GLENMEDE

CFA Institute
Global Investment Performance Standards
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Re: Exposure draft of GIPS® Guidance Statement on Benchmarks

Thanks for the opportunity to comment on the exposure draft of GIPS® guidance statement on benchmarks. Listed below are the responses to each question posed in the paper.

Question 1: Do you agree that firms should be required to disclose why they have chosen an ETF rather than a market index as the composite benchmark?

Yes, the reasoning behind using an ETF versus a benchmark should be explained. Also, whether the ETF returns are shown on a NAV or market price basis should be a requirement as well.

Question 2: Do you agree that the ETF chosen must be one in which the returns are comparable to those of the composite?

Yes, the ETF chosen must be similar to the investment strategy of the composite. If there is any significant deviation in the ETF for unexpected reasons, it must be documented.

Question 3: Do you agree that the hedging criteria for the benchmark must be disclosed? Do you agree that it should be required that any material difference in hedging between the composite and the benchmark be disclosed?

Firms should only be required to disclose the hedging criteria of a benchmark when there is a material difference between the composite and the benchmark.

Question 4: Do you agree that firms should be required to select the benchmark that is most consistent with the withholding tax status of the portfolios in the composite?

If possible, the tax status of the benchmark should be considered in the selection process but it should not be the main driver of the selection process.

Question 5: Do you agree with the creation of custom benchmarks using fees and/or trading costs to provide returns comparable with the net-of fees and/or trading costs composite returns?

Yes, firms should be able to provide net of fee or net of all trading cost benchmarks. This will be helpful in the wrap account composites since generally the highest fee is shown on the composite which can be quite large and no fees are taken from the benchmarks.

Question 6: Do you agree that if a net-of-fees and/or trading costs benchmark is presented, the firm should be required to disclose the fee schedule and/or the trading costs used to derive the benchmark returns?

If these custom benchmarks are presented, then fee schedule for the current period and all associated costs should be shown. All historical information should be available upon request and be stored in the policy and procedures document of the firm. It should also be documented in the process and procedures as to which interval the fees will be taken; whether it is daily, monthly, quarterly, annual, etc.

Question 7: Do you agree with the proposed treatment of price-only benchmark returns?

All benchmark should be total return only. We agree that a price return should be considered to be a total return if there is no income generated by that asset class and both returns would be identical.

Question 8: Do you agree that if a firm changes a benchmark retroactively, the disclosure of the change should be required to be included in the compliant presentation only for as long as it is meaningful as per the firm's policy and the disclosure can be removed once it is no longer meaningful?

If a benchmark is changed retroactively, the disclosure should be required for the compliant presentation for at least one year after the change. The reasoning for the change should also be required to be shown for at least a year as well.

Question 9: Do you agree that firms must disclose changes to benchmark ordinal (primary, secondary)?

Yes, if a benchmark changes from primary to secondary, it should be noted on the disclosure page as well as the reasoning behind the change.

Question 10: Do you agree that firms should be allowed to present the name of the benchmark for a readily recognized index or other point of reference instead of presenting the full benchmark description?

No. Since GIPS® is a global standard, a recognized benchmark in one country or area of the world may be unknown in another country. The benchmark description should be included in the composite disclosure page even if it's well know and easily recognizable by those in the local market.

Question 11: Do you agree that if the firm is uncertain about whether the benchmark is readily recognized by any potential prospective client, the firm should be required to include the benchmark description?

Yes, the benchmark description should be included for all compliant presentations. We have to consider someone with no investment experience is reading the compliant disclosure and provide some information on the benchmark even if its' widely known, such as the FTSE 100, S&P 500 or Barclays Aggregate.

Question 12: Do you agree that if other benchmarks are presented and labelled as supplemental information, that all of the required benchmark disclosure and presentation items should be required to be presented for all benchmarks included in the compliant presentation?

No, if the benchmarks are supplemental to the compliant presentation, they should not have the full disclosure of all of the information.

Additional Comments:

Some hedge fund and Private equity peer group benchmarks will be historically updated to reflect changes in the underlying funds. When the historical period returns change, should these changes be disclosed in the presentation? Or should the composite presentation state the date of update and that the information was current as of the current date and state that it might change in the future due to updates by the index provider.

Please contact us with any questions or concerns on the comments. Thanks!

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