

>>>FAIRVIEW FLASH REPORT<<<
\$16.5 Million SEC Settlement for Use of
Subadviser's Inflated Performance

WHAT IS HAPPENING?	<p>On November 16th, the SEC announced its \$16.5 million settlement with Virtus Investment Advisers (“Virtus”) for distributing inflated performance figures that were supplied by its subadviser, F-Squared. According to the SEC, Virtus falsely claimed that its AlphaSector strategy had outperformed the S&P 500 for several years in various advertisements, SEC filings, and client presentations. Virtus failed to conduct due diligence despite expressing concerns at the outset of the subadvisory relationship. Further, at the time of the investigation, Virtus did not have any documentation to support the calculations contained in the ads. The SEC stated on Monday that it is still investigating other advisers that potentially misled investors in reliance of F-Squared’s false performance.</p>
WHAT IS THE RESULT?	<p>Advisers are ultimately responsible for ensuring the accuracy and content of any advertisements they distribute. While advisers frequently rely on subadvisers or other third parties for performance calculations, it is important to include subadviser due diligence procedures which include review of performance calculations to ensure accuracy. Also, as with any advertisement that contains performance, advisers must retain the proper books and records to support the calculations.</p>
NEXT STEPS	<p>Advisers are encouraged to review their current policies and procedures governing performance calculations and the retention of required books and records. If performance is calculated by a subadviser or third-party, the adviser must conduct adequate due diligence to confirm the figures. As always, Fairview is available to assist clients in ensuring that their policies and procedures recognize adequate subadviser due diligence. If you are not a client but would like to receive information regarding Fairview’s services, please contact us at info@fairviewinvest.com.</p>

Source: [SEC Press Release as of 11.16.2015](#)

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