

GAMSC, the German GIPS Sponsor, comments to the GIPS 2010 Exposure Draft

	voting	amendment	reason for rejection
<p>0.A.7.4 For Firms that have been verified, but are not currently verified: [Insert name of FIRM] claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. [Insert name of FIRM] has been independently verified for the periods [insert dates]. The FIRM is not currently independently verified.</p> <p>For purposes of this provision, a VERIFICATION is considered current if the VERIFICATION REPORT covers a period ending not more than 24 months ago.</p>	Disagree	<p>FIRMS that have been verified MUST add a disclosure to their COMPOSITE presentation stating that the FIRM has been verified and clearly indicating the periods the verification covers if the COMPOSITE presentation includes results for periods that have not been subject to FIRM-wide verification.</p>	Adopt this former paragraph 4.B.3 with 0.A.7.4

1. INPUT DATA

1.A Input Data — Requirements

	voting	amendment	reason for rejection
1.A.1 All data and information necessary to support all items included in a COMPLIANT PRESENTATION MUST be captured and maintained.	agree		
1.A.2 ¹ For periods beginning on or after 1 January 2011, PORTFOLIOS MUST be valued at FAIR VALUE in accordance with the GIPS Valuation Principles in Appendix D.	agree		

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

1.A.3 ² FIRMS MUST value PORTFOLIOS in accordance with the COMPOSITE specific valuation policy. PORTFOLIOS MUST be valued:	agree		
a) At least monthly.	agree		
b) On the date of all LARGE CASH FLOWS.	agree		
c) No more frequently than required by the valuation policy.	rejection	e) No more frequently than required by the valuation policy.	The guidance states, that all portfolios have to be valued in

¹ For periods beginning prior to 1 January 2011, PORTFOLIO valuations MUST be based on MARKET VALUES (not cost basis or book values).

² For periods beginning prior to 1 January 2001, PORTFOLIOS MUST be valued at least quarterly. For periods beginning on or after 1 January 2001, PORTFOLIOS MUST be valued at least monthly. For periods beginning on or after 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE CASH FLOWS.

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			<p>accordance with the Composite specific valuation policy. 1.A.3 (c) states, that “Portfolios must be valued no more frequently than required by the valuation policy.”</p> <p>For technical reasons, some portfolios may be valued daily (e.g. mutual funds), whereas others may be valued only at the day of large cash flows or on an other regular basis (e.g. institutional portfolios). Also, under certain circumstances, the FIRM cannot influence frequency of valuations, because it is determined by arrangements between the investor and the fund administrator or custodian. 1.A.3 (c) would make it impossible to combine these portfolios into one composite even if they follow exactly the same strategy.</p>
1.A.4 For periods beginning on or after 1 January 2010, FIRMS MUST value PORTFOLIOS as of the calendar month-end or the last business day of the month.	agree	<p>We suggest to add a footnote, containing the former 1.B.3</p> <p>“For period prior 1. Jan 2010, Calendar month end valuations or valuations on the last business day of the month are recommended.”</p>	<p>If this is omitted, than for periods prior 2010, there would be no statement on the usage of valuations dates at all.</p>
1.A.5 For periods beginning on or after 1 January 2005, FIRMS MUST use TRADE DATE ACCOUNTING.	agree		
1.A.6 ACCRUAL ACCOUNTING MUST be used for fixed-income securities and all other investments that accrue interest income. The FAIR VALUE of fixed-income securities MUST include accrued income.	agree		
1.A.7 For periods beginning on or after 1 January 2006, COMPOSITES MUST have consistent beginning and ending annual valuation dates. Unless the COMPOSITE is reported on a non-	agree		

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calendar fiscal year, the beginning and ending valuation dates MUST be at calendar year-end or on the last business day of the year.			
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1.B Input Data — Recommendations

1.B.1 FAIR VALUES SHOULD be obtained from a qualified independent external third party.	rejection	FAIR VALUES SHOULD be obtained from a qualified independent external third party.	This Recommendation is also used in D11. We recommend to either cross reference this to D11 or to delete one of the two statements. We recommend to keep it in D11 and to delete 1.B.1.
1.B.2 ACCRUAL ACCOUNTING SHOULD be used for dividends (as of the ex-dividend date).	agree		
1.B.3 When presenting NET-OF-FEES RETURNS, FIRMS SHOULD accrue INVESTMENT MANAGEMENT FEES.	rejection	When presenting NET-OF-FEES RETURNS, FIRMS MUST accrue INVESTMENT MANAGEMENT FEES.	We would like to change 1.B.3 from recommendation to requirement
1.B.4 FIRMS SHOULD value PORTFOLIOS on the date of all EXTERNAL CASH FLOWS.	Agree		

