



Performance Perspectives

Insights from the performance experts

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Liquidity Matters

Summary by Patrick W. Fowler

Why private investment returns can look better than they really are

In his article, "[Liquidity Adjusted Returns and Performance Measures: Synching Public and Private Fund Performance](#)" appearing in Volume 14 – Number 2 of *The Journal of Performance Measurement*, **John M. Longo, Ph.D., CFA** tackles a problem many investors don't realize they have. Returns from private and illiquid investments often look smoother, steadier, and less risky than returns from similar publicly traded assets. But that calm surface can be misleading.

The core issue is **liquidity**. Public markets price assets every day based on real trades. Private assets like real estate, private equity, or certain alternative funds do not trade frequently, so their values are often based on appraisals or estimates. That means their reported returns can lag reality, especially during periods of market stress.

Longo shows that when markets become volatile, liquidity suddenly matters a lot more. Assets that are hard to sell should logically be worth less in those moments. But traditional performance reporting often fails to reflect that, making private assets appear more stable and attractive than they truly are.

To address this, the paper introduces a **liquidity-adjusted return model**. The idea is straightforward. Compare an illiquid investment to a similar public market benchmark, adjust for market sensitivity, and then apply an additional adjustment based on market volatility. When volatility is high, reported returns should be adjusted downward to reflect the real cost of illiquidity. When volatility is low, adjustments may be smaller or unnecessary.

The real-world impact is striking. When Longo applies this framework to a large real estate fund and compares it to publicly traded REITs, the adjusted results tell a very different story. Once liquidity and volatility are properly accounted for, the private fund's returns drop, volatility rises, and commonly used performance metrics like Sharpe and Sortino ratios deteriorate sharply. In periods like the 2008 financial crisis, reported losses that initially looked modest would have been far more severe if the assets had truly been marked to market.

The takeaway is simple but important. **If returns from an illiquid investment look too smooth during turbulent markets, they probably are.** Liquidity does not disappear just because it is inconvenient to measure, and ignoring it can lead to overstated performance, understated risk, and poor decision-making.

This work remains highly relevant today as investors continue to increase allocations to private markets and alternatives. Understanding how liquidity affects returns is critical for setting expectations, comparing managers fairly, and avoiding unpleasant surprises when markets turn.

Looking Ahead to PMAR 24

We're pleased to share that **John Longo, Ph.D., CFA** will be opening PMAR XXIV with a presentation providing "An Outlook on the Global Economy: Practical Impacts and Observations."

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Sleeves Are Portfolios

By Jennifer Barnette, CIPM

A UMA sleeve should be treated as a standalone portfolio, not extracted performance. Under the SEC Marketing Rule, a portfolio is defined broadly as a group of investments managed by an adviser, which a UMA sleeve clearly qualifies as: it has its own holdings, strategy, and independent management. What else would a sleeve be but a distinct collection of investments with its own strategy? That's exactly how sleeves are structured and managed in the industry. Extracted performance, by contrast, refers to a subset of a portfolio selected from the larger group of investments, typically in a way that could be misleading if shown alone. Because a sleeve is a coherent, self-contained strategy rather than an arbitrary slice of the total account, it does not meet the intent of extracted performance, and presenting its performance does not inherently require showing the larger UMA account. The SEC's definitions focus on substance rather than structure, allowing the sleeve to be presented as a portfolio in its own right.

He'll connect today's macroeconomic environment with market volatility, liquidity conditions, and what they mean for investors and performance professionals as we move forward.

It's a timely perspective and a strong way to kick off the conference.

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

GIPS® Tips



GIPS® TIPS

February: Composite Name and Description Accuracy

Confirm that composite names and descriptions remain accurate, balanced, and reflective of the underlying strategy across all materials. Common verifier focus: Composite names and/or descriptions that no longer align with other marketing materials or match across materials, e.g., GIPS reports and the list of composite descriptions.

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.

