

Measuring Risk: The Unseen Enemy

Summary by Patrick W. Fowler

In *Measuring Risk: The Unseen Enemy*, Paul D. Kaplan reminds us of a simple truth: returns show up clearly in the data, but risk has to be estimated, interpreted, and understood.

The article walks through why this matters. Most risk measures try to boil a wide range of possible outcomes down to a single number. That's useful, but it also hides nuance. Standard deviation, for example, treats upside and downside the same, even though investors usually care a lot more about one than the other.

Kaplan also points out that some of the most damaging risks rarely show up in neat historical datasets. Credit events, operational failures, liquidity stress, and structural flaws often stay invisible until they suddenly aren't. Strategies that look smooth and stable on paper can still carry meaningful risk under the surface.

To address this, the article discusses downside-focused measures and value at risk, which attempt to frame risk in more intuitive terms. These tools can be helpful, but only when users understand the assumptions behind them and the situations where they fall short.

TSG Editorial Takeaway:

Risk numbers are only as useful as the questions we ask alongside them.

Why This Still Matters Today

Fast forward to today, and the message feels even more relevant. Portfolios are more complex, data sets are larger, and models are more powerful than ever. Add AI into the mix, and it becomes tempting to trust the output simply because it looks precise.

AI can help uncover patterns, stress test scenarios, and process information at a scale humans can't. But it doesn't change the core challenge Kaplan highlighted. Risk still depends on assumptions, inputs, and context. If anything, AI raises the stakes by making it easier to miss what a model doesn't see.

For performance professionals, the takeaway is practical. Use better tools, embrace new technology, but stay curious and skeptical. Understanding risk still requires judgment, experience, and the willingness to look beyond a single metric or model.

Readers are encouraged to explore the [full article](#).

Quote of the Month

"He has most unwarrantably abused the privilege which all politicians have of being ugly."
— Houston Telegraph

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The Voice

An Overdue Moment: Honoring Neil Riddles

By Patrick W. Fowler

One of the things we value most at TSG is taking the time to recognize the people who helped shape this profession long before it became as established as it is today. That brings us to a recognition that is both meaningful and, frankly, long overdue.

We are proud to highlight **Neil Riddles**, who was inducted into the *Performance & Risk Measurement Hall of Fame* in 2022.

Neil's contributions to performance measurement have quietly influenced

"It is plain that nature took but little trouble in fashioning his outer man, but a gem may be encased in a rude casket."
– The Amboy Times

Source: Lincoln and the Irish, Niall O'Dowd

GIPS® Tips



January: Year-End Review and Issue Resolution

Following the year-end close, review final annual account performance and composite membership for 2025. Resolve any data issues identified during year-end processing, including outliers, data gaps, or late adjustments. Ensure established composite membership policies have been applied consistently throughout the year.

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.

Hassle-Free Experience: At TSG, we guarantee your satisfaction and we do not lock our clients into long-term contracts.

Ready to Experience the TSG Difference?

Take the first step toward a better GIPS standards verification. Schedule a call or request a no-obligation proposal today at GIPSStandardsVerifications.com.

generations of practitioners.

Like many Hall of Fame inductees, Neil never sought recognition. His impact came through consistent, thoughtful work, sharing ideas, mentoring others, and elevating the conversation around performance and risk. Those kinds of contributions do not always come with immediate applause, but they endure.

The Hall of Fame exists to recognize exactly this kind of legacy. It is not about a single paper, presentation, or role. It is about sustained influence and meaningful contributions that stand the test of time. Neil's induction reflects that standard in every way.

We are grateful for Neil's role in shaping our profession and pleased to take this moment to acknowledge his place among those who have left a lasting mark on performance measurement.

Congratulations, Neil, and thank you for everything you have given to this community.

To view the full list of Hall of Fame inductees and discover how you can nominate someone, [visit our website here](#).



