This problem is not limited to alternative investment strategies and may occur in any composite that includes portfolios with cross-investments. The GIPS standards do not permit double-counting of assets when calculating composite assets and total firm assets. In the case of master-feeder structures with "cross investments", elimination of double-counting of assets for the calculation of composite assets and total firm assets is required; When calculating portfolio returns, firms may choose to adjust the actual holdings to eliminate any cross investments for the calculation of portfolio and composite performance, although this is not required. Firms should consider if it is appropriate to include these portfolios in the same composite where there is the double-counting of assets. If a firm would like to present portfolio or composite performance eliminating "cross-investments", it must disclose this fact in the compliant presentation.

Consider the following example for how to eliminate cross-investments for the calculation of performance:

- Composite includes two funds: A and B.
- Fund A invests 50% of its value in fund B and 50% in other third-party funds.
- Assume that the total return of Fund B and the third-party funds are 10% and 0%, respectively.

a) Scenario without elimination of double-counting:

Fund	**Value at the beginning of period, USD millions**	**Period return**
Fund A (invests 50% in fund B)	100	5.00%
Fund B	200	10.00%
Composite	**100+200=300**	**5%×(100/300)+10%×(200/300)=8.33%**

b) Scenario with elimination of double-counting:

Fund	**Value at the beginning of period, USD millions**	**Period return**
Fund A (invests 50% in fund B)	100	5.00%
- Contribution of fund B to fund A	*50*	*10.00%*
- Contribution of other funds to fund A	*50*	*0.00%*
Fund B	200	10.00%
Composite	**100+200-50=250**	**0%×(50/250)+10%×(200/250)=8.00%**