Appendix D Valuation Principles.	<p>We support the introduction of Valuation Principles, but we are against a strict mandatory hierarchy and the seclusion against new procedures.</p> <p>We see a conflicting and confusing area in the relationship to valuation principles in IASB and FASB.</p> <p>As these rules may change shortly, GIPS Valuation principles have to be changes as well shortly, especially in the light of the recent changes.</p> <p>We suggest to state even more clearly in the introduction, that although GIPS valuation statements are drawn from IASB/FASB, they are independent from these and solely defined by the GIPS standards.</p>
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2. CALCULATION METHODOLOGY

2.A Calculation Methodology — Requirements

2.A.1	TOTAL RETURNS MUST be used.	Agree		
2.A.2 ³	TIME-WEIGHTED RATES OF RETURN that adjust for EXTERNAL CASH FLOWS MUST be used. Periodic returns MUST be geometrically LINKED. EXTERNAL CASH FLOWS MUST be treated in a consistent manner with the FIRM'S documented, COMPOSITE-specific policy. FIRMS MUST define LARGE CASH FLOW for each COMPOSITE to determine when the PORTFOLIOS in that COMPOSITE are to be revalued for calculating performance.	Agree	We suggest to modify the footnote into: For periods beginning on or after 1 January 2005, FIRMS MUST use at <u>least</u> approximated rates of return that adjust for daily-weighted EXTERNAL CASH FLOWS. For periods beginning on or after 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.	
2.A.3	COMPOSITE returns MUST be calculated by asset weighting the individual PORTFOLIO returns using beginning-of-period values or a method that reflects both beginning-of-period values and EXTERNAL CASH FLOWS.	Agree		
2.A.4	Returns from cash and cash equivalents held in PORTFOLIOS MUST be included in TOTAL RETURN calculations.	rejection	Returns from cash and cash equivalents held in PORTFOLIOS <u>as well as in CARVE-OUTS</u> MUST be included in TOTAL RETURN calculations.	We would define in the glossary: a portfolio is equal to a carve-out, otherwise it will be disclosed.
2.A.5	All returns MUST be calculated after the deduction of the actual TRADING EXPENSES incurred during the period. FIRMS MUST NOT use estimated TRADING EXPENSES.	rejection	We recommend to change the numbering of 2.A.5 into 2.A.6. All returns MUST be calculated after the deduction of the actual TRADING EXPENSES incurred during the period. FIRMS MUST NOT use estimated TRADING EXPENSES.	We suggest to delete "actual" and "direct" to avoid confusion or alternatively define the terms.

³ For periods beginning on or after 1 January 2005, FIRMS MUST use approximated rates of return that adjust for daily-weighted EXTERNAL CASH FLOWS. For periods beginning on or after 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.

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2.A.6 ⁴ For periods beginning on or after 1 January 2010, COMPOSITE returns MUST be calculated by asset weighting the individual PORTFOLIO returns at least monthly.	Agree	We recommend to change the numbering of 2.A.6 into 2.A.5	
2.A.7 If the actual direct TRADING EXPENSES cannot be identified and segregated from a BUNDLED FEE:	rejection	If the actual direct TRADING EXPENSES cannot be identified and segregated from a BUNDLED FEE:	We suggest to delete “actual” and “direct” to avoid confusion or alternatively define the terms.
a) When calculating GROSS-OF-FEES RETURNS, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the direct TRADING EXPENSES. FIRMS MUST NOT use estimated TRADING EXPENSES.	rejection	a) When calculating GROSS-OF-FEES RETURNS, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the direct TRADING EXPENSES. FIRMS MUST NOT use estimated TRADING EXPENSES.	
b) When calculating NET-OF-FEES RETURNS, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the direct TRADING EXPENSES and the INVESTMENT MANAGEMENT FEE. FIRMS MUST NOT use estimated TRADING EXPENSES.	rejection	When calculating NET-OF-FEES RETURNS, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the direct TRADING EXPENSES and the INVESTMENT MANAGEMENT FEE. FIRMS MUST NOT use estimated TRADING EXPENSES.	

