

## Remembering Dr. Frank Sortino

By Ron Surz, President, Target Date Solutions

- Frank Sortino revolutionized risk management by focusing on downside risk and introducing the Sortino Ratio
- His Desired Target Return (DTR) aligns portfolio risk with investor objectives, improving upon traditional volatility metrics.
- The Sortino Ratio evaluates returns relative to downside risk below DTR, creating a superior framework for evaluating investment performance, especially for hedge funds where the “hedge” typically reduces downside risk.
- Sortino’s portfolio construction framework combines skillful active managers with passive funds for optimal risk-adjusted returns relative to specific DTRs.

Dr. Frank Sortino passed away last month. He was 94.

Frank was a good friend of mine. What many don’t know, in addition to being an educator and very creative financial innovator, Frank also played [great saxophone in a band](#). He was a multi-talented and a very nice man.

Frank’s business passion was making investing smarter. His work is groundbreaking investment decision-making. Most of you have heard of the Sortino Ratio and the importance of distinguishing between Downside Risk and Standard Deviation. Frank’s [Post-Modern Portfolio Theory](#) (PMPT) is more widely used than “Modern” Portfolio Theory (MPT) that is 75 years old. Here are some of the tools he left for us all to use.

**Bad Risk versus Good “Risk”:** Standard deviation penalizes home runs. There’s good volatility – great investment returns – and bad volatility – losing money. Frank educated us on the importance of using bad volatility to measure the risk of a portfolio. Most applications used returns below zero to calculate risk, but Frank offered another measure – returns below your Desired Target Return.

**Desired Target Return (DTR):** As management to objectives became the industry standard, it was natural to estimate what rate of return you need to achieve your objectives. Frank named this your Desired Target Return, or DTR, and defined downside risk as the semi-deviation below your DTR.

**Downside Risk:** Frank earned the name Dr.. Downside for redefining risk as a measure of not achieving your objectives, which led to the fairly famous Sortino Ratio.

**Sortino Ratio:** Prior to Frank’s introduction of his ratio, the most popular risk-to-reward ratio was the Sharpe ratio which is your return above Treasury Bills divide by standard deviation. Integrating management to objectives with his better measures of risk, the Sortino Ratio divides return above your DTR by your downside risk below your DTR. The Sortino Ratio is particularly valuable for evaluating hedge

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### The Voice

#### A GIPS 2030 Idea

By David Spaulding, DPS, CIPM

The 2020 version introduced a new required disclosure: composite inception date. At one point, those who crafted this version considered eliminating composite creation date, but kept it, which I think makes sense. It was acknowledged that creation date was confusing for some, which I never understood: the date you created the composite; pretty simple.

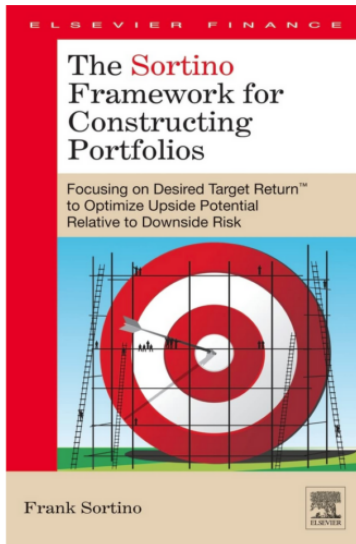
Well, this new date has met with confusion, too. I recall in great detail what I was told roughly five years ago: it’s the first date of performance that appears in a GIPS report when it is first created. E.g., you create a report in 2026 for a strategy that you’ve been managing since January 2001. But, you only go back to January 2016, so your inception date is January 2016, not, January 2001.

Recently, I debated this with a couple colleagues, who insisted that 2001 is the right date, so I sought help from other authorities who agreed with my colleagues. This, to me, makes no sense.

How does the Glossary define the term? “The initial date of the composite’s track record.” Pretty clear to me: the initial date (as in, the first date) of the composite’s track record. Not the strategy’s track record, the composite’s.

fund success for reasons I won't go into here other than to say "hedge" generally means limiting the downside.

**Sortino Framework for Constructing Portfolios:** Frank put all (maybe just most?) of his innovations into a book that, in addition to showing how to create really good multi-asset multi manager portfolios, actually includes a disk with software to implement this structure. In simple terms, the idea is to filter for skillful active managers IF you can find them, and to fill in holes in investment space with passive funds. It is an active-passive optimization.



We have all benefited from Dr. Sortino's fine work. I will miss him a lot.

**GIPS® Tips**



**June: Education and Standards Awareness**

This is usually the time when registration starts for the annual GIPS standards conference, which will be November 10-11, 2026, at the Loews Philadelphia Hotel. Consider attending or sending team members to the conference to stay informed about the latest trends and guidance related to GIPS compliance and regulatory considerations.