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Hassle-Free Experience: At TSG, we guarantee your satisfaction and we

Presenting sleeve performance on its own provides an accurate reflection of that strategy. Ultimately, the SEC does not explicitly address UMA sleeves, so treating a sleeve as extracted performance is an industry interpretation, not a requirement stated in the rule or FAQs.

This opinion is provided solely from a performance measurement and presentation perspective. TSG does not provide legal or regulatory advice, and this opinion should not be interpreted as advice regarding compliance with U.S. Securities and Exchange Commission (SEC) rules, interpretations, or enforcement positions.

Quote of the Month

"I'm not a body with a soul; I'm a soul with a body."

Wayne Dyer

Compliance Corner

SEC Staff Issues More Marketing Rule FAQs

By [Lance Dial, K&L Gates](#)

On January 15, 2026, staff of the U.S. Securities and Exchange Commission released two new FAQs addressing technical issues under Advisers Act Rule 206(4)-1 (the "Marketing Rule"). While narrow, the guidance provides helpful clarity on recurring compliance questions and reflects continued Staff engagement through FAQs.

Net Performance and Model Fees

The Marketing Rule requires performance to be presented net of fees, but permits—without requiring—the use of model fees. A footnote in the adopting release (Footnote 590) had raised concerns that presenting net performance based on actual historical fees could be misleading if current fees are higher.

The new FAQ clarifies that this was not the Staff's intent. Whether such performance is misleading depends on the overall presentation, including the disclosures used and how differences between historical and current or anticipated fees are explained. There is no per se prohibition on using actual fees, consistent with the rule's facts-and-circumstances approach.

Testimonials and SRO Final Orders

The Marketing Rule generally prohibits compensating promoters subject to certain "disqualifying events," including some SEC and SRO actions. While the rule excludes certain SEC orders, it did not expressly address comparable SRO orders.

The FAQ establishes a no-action position permitting advisers to compensate promoters subject to SRO final orders that do not result in a suspension or bar, provided advertisements disclose for 10 years that the promoter is subject to the order and include the order or a link to it.

For more information, see the K&L Gates summary here: [New Year, New Marketing Rule FAQs](#)

do not lock our clients into long-term contracts.

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GIPS compliance?



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no obligation proposal

TSG Milestones

TSG is proud to
announce that its client,

Toews Asset
Management

has successfully
completed its 15TH

GIPS® Standards'
Verification



The Institute of
Performance
Measurement

On Demand Investment Performance Measurement Education

GIPS 2030



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 continuing to feature proposed changes to the next version of the GIPS standards.

Each month, we 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: Replacing Money-weighted

By David Spaulding, DPS, CIPM

A change I would love to see is to replace "money-weighted" with IRR and/or internal rate of return. While there are substitutes, IRR is pretty much standard. Until the 2020 version, we saw IRR, only. Modified Dietz can be a substitute, but often will result in very misleading results. IRR is, in a manner of speaking, the "benchmark" for money-weighting. Fortunately, none of my clients have used anything but the IRR, but the option currently exists. It shouldn't.

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.

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.

The Journal of Performance Measurement®

This month's article brief spotlights "Comparative Analysis of ICB and GICS Classification Systems" by David Suarez, CFA, FRM. It was published in the Fall 2025 issue of *The Journal of Performance Measurement*. You can access this article by subscribing ([for free](#)) to *The Journal* ([link here](#)).

This article provides a detailed comparative analysis of the two dominant industry classification systems used in global finance: the Industry Classification Benchmark (ICB) and the Global Industry Classification Standard (GICS), examining their structural differences, classification philosophies, and practical implications for portfolio analytics. Using data from the FTSE All-World Index, the study evaluates sector-level overlaps, discrepancies in company assignments, and differences in risk behavior (as measured by Betas) across major industries such as Technology, Energy, and Consumer Discretionary. It further explores how these divergences affect portfolio risk modeling and Brinson-style performance attribution, demonstrating that classification choice can meaningfully alter sector weights, risk contributions, and attribution outcomes.