2.B Calculation Methodology — Recommendations

2.B.1 Returns SHOULD be calculated net of non-reclaimable withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes SHOULD be accrued.	Agree		
2.B.2 FIRMS SHOULD calculate COMPOSITE returns by asset weighting the member PORTFOLIOS at least monthly.	Agree		
2.B.3 FIRMS SHOULD value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.	rejection	For Periods prior to 1 January 2010, FIRMS SHOULD value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.	We suggest to adhere to this modified recommendation.

⁴ For periods beginning on or after 1 January 2006, FIRMS MUST calculate COMPOSITE returns by asset weighting the individual PORTFOLIO returns at least quarterly,

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3. COMPOSITE CONSTRUCTION

3.A Composite Construction — Requirements

3.A.1 ⁵ All actual discretionary PORTFOLIOS MUST be included in at least one COMPOSITE. Nondiscretionary PORTFOLIOS MUST NOT be included in a FIRM'S COMPOSITES.	Agree		
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Do you agree with requiring the inclusion of non-fee paying discretionary portfolios in composites?

3.A.2 COMPOSITES MUST be defined according to similar investment objectives and/or strategies. COMPOSITES MUST include all PORTFOLIOS that meet the COMPOSITE DEFINITION. The full COMPOSITE DEFINITION MUST be made available on request.	agree		
3.A.3 COMPOSITES MUST include new PORTFOLIOS on a timely and consistent basis after the PORTFOLIO comes under management.	agree		
3.A.4 Terminated PORTFOLIOS MUST be included in the historical returns of the appropriate COMPOSITES up to the last full measurement period that the PORTFOLIO was under management.	agree		
3.A.5 PORTFOLIOS MUST NOT be switched from one COMPOSITE to another unless documented changes in client guidelines or the redefinition of the COMPOSITE make it appropriate. The historical record of the PORTFOLIO MUST remain with the appropriate COMPOSITE.	agree		
3.A.6 ⁶ For periods beginning on or after 1 January 2010, CARVE-OUTS MUST NOT be included in COMPOSITES unless the CARVE-OUT is actually managed separately with its own cash balance.	agree		
3.A.7 COMPOSITES MUST include only assets under management within the defined FIRM. FIRMS MUST NOT LINK simulated or model PORTFOLIOS with actual performance.	agree		

⁵ For periods beginning prior to 1 January 2011, all actual, fee-paying, discretionary PORTFOLIOS MUST be included in at least one COMPOSITE.

⁶ For periods beginning prior to 1 January 2010, if CARVE-OUTS are included in a COMPOSITE, cash MUST be allocated to the CARVE-OUT in a timely and consistent manner.

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3.A.8 If a FIRM sets a minimum asset level for PORTFOLIOS to be included in a COMPOSITE, FIRMS MUST NOT include PORTFOLIOS below that asset level in that COMPOSITE. Any changes to a COMPOSITE-specific minimum asset level MUST NOT be applied retroactively	agree		
3.A.9 FIRMS MUST NOT present a COMPOSITE to a PROSPECTIVE CLIENT known to have a PORTFOLIO with assets less than the COMPOSITE'S minimum asset level.	rejection	FIRMS MUST NOT present a COMPOSITE to a PROSPECTIVE CLIENT known to have a PORTFOLIO with assets less than the COMPOSITE'S minimum asset level.	We suggest to delete this paragraph for marketing reasons.

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

3.A.10 FIRMS that wish to remove PORTFOLIOS from COMPOSITES in cases of SIGNIFICANT CASH FLOWS MUST define "significant" on an EX-ANTE COMPOSITE-specific basis and MUST consistently follow the COMPOSITE-specific SIGNIFICANT CASH FLOW policy.	agree		
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3.B Composite Construction — Recommendations

3.B.1 To remove the effect of a SIGNIFICANT CASH FLOW, FIRMS SHOULD use TEMPORARY NEW ACCOUNTS.	agree		
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4. DISCLOSURE

4.A Disclosures — Requirements

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 period of time?

