



Compliance is Easier Than You Think:

Challenges and Solutions for Hedge Fund
Managers Considering the Global Investment
Performance Standards (GIPS®)





Executive Summary

- » The Global Investment Performance Standards (GIPS®) are a voluntary set of best practices intended to provide transparency, full disclosure, and fair representation when reporting performance to prospective clients.
- » Increased transparency, demand from institutional investors, multiple regulatory initiatives, the promulgation of separately managed accounts for HFMs, and industry best practice are just a few reasons why HFMs are choosing to claim compliance with the GIPS standards.
- » Transparency, it seems, has become nearly as important as performance for prospective investors in the alternative space.
- » The 2020 edition of the GIPS standards offers relief from some of the more challenging aspects hedge fund managers (HFMs) typically face when claiming compliance.
- » Compliance with the GIPS standards is at the firm-wide level and not the fund/ strategy level, therefore assets under management for GIPS standards purposes should be reflective of all assets within the GIPS-defined firm.
- » Composites comprised of segregated accounts are required, but in most cases the HFM will be able to market pooled funds using a stand-alone GIPS Pooled Fund Report.
- » Complying with the GIPS standards Input Data requirements is often very simple for HFMs. The GIPS standards require monthly return calculations (with some exceptions), and nearly all funds strike a NAV monthly. The use of third-party administrator data for purposes of compliance is permissible, provided that the data and calculations meet all applicable requirements.
- » For pooled funds, there are a number of acceptable options for calculating net performance: tracking a representative investor or representative feeder fund, calculating performance on the total pool of assets in the fund including all limited partners, or taking the gross-of-fees return of the total fund and netting it down by a model fee.
- » Firms that comply with the GIPS standards must make every reasonable effort to provide a GIPS Report to all prospective investors. The GIPS Report includes required statistics and applicable disclosures.

Introduction

The [Global Investment Performance Standards \(GIPS®\)](#)¹ are a voluntary set of best practices intended to provide transparency, full disclosure, and fair representation when reporting performance to prospective clients. Historically, the GIPS standards have been tailored more toward the institutional, long-only asset manager, but as more assets have been allocated to alternative investments, and as regulatory scrutiny has dramatically increased, hedge fund managers (HFMs) and other alternative managers are increasingly embracing the GIPS standards. While this move towards acceptance of the GIPS standards in the alternative industry is a noteworthy trend, it is not without challenges. This paper will discuss some of the considerations that HFMs must make when claiming compliance with the GIPS standards.

GIPS Standards: Responding to the Demand for Hedge Fund Transparency

As HFMs compete for the increasing amount of assets being placed in the alternatives space, they are finding many reasons why claiming compliance with the GIPS standards would be an attractive option. Many institutional investors such as endowments, foundations, and pension plans have been increasing their target allocations to include alternative assets as a larger component of a well-diversified portfolio. A 2017 report from BNY Mellon noted that “nearly half (45%) of investors say that they are dissatisfied”² with hedge fund transparency, but also noted that “managers are listening – 71% plan to offer greater transparency over the coming 12 months.”² In addition, the report states that as the “investor base continues to deepen, transparency requirements continue to evolve with respect to underlying portfolio information, risk and performance attribution, and regulatory reporting needs.” Not surprisingly, many of these managers have discovered compliance with the GIPS standards as a way to achieve the transparency that is demanded in the marketplace. In fact, 75% of the consultants responding to a 2018 survey by ACA and eVestment responded that they “expect to require alternative asset managers to comply with the GIPS standards.”³

A continued push for transparency around performance reporting from institutional investors in the alternatives space is supported by the release of the 2020 edition of the GIPS standards, the NCREIF PREA Reporting Standards, and the ILPA Reporting Template. In addition, there has been equal, if not greater, demand for transparency coming from the U.S. Securities and Exchange Commission (SEC) and lawmakers.