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PUZZLE TIME

A train leaves NYC for Chicago, travelling at the rate of 75 miles an hour. Another train leaves Chicago for NYC an hour later, traveling at the rate of 50 miles per hour.

When the two trains meet (cross each other), which one is nearer to NYC?

Congratulations to: Gerard van Breukelen, Anthony Howland, Stephen Campisi, Andrew Tona, and John D. Simpson for submitting the correct solution.

Puzzle: You have 7 billiard balls, one of which weighs a bit less than the other 6. 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?

Solution

Number the balls from 1 to 7.

Begin by putting balls numbered 1, 2, 3 on the left-hand side, and numbered 4, 5, 6 on the right.

Weighing #1

If they weigh the same, then you know that #7 has to be the ball that weighs less than the others. No further weighing is necessary.

Weighing #2

If one side weighs less than the other (for our purpose, we'll use the left-hand side),

Since the left-hand side weighs less than the right side, we know the either 1, 2, or 3 must be the ball that weighs less. And so, we need to do a weighing and isolate one of these balls.

So, we place the balls numbered 1 on the left-hand side, and numbered 2 on the right-hand side. Ball 3 has been isolated, by not being part of this weighing.

Industry Dates and Conferences

What to Expect From TSG in 2026

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.

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
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).

Potpourri

Did You Know? Geography Edition

- More than 40 buildings in New York City have their own zip codes.
- China has one time zone.
- Canada has the world's longest coastline.
- Mount Everest, the world's tallest mountain, can fit inside the Marianas Trench, the deepest part of the ocean.
- Australia is wider than the moon.

If the sides weigh the same, then you know that #3 is the one that weighs less.

If the left-hand side weighs less, then you know #1 is the ball that weighs less; otherwise, the one numbered 2 is the one.

The same approach is done if the right-hand side weighs less, in the first weighing. I.e., isolate one of the balls. E.g., put #4 on the right and #5 on the left; if they're equal, then #6 is the one that weighs less; if one side is less than the other, you have your solution.

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](#)

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

ATTN: TSG Verification Clients

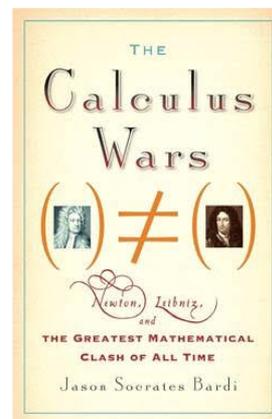
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Contact CSpaulding@TSGperformance.com if you have any questions or are having trouble accessing the site.

Book Review

The Calculus Wars: Newton, Leibniz, and the Greatest Mathematical Clash of All Time by Jason Socrates Bardi

Review by David Spaulding, DPS, CIPM



I stumbled upon this book one day, and thought it would be interesting: a book about the question as to *who* invented calculus. No wonder it's [not] on the *NY Times* Best Seller list.

A few years ago, when I started dating (roughly a year after the death of my first wife), I would go to the bar of a nice restaurant, book in hand, and would have a drink and/or dinner. The book often served a great conversation starter, as if often invoked the question "what are you reading?" The night I met my [eventually to become] second wife, I was reading Seth Wickersham's *It's Better to Be Feared: The New England Patriots Dynasty and the Pursuit of Greatness*. Kerry asked me what I was reading, and a conversation ensued. Had I been reading the calculus book, it might have gone nowhere.

Putting that aside, the book is extremely interesting. Many are aware that Sir Isaac Newton (1642-1727) and Gottfried Wilhelm Leibniz (1646-1716) invented calculus around the same time. Newton, was English, and invented it while at Cambridge. Leibniz, a German lawyer, began to develop a fascination and interest in mathematics while working in Paris, which led to his discovery.

For two or more people to come across something is not unusual. I recall several years ago, when the late Damien Laker and Andrew Frongello engaged in an email conversation about a paper Andrew had written¹ that presented his eponymous attribution linking method. I don't know why, but they chose to copy me, as the discourse went back-and-forth. Damien mentioned how much he liked Andrew's paper, but stated that he had seen the model before. He wasn't accusing Andrew of plagiarism; rather, he cited the Newton-Leibniz example as an analogy. The model Damien was referring to turned out to have been developed by Wilshire, and was² published in *The Journal of Performance Measurement* after Andrew's.