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.

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One person I reached out to also agreed with my colleagues, and said that they meant "strategy" when they wrote "composite." Really? Then write "strategy," because they aren't the same thing.

I'll be happy with either interpretation, but for years, I've been telling my clients what I was told, now only to learn that what I was told was wrong, and that the glossary is apparently wrong, too.

Out of curiosity, I asked ChatGPT, an independent objective authority. This is what I sent:

*Regarding the GIPS standards term "composite inception date." And so, by way of example:*

*I started managing a global equity strategy on June 15, 2011.*

- 1. I decide to become compliant with the GIPS standards in 2026.*
- 2. On March 5, 2026, I create my Global Equity Composite, going back 10 years, so that the first year report is 2016 (starting with January 1, 2016). And so:*

*My Composite Creation Date is March 2026*

- 1. My Composite Inception Date is January 2016.*
- 2. If I care to show it, my Strategy Inception Date is June 2011.*

*What do you say the composite inception date is?*

Its rather detailed response:

*Under the GIPS Standards, the **composite inception date** is generally the date on which the composite initially began to include actual, discretionary portfolios managed according to the composite strategy — not the date the composite was formally "created" for GIPS purposes, and not necessarily the strategy inception date.*

*In your example:*

*Strategy first managed: **June 15, 2011***

- 1. GIPS compliance adopted: **2026***
- 2. Composite formally created in records/documentation: **March 2026***
- 3. Composite performance history built beginning: **January 1, 2016***

*The key question is: Were there actual discretionary portfolios managed to the Global Equity Strategy and meeting the composite definition as of January 1, 2016?*

*If yes, then:*

- **Composite Creation Date** = March 2026  
(administrative date the composite was established/documented)*
- **Composite Inception Date** = January 1, 2016  
(first date the composite has compliant composite performance)*
- **Strategy Inception Date** = June 15, 2011  
(optional supplemental disclosure; not a required GIPS-defined term)*

*So your interpretation in item (b) is correct.*

*The important distinction in GIPS is:*

- **Composite inception date** relates to the beginning of the composite's performance record.*
- **Strategy inception date** relates to when the strategy itself first existed.*
- **Composite creation date** is an administrative/event date and is often disclosed separately because GIPS requires firms to disclose when a composite was created if that differs from inception.*

Again, I'm fine with either. I questioned the first explanation I was given, but this person held a rather senior position within the "world of GIPS," and I wasn't about to challenge or question this. But now, I'm getting a very different response.

What should occur: change the glossary definition to "The initial date of the strategy's track record."

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.

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Take the first step toward a better GIPS standards verification. Schedule a call or request a no-obligation proposal today at [GIPSStandardsVerifications.com](https://GIPSStandardsVerifications.com).



### The Journal of Performance Measurement®

This month's article brief spotlights "The Efficiency Imperative: Reframing Data Consolidation as Governance Strategy" by Alex Serman, CIPM. It was published in the Spring 2026 issue of *The Journal of Performance Measurement*.

*In an increasingly complex investment environment, where transparency and fiduciary confidence are critical, this paper reframes efficiency as a governance capability rather than a function of speed or cost. It highlights how fragmented data ecosystems create operational friction, reconciliation challenges, and governance risk. The paper argues that leading institutions are improving efficiency by aligning data flows, clarifying ownership, and strengthening control over data lineage. This governance-first approach enhances reporting reliability, audit readiness, and overall institutional confidence.*

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### Quote of the Month

People are often unreasonable, irrational, and self-centered.

*Forgive them anyway.*

If you are kind, people may accuse you of selfish, ulterior motives.

*Be kind anyway.*

If you are successful, you will win some unfaithful friends and some genuine enemies.

*Succeed anyway.*

If you are honest and sincere, people may deceive you.

*Be honest and sincere anyway.*

When you spend years creating, others could destroy overnight.

*Create anyway.*

If you find serenity and happiness, some may be jealous.

*Be happy anyway.*

The good you do today, will often be forgotten.

*Do good today anyway.*

Give the best you have, and it will never be enough.

*Give your best anyway.*

In the final analysis, it is between you and your God.

*It was never between you and them anyway.*

— Mother Teresa

### That's a Good Question

#### What Is GIPS Compliance?

GIPS® compliance is more than a marketing claim. It demonstrates a firm's commitment to transparent, consistent, and ethical investment performance reporting. In this month's featured blog, we explain what GIPS compliance means, why it has become an expectation among institutional investors, and how independent verification can strengthen credibility, improve internal processes, and help firms compete with confidence. Whether you're considering compliance for the first time or looking to reinforce your existing program, this is a great refresher on the value of the GIPS standards.