Many HFMs were required to register with the SEC per Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which replaced the commonly used private adviser exemption with several narrower exemptions. In addition, Dodd-Frank required many firms to file Form PF. This exhaustive periodic filing to the SEC is required of firms that have over \$150 million in private fund assets under management (AUM). Lastly, the Aberrational Performance Inquiry (API), which was unveiled in December 2011, has a primary objective of proactively identifying atypical hedge fund performance. The natural consequence of these three SEC initiatives is that HFMs have a greater need to be completely comfortable with the performance and supporting records of their strategies.

Whether the demand for transparency comes from the marketplace or from regulators, the GIPS standards offer a practical solution. The GIPS standards provide a detailed framework for calculating and presenting performance, and by claiming compliance, a firm is proactively demonstrating its commitment to best practices.

¹ CFA Institute. Global Investment Performance Standards (GIPS). Charlottesville: CFA Institute, 2019.

² <https://www.bnymellon.com/global-assets/pdf/our-thinking/the-race-for-assets-alternative-investments-surge-ahead.pdf>

³ <https://www.sfeic.com/wp-content/uploads/2019/08/eVestment-ACA-GIPS-Survey-Report-2018.pdf>

Fundamentals of Compliance

Definition of the Firm

One of the basic tenets of the GIPS standards is that the entire firm (i.e., the management company) must claim compliance. A common misconception among HFMs, however, is that a single product or fund can claim of compliance with the GIPS standards. For example, if a firm has five unique funds of \$500 million each, then the firm will most likely be defined as one firm with five funds and \$2.5 billion in AUM. In some instances, an investment adviser might be so large that it incorporates several different subsidiaries, such as a retail arm, an institutional arm, and an alternative fund management arm. In these cases, it is not required (and not always appropriate) for the parent company to claim GIPS compliance. Rather, the GIPS-defined firm could be one of the subsidiaries if the subsidiary holds itself out to the public as a distinct business entity.

Once the firm has been defined, the GIPS standards require that total firm assets be the sum of all discretionary fund and segregated account assets. Additionally, for HFMs that employ leverage, the GIPS standards require that total firm assets, composite assets, and pooled fund assets must be calculated net of discretionary leverage and not grossed up as if the leverage did not exist. In addition, the total firm asset calculation must not double count any assets. This will be of particular importance to firms that make use of cross investments. The HFM should provide any additional disclosures that would help an investor understand how the HFM's assets have been calculated.

Policies and Procedures

A firm claiming compliance with the GIPS standards is required to document its policies and procedures used in establishing and maintaining compliance with the requirements of the GIPS standards. A comprehensive policies and procedures document will address all requirements and recommendations the firm follows to comply with the GIPS standards, including the definition of the firm, discretion, pooled funds and composites, calculation methodologies, and the creation and distribution of marketing materials, among other things. Maintaining this information in a written document also serves as an effective internal control, helping to ensure consistency in a firm's operations particularly when the HFM experiences employee turnover. The construction of a policies document should not be an overly laborious task, but this is an area where firms often gain value from working with a third-party service provider.

Providing a GIPS Report to Prospective Investors

Standard 1.A.13 of the GIPS standards requires firms to make every reasonable effort to provide a GIPS Report to all limited distribution pooled fund prospective investors. The GIPS Report (previously referred to as a "compliant presentation") must include performance that has been calculated utilizing required calculation methodologies and include specific statistics and disclosures in addition to what most HFMs typically present in their existing one-page "fact sheets." Some of the required statistics include gross or net-of-fees performance on an annual basis, pooled fund assets, and firm assets. Required disclosures include, but are not limited to, the definition of the firm, description of the pooled fund's investment strategy, the availability of a complete list and description of the firm's pooled funds, and the pooled fund's fee schedule. Depending upon the specifics of the particular HFM, additional disclosures may also be necessary.

Because of these disclosure requirements, the GIPS Report may differ slightly from legacy presentations of the HFM. However, it is this document that facilitates the apples-to-apples comparison. While at first this might seem like an onerous task, creating a GIPS Report for a pooled fund generally is not a time-consuming ordeal. Ordinarily, the required statistics are readily available, and the disclosures are not overly complex. It is also helpful to remember that creating a GIPS Report does not mean that HFMs need to completely rework

their existing marketing material. Typically, the existing marketing materials can continue to be used, and the GIPS Report is simply an addition to the information that a prospective client will receive. HFMs do need to ensure that performance is consistent across all marketing materials and this performance needs to agree with performance being presented on the GIPS Report. To ensure all prospective investors have received a GIPS Report, many HFMs will include the presentation as an appendix to their pitchbooks.

