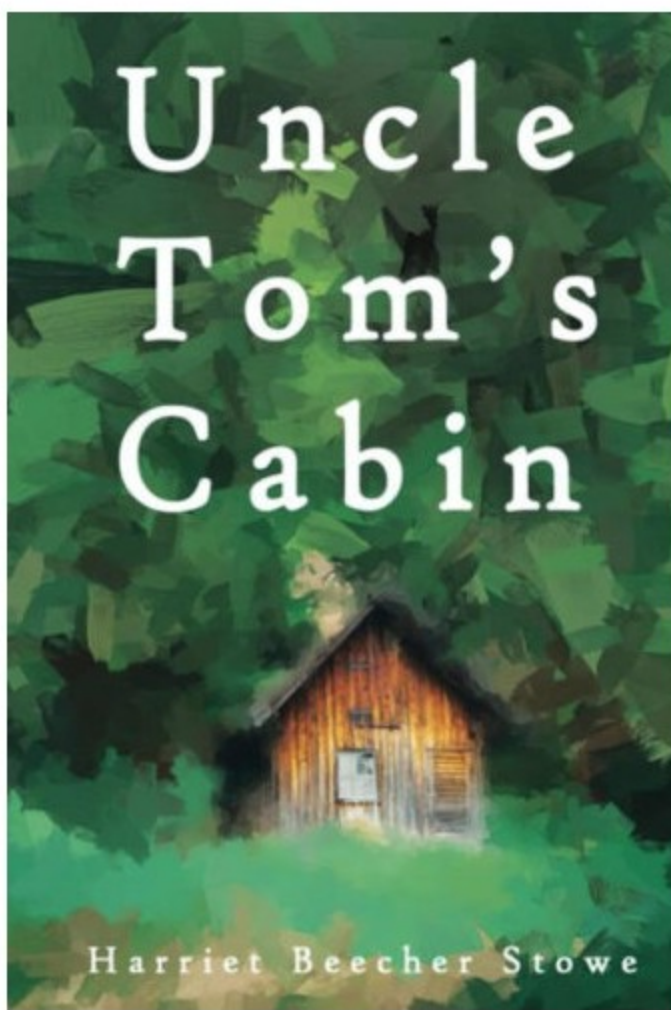
Summer Issue: July 14, 2025

The Journal of Performance Measurement® is now accepting nominations for the Outstanding Women in Performance & Risk Measurement Awards. If you know someone deserving of this recognition, we invite you to submit a nomination by completing [this survey](#) by Monday, April 28th. For any questions, please reach out to Doug Spaulding at DougSpaulding@TSGperformance.com.

Book Review

Uncle Tom's Cabin, by Harriet Beecher Stowe

Review by David D. Spaulding, DPS, CIPM



Chances are, you've heard of this book. And, likewise, chances are, you haven't read it. I hadn't, until very recently. While I cannot say what prompted me to order and read it, I'm very happy I did.

Published in 1852, Harriet Beecher Stowe's classic about slavery in the southern United States is amazingly detailed. I'd say she tried very hard to balance between "good" and "not-so-good" slave owners. We learn that some northerners, while being in favor of emancipation, were themselves bigots or racists when it came to actually dealing with black people; one northern white woman felt repulsed by the notion of touching or being touched by a black person. We meet some incredibly kind people, as well as some heartless and cruel ones.

Not surprisingly, the term "Uncle Tom" derives from the story, which is ironic, since Uncle Tom was a strong, pious, honest, black man. The term, as it is used today, is derogatory, describing a black person that is subservient towards white people. Tom became a Christian, and held strong to his beliefs; and these beliefs seem to have given him the strength to preserve in hard times. When told by his final [and only cruel] master, Simon Legree, that Legree owned him "body and soul," Tom was quick to point out that his soul belonged to God. Yes,

Meeting

- **05/08/25** – [Closed Meeting](#)
- **05/12/25** – [Crypto Task Force Roundtable – Tokenization: Moving Assets Onchain: Where TradFi and DeFi Meet](#)
- **05/14/25** – [Oral Argument in Nano Magic Inc.](#)
- **05/15/25** – [12th Annual Conference on Financial Market Regulation](#)
- To see upcoming 2025 **SEC Meetings and Public Appearances** click [HERE!](#)

Webinar replay: SEC Marketing Rule FAQs with Lance Dial, Partner, K&L Gates and David Spaulding, DPS, CIPM, TSG Listen as Lance and Dave dive into issues that have challenged advisors since the rule went into effect.

They focus on the SEC's recently published guidance, addressing:

1. **Extracted Performance**
2. **What Constitutes Performance** (including risk, yield, contribution, and attribution)
3. **Methodology for Calculating Gross and Net Returns**

They walk through each area and unpack the implications for your firm while sharing practical insights to help you align your performance reporting with regulatory expectations. [Click Here to Access the Recording.](#)

ATTN: TSG Verification Clients

As a reminder, all TSG verification clients receive full, unlimited access to our [Insiders.TSGperformance.com](#) site filled with tools, templates, checklists, and educational materials designed to make compliance and verification as easy as possible for you and your firm.

Contact CSpaulding@TSGperformance.com if you have any questions or are having trouble accessing the site.

TSG Milestones

TSG is proud to announce that its client, Symetra Investment Management, has successfully completed its 5th GIPS® standards' verification



he would do just about anything Legree was asked, save for inflicting punishment on other slaves. For this, he was beaten so badly at one point that it led to his death. I suspect Mrs. Stowe would have been shocked, surprised, and saddened that her book’s eponymous character was used in such a derisive fashion.

We learn of the common practice of splitting black families: husband from wife, children from parents. The cruelty was immense.

Just as Jews say they will “never forget” the Holocaust, we should likewise never forget that dark chapter in our nation’s history.

The book is superbly written. Chances are, you’ll want access to a dictionary, as Stowe believed in using the “right word,” even if wasn’t a particularly commonly used one. She blends together separate though related stories about different individuals, which allows the book the kind of energy necessary to keep the reader’s attention. I strongly recommend this wonderful book about a very sad time.

In The News

Welcome



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PMAR XXIII

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New Brunswick, NJ

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