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26 June 2009

GIPS® Executive Committee
CFA Centre for Financial Market Integrity
CFA Institute
PO Box 3668
Charlottesville, VA 22903

Reference: Global Investment Performance Standards

Dear GIPS Executive Committee:

Thank you for the opportunity to comment on the GIPS 2010 Exposure Draft. Absolute Performance Verification provides verification services to investment managers throughout North America. Absolute is committed to contributing to the Standards' evolutionary process as they continue to serve as the plumb line of investment performance presentation, augmenting to the integrity of capital markets in the interest of the investing community.

Several weeks ago, we created a survey that was administered to our clients, most of whom are investment managers in the USD200 million to USD3 billion in assets category, often referred to as emerging managers. The response rate was rather sizeable. Our commentary below speaks from their perspectives and represents a compilation of our clients' ideas together with our firm's.

GIPS verification statement - agree

Smaller firms understand that GIPS verification has innumerable benefits to the internal control structure of the firm. However, the great majority of emerging managers undertake verification for the higher level of transparency and sophistication it represents, which in turn emanates a greater sense of responsibility that attracts institutional and high net worth investors. It is of advantage to investors as well as to firms that have followed the GIPS Standards' recommendation to become verified that they state they have indeed upheld this higher standard.

Time period for a current verification - disagree

A 12-month current verification period provides the investment community with a satisfactorily clear picture of the changes that have taken place at a firm.

Composited non-fee-paying accounts – agree

Firms should include all discretionary accounts, fee-paying or not, in at least one composite.

Disclosure of proprietary assets – disagree

We do not believe it is of benefit to the investing public that a firm disclose the percentage of composite assets that are proprietary. Additionally, such a requirement is a hindrance to the skilled nascent firm.



Verification from firm inception date if less than one year – agree

We strongly agree that firms should be permitted to be verified from their date of inception through year-end.

Removal of stale disclosures - agree

In addition to discontinuing composite name change, we believe that firms should also be able to remove disclosures, after three years, pertaining to

- A change in benchmark
- Changes to minimum composite inclusion asset levels
- Composite redefinition

Presenting composites to clients based on investable assets – disagree

There are many reasons a firm might wish to show a particular composite to a prospective client. We do not believe that presenting a composite necessarily means the firm is aggressively marketing such composite.

Standard deviation of returns to portray risk – disagree

While we believe the investor benefits from a quantifiable measure of risk, we do not believe that the standard deviation statistic accurately conveys the risk of loss of principal. Emerging managers should not be penalized for high positive returns.

Verification guidelines – neutral

As verifiers, we are in the distinctive position of being able to experience the work of the verifier that came before us. While we feel that providing minimum guidelines for verification would standardize what is expected of a verifier, we also fear that an indolent volume-verification shop might use the minimum guidelines as justification for sub-par work. This is unfair to firms such as Absolute, who place emphasis on quality and follow the standards to the letter of the law, for the benefit of the investing public and the integrity of the capital markets. This is also unfair to the emerging manager for whom verification is a costly, if not sacrificial, venture. And this is particularly unfair to investors who believe they are receiving a verification endorsement at a superior standard when the case may not be so. That said, composed to accurately and indubitably reflect an industry standard of excellence, we would welcome EC-prescribed verification guidelines.

It is a privilege to participate in the investment performance environment and especially within the realm of the Global Investment Performance Standards. We are grateful for the opportunity to communicate our opinions.

Sincerely,

A handwritten signature in black ink that reads 'Wesley E. Western'.

Wesley E. Western, AIFA
President