Composite Construction

One area where HFMs have historically struggled is the concept of composite construction. As previously discussed, the GIPS standards have previously been tailored more toward institutional, long-only separate account managers, and the requirement to include all discretionary, fee-paying accounts in a composite did not necessarily make sense for private fund managers. With the release of the 2020 GIPS standards, the firm is not required to create a composite that only includes one or more pooled funds unless the firm offers the strategy as a segregated account. Firms must still adhere to provision 1.A.13, as discussed earlier, and provide each prospective investor with a GIPS Pooled Fund Report. To the extent that a firm manages segregated (or separately managed) accounts for clients, or intends to market to segregated account prospective clients, then a composite must be created. Composites may include segregated accounts, pooled funds, or both, managed to the same strategy and meeting the composite definition. In the case of pooled fund prospective investors, a firm may use either the GIPS Composite Report or the GIPS Pooled Fund Report, whichever is most suitable. If the manager elects to provide a pooled fund prospective investor a GIPS Composite Report, the fee schedule applicable to the pooled fund must be disclosed in the report.

Limited Distribution vs Broad Distribution Pooled Funds

Another key conceptual change to the GIPS standards with the release of the 2020 updates is the introduction of the terms “limited distribution pooled funds” and “broad distribution pooled funds.” Broad distribution pooled funds are defined as a pooled fund that is regulated under a framework that would permit the general public to purchase or hold the pooled fund’s shares and is not exclusively offered in one-on-one presentations. Limited distribution pooled funds are defined as any pooled fund that is not a broad distribution pooled fund. As most hedge funds operate under a registration exemption from the Investment Company Act of 1940, it is likely that all hedge funds will be classified, for GIPS purposes, as a limited distribution pooled fund. That is to say that HFM’s would be required to provide a GIPS report to each prospective investor while managers of broad distribution pooled funds are not.

Benchmarks

The GIPS standards require that all firms present an appropriate benchmark in the composite or pooled fund GIPS Report(s), but HFM’s often find it difficult to determine an appropriate benchmark representative of their strategy. While benchmarks for hedge funds do exist (e.g., an applicable HFRI index, MSCI World for a global manager), it is not uncommon for HFMs to exclude a benchmark comparison. With that said, a good practice would be to present an index such as the S&P 500 or the Barclays Capital U.S. Aggregate Bond Index as a market proxy and disclose that the inputs to the benchmark are materially different from those of the strategy and that they are presented solely for comparison purposes. This practice would also be consistent with SEC staff guidance stating that a HFM should disclose the effects of material market or economic conditions on the results portrayed. If no benchmark is presented, the firm must identify the reason why in the disclosures.

Input Data and Calculation Methodology

Valuation

Firms claiming compliance with the GIPS standards are required to capture all data and information necessary to support and calculate performance. This generally includes external cash flows and current fair values for holdings. The 2010 edition of the GIPS standards includes the GIPS Valuation Principles, an appendix that addresses a firm's valuation requirements. The GIPS Valuation Principles also provide an instructive valuation hierarchy, consistent with the guidance provided by the International Accounting Standards Board® (IASB) and the Financial Accounting Standards Board (FASB), that may be incorporated into a firm's policies and procedures. The hierarchy begins with market value at the top as the most accurate determinant of valuation and proceeds down a list of successively less objective valuation methods, culminating with the use of subjective, unobservable inputs. It is, of course, important that HFMs thoroughly document policies for valuing securities. These policies may differ from one HFM to the next and may already be delineated in a fund's offering memorandum. Separate accounts may have different valuation procedures and, if so, should be captured within the firm's policies and procedures.