Compliance Corner

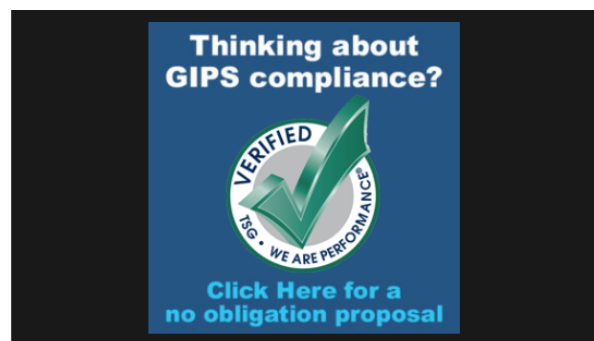
Common Compliance Challenges for Investment Firms

[From Vigilant, LLC](#)

In today's regulatory environment, even well-intentioned investment firms can run into compliance pitfalls that create risks or attract examiner attention. Small oversights in routine processes may result in deficiencies, reporting issues, or enforcement concerns if they aren't addressed proactively.

Frequent areas where firms get tripped up include:

- **Outdated or incomplete policies and procedures**, failing to reflect current business practices or recent regulatory changes.
- **Deficiencies in annual reviews and documentation**, particularly for compliance programs required under SEC and FINRA rules.
- **Advertising and marketing issues**, such as unclear performance claims or missing disclosures under the SEC's Marketing Rule.
- **Weak supervisory oversight**, including unclear roles and responsibilities within compliance functions.



TSG Milestones

"We knew we needed more than just a verifier, we needed a partner who could guide us through the process. TSG delivered exactly that."

-OneDigital Investment Advisors, LLC



The Journal of Performance Measurement®

The Journal of Performance Measurement® is now accepting nominations for the Performance & Risk Measurement Hall of Fame. The 2026 class will mark the fourteenth year of inductions. If you'd like to nominate someone, please fill out this survey by Friday, February 9th: <https://lnkd.in/esUpSshn>. If you have any questions, contact Doug Spaulding at DougSpaulding@TSGperformance.com.

Here is the list of previous inductees:

2013

Gary Brinson
Peter O. Dietz
William Sharpe

2014

Eugene Fama
Harry Markowitz
Jose Menchero
David Spaulding
Jack Treynor

2015

Brian Singer
Denis Karnosky
Franco Modigliani

2016

Carl Bacon
Stephen Campisi
Frank Sortino

- **Books and records problems**, where required documentation either isn't maintained fully or isn't in the proper format for retention.
- **Gaps in surveillance of trades and communications**, which remain a strong focus for regulators.

Recognizing these common missteps can help firms focus their internal reviews and training, reduce regulatory risk, and strengthen overall compliance processes.

GIPS 2030



New Monthly Series: Looking Ahead to the Next Version of the Global Investment Performance Standards (GIPS®)

As the investment industry continues to evolve, so must the GIPS standards. To support ongoing dialogue and thoughtful progress, we're introducing a new monthly newsletter feature focused on proposed changes to the next version of the GIPS standards.

Each month, we'll highlight a specific area where clarification, alignment, or modernization could help the Standards better reflect today's regulatory environment and industry practices. Our goal is constructive discussion, grounded in real-world application and the shared objective of promoting fair representation and full disclosure.

We also invite readers to submit topics they would like us to explore in future issues. If there's an area of the Standards that you find challenging, ambiguous, or ripe for improvement, we'd love to hear from you.

This Month's Topic: Rethinking Model Net Returns

For our first topic, we're focusing on the use of model investment management fees when calculating net-of-fees returns, and whether current requirements consistently lead to performance information that is most meaningful to today's prospective clients and investors.

The GIPS standards permit firms to use either actual or model fees, but impose an important constraint: model-fee net returns must always be equal to or lower than returns calculated using actual investment management fees. This safeguard is intended to prevent overstated performance and protect against misleading presentations.

At the same time, the Standards also require that any model fee used be appropriate to the prospective client or investor. In practice, these two conditions do not always align. When actual historical fees are materially different from the fees a current prospect would expect to pay, anchoring model net returns to those historical fees may technically satisfy the "no higher than actual" test while producing results that are disconnected from the prospective client's likely experience.