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, 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.

That's a Good Question

"Hope all is well. I was hoping to get your opinion on the questions below as we are planning on putting our strategy fact sheets on our website soon."

Response from David Spaulding, DPS, CIPM

Question 1: Does GIPS require us to include the GIPS Reports with these fact sheets? I would argue someone looking at our website is not a prospect, and therefore we do not need to include the GIPS Report.

DS: No requirement. If you reference "GIPS," then you must abide by the GIPS advertising rules. However, there is no requirement that reports be here. While you must provide prospects with copies of the reports, we don't see your website as such a vehicle.

Question 2: However, if you think we should, do you recommend adding a link to the GIPS Report in the fact sheet or adding the actual GIPS Report in the appendix?

DS: Again, not needed.

Question 3: Finally, if we do not mention GIPS on these fact sheets, are we required to include the GIPS Report?

DS: No, you're not, but you must adhere to the GIPS advertising rules. The fact sheets' data may meet the requirements in terms of numbers. Please have a look and let us know if you have any further questions.

Several years ago, I came up with a method to convert a time-weighted based index into a money-weighted equivalent.³ I did this because I was looking for a way to compare personal rates of return (which are typically done using the IRR) to an appropriate benchmark: to use a time-weighted benchmark for a money-weighted portfolio didn't make sense. I was unaware that roughly 10 years before, Austin Long and Craig Nickels had crafted an article introducing the idea of Public Market Equivalents (PMEs). Their paper was unpublished,⁴ so I can be excused for the oversight. As it turns out, my method is quite similar to theirs, though uses a different set of formulae.⁵ The results are identical. I consider this a Newton-Leibniz type event.

While there was no bloody armed conflict between Newton and Leibniz, it was definitely a period filled with vitriol, accusations, and hard feelings.⁶ While I could provide you with some of the book's revelations,⁶ I'd prefer that you make the small investment into this fascinating book and discover them for yourself. Bardi is an excellent writer, who did a tremendous amount of research.

And yes, I strongly recommend this book. Just be careful who you show it to!

¹ Frongello, Andrew Scott Bay. 2002. "Attribution linking: proofed and clarified." *The Journal of Performance Measurement*. Fall.

² Bonafede, Julia K. and Mary Cait McCarthy. 2003. "Transaction-based vs. Holdings-based Attribution: The Devil is in the Definitions." *The Journal of Performance Measurement*. Fall.

³ Spaulding, David. 2006. "Money-Weighted Benchmarks." *Performance Perspectives*. May.

⁴ Long, Austin M. and Craig J. Nickels. 1996. "A Private Investment Benchmark." *Unpublished*

⁵ While Long & Nichols coined the term PME, they chose to name their model the Income Comparison Method (ICM). I hadn't given my model a name, but recently named it PME_i, for PME Intuitive, as I believe it's a rather intuitive approach.

⁶ Okay, I'll share one tidbit: Leibniz was the creator of the binary numbering system (as in just having zeroes and ones). I either never knew that or forgot. As a former IT guy, knowing this is kind of important. Oh, and in the 1960s, some schools in the U.S., and perhaps elsewhere in the world, introduce "New Math." Funny that this new math included the binary numbering system, which is over 400 years old!

What a Word

jejune

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.

jejune

- je-june

1: devoid of significance or interest : [dull](#)

jejune lectures

... the "literary" fiction being written in this country nowadays strikes me as so jejune, self-absorbed and lifeless that I am just about unable to read it, much less pass fair judgment on it.—Jonathan Yardley

2: [juvenile](#), [puerile](#)

jejune reflections on life and art

So downplay your romantic and adolescent past. This means no jejune wall art.

Says one discerning friend, "I see a Lolita poster, I'm out of there."—Allison Glock

3: lacking nutritive value

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