Frequency of valuations is another important consideration for HFMs and is an area within the 2020 GIPS standards where considerable relief has been granted to managers of private funds. Historically, the requirement for most hedge funds was to value the portfolio on a monthly basis and on the date of any large, external cash flows. The 2020 GIPS standards require pooled funds to be valued at least annually, as of the calendar or fiscal year end, whenever there are subscriptions to or redemptions from the pooled fund, or as of the period end for any period for which performance is calculated. Most HFMs subscribe and redeem investors in their funds on a quarterly or monthly basis, and as a consequence, do not have intra-month external cash flows. As a result, the appropriate valuation frequency is most likely monthly, and HFMs that strike a NAV at month end are often able to use this NAV to satisfy the monthly valuation requirement. It is worth mentioning that most HFMs utilize a third-party fund administrator for calculating fund NAVs and placing reliance on a third party is a common practice and permissible under the GIPS standards. However, it is incumbent upon the HFM to ensure that the administrator is valuing all funds in accordance with GIPS valuation requirements.

Another possible option is the use of estimated values rather than final values. Some HFMs (particularly funds of hedge funds) may not receive final valuations of underlying investments until weeks or months after a period end. In these situations, the GIPS standards provide firms with three options for valuing assets:

1. Use the estimated values of the underlying funds to determine fair value.
2. Use the last available historical final values of the underlying funds to determine current fair value.
3. Use final values and wait to publish GIPS Reports until after final valuations have been received.

If a firm chooses option 1 or 2 above, it must assess the difference between the value used and the final value on composite assets, firm assets, and performance. If the difference is significant enough to require adjustments, then the change must be viewed through the lens of materiality to the prospective investors.

Existing guidance also explains that when estimated values are used to determine the NAV, at which investors can buy or sell units of the fund...the NAV becomes an effective tradable market price and, therefore, satisfies the requirements regarding fair valuation. Practically speaking, this seems to be an industry standard, and thus the use of estimates within the NAV works for most managers without the requirement or need for subsequent restatement.

Again, it is important to note that the GIPS standards' definition of fair value and the GIPS valuation hierarchy are consistent with the fair valuation definitions used by IASB and FASB.

Calculation Methodology

A central feature of the GIPS standards is that performance must be calculated using a time-weighted rate of return (TWR). A TWR removes the impact of external cash flows, which are typically client driven, and generates a return that most accurately reflects the portfolio manager's ability. Removing the impact of a cash flow is done either by revaluing the account on the date of the cash flow or by weighting the flow according to the day of the month on which the flow occurred. When calculating time-weighted returns for funds, the fund must be valued:

- a) At least annually.
- b) As of the calendar or fiscal year end.
- c) Whenever there are subscriptions to or redemptions from the pooled fund.
- d) As of the period end for any period for which performance is calculated.

Because most hedge funds have monthly or quarterly subscription and redemption cycles, HFMs are typically able to calculate a simple TWR based on the fund's monthly or quarterly NAVs. However, as HFMs bring on separately managed accounts, it will be necessary to ensure the firm can revalue and weight the cash flows, if occurring intra month.

An exception to the TWR requirement above is seen in the case of closed-end funds, where the preferred return calculation is the Since-Inception Internal Rate of Return (SI-IRR). Again, relief has been provided to private managers with the release of the 2020 GIPS standards, in certain situations. As of 2020, guidance specific to certain asset classes has been almost entirely eliminated and increased allowance for the use of IRR calculations has been provided, especially in the case of any closed-end, commitment-based funds.

Net-of-Fees Return Calculation

i. Representative Investor / Feeder Fund

The firm may calculate gross-of-fees returns and deduct the highest investment management fee rate of any individual share class in the fund to arrive at the net-of-fees return. In practice, this method results in a firm effectively presenting the net return of the oldest, highest fee-paying representative investor in the fund or the aggregate net return of all fee paying limited partners (LPs) within the representative feeder fund. For example, a fund might show the return stream of its full fee-paying onshore feeder if it feels this stream is the most representative to the prospective investor. Clearly, the advantage of this method is that the most representative performance stream is utilized. However, the main argument against using a representative return stream is that it does not reflect every investor's return. When market volatility is high, omitting the shorter performance history of more recent investors can lead to material differences between the performance record and the performance of the overall fund. When determining a representative feeder fund or investor to use, HFMs need to consider what return would be most representative from a prospective investor's point of view.