From a prospect's perspective, the key question is not whether net returns are lower than those calculated using fees charged many years ago, but whether the performance reflects fees relevant to the intended audience today. Fee schedules evolve over time due to changes in asset levels, strategy design, pricing practices, and market competition. As a result, historical actual fees may offer limited decision-useful insight for a current prospect.

We would welcome a future evolution of the GIPS standards that more clearly prioritizes investor relevance alongside conservatism, for example by:

- Placing greater emphasis on model fees that reflect fees expected to be charged to the intended audience, rather than defaulting to historical actual fees,
- Clarifying how firms should evaluate whether net returns remain appropriate and not misleading when actual and prospective fees differ

2017
Fischer Black
Michael Jensen

2018
David Cariño
Dugald Eadie
Lee Price
Timothy Ryan

2019
Bruce Feibel
Jamie Hollis
Karyn Vincent

2020
Claude Giguère
Philippe Grégoire

2021
Dan diBartolomeo
Gerard van Breukelen

2022
Stefan Illmer
Neil Riddles

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ATTN: TSG Verification Clients

As a reminder, all TSG verification clients receive full, unlimited access to our [Insiders.TSGperformance.com](https://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.

Upcoming Webinars / Surveys

In Case You Missed It...

Webinar Replay: [Performance Measurement Technology Survey Recap](#)

Webinar Replay: [Performance Measurement in Private Equity](#)

Webinar Replay: [Performance Surprises with David Spaulding, DPS, CIPM](#)

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

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

materially, and

- Reinforcing the principle that model net returns should support informed investment decisions, not just mechanical comparisons.

Strengthening this alignment would preserve the protective intent of the Standards while enhancing the practical value of model performance for prospective clients and investors and advancing fair representation.

We look forward to continuing this series and to engaging with the community on how the GIPS standards can continue to evolve. If you have a topic you would like us to address in a future issue, please reach out as we welcome your ideas and perspectives.

Industry Dates and Conferences

What to Expect From TSG in 2026

Looking Ahead to 2026: New Offerings, Expanded Events, and Deeper Industry Collaboration

As we head into 2026, TSG is expanding its platform of events, research, and industry resources designed to support performance, attribution, risk, and [GIPS® professionals across the globe](#). The newly released [2026 Partnership Opportunities](#) outline a robust lineup of conferences, forums, research initiatives, and media channels that continue to connect practitioners, asset owners, consultants, and technology providers in meaningful ways.

A major new initiative is TSG's **Performance Technology Vendor Matrix**, an independent, transparent, vendor-populated comparison tool covering composites, rates of return, attribution, risk, and related functionality. The Matrix is being built to help firms evaluate systems side-by-side based on real-world capabilities and use cases. We are grateful for the early support and collaboration from **First Rate**, **John Norwood Consulting**, and **Confluence**, whose input and engagement have been instrumental in shaping the structure and content of this resource as it comes to market.

TSG's flagship events remain central to our mission. **PMAR North America** will take place June 10–11, 2026, in New Brunswick, New Jersey, followed by **PMAR Europe** on September 16, 2026, in London. Both conferences continue TSG's long-standing commitment to high-quality, practitioner-led programming rather than pay-to-play panels, with opportunities for deep discussion around performance measurement, attribution, and risk.

Research also remains a core focus. In 2026, TSG will relaunch the **Asset Owner Performance Measurement Survey**, building on prior editions that have become a benchmark for understanding how asset owners structure teams, select technology, integrate risk, and manage data. The survey will again offer sponsors visibility, thought leadership opportunities, and access to detailed results.

Beyond conferences and research, TSG continues to invest in year-round engagement through the **Performance Measurement Forum**, **Asset Owner Roundtable**, and regional networking events focused on data analytics and performance measurement. These small-group, interactive settings are designed to encourage open dialogue, shared learning, and lasting professional connections.

