

Board Reporting & Benchmark Best Practices

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Longs Peak Advisory Services, LLC





About Longs Peak Advisory Services

- Longs Peak Advisory Services is a specialized consulting firm focused on investment performance, GIPS® compliance, and performance reporting best practices.
- We work with 250 RIAs and asset owners around the world.
- Our expertise spans:
 - Investment performance measurement
 - Composite construction & reporting
 - Benchmark construction and review
 - SEC Marketing Rule compliance
 - GIPS® compliance consulting
- We help organizations calculate, interpret, and communicate performance results clearly and effectively—tailored to the needs of boards, senior leadership, and prospective investors.

Session Objective

What we'll explore today:

- Best practices for reporting investment performance to asset-owner oversight boards
- Metrics that resonate—what matters, what doesn't, and why
- How to communicate quickly and clearly with boards of varying investment sophistication
- Benchmark best practices: policy benchmarks, blended benchmarks, illiquid asset handling, lag structures
- Discussion opportunities to share challenges, examples, and what has worked across organizations



Tailoring Reporting to the Sophistication of the Audience

- Asset-owner boards vary widely: some consist primarily of retired public servants, others include CIO-level investment experts.
- A best practice is to start simple, ensuring all board members understand the fundamentals.
- For non-investment audiences:
 - Emphasize total fund results, high-level benchmarks, simple risk metrics, and clear visuals.
 - Avoid granular attribution unless specifically requested.
- For investment-literate boards:
 - Detailed attribution (allocation, selection, interaction), factor exposures, liquidity

Tailoring Reporting to the Sophistication of the Audience (Continued)

- Your reporting should always reflect:
 - What the board is responsible for overseeing
 - Often emphasis is on actual allocation vs target allocation more than performance
 - How much detail they can reasonably absorb
 - How much time they are willing to spend on investment reporting
- Tailoring complexity increases comprehension, improves alignment, and often strengthens governance.
- If sending the board packet to the board members in advance of the board meeting, a high-level summary of the key performance results is very helpful.