ii. Model Management Fees

The model method involves netting down the fund's gross return by a model fee. Firms may calculate gross-of-fees returns and apply the most applicable investment management fee to the prospective client. In the case of a fund that uses a mix of flat fees and performance-based fees for its different investors, the GIPS standards allow firms to use the most appropriate model fee applicable to the specific prospective client or the intended recipient of the GIPS report; however, the returns must be equal to or lower than those that would have been calculated using actual investment management fees. This guidance is in line with the JPMorgan No-Action Letter dated 5/7/1996, which has been used extensively as the basis for implementation of a model net-of-fees methodology.

Applying a model fee effectively achieves the same result as the first method discussed. Utilizing a model fee instead of an actual fee makes it easier to calculate net performance when a firm has made changes to its fee structures over time. Another advantage with using model fees to calculate net returns is the ease of calculation. One downside, however, is that the net return is not an actual net return, but rather a simulated return using assumptions regarding the fees. In addition, if the model fees used for the calculation are substantially higher than the actual fees that investors are typically charged, using a model fee could understate net performance. In these instances, disclosure of the model fee assumption used, as well as the calculation methodology, is imperative.

iii. Entire Fund

The firm may calculate net-of-fees returns using all actual net-of-fees returns from all share classes and series. Using this methodology, all investors' net returns are weighted to arrive at an asset-weighted net return for the fund. This return reflects the performance of all underlying investors regardless of when they came into, or when they exited the fund. While the advantage of this approach is that it reflects all underlying assets of the fund, a significant disadvantage is that the return presented is one that no individual investor has ever actually achieved. What further complicates this methodology is that different investors can often have differing management fees, performance fees, and high-water marks based on when they subscribed to the fund. By netting down the gross performance of all investors, the net return becomes an amalgamation of multiple, different incentive fees, which may not be particularly useful. While this method is an option, our opinion is that this method is least favorable due to the reasons cited above and, in our experience, seem to obfuscate the net-of-fees performance year over year.

Performance-Based Fees

Some HFMs have questioned whether performance-based fees should be included in net returns. The guidance is clear that net returns should be reduced by all investment management fees, including any performance-based fee. Per the GIPS standards, an investment management fee is any fee that is asset-based (percentage of assets), performance-based, or a combination of the two. Please see the following table.

Return	10 .00%
- Trading Expense	.08%
GIPS standards Gross Return	9.92%
- Investment Management Fee	1 .00%
Net Return*	8 .92%
- Performance Based Fee	.88%
GIPS standards Net Return**	8.04%

*Also called "Gross" return by some HFMs.

** Sometimes referred to as net-net

The logic is that if a firm did not include the performance fee, the net return would not be reflective of the performance that the actual investors achieved. A common issue is that some HFMs consider gross returns as net of both trading expenses and the asset-based fee, but gross of the performance-based fee. The net return is viewed as net of the trading expenses, asset-based fee, and performance-based fee. The GIPS standards do not prohibit such treatment, but it would be atypical as gross performance simply needs to be net of trading expenses, and not management fees.

Funds of Hedge Funds

When calculating monthly performance, a fund of hedge funds (FOF) typically arrives at a monthly NAV by aggregating the market values of all underlying fund investments, less liabilities, fees, and expenses attributable to the FOF itself. When most of the underlying funds are liquid and able to provide the fund of funds with end of month values a NAV calculation is easily computed. However, when the FOF contains underlying funds that are illiquid and/or infrequently report performance, the calculation of performance can be more challenging. However, the GIPS standards accommodate such scenarios, as discussed above. From the Valuation section, the GIPS standards allow for less frequent valuation for private market investments if the underlying investments of a fund do not lend themselves to monthly valuations and the fund itself is open to client cash flows only on a less frequent (e.g., quarterly) basis.

Additionally, the GIPS standards allow the use of historic values or estimated values if these measures are properly incorporated into a firm's fair value hierarchy.

