TSG
We Are Performance

Performance Perspectives

Insights from the performance experts

Volume 22 • Issue 8 • August 2026 - Making Sense of PMEs

Making Sense of PMEs: Which Approach Is Right for You?

Private market performance presents an interesting benchmarking challenge.

Private investments are commonly evaluated using the internal rate of return (IRR), which recognizes the timing and magnitude of investor cash flows. Public market indexes, on the other hand, are time-weighted and are not affected by external cash flows.

So how do we meaningfully compare the two?

Public Market Equivalents, or PMEs, were developed to address this problem.

The basic idea is straightforward: What would have happened if, instead of investing in a private fund, the investor had invested the same amounts, on the same dates, in a public market index?

The original Long-Nickels PME provided an elegant way to answer that question. Each private market contribution hypothetically purchases units of the public index, while each distribution sells units.

But there is a potential problem. What happens when distributions from the private investment exceed the amount that can be withdrawn from the hypothetical public portfolio?

The benchmark can effectively **run out of money**, with subsequent hypothetical distributions creating a negative position that may be mathematically possible but are difficult to justify economically and intuitively.

That limitation led to the development of several alternative approaches, including **PMEi, PME+, Modified PME, Kaplan-Schoar PME, and Direct Alpha**. Each attempts to solve the benchmarking problem differently, and each tells the investor something slightly different about relative performance.

This leads to an important point for performance professionals:

There is no single "PME."

Understanding which methodology is being used, what assumptions it makes, and what the resulting number actually tells us is just as important as performing the calculation itself.

Join John in London and Hear More

John D. Simpson, CIPM, will explore these questions at **PMAR Europe on 16 September in London** during his session, **"Making Sense of PMEs: A Practical Comparison of Approaches."**

John will walk through the major PME methodologies, demonstrate where the approaches differ, and discuss the practical question that matters most:

Which PME approach makes the most sense for the analysis you are trying to perform?

If private market performance measurement is part of your work, we invite you to join John and your fellow performance professionals in London next month for this practical discussion.

The Journal of Performance Measurement®
PMAR
Performance Measurement, Attribution & Risk Conference
EMEA

Issue Contents:

The Voice

A Question About Direct Indexing Strategy Investments

Can you please run this by team TSG and get back to me?

We've had direct indexing strategy investments on our 3rd party SMA platform for a while. They are growing in popularity, particularly in the wealth management space. This is where an investor owns the individual stocks of an index in a SMA rather than owning an ETF or mutual fund that tracks the index. It provides for better tax-loss harvesting and customization. Some of the major asset managers in this space are Parametric, Natixis, Columbia Threadneedle, and others.

For this strategy, it is important for a client to understand performance on an after-tax basis and these managers provide that. We'd like to be able to provide this to our advisors and clients, but the challenge for us is verification – ensuring that the numbers provided by managers are accurate. For regular reporting, we've had a long-standing process, which in part relies on firm-level GIPS or composite-specific verification (only SMAs that have that can be on the platform).

For after-tax reporting, it won't work because GIPS doesn't incorporate after-tax reporting. There is, however, a USIPC standard for after-tax reporting. Just like GIPS, some managers adhere to it, others don't – it's voluntary. My understanding is USIPC standards for after-tax reporting were part of GIPS and then became independent in 2011.

If you haven't experienced PMAR EMEA, isn't it about time you did? And if you have, isn't it time you came back for this year's?

For the **12th time**, PMAR brings the performance measurement community together in London for a day devoted to the people, ideas, and conversations that move our profession forward.

And this year, our new name better reflects the community that gathers there: **PMAR EMEA**.

This year's **PMAR EMEA Experience** is designed to inform, challenge, and inspire, with timely discussions around AI and analytics, performance and risk, private markets, and some of the persistent performance problems that continue to create opportunities for improvement.

But PMAR EMEA is about more than the program. **It's about being in the room**. Meeting inquisitive people. Exchanging relevant ideas. Asking questions. Challenging assumptions. And having meaningful conversations with others who understand the work you do.

One day. Inquisitive people. Relevant ideas. Meaningful conversations.

Join us on **16 September 2026 at The Dilly in London** and discover for yourself what makes the **PMAR EMEA Experience** worth experiencing.

Come for the insights. Be part of the conversation. Leave with ideas you can put to work.