4.A.1	FIRMS MUST disclose the definition of “FIRM” used to determine the TOTAL FIRM ASSETS and FIRM-wide compliance.	agree		
4.A.2	FIRMS MUST disclose the availability of a complete list and description of the FIRM’S COMPOSITES.	agree		
4.A.3	FIRMS MUST disclose the minimum asset level, if any, below which PORTFOLIOS are not included in a COMPOSITE. FIRMS MUST also disclose any changes to the minimum asset level.	agree		
4.A.4	FIRMS MUST disclose the currency used to express performance.	agree		
4.A.5	FIRMS MUST disclose the presence, use, and extent of leverage, derivatives and/or short positions, if material, including a description of the frequency of use and characteristics of the instruments sufficient to identify risks.	agree		

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

4.A.6	FIRMS MUST clearly label returns as GROSS-OF-FEES or NET-OF-FEES.	agree		
4.A.7	FIRMS MUST disclose relevant details of the treatment of withholding tax on dividends, interest income, and capital gains, if material. FIRMS MUST also disclose if BENCHMARK returns are net of withholding tax.	rejection	FIRMS MUST disclose relevant details of the treatment of withholding tax on dividends, interest income, and capital gains, if material . FIRMS MUST also disclose if BENCHMARK returns are net of withholding tax.	Terms like “sufficient” or “material” should not be used without definition.
4.A.8	FIRMS MUST disclose and describe any known material differences in the exchange rates or valuation sources used among the PORTFOLIOS within a COMPOSITE and between the COMPOSITE and the BENCHMARK.	rejection	FIRMS MUST disclose and describe any known inconsistencies material differences in the exchange rates or valuation sources <u>and/or times</u> used among the PORTFOLIOS within a COMPOSITE and between the COMPOSITE and the BENCHMARK	Terms like “sufficient” or “material” should not be used without definition

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4.A.9	If the COMPLIANT PRESENTATION conforms with laws and regulations that differ from the REQUIREMENTS of the GIPS standards, FIRMS MUST disclose this fact and disclose the manner in which the laws and regulations conflict with the GIPS standards.	agree		
4.A.10	For any performance presented for periods prior to 1 January 2000 that does not comply with the GIPS standards, FIRMS MUST disclose the period of non-compliance.	rejection	For any performance presented for periods prior to 1 January 2000 that does not comply with the GIPS standards, FIRMS MUST disclose the period of non-compliance <u>and how the presentation is not on compliance with the GIPS</u>	We propose to keep this half sentence at the end to be more precise also for presentations that include the time before 1 January 2000
4.A.11	For periods beginning prior to 1 January 2010, if CARVE-OUTS are included in a COMPOSITE, FIRMS MUST disclose the policy used to allocate cash to CARVE-OUTS.	agree		
4.A.12	FIRMS MUST disclose the FEE SCHEDULE appropriate to the COMPLIANT PRESENTATION.	rejection	FIRMS MUST disclose the <u>actual</u> FEE SCHEDULE appropriate to the COMPLIANT PRESENTATION	Only the actual fee schedule is necessary to disclose. A time series of fee schedules does not make any sense in this case
4.A.13	If a COMPOSITE contains PORTFOLIOS with BUNDLED FEES, FIRMS MUST disclose for each annual period shown the percentage of COMPOSITE assets that is BUNDLED FEE PORTFOLIOS.	agree		
4.A.14	If a COMPOSITE contains PORTFOLIOS with BUNDLED FEES, FIRMS MUST disclose the various types of fees that are included in the BUNDLED FEE.	agree		
4.A.15	When presenting GROSS-OF-FEES RETURNS, FIRMS MUST disclose if any other fees are deducted in addition to the direct TRADING EXPENSES.	agree		
4.A.16	When presenting NET-OF-FEES RETURNS, FIRMS MUST disclose:			
	a) If any other fees are deducted in addition to the INVESTMENT MANAGEMENT FEE and direct TRADING EXPENSES.	agree		
	b) If model or actual INVESTMENT MANAGEMENT FEES are used.	rejection	b) If model or actual INVESTMENT MANAGEMENT FEES are used.	
	c) If returns are net of PERFORMANCE BASED FEES.	rejection	c) If returns are net of PERFORMANCE BASED FEES.	Both are not necessary because this informations are already included in the definition of NET-OF-FEES RETURNS in the glossary
4.A.17	FIRMS MUST disclose that information regarding policies for valuing PORTFOLIOS, calculating and reporting returns, and preparing COMPLIANT PRESENTATIONS is available upon request.	agree		

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4.A.18 For periods beginning on or after 1 January 2006, FIRMS MUST disclose the use of a SUB-ADVISOR(S) and the periods a SUB-ADVISOR(S) was used.	rejection	<u>Beginning 1 January 2006,</u> FIRMS MUST disclose the use of a subadvisor(s) and the periods a subadvisor(s) was used on COMPOSITE level	
4.A.19 FIRMS MUST disclose all significant events that would help a PROSPECTIVE CLIENT interpret the performance record.	agree		
4.A.20 FIRMS MUST disclose the COMPOSITE DESCRIPTION which must include sufficient information to allow a PROSPECTIVE CLIENT to understand the key characteristics of the COMPOSITE strategy, including risks.	agree		

Do you agree with requiring the disclosure of key characteristics and risks in the composite description?