There is also guidance for how gross and net performance must be calculated for a FOF. Specifically, both gross and net performance must be net of all the underlying funds' fees and expenses. This will typically be achieved using the underlying funds' NAVs, which include the impact of their fees and expenses. The guidance goes on to explain that net performance must be net of both the overall fund of funds investment management fee and all of the underlying funds' fees and expenses. An allowance here was made in the case where the firm controls the investment management fees of the underlying pooled funds. In that case, the firm may calculate gross-of-fees returns that do not reflect the deduction of the underlying pooled fund investment management fees. As is always the case, gross and net performance must be net of any trading expenses.

Side Pockets

The composite construction process can become a little bit more complicated for funds that have established side pockets. Side pockets segregate certain investments from the rest of the fund, and only certain investors are entitled to a portion of the eventual proceeds of the investments. Side pockets are often created to allow new investors to come into the fund without having exposure to legacy illiquid investments, and they preserve the fund's liquidity profile by not allowing redeeming investors to disproportionately deflate the liquid portion of the fund. The guidance distinguishes between side pockets that are discretionary and those that are non-discretionary.

i. Discretionary

The GIPS standards describe a discretionary side pocket as one that contains investments that were made at the discretion of the firm. For example, if the firm made a strategic decision to invest in a particularly illiquid investment, this would be a discretionary side pocket. In these instances, the GIPS standards require that firms must present returns both including and excluding the side pocket.

ii. Non-Discretionary

Non-discretionary side pockets contain assets that are not part of a fund's strategy. These could be assets expressly purchased at a client's request. They also could be assets "frozen" when a prime broker goes through bankruptcy. However, assets cannot be classified as non-discretionary solely due to their illiquidity, and there is a four-part test that must be met before assets can be classified as non-discretionary. When a fund has a non-discretionary side-pocket, the firm must not continue to include the investments or the entire side pocket in the performance of the pooled fund and related composite.

Whether a side-pocket is classified as discretionary or non-discretionary, it must be disclosed on the composite's presentation.

Required and Recommended Disclosure

The guiding principles of the GIPS standards are full disclosure and fair representation. Firms must adhere to these guiding principles when advertising and must not present performance or performance-related information that is false or misleading. Accordingly, there are numerous required and recommended disclosures detailed in the provisions of the GIPS standards. It is particularly important for HFMs to include any additional disclosures regarding assumptions made in the presented performance and the methodology used to calculate performance.

When presenting gross-of-fees returns, the firm must disclose any other fees that are deducted in addition to transaction costs. When presenting net-of-fees returns the firm must disclose if any other fees are deducted in addition to investment management fees and transaction costs, if net-of-fees returns are net of any performance-based fees or carried interest, and if model or actual investment management fees are used.

Other disclosures include:

- » Other unique aspects of the composite, such as of the existence of side pockets, performance fees, or high-water marks.
- » The presence, use, and extent of leverage, derivatives, and short positions, if material to the composite.
- » Any other significant events that would help a prospect interpret the composite presentation.
- » Any material changes to valuation and/or calculation policies or methodologies.

Concluding Thoughts

In closing, it is important to reiterate how quickly compliance with the GIPS standards is being embraced in the alternative asset management space. As discussed, this rush to compliance is the natural effect of more assets (particularly institutional) being placed in alternative strategies as well as the increased flight to transparency and regulatory scrutiny to which the financial industry has been subject in the last several years. As the number of HFMs that claim compliance with the GIPS standards increases year over year, it is abundantly clear that the GIPS standards are flexible enough to allow HFMs to achieve compliance and that attaining compliance for HFMs is more readily achievable than is commonly perceived.

Extensive changes to the GIPS standards have come about in recent months which include considerable allowances and relief for HFMs and private fund managers in general. The lack of such historical guidance has created undue complications for private fund managers, and we hope that this paper serves to dispel some of the common misconceptions about GIPS compliance in the hedge fund space. As a final reminder, it is important to note that the intent of this discussion is only to serve as a general roadmap through these various areas of discussion. For specific guidance for your firm, we strongly urge you to consult with an expert on the GIPS standards.



ACA Group (ACA) is a leading global provider of governance, risk, and compliance advisory services and technology solutions. We partner with our clients to help them mitigate the regulatory, operational, and reputational risks associated with their business functions.