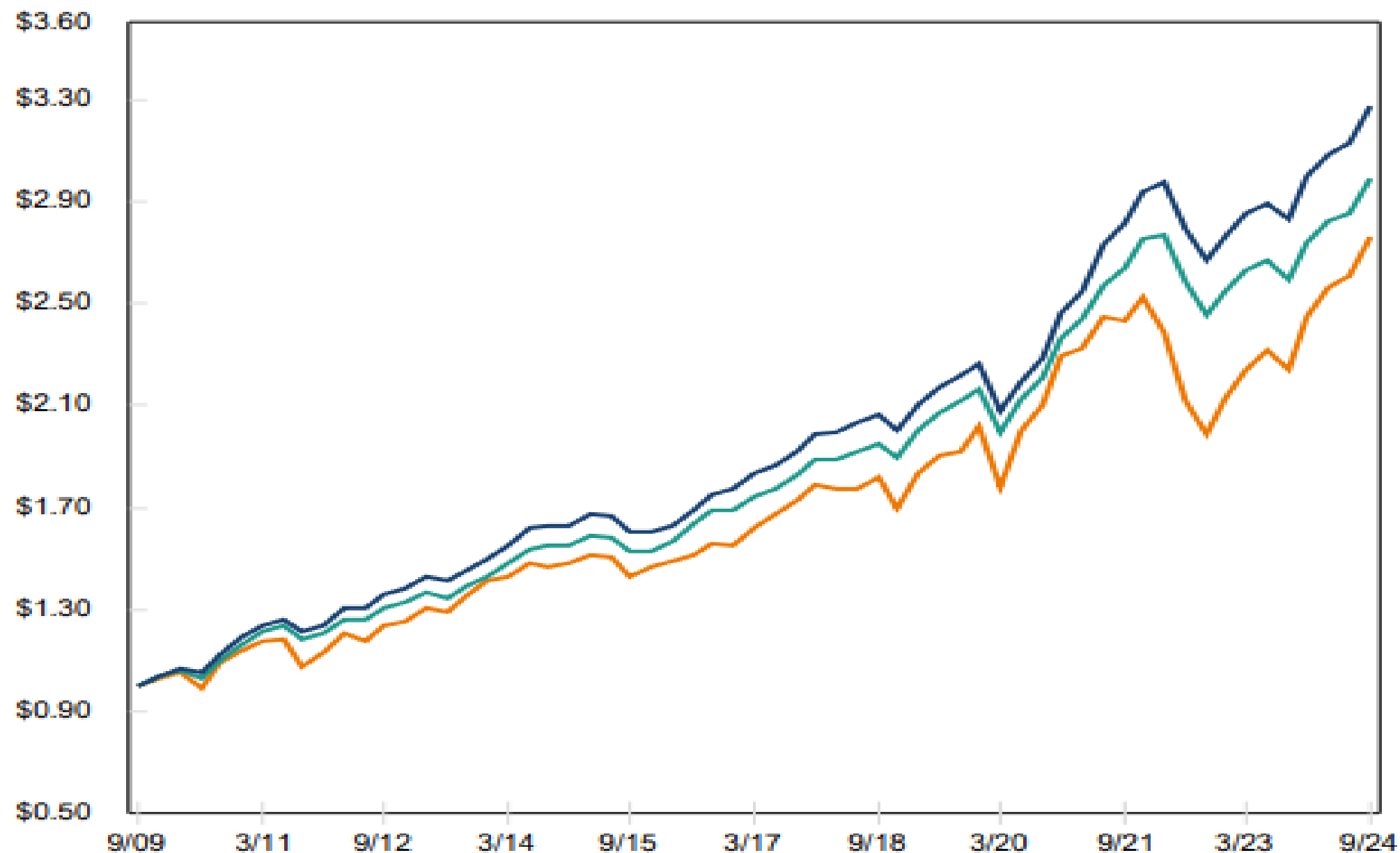
Typical Reporting Metrics

- Most reports begin with a total fund level summary before diving into asset-class detail.
- Common metrics include:
 - Net time-weighted returns (1-, 3-, 5-, 10-year)
 - We see some even show 15- and 25-year
 - Standard deviation
 - Sharpe ratio
- Benchmark reporting normally includes:
 - The strategic policy benchmark
 - A simple, intuitive 60/40 blended index (e.g., 60% global equity / 40% US Agg)
 - Peer Group Comparisons

Simple Visuals to Give a Clear Picture

- A Growth-of-\$1 chart is one of the clearest visuals to demonstrate long-term value added.
- It allows the board to easily compare:
 - Actual net fund performance
 - Policy benchmark performance
 - A simple 60/40 alternative
- This resonates especially with non-technical boards because it tells a story without numbers-heavy tables.
- It visually answers:
 - “Did the fund provide better long-term value than a simple passive alternative?”
 - “Have we executed the policy effectively over time?”

Sample Growth-of-\$1 Visual



- The purple line is the total fund, green is the policy benchmark, and orange is a passive 60% Global Equity / 40% US Fixed Income
- This visual is a simple and clear way to demonstrate the value added with the creation of the Strategic Asset Allocation and further value added through active management and manager selection.