4.A.21 If a FIRM is redefined, the FIRM MUST disclose the date, nature, and reason for the redefinition	agree		
4.A.22 If a FIRM has redefined a COMPOSITE, the FIRM MUST disclose the date, nature, and reason for the change. Changes to COMPOSITE DEFINITIONS MUST NOT be applied retroactively.	agree		
4.A.23 FIRMS MUST disclose any changes to the name of a COMPOSITE.	agree		
4.A.24 FIRMS MUST disclose the COMPOSITE CREATION DATE.	agree		
4.A.25 FIRMS MUST disclose if, for periods beginning prior to 1 January 2010, calendar month-end PORTFOLIO valuations or valuations on the last business day of the month are not used.	agree		
4.A.26 FIRMS MUST disclose which DISPERSION measure is presented.	agree		
4.A.27 If the FIRM has adopted a SIGNIFICANT CASH FLOW policy for a specific COMPOSITE, then the FIRM MUST disclose how the FIRM defines a SIGNIFICANT CASH FLOW for that COMPOSITE, and for which period(s).	agree		

4.A.28 FIRMS MUST disclose, for a minimum of 12 months, any change to the COMPLIANT PRESENTATION due to a correction of a material error.	agree		
4.A.29 FIRMS MUST disclose the 3 year annualized EX-POST STANDARD DEVIATION (using a minimum of monthly periods) for the COMPOSITE and for the BENCHMARK as of the most recent annual period presented. The PERIODICITY of the COMPOSITE MUST be identical to the PERIODICITY of the BENCHMARK when calculating EX-POST STANDARD DEVIATION.	rejection	FIRMS MUST disclose the 3 year annualized EX-POST STANDARD DEVIATION (using a minimum of monthly periods) for the COMPOSITE and for the BENCHMARK as of the most recent annual period presented. The PERIODICITY of the COMPOSITE MUST be identical to the PERIODICITY of the BENCHMARK when calculating EX-POST STANDARD DEVIATION.	This definition is the same as the proposed recommendation of 5.B.7. This will be the better place.

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

4.B Disclosures — Recommendations

4.B.1 If a parent company contains multiple defined FIRMS, each FIRM within the parent company SHOULD disclose a list of the other FIRMS contained within the parent company.	agree		
4.B.2 [old] FIRMS SHOULD disclose when a change in the calculation methodology or valuation source results in a material impact on the performance of a COMPOSITE return.	rejection	FIRMS <u>MUST</u> disclose when a change in the calculation methodology or valuation source results in a material impact on the performance of a COMPOSITE return	We propose to keep this disclosure rule and to change it from a recommendation to a requirement. This information is such important to interpret performance figures. It could not be missed. We propose to put it as the new requirement 4.A.9.
4.B.2 [new] FIRMS SHOULD disclose the key assumptions used to value investments.	agree		
4.B.3 [old] FIRMS that have been verified SHOULD add a disclosure to their COMPOSITE presentation stating that the FIRM has been verified and clearly indicating the periods the verification covers if the COMPOSITE presentation includes results for periods that have not been subject to FIRM wide verification.	rejection	FIRMS that have been verified <u>MUST</u> add a disclosure to their COMPOSITE presentation stating that the FIRM has been verified and clearly indicating the periods the	We suggest to keep this paragraph and mark it as a requirement.

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		verification covers if the COMPOSITE presentation includes results for periods that have not been subject to FIRM-wide verification.	
4.B.3 [new] FIRMS SHOULD disclose the description of the BENCHMARK and FIRMS SHOULD disclose material differences between the BENCHMARK and COMPOSITE strategy.	agree		