We support our clients to enhance and improve their risk and compliance management programs through the use of consulting, managed services, technology, and education.

Our clients include leading investment advisers, private fund managers, commodity trading advisors, investment companies, broker-dealers, and domestic and international banks. ACA is based in the Americas and Europe.

Learn more about how ACA can help your firm: www.acaglobal.com

© 2020-2021 by ACA Group. All rights reserved. Materials may not be reproduced, translated, or transmitted without prior written permission. ACA Group claims exclusive right of distribution and ownership of intellectual property herein, and this document may not be distributed to or used by any person, business, or entity whose principal business competes with that of ACA Group. Information herein should not be construed as legal or regulatory advice.

CFA Institute does not endorse, promote or warrant the accuracy or quality of ACA Group. GIPS® is a registered trademark owned by CFA Institute.

Appendix

SAMPLE 1 POOLED FUND WITH TIME-WEIGHTED RETURNS

Pudoru Investments Japan Large Cap Equity Fund 1 April 2011 to 31 March 2021									
31 March	Fund Gross Return (%)	Fund Net Return (%)	Benchmark Return (%)	3-Year Annualized Return		3-Year Annualized Standard Deviation		Fund Assets (¥ B)	Firm Assets (¥ B)
				Fund Gross (%)	Benchmark (%)	Fund Gross (%)	Benchmark (%)		
2012	2.25	1.49	2.11	n/a	n/a	n/a	n/a	18.4	35.1
2013	19.33	18.45	16.00	n/a	n/a	n/a	n/a	29.8	51.5
2014	40.20	39.18	32.39	19.60	16.18	14.22	11.94	49.7	78.6
2015	15.25	14.40	13.69	24.46	20.41	10.62	8.97	55.3	103.3
2016	1.45	0.69	1.38	17.91	15.13	12.16	10.47	57.6	124.7
2017	13.53	12.69	11.96	9.90	8.87	12.04	10.60	61.8	150.8
2018	23.51	22.60	21.83	12.46	11.41	11.28	9.93	63.3	143.3
2019	-8.02	-8.72	-7.58	8.85	8.02	12.65	11.80	49.9	146.2
2020	-3.86	-4.58	-3.67	2.98	2.74	14.20	13.56	61.6	165.6
2021	16.46	15.60	15.06	0.99	0.80	18.16	17.00	68.9	185.8

Pudoru Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Pudoru Investments has been independently verified for the periods from 1 April 2011 to 31 March 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Japan Large Cap Equity Fund has had a performance examination for the periods from 1 April 2015 to 31 March 2021. The verification and performance examination reports are available upon request.

Pudoru Investments is an equity investment manager that invests solely in Japan-based securities.

The Japan Large Cap Equity Fund (the "Fund") seeks to achieve long-term capital appreciation by investing primarily in large-cap equity securities of Japanese issuers. Under normal market conditions, the Fund will invest at least 80% of its net assets (including the amount of any borrowings for investment purposes) in common and preferred stocks of large-capitalization companies. The Fund may from time to time emphasize one or more sectors in selecting its investments, including the financial services sector. The value of the Fund's assets may be adversely affected by economic and social demographics, Japan's population is aging, and the government may have to increase taxes as it spends more on healthcare, which could slow economic growth at a time when Japan has been in a prolonged economic downturn. The Fund may borrow up to 30% of its net asset value. Historically, the Fund's borrowing level has averaged less than 1% of net assets and has never exceeded 10%. Leverage may also magnify losses as well as gains to the extent that leverage is used.

The benchmark is the XYZ Japan Large Cap Index, which is designed to measure the performance of the large-cap segment of the Japanese market. The index is fully invested and includes the reinvestment of dividends.

Valuations are computed and performance is reported in Japanese yen. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Gross returns are presented before the deduction of management fees but reflect the deduction of all trading and administrative expenses. Share Class A is used to calculate Fund gross returns. Net returns are calculated by deducting 1/12th of the management fee (0.75% annually, for all share classes) from the monthly gross Fund return. The total expense ratios for Class A and Class I as of the Fund's most recent fiscal year end (31 March 2021) were 1.50% and 1.35%, respectively.