Register:
https://tsgperformance.com/events/pmar-emea-2026/

#PMAREMEA #PerformanceMeasurement #InvestmentPerformance #PerformanceAttribution #InvestmentRisk

GIPS® Tips

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.

Question: if an asset manager asked you to provide a verification on their direct indexing strategy for adherence to USIPC standards for after-tax reporting, is that something you'd be able to do, do you have experience with that and general interest in something like that? My understanding is that this would involve verification of account-level calculation (procedures, formulas adhering to the standards, sampling, etc.). Composites work the same way as GIPS, so I don't believe there would be anything to do there.

I also don't know how widely used these USIPC standards are among direct indexing managers. If your team has any insight, feel free to share.

Let me know, please. Thank you.

Reply by John D. Simpson, CIPM

- We do have clients that have direct indexing strategies.
- We can do and have done performance verifications that follow the USIPC After-Tax Guidelines. I would say that there is a fair amount of awareness of these guidelines among managers that offer tax-efficient strategies. Some request verifications to see where they stand with respect to these guidelines.
- An after-tax verification can be performed on individual or representative portfolios, selected composites, or firmwide. If the firm claimed compliance with the USIPC After-Tax Guidelines, then verification could be done firmwide.
- Many firms opt to do after-tax performance for individual or representative portfolios only, or for selected composites only.
- Yes, after-tax performance verification does involve more detailed review of accounting details than for pre-tax verification.
- Actually, composites for after-tax do not necessarily work the same way as with the GIPS standards. Firms may need or want to create slightly after-tax composites than what they use pre-tax. For example, a firm may have a direct indexing strategy based on the S&P 500. Pre-tax, that may be one composite. After-tax, a firm might decide it has clients that it wants to bucket into three different tax-rate scenarios (presumably for presenting to prospects better with respect to their tax situations). The after-tax guidelines don't require this, but they allow for it. Also, separately, many firms will have one composite for all portfolios following the S&P 500 direct indexing strategy, and another for the cash-funded portfolios that follow the strategy. Natixis and others follow this approach; if memory serves, Natixis spoke on this at a PMAR conference sometime in the last five years or so.

Best,
John

Quote of the Month

"If you can't change something, the waste of energy is unforgivable"

– David Baldacci

Hope Rises

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.

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.

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.

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/

Free Webinar Replay
The SEC Marketing Rule in Practice

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

The Journal of Performance Measurement®

This month's article brief spotlights "The Great American Showdown: Methods, Models, and Meaning " by David D. Spaulding and Carl Bacon. It was published in the Spring 2026 issue of *The Journal of Performance Measurement*.

This article was inspired by two books David Spaulding purchased, "The Calculus Wars" and "The Great Math War." Knowing that he and Carl Bacon shared quite different views on various aspects of performance attribution (among other things), he thought an article, and perhaps debate, titled "The Attribution War" would be fun. But war conjures up unattractive images, and neither Carl nor Dave are polemicists. And while the same can be said of Sir Isaac Newton and Gottfried Wilhelm Leibniz, and "calculus wars" were hardly anything involving combat, the book does present vituperative remarks from both sides, hardly what Carl and Dave have engaged in over the years. And so, a softer title was chosen. To distinguish between each writer's views, paragraphs they have written are prefaced with their initials. Where succeeding paragraphs are by the same individual, the initials will not be shown, until paragraphs by the other author appear.

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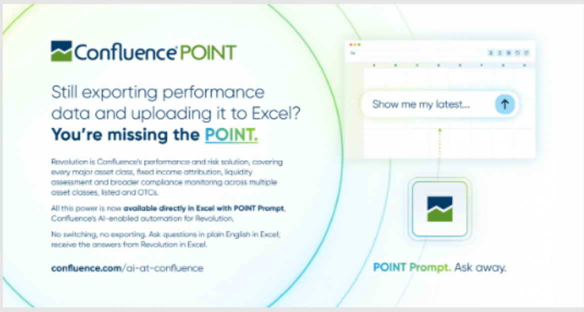
A Word From Our Sponsors

We're grateful to the firms that sponsor TSG's conferences, surveys, research, and other industry initiatives. These programs aren't designed to be profit centers. They take considerable time and resources to produce, and like everything else, the cost of venues, technology, travel, research, and delivering quality programs continues to rise. Sponsorship helps offset those costs while allowing us to keep these initiatives accessible and valuable to the industry.

Their support helps us bring practitioners together, conduct meaningful research, share what we learn with the broader community, and continue investing in programs that move the profession forward. For our sponsors, it is more than putting a logo on an event or report. It is an investment in the performance measurement community.