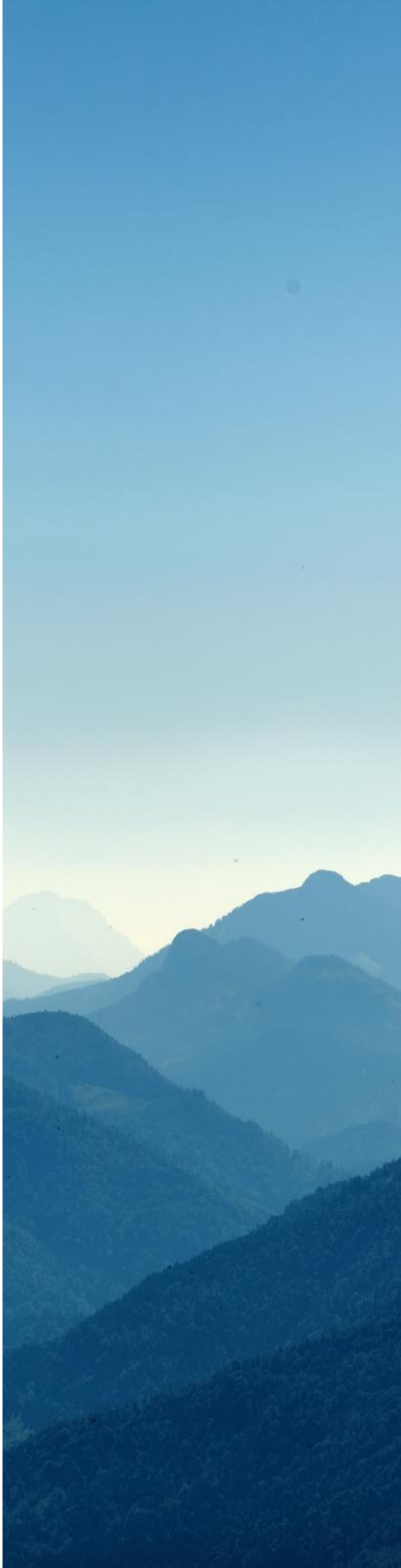


Detailed Fee Analysis

- One asset owner we work with has a board that requires:
 - Detailed expense ratio to be provided
 - Justification for the expenses if the expense ratio exceeds a board-defined threshold
- Their board uses investment operating expense analysis as a primary oversight tool to evaluate whether performance results are earned efficiently.

Benchmark Best Practices

- The policy benchmark should closely reflect the strategic allocation and the exact way the fund is managed.
- Each asset class should have a clear, transparent, proxy—even if it requires creativity for illiquid assets.
- Consistency is critical: benchmarks must be applied the same way over time and changes must be documented.
- Public indices should be used where available; for alternatives, options include:
 - Adjusted public indices (e.g., “7-year rolling global equity + 300 bps”)
 - Fixed hurdle rates
- Important: For any asset class with lagged valuations (private equity, real estate), benchmark results should be lagged to match.



Why Use Both Policy Benchmark and a Simple Blended Index?

- The policy benchmark shows whether the investment team executed the strategic allocation effectively.
- A simple blended index (e.g., 60/40) helps demonstrate whether the board could have achieved similar outcomes with minimal implementation effort and lower cost.
- Using both supports:
 - Governance
 - Education
 - Transparency
 - Value-add demonstration
- Combining the two creates a robust narrative:
 - “We outperformed our passive baseline and also executed the policy effectively”

What resonates with your board?

- Does your board specifically require any metrics not mentioned?
- Does your board prefer tables, charts, or narrative commentary?
- What's the most effective visual or slide in your deck today?
- How much detail do they expect before feeling informed?
- Are they more focused on performance, risk, or adherence to policy ranges?
- Do they ask for forward-looking content or only ex-post results?
- What challenges have you faced presenting performance to non-technical board members?



Key Takeaways

- Effective board reporting is about clarity, relevance, and focus, not complexity.
- Always tailor reporting to board sophistication and decision-making responsibilities.
- Use both policy benchmarks and simple blended indexes to enhance understanding and demonstrate value added.
- Ensure benchmarks—especially for illiquid assets—are transparent, documented, and logically constructed.
- Visuals like Growth-of-\$1, high-level attribution, and multi-period summaries often resonate most powerfully.
- The ultimate goal: enable the board to confidently answer “Are we performing well, taking appropriate risk, and acting within the policy?”

CONTACT INFORMATION

Please reach out to us with any additional questions.

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