Conclusion

- Benchmarks are objective standards to measure the performance of an investment against a reasonable alternative and whether it is meeting the investor's goal.
  - They may be applied at different levels of the portfolio.
  - There are a number of widely-accepted criteria for effective benchmarks, not all of which are available for every asset class.
  - Therefore, combined "total portfolio/plan benchmarks" will have flaws in most cases. This has been exacerbated by the growing allocations of "alternatives" and hard-to-benchmark areas.
- Due to the intricacies and diverse composition of total portfolio/plan benchmarks, no single total portfolio benchmark can provide a perfect comparison for all time periods.
  - Because of this limitation, institutional investors often utilize two or more total portfolio level benchmarks, while being aware of the structure (and flaws) of each.
- Fiduciaries should understand why each benchmark performs the way it does in different capital market environments, as this understanding adds context to the investment pool's total return.