

**BY EMAIL**

CFA Institute  
Centre for Financial Market integrity  
Reference: Global Investment Performance Standards  
PO Box 3668  
Charlottesville  
Virginia 22903

9<sup>th</sup> June 2009

Dear Sirs

**Exposure Draft of the 2010 Global Investment Performance Standards**

Thank you for the invitation to comment on the proposed 2010 changes to the standards. I respond on behalf of AEGON Asset Management in the UK.

Overall, we agree with the changes, however, we are concerned with the timing of them. Due to the current market environment and backdrop of cost cutting and rationalisation within the Investment industry, we would suggest that the revised GIPS 2010 requirements and recommendations have the implementation date postponed.

I also attach an appendix with our responses to the specific questions raised.

I hope these comments are of use and I thank you for the opportunity to respond on the 2010 proposed changes.

Yours sincerely



Anne Harrison  
European Head of Performance and Attribution Analysis  
AEGON Asset Management  
Tel: 0131 549 6184  
Email: [anne.harrison@aegon.co.uk](mailto:anne.harrison@aegon.co.uk)  
[www.aegonam.co.uk](http://www.aegonam.co.uk)

## **2010 Revised GIPS CFA Response appendix**

The CFA have released a draft version of the 2010 revised GIPS requirements for comment and review. This document details the comments of AEGON Asset Management in the UK, and where relevant concerns regarding the proposed revisions.

Q) Do you agree with including disclosure of the firm's verification status in the claim of compliance?

A) Yes, this will highlight any firms that are not compliant for the period they are reporting.

Q) Do you agree with the classification of a current verification being within the last 24 months?

A) Yes, any longer than this and there is the potential for processes/ procedures or composites and funds to have become non-compliant.

Additional response on Section 0.B.2 – Firms should provide to each existing client, on an annual basis, a compliant presentation for the composite(s) in which the client's portfolio is included.

Comment – This creates unnecessary reporting and administration as each Institutional client will already have a bespoke client service to meet their needs and may cause unnecessary issues.

Q) Do you agree with the change from market value to fair value?

A) Yes.

Q) Do you agree with requiring the inclusion of non-fee paying discretionary portfolios in composites?

A) No comment.

Q) Do you agree with changing 3.A.9 from a recommendation to a requirement?

A) No.

Q) Should firms be allowed to remove certain disclosures after a defined period of time? If so, which disclosures would be eligible for removal and after what periods of time?

A) 4.A.5 – Yes.

Disclosure of material use of leverage, derivatives and / or short positions should be removable after the end of the current reporting year if not used as a standard investment tool in the fund. Disclosure of Composite name changes should be removed after the end of the current reporting year.

Q) Do you agree with the inclusion of short positions in provision 4.A.5?

A) No, the manual overhead of maintaining this would be significant. The general risk profile of funds within a composite would be included within the composite disclosure. To do this for full composite history would be impossible.

Additional response on Section 4.A.28 – Firms must disclose, for a minimum of 12 months, any changes to the Compliant Presentation due to the correction of a material error.

Comment – This creates unnecessary administration as a potential client who receives a presentation for the first time will not be interested in any historical reporting errors, as long as the composite presentation is correct at the time of presentation. Any errors following the receipt of a composite presentation would be encompassed within the error correction policy.

Q) Do you agree with the disclosure of key characteristics and risk in the composite description?

A) Yes in theory but more work needs to be done on agreeing what is the best risk measure to use and how it would be calculated and presented.

Q) Do you agree with the inclusion of a standard deviation disclosure?

A) No, what does Standard Deviation actually tell the client, is this the best risk measure to use? The lead time to implement this requirement is too short from the final revised GIPS being released in early to mid 2010 to the implementation date of 1 Jan 2011. If system enhancements are required it may not be possible to meet this requirement in time for the revised GIPS implementation date.

Q) Is it appropriate to discontinue disclosure 5.A.5 for periods after 1 Jan 2011?

A) No comment.

Q) Do you agree with the requirement to present the percentage of the Composite assets composed of proprietary assets?

A) No, the performance of a fund and composite represents the firm's management style and performance irrespective of whether it is based on proprietary or client assets.

Q) Do you agree that real estate investments must be valued by an independent external appraiser every 12 months beginning 1 Jan 2012.

A) Yes.

Q) Do you agree with the additional requirements and recommendations for closed-end real estate funds as defined?

A) No comment.

Q) Do you agree that component returns must be disclosed, and that the method described in provision 6.A.9.b will no longer be acceptable for periods beginning after 1 Jan 2011?

A) No, why disclose component returns when it is a composite presentation?

Q) 2 Wrap fee comments required. 8.A.6

A) No comment.

Q) Should firms be allowed to present "sponsor specific" composites as opposed to a style -specific composite?

A) No.

Q) Should specific verification procedures be included for GIPS provision 0.A.16 & 0.A.17?

A) No.

Q) Do you agree with the requirements and recommendations in the GIPS valuation principles?

A) Yes.

Q) Do you agree with the definition of prospective client? If not how should it be defined?

A) No the definition is too wide, it needs to be more specific and relevant to GIPS for example referencing Institutional clients.