

## ENSURING ACCURATE CLIENT RETURNS

Hemisphere Capital Management (HCM) has recently completed a comprehensive audit of our entire client investment returns history. Utilizing a U.S. based CPA firm, that specializes in auditing investment returns, HCM committed nearly eighteen months (and thousands of man hours) to completing this process. We're proud of our extensive track record of providing trustworthy investment counsel and want our clients to know they can rely on the investment returns we report. As such, achieving this gold standard of reporting performance was well worth the significant time and expense.

It's a relative rarity for an independent boutique working with private individuals and families such as HCM to complete this extensive audit process. Most investment return audited firms are much larger institutional investment managers. Furthermore, most audited firms only subject themselves to an examination of a short historic time period and very few subject themselves to an examination of 20+ years. HCM volunteered to have *all* historic numbers examined all the way back to 1993. As usual, we've gone somewhere few comparable firms have gone before us.

This audit verifies that HCM complies with the Global Investment Performance Standards (GIPS®) of the CFA Institute when reporting historic investment returns. Based in Virginia with offices spread across the globe, the CFA Institute is the world's largest association of investment professionals. The CFA Institute created the GIPS® standards and encourages their adoption by investment firms worldwide. The CFA Institute has even created a professional designation, the Certificate in Investment Performance Measurement, which is largely based upon and requires extensive study of the GIPS® standards. The standards have become the worldwide benchmark for calculating and presenting investment returns in a complete and fair manner.

So why did we subject ourselves to such an extensive audit and hand over nearly a quarter century's worth of data for examination? Because while many investment firms *claim* GIPS® compliance, not all have been audited and *very few* have been completely audited. We hold ourselves to standards that far exceed those of most investment managers. Therefore, achieving the highest level of performance reporting for our clients was only logical.

Evaluating an investment firm's performance is increasingly complex. There exists an abundance of investment options that can't all be compared using the same method. The extensive use of jargon by some investment managers only muddies the waters. And recent Canadian regulatory changes known as the Client Relationship Model - Phase 2 (CRM2) allow use of a simplified calculation method which makes it even more difficult to assess an investment manager's ability to generate returns for clients. All of this means that evaluating reported performance is easier said than done.

By complying with the GIPS® standards and voluntarily having a complete historical audit done, HCM is aiming to cut through this complexity and reassure our clients that our reported performance numbers can be trusted. We've received an independent testimony of our high quality practices related to calculating and presenting investment performance dating back to the founding of our firm.

Our portfolio managers and analysts adhere to the CFA Institute's *Code of Ethics and Standards of Professional Conduct*, we adhere corporately to the *Asset Manager Code of Professional Conduct*, and fully auditing our entire performance history is one further commitment to higher ethical standards. This external verification of our GIPS® compliance simply reinforces our dedication to our corporate principle of serving clients with integrity and accountability.