Together, these initiatives reflect TSG's ongoing commitment to advancing best practices and supporting the evolving needs of the global performance community, with 2026 shaping up to be one of our most ambitious and collaborative years yet.

TSG 2026 Events Calendar

Date	Event	Location
April 22	Asset Owner Roundtable (AORT) – Spring	Montreal, QB, Canada
April 23–24	North American Performance Measurement Forum	Montreal, QB, Canada
May 20	Data Analytics & Performance Measurement Networking Event	Boston, MA, USA
June 10–11	PMAR North America	New Brunswick, NJ, USA

PUZZLE TIME

You have 7 billiard balls, one of which weighs a bit less than the other six. The difference is so slight that you cannot determine it without weighing it.

Fortunately, you have a balance scale that you can use. But, you can only use it up to two times.

So, how do you determine which ball is the one that weighs less than the others?

Institute / Training

Inside the Institute: A Fresh Perspective

Institute.TSGperformance.com

Investment performance professionals face rising demands: more data, more scrutiny, and a need to explain outcomes clearly to stakeholders. Whether you're responsible for performance reporting, risk oversight, attribution analysis, or standards compliance, the Institute of Performance Measurement gives you tools you can use on Monday morning.

Choose from foundational courses that build your core skill set, specialized training in attribution and fixed income analysis, or hands-on Python programming built for real-world performance tasks. You'll learn from experts with decades of experience, work through practical examples, and gain confidence in areas where precision matters most.

And with on-demand access, you learn at your own pace, on your own schedule. If your goal is to master performance measurement fundamentals, advance your career, or elevate your team's capabilities, these courses are designed for you.

Overview of Courses at the Institute of Performance Measurement

The Institute offers a range of on-demand, practical training programs geared to investment performance professionals. Students can learn at their own pace, deepen technical skills, and gain real-world tools for calculating, explaining, and improving performance.

Core Offerings:

Free Course

- **Masterclass on the GIPS® Standards for Asset Owners** – A single-lesson introduction to applying the Global Investment Performance Standards from the asset owner's perspective.

Foundational and Specialty Courses

- **Fundamentals of Performance Measurement (5-module bundle)** – A comprehensive program covering rates of return, benchmarks,

June 18–19	EMEA Performance Measurement Forum	Milan, Italy
September 16	PMAR Europe	London, England
October 22–23	EMEA Performance Measurement Forum	Prague, Czech Republic
November 18	Asset Owner Roundtable (AORT)	San Diego, CA, USA
November 19	North American Performance Measurement Forum	San Diego, CA, USA
TBD	Data Analytics & Performance Measurement Event	Amsterdam, Netherlands
TBD	Data Analytics & Performance Measurement Event	Dubai, UAE

Mark Your Calendars! Let's make 2026 a year to remember.

For information on the 2026 events and [partnership opportunities](#), please contact [Patrick Fowler](#) at [732-873-5700](tel:732-873-5700).

The Institute of Performance Measurement

On Demand Investment Performance Measurement Education

That's a Good Question

"I'd love to understand the technical differences between GIPS and performance certification (i.e., what makes the performance certification review more labor intensive)."

Response from John D. Simpson, CIPM

With GIPS verifications, a lot of the review is focused on the firm's documented GIPS policies and testing, on a sampling basis, that the firm follows its policies consistently. While a firm may have many composites, a GIPS verification does not attest to the accuracy of any specific performance report or presentation.

With a performance certification, the focus is on the accuracy of a given performance presentation. Thus, the verifier is doing more testing of the accounting, valuation, and performance calculations associated with the given composite, the statistical information in the given performance presentation, the disclosures included, etc. Composite membership testing, including exclusions related to the given strategy, may also be part of the review. In some ways, a performance certification can be considered somewhat similar to the review known as a GIPS performance examination, which is a secondary, composite-specific review that firms may elect to do in addition to a firmwide GIPS verification. Both performance certifications and GIPS composite performance examinations review the accuracy of a given performance presentation for a composite.

performance attribution, risk concepts, and GIPS standards. Ideal for newcomers or as a refresher.

