

# Press Release



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## **Research by Pershing Affiliate Albridge Dispels Myths about Global Investment Performance Standards**

*Whitepaper Suggests Consideration of Money-Weighted Performance Measurement*

JERSEY CITY, N.J., September 20, 2011 – Albridge Solutions, an affiliate of Pershing LLC, a BNY Mellon company, today announced the availability of a new whitepaper, *The Myth of GIPS: Money-Weighted Return for Client Performance Reporting*. Developed in partnership with The Spaulding Group, a recognized leader in investment performance measurement, the whitepaper highlights the common misconceptions associated with the Global Investment Performance Standards (GIPS) – explaining how these measurement standards can end up adversely impacting financial and reporting results by investment firms and potentially misleading clients if not used correctly.

According to the CFA Institute, GIPS were created to be “a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients.” *The Myth of GIPS* discusses the value and limitations of the standards and suggests that they should be viewed with a more critical eye. The absence of client reporting standards has resulted in GIPS being used as the de facto standard for ongoing client reporting. As a result, time-weighted returns are often employed, even though they can sometimes mislead clients on the true performance of their investments.

“*The Myth of GIPS* is designed to educate professionals on how this popular set of performance standards is frequently misinterpreted and misapplied,” said Gregory Pacholski chief executive officer of Albridge Solutions, “It offers valuable suggestions for investment professionals to better-serve prospective clients and manage their businesses.”

“There is a problematic tendency to apply one standard to a variety of situations, especially within the performance measurement space,” said David Spaulding of The Spaulding Group. “Investment problems are unique. To best serve clients, financial firms need to develop a selection of reporting methods that enables clients to obtain the performance information that is most relevant to their specific needs.”

Key highlights from the white paper include:

- **Time-weighted and money-weighted returns offer distinct advantages** – Time-weighted returns are useful to compare managers and to understand how a manager has performed. These returns are most valuable when they are used to report on the returns of asset managers. In contrast, money-weighted returns are useful to show investors how their money has performed

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- **Investment professionals should choose calculation method based on purpose** – Investment professionals should determine whether they are trying to assess personal performance or manager performance when selecting a calculation method for their clients. It is often incorrectly assumed that to be GIPS-compliant, time-weighted returns must be used. The study suggests that for clients seeking information on how their money has performed, money-weighted returns are the best option
- **Money-weighted returns are often best for clients** – Whether the client is self-directed, retail non-discretionary or discretionary, money-weighted returns can frequently be the best way to represent the return experienced by the investor. Money-weighted returns are also known as “personal rates of return” and answer common investor questions related to financial goals and the performance of money over time
- **Financial institutions need to offer choice of reporting options** – Typically, time-weighted returns are used for larger clients and money-weighted returns for smaller or retail investors. However, financial firms should offer advisors a choice of calculation methods that match the profile and need of their clients

To receive a copy of the whitepaper, please visit [www.albridge.com](http://www.albridge.com) or send your request to [info@albridge.com](mailto:info@albridge.com).

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