Read full blog post here: <https://tsgperformance.com/what-is-gips-compliance/>

### Compliance Corner

#### GIPS® Verification and the SEC Marketing Rule

As firms continue navigating the SEC Marketing Rule, many are asking an important question: does GIPS verification help support compliance efforts?

In this month's featured SEC Blog post, TSG explores how GIPS verification can strengthen a firm's credibility, governance, and controls around investment performance reporting. While GIPS verification does not guarantee compliance with the SEC Marketing Rule, it can provide firms with a strong operational framework and added confidence around policies, procedures, and performance presentation practices.

The article also highlights how regulators, prospects, and clients increasingly expect transparency, consistency, and documented oversight in performance advertising and reporting.

## TSG Milestones



Riyadh Development Company (ARDCO) has achieved compliance with the Global Investment Performance Standards (GIPS®) for the first time, marking a significant milestone in the firm's commitment to transparency, consistency, and global best practices in investment performance reporting. The verification was completed by TSG, a global leader in investment performance measurement and GIPS verification services.

Full Press Release here: <https://tsgperformance.com/press-release-riyadh-development-company-ardco-achieves-its-first-gips/>

In addition, we recognize Memphis Trust's 10<sup>th</sup> year of successful GIPS standards verifications by TSG. We are grateful to have them as our client.



## PUZZLE TIME

Investor A earns **8% annually** for 30 years.

Investor B earns **10% annually** for 25 years.

Both start with **\$10,000** and never add more money.

Who ends up with more? (No calculator)

### May's Puzzle

Using exactly four 9s and any math operations, make **100**.

Example format:  $9 \div 9 + 9 \times 9 = 100$

Solution:

Brilliant quiz question this month ...

A variation on a favourite one of mine – working through the natural numbers using four 4s and any mathematical functions.

For firms managing the growing complexity of marketing compliance, verification can play an important role in reducing risk while reinforcing trust in reported results.

[Read the full blog post here: https://tsgperformance.com/gips-verification-sec-marketing-rule/](https://tsgperformance.com/gips-verification-sec-marketing-rule/)

### Free Webinar Replay

[The SEC Marketing Rule in Practice](#)

*Moderated by Lance Dial, with insights from David Spaulding, DPS, CIPM, Grossetti, and Thoreau Bartmann.*

## 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
June 18–19	<a href="#">EMEA Performance Measurement Forum</a>	Milan, Italy
June 23	<a href="#">Data Analytics &amp; Performance Measurement Event</a>	Amsterdam, Netherlands
September 16	<a href="#">PMAR Europe</a>	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

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**.

## 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](mailto:CSpaulding@TSGperformance.com) if you have any questions or are having trouble accessing the site.

So – for my solution, I would go for  $(720-720)/6 \dots (720-120)/6 = 100$

That translates to  $(720-720)/6 \dots (720-120)/6 = 100$

Thank you as always for engaging my rusty brain

All the best

Anthony Howland

## Upcoming Webinars / Surveys



### TSG Performance | TSG Time with Pat & Doug, Episode 41

In Episode 41 of TSG Time, Pat and Doug welcome Jane Atmodjojo, co-founder of EquiForce and a recognized leader in investment operations, performance measurement, and reporting. Jane shares the story of how she built a nearly 30-year career in the investment management industry, the experiences that led her from executive leadership roles to entrepreneurship, and what gave her the confidence to launch her own firm. She discusses how her leadership philosophy has evolved while managing teams, executives, and now a growing business, and reflects on the major changes she has witnessed in performance measurement and reporting over the course of her career. Jane also previews her PMAR panel, *Innovative Ways to Present Performance & Analytics*, and highlights what she's most looking forward to at this year's conference. In the lightning round, she reveals her favorite travel destination, the app she can't live without, career advice for her younger self, and her must-see PMAR experience.

To hear the full conversation, listen to Episode 41 of *TSG Time* wherever you get your podcasts or visit [tsgperformance.com/podcast](https://tsgperformance.com/podcast).



If you weren't able to join us live on Performance Measurement Professionals' Day, I'd encourage you to take a little time to watch the recording.

To mark 20 years of the CIPM designation, we brought together a group of industry experts, including **Alex Shafran, CIPM**; **Kenrick Ohid, CIPM**; **John D. Simpson, CIPM**; **David Spaulding, DPS, CIPM**, and from the CFA Institute, **Rob Langrick, CFA, CIPM**, for a straightforward conversation about what the designation means in practice. This was an honest discussion about how CIPM has influenced careers, how firms are thinking about it in hiring and development, and how the role of the performance professional continues to evolve.

Douglas Spaulding did a great job moderating, with opening remarks from Rob Langrick, and the panel delivered exactly what we hoped for, practical perspective from people doing the work every day.