We encourage you to support the firms that support our industry. Visit our sponsors' websites, learn more about what they do, and take advantage of the research, education, and other resources they make available to the profession.



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/**

Upcoming Webinars / Surveys

Join CFA Institute on 10–11 November 2026 at the Loews Philadelphia Hotel for the 30th Annual GIPS® Standards Conference, where performance and compliance professionals, investment managers, asset owners, verifiers, consultants, and regulators will come together to explore the issues shaping the future of investment performance. This year's agenda features expert-led discussions on AI and performance measurement and reporting, private market trends and retailization, SEC examination priorities, GIPS Standards updates, performance (incentive) fees, and practical guidance from the GIPS Standards Help Desk. Hear directly from industry leaders and regulatory experts as they share real-world perspectives, emerging trends, and actionable insights.

Beyond the educational sessions, the conference offers valuable opportunities to connect with peers from across the global investment industry, exchange ideas, discuss common challenges, and build lasting professional relationships. Whether you're looking to stay ahead of regulatory developments, strengthen your understanding of the GIPS Standards, or discover practical approaches you can apply within your organization, you'll leave with new knowledge, fresh perspectives, and an expanded professional network. **Find out more**.

Use TSG Discount Code: **GIPSTSG100**. to receive $100 off

Potpourri

- What was August called in the ancient Roman calendar before it was renamed?
  - **Answer: Sextilis. The name came from the Latin word for sixth because it was originally the sixth month in an early Roman calendar.**
- Which founding document's official parchment copy was signed by most delegates on August 2, 1776?
  - **Answer: The Declaration of Independence.**
- Which country marks its independence from British rule on August 15?
  - **Answer: India.**
- Which NASA mathematician was born on August 26, 1918, calculated spaceflight trajectories, and was portrayed by Taraji P. Henson in Hidden Figures?
  - **Answer: Katherine Johnson.**

We are pleased to announce that our **third global survey of the asset owner community** will be launching soon. We are putting the final touches on what will be our **most comprehensive asset owner survey to date**.

As with our previous surveys, we will be reaching out to asset owners around the world and across the full spectrum of organizations, including public and private pension funds, endowments, foundations, sovereign wealth funds, NGOs, and family offices.

This year's survey takes an especially broad look at the performance measurement function and the issues confronting today's asset owners. Topics include:

- **Performance & Risk Teams:** Organization and Staffing
- **Rates of Return and Performance Reporting**
- **Valuations**
- **Risk Measurement**
- **GIPS® Standards**
- **Performance & Risk Attribution**
- **Systems and Technology**
- **Benchmarks**
- **ESG:** Environmental, Social & Governance
- **Data Management and Books of Record**
- **Governance and Oversight**
- **Performance Challenges and Automation**
- **Artificial Intelligence**
- **Staffing and Outsourcing**
- **Industry Challenges and the Future of Performance Measurement**

All participants will receive a complimentary copy of the survey results. We also plan to offer customized reports that will allow organizations to explore the findings in greater depth and benchmark themselves against other participants. Details will follow.

We are grateful to our co-sponsor, **Confluence**, for its support of this important industry research.

But ultimately, the value of a survey like this depends upon participation. **The more asset owners who take part, the more meaningful and useful the results become for everyone.**

If you are an asset owner, we hope you will participate. It is an opportunity to contribute to what we believe will be the most comprehensive looks at the state of performance measurement within the global asset owner community.

Watch for the survey—it's coming soon.

Industry Dates and Conferences

What to Expect From TSG in 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 **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.

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

Fall Issue: October 16th, 2026

Winter Issue: January 15th, 2026

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

Institute / Training

We're offering an updated **two-day in-house performance measurement workshop**, covering returns, benchmarks, attribution, risk, and the GIPS standards.

Are your performance, risk, and reporting teams fully aligned on methodology and calculations? Do all the members understand what they're producing and why? Are they able to answer questions that may arise from stakeholders, clients, and other team members? We're seeing many OCIO and institutional teams struggling with inconsistencies across groups or regions, which often leads to rework and difficult client and stakeholders conversations. Too many team members are afraid to ask questions about what they're calculating or reporting, for fear they will look foolish.