- [Performance Measurement Attribution \(4-module bundle\)](#) – A focused deep dive into attribution analysis, including equity, fixed income, multi-level, and multi-period attribution techniques.
- [Python for Performance Measurement \(32 lessons\)](#) – Practical Python training tailored to performance professionals, including data manipulation, visualization, and coding exercises relevant to returns, risk, and GIPS calculations.
- [Fixed Income Attribution \(3 lessons\)](#) – Concentrated training on fixed income attribution methods, bond valuation, yield curve analysis, and several established attribution models.
- [Conference Recordings \(PMAR North America & PMAR Web\)](#) – Collections of sessions and insights from past PMAR events, bridging performance measurement with broader industry trends.

Modular Add-Ons

- Smaller, focused modules on individual topics from the fundamentals curriculum such as risk measurement, GIPS concepts, rates of return, and performance attribution fundamentals.

Potpourri

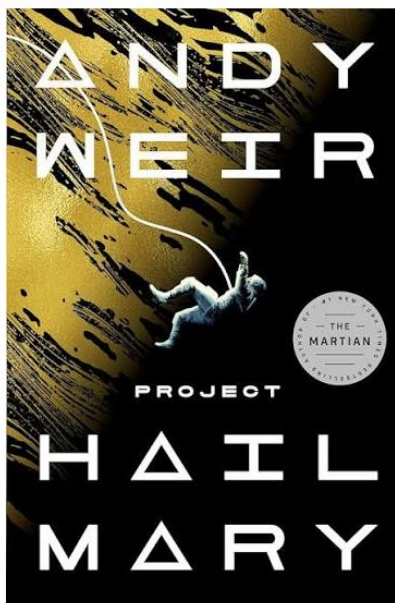
Did You Know? College Football Edition

- **First Game:** Rutgers beat Princeton 6-4 in 1869 in a game more like soccer/rugby.
- **First Bowl:** The 1902 Rose Bowl, won by Michigan 49-0, started the bowl tradition.
- **First Woman to Score:** Liz Heaston was the first woman to score in a college game.

Book Review

Project Hail Mary by Andy Weir

Review by Douglas Spaulding



"Sometimes the most important thing is to keep moving forward, even if you don't know the outcome."

Project Hail Mary by Andy Weir (author of *The Martian*) is a sci-fi novel about Ryland Grace, a chemistry teacher with a background in molecular biology turned astronaut, who wakes up on a spaceship with no memory of how or why he is there. He soon discovers he's on a mission to save Earth from Astrophage, an extraterrestrial organism that is draining energy from the sun and threatening to destroy humankind. It was the last book I read in 2025, and quickly became one of my favorites of the year.

Ryland's scientific expertise and willingness to participate in what is essentially a one-way trip out of our solar system make him the perfect candidate for this mission. The story follows the challenges Ryland faces, the high-stakes decisions he must make, and his courage and determination, while also exploring themes of teamwork and unexpected friendship. Weir makes complex science and

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

Submission deadlines

Spring Issue: March 30th, 2026

Summer Issue: May 29th, 2026

For any questions, please reach out to Doug Spaulding at DougSpaulding@TSGperformance.com.

problem-solving approachable while moving the story forward rapidly. The book was nearly impossible to put down at 476 thrilling pages.

I highly recommend this novel to anyone ready for a heart-pounding, out-of-this-world journey. The movie adaptation of *Project Hail Mary* hits theaters this March, starring Ryan Gosling as Ryland Grace.

What a Word

mellifluous

In this section, we will introduce a word we think is a bit unusual or interesting. We hope you enjoy it. And please feel free to send us your suggestions.

mellifluous

- [muh-lif-loo-uhs]/məˈlɪfluəs/

1.

sweetly or smoothly flowing; sweet-sounding: *mellifluous tones*.

– a mellifluous voice; mellifluous tones.

Synonyms:

[harmonious](#), [dulcet](#), [musical](#), [melodious](#)

2.

flowing with honey; sweetened with or as if with honey.

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