If you're involved in performance, risk, or reporting, there's a lot here that will resonate. [Take a listen here.](#)

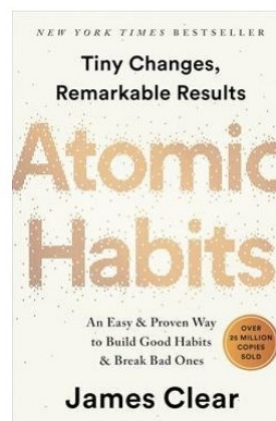
## Potpourri

### Did You Know? Sortino Edition

- **The Sortino Ratio:** Developed in the early 1980s with Robert van der Meer, this metric measures an investment's return relative to its downside deviation below an acceptable target, often referred to as a Minimum Acceptable Return (MAR).
- **Post Modern Portfolio Theory (PMPT):** He founded the Pension Research Institute in 1981 and worked with mathematicians to create PMPT. This framework prioritizes managing downside risk to align with specific investor goals like funding a secure retirement
- Before returning to academia as a finance professor, he served as a Senior Vice President at an investment firm managing \$1.5 billion.
- He earned his PhD in Finance from the University of Oregon, an MBA from UC Berkeley, and his undergraduate degree from USC.

## Book Review

### *Atomic Habits*, by James Clear Review by David Spaulding, DPS, CIPM



I always have at least one book going at a time on Audible, and several that I am literally reading.

Recently, while listening to *Everything You Want is on the Other Side of Hard*, by Ken Rideout, the author mentioned that he had picked up a copy of *Atomic Habits*, which, at the time, I was also reading. Interesting coincidence.

We all have habits, both good and bad. And, we no doubt want to begin some new ones while dropping some not-so-good. I thought perhaps this book might help. And, I think it is.

"The seed of every habit is a single, tiny decision." I agree. We need to decide. For me, that's loads of things, including taking my supplements every morning, spending some quiet time in reflection, and flossing daily.

### Inside the Institute: A Fresh Perspective

[Institute.TSGperformance.com](https://www.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, 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.

I am an active reader: that is [as per Google], I "wrestle" with the text and use techniques like underlining to force familiarity with what I'm reading. In addition, I will make notes and use other forms of notation while reading. And this book used a fair amount of ink.

The author mentions "stories" that we tell ourselves, such as "I'm terrible with directions" and "I'm not good at remembering names." I have challenged myself to identify my stories. Unlike the stereotypical man, I do not hesitate to ask for directions; and while at one time I was not good at remembering names, those days are behind me. But, I am sure I still am being limited by my own "stories."

The author speaks of what we have "become" through our habits. I think this can be broadened to how we identify ourselves and how our habits may have contributed to this identity. Because I work out five-to-seven days a week, I identify as a "fit" person, as someone who is "into fitness." At one time I avoided reading; granted, that was nearly 50 years ago, but it was quite a challenge for me to read a book. Now, I very much identify myself as a reader, because I developed the habit of always having books around me and books I'm reading. I have still challenged myself to identify "what have I become?"

Further, to identify what I want to become. By setting some goals, I can develop the habits to help me achieve those goals.

Another question that arose while reading the book is "what are my beliefs?" This is somewhat like the earlier statements such as "I'm terrible with directions," but perhaps goes further.

I love books that cause me to think, reflect, and better yet, take action, and this is one of those books. There are reasons it has sold more than 20 million copies.

We all have habits, both good and bad. And, I suspect we all want new good ones and perhaps to abandon some of those old ones. This book can help.

My wife said she wants to read it. But rather than give her my copy, I ordered a new one for her. Why? Because I need to spend some concentrated time on review, reflection, and action.

Yes, I recommend this book. Oh, and I will at some point do a review on the Ken Rideout book.

## 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](mailto:DougSpaulding@TSGperformance.com).

#### Submission deadlines

Fall Issue: October 16th, 2026

Winter Issue: January 15th, 2026

For any questions, please reach out to Doug Spaulding at [DougSpaulding@TSGperformance.com](mailto:DougSpaulding@TSGperformance.com).

## What a Word

### Ectomorphic

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.  
*ectomorphic*

having a thin body build, roughly characterized by the relative prominence of structures developed from the embryonic ectoderm

"[Victor Wembanyama's] ascent has been stunningly quick. Wembanyama is a mere 22. When LeBron made his NBA debut, Wemby wasn't born. Only a few years ago, he was a mystery, this international big man from Paris with an ectomorphic frame, graceful moves and a gentle, looping teardrop of a jump shot."

Source: "The Tall Man Who Changed Basketball: You Cannot Miss Victor Wembanyama." Jason Gay. *WSJ*. June 1, 2026

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