We recently helped a very large OCIO organization address this by training more than 150 professionals globally. Perhaps, the biggest benefit was that everyone received the same foundation at the same time. Plus, the opportunity to better understand the *what* and *why* behind what they were doing, thus significantly enhancing their knowledge and skill level, enhancing their confidence, and making them even more valuable assets to their organization.

This year we're offering our **two-day in-house performance measurement workshop**, covering returns, benchmarks, attribution, risk, and the GIPS standards. It has been delivered globally to thousands of individuals and hundreds of organizations for more than 25 years, and, if appropriate, can be tailored to meet the needs of your team.

We've been fortunate to see tremendous interest in our training programs. As a result, **September is fully booked**, and we have availability for just **two remaining in-house training engagements in 2026**. If you'd like to secure one of those slots, we will lock you in, so you can benefit from this valuable training

TSG 2026 Events Calendar

Date	Event	Location
September 16	PMAR EMEA	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

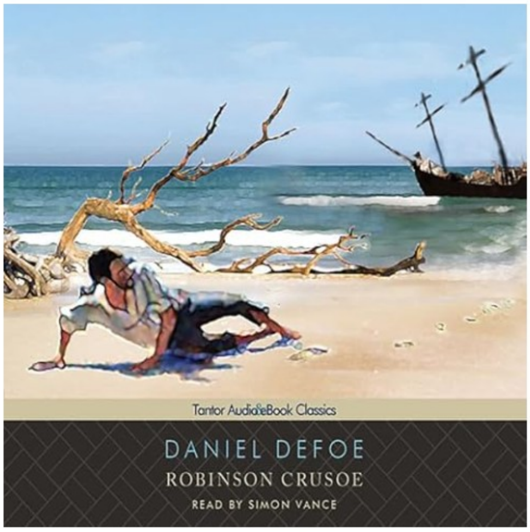
Mark Your Calendars! Let's make 2026 a year to remember.

For information on the 2026 events and partnership opportunities, please contact Patrick Fowler at 732-873-5700.

Book Review

Robinson Crusoe, by Daniel Defoe

Review by David Spaulding, DPS, CIPM



As a devoted Audible member, I very much enjoy occasionally mixing in classics with the myriad of books I listen to. It's hard to find a more classic novel than Daniel Defoe's *Robinson Crusoe*.

Like most people, I already knew the broad outline; that is, Robinson is shipwrecked on a deserted island. At some point comes upon a man he called Friday. And, is eventually rescued.

Suffice it to say that's probably all one really needs to know.

While the book took only a bit more than 10 hours to read (far shorter than some of the books I've listened to; *David Copperfield*, for example, was 36 ½ hours long), it was a bit of a drudgery. Because, and this might surprise you, unless you've read the book, Crusoe is on the island for more than 28 years. And, he doesn't meet Friday until his 25th year.

this year.

To encourage early planning, we are offering **10% off programs scheduled for Q4 2026. In addition, if you commit** by **August 31, 2026** you will also receive **two complimentary passes to PMAR 2027**.And if this year won't work, It's also not too soon to look ahead to 2027.

Can your organization and team members benefit from such training? If you'd like to discuss this opportunity further, please contact me directly at **(PFowler@TSGPerformance.com).**

P.S., this training is not only great for performance professionals, but anyone in the investment industry will benefit. Most firms choose to send team members from back office, compliance, legal, marketing, portfolio management, technology, and other departments to increase their knowledge and understanding of these key concepts.

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, 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

Early on we learn of his other seafaring misadventures, which for many would have been sufficient to convince us to stay on land. But not Robinson, who was committed to sailing, despite the warnings of his parents and his mishaps, one that led to him being made a slave for a period of time.

While the book was first published in 1719, the story takes place in the late 17th century. These were, of course, very different times. Slavery, for example, was accepted, and Defoe portrays attitudes common to his era.

Defoe did write a sequel, *The Farther Adventures of Robinson Crusoe*. As for me, though, I've had my fill of Crusoe.

Historically important? Probably. Is it still a compelling read? I'm unsure. I'm glad I spent the 10+ hours listening, but once was enough.

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

What a Word

Zeugma

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.

Zeugma refers to wordplay in which a single word relates to other words in such a way that it means something different in each case, as in "building a boat and a reputation" and "open a book along with your mind."

A clever use of *zeugma* was demonstrated by Groucho Marx's character Rufus T. Firefly in *Duck Soup* (1933): "You can leave in a taxi. If you can't get a taxi, you can leave in a huff. If that's too soon, you can leave in a minute and a huff."