A list of composite and pooled fund descriptions is available upon request.

The inception date of the Fund is 1 April 2011, which is the first day assets were invested in the strategy.

The three-year annualized standard deviation measures the variability of the Fund and the benchmark returns over the preceding 36-month period.

In January 2019, Koh Yuwabara, the Fund's portfolio manager, retired. Yuna Tanaka became the portfolio manager.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

SAMPLE 1 COMPOSITE WITH TIME-WEIGHTED RETURNS

Spinning Top Investments Large Cap Growth Composite 1 February 2011 to 31 December 2020									
Year	Composite Gross Return TWR (%)	Composite Net Return TWR (%)	Benchmark Return (%)	3-Year Std Deviation		Number of Portfolios	Internal Dispersion (%)	Composite Assets (\$ M)	Firm Assets ^(H) (\$ M)
				Composite Gross (%)	Benchmark (%)				
2011 ^(H)	2.18	1.25	1.17			31	n/a	165	n/a
2012	18.66	17.49	15.48			34	2.0	235	n/a
2013	41.16	39.80	33.36			38	5.7	344	n/a
2014	14.50	13.37	13.03	11.30	9.59	45	2.8	445	1,032
2015	6.52	5.47	5.67	12.51	10.68	48	3.1	520	1,056
2016	8.22	7.15	7.09	12.95	11.15	49	2.8	505	1,185
2017	33.78	32.48	30.18	12.29	10.53	44	2.9	475	1,269
2018	-0.84	-1.83	-0.65	13.26	11.91	47	3.1	493	1,091
2019	33.08	31.78	29.76	12.81	11.71	51	3.5	549	1,252
2020	7.51	6.44	6.30	13.74	12.37	54	2.5	575	1,414

^(H) Returns are for the period 1 February 2011 to 31 December 2011.

^(H) Spinning Top Investments acquired the composite through an acquisition of ABC Capital in May 2014. Firm assets prior to 2014 are not presented because the composite was not part of the firm.

Disclosures

1. Spinning Top Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Spinning Top Investments has been independently verified for the periods 1 January 2011 to 31 December 2020. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards

and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

2. Spinning Top Investments is an equity investment manager that invests solely in US-based securities. Spinning Top Investments is defined as an independent investment management firm that is not affiliated with any parent organization. Spinning Top Investments acquired ABC Capital in May 2014.
3. The Large Cap Growth Composite includes all institutional portfolios that invest in large-cap US stocks that are considered to have growth in earnings prospects that are superior to that of the average company within the XYZ Large Cap Growth Index. Key material risks include the risks that stock prices will decline and that the composite will underperform its benchmark. The account minimum for the composite is \$5 million. Prior to July 2016, the account minimum was \$2 million. Prior to March 2020, the name of the composite was the Growth Composite.
4. Performance prior to May 2014 occurred while the investment management team was affiliated with another firm. The investment management team has managed the composite since its inception, and the investment process has not changed. The historical performance has been linked to performance earned at Spinning Top Investments.
5. The benchmark is the XYZ Large Cap Growth Index, a market-capitalization-weighted equity index of all US stocks with a market cap greater than \$10 billion and a growth tilt.
6. Returns presented are time-weighted returns. Valuations are computed and performance is reported in US dollars.
7. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Composite and benchmark returns are presented gross of non-reclaimable withholding taxes. Net-of-fees returns are calculated by deducting a model management fee of 0.083%, 1/12th of the highest management fee of 1.00%, from the monthly gross composite return. The management fee schedule for separate accounts is as follows: 1.00% on the first \$25 million; 0.60% thereafter. The management fee schedule and total expense ratio for the Large Cap Collective Fund, which is included in the composite, are 0.65% on all assets and 0.93%, respectively.
8. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.
9. A list of composite descriptions and a list of broad distribution pooled funds are available upon request.
10. The composite was created in November 2011, and the inception date is 1 February 2011.
11. As of 1 January 2014, internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. Prior to 2014, internal dispersion was calculated using asset-weighted standard deviation.