5. PRESENTATION AND REPORTING

5.A Presentation and Reporting — Requirements

5.A.1 The following items MUST be included in each COMPLIANT PRESENTATION:			
a) At least 5 years of annual performance (or a record for the period since FIRM or COMPOSITE inception if the FIRM or COMPOSITE has been in existence less than 5 years) that meets the REQUIREMENTS of the GIPS standards; after presenting 5 years of annual performance, the FIRM MUST present additional annual performance up to a minimum of 10 years. (For example, after a FIRM presents a minimum 5 years of compliant history, the FIRM MUST add an additional year of performance each year so that after 5 years of claiming compliance, the FIRM presents a minimum 10-year performance record.)	Agree		
b) Annual returns for all years. For COMPOSITES with a COMPOSITE INCEPTION DATE beginning on or after 1 January 2011, when the initial period is less than a full year, FIRMS MUST present returns from the COMPOSITE inception through the initial year-end.	agree		
c) The number of PORTFOLIOS and amount of assets in the COMPOSITE, and either the percentage of the TOTAL FIRM ASSETS represented by the COMPOSITE or the amount of TOTAL FIRM ASSETS at the end of each annual period. If the	rejection	c) The number of PORTFOLIOS and amount of assets in the COMPOSITE, and either the percentage of the TOTAL FIRM ASSETS represented by the COMPOSITE or the amount of TOTAL FIRM	c) As no rationale regarding the amendment was given, we considered a possible rationale for the deletion of the requirement to be the possibility that by indicating the number of portfolios in small

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<p>COMPOSITE contains 5 PORTFOLIOS or less, the number of PORTFOLIOS is not REQUIRED.</p>		<p>ASSETS at the end of each annual period. If the COMPOSITE contains 5 PORTFOLIOS or less, the number of PORTFOLIOS is not REQUIRED.</p>	<p>composites, a conclusion might be drawn to the identity of single portfolios. But in the case of the provided rule we rather see an incentive for creating small composites which leads to lower transparency. Therefore, we do not support the deletion.</p>
<p>d) A measure of DISPERSION of individual PORTFOLIO returns for each annual period. If the COMPOSITE contains 5 PORTFOLIOS or less for the full year, a measure of DISPERSION is not REQUIRED.</p>	<p>rejection</p>	<p>d) A measure of DISPERSION of individual PORTFOLIO returns for each annual period. If the COMPOSITE contains 5 PORTFOLIOS or less for the full year, a measure of DISPERSION is not REQUIRED.</p>	<p>d) The provided rule is to some extent arbitrary, and appropriate usage depends on the dispersion measure. We generally observe that reducing the level of concreteness is a recurrent theme of GIPS 2010 (openness for innovations). So this rule is missing some consistency to the master plan. There might be an argument that small composites allow a conclusion onto the returns of a single fund just in combination with a dispersion measure. We don't weight this argument of losing the anonymity on singular return characteristics too much. Moreover, in combination with the deletion of 5.a.1.c) second sentence, an incentive is given to create small composites in order to avoid transparency. We consider it to be a better way to incentive the creation of composites with a large number of portfolios in order to enable the FIRM to deliver significant measures of dispersion. If in a certain case it is only possible to create a small composite, meaningful measures of dispersion do not exist, but information regarding min/max is</p>

			possible anyway and better than nothing.
5.A.2 FIRMS may LINK non-GIPS-compliant returns to their compliant history so long as the FIRMS meet the disclosure REQUIREMENTS for non-compliant performance and only compliant returns are presented for periods after 1 January 2000.	rejection	FIRMS may link non-GIPS-compliant returns to their compliant history so long as the FIRMS meet the disclosure REQUIREMENTS for noncompliant performance and only compliant returns are presented for periods after 1 January 2000. <u>Non compliant periods and figures as well as figures that are based on non-compliant figures have to be marked as such.</u> (For example, a FIRM that has been in existence since 1995 and that wants to present its entire performance history and claim compliance beginning 1 January 2005 MUST present returns that meet the REQUIREMENTS of the GIPS standards at least from 1 January 2000 and MUST meet the disclosure REQUIREMENTS for any noncompliant history prior to 1 January 2000.)	The additional requirement gives an incentive to avoid application of non compliant periods and figures with levity or intention of cherry picking. It gives transparency to the addressee of the presentation in order to avoid a lack of clarity regarding the impact of the information presented. Additionally the following requirement should be added: For those periods and figures, the FIRM MUST explain the material deviations from the REQUIREMENTS [and the reasons why they do not comply with them]. The reason for this is to enable the addressee to assess whether the information given is far away from meeting the requirements – and therefore rather unusable – or whether only minor differences merely affect the usefulness of the information presented. With the same explanatory statement, 4.A.10 should not be amended as proposed
5.A.3 Returns for periods of less than 1 year MUST NOT be annualized.	agree		
5.A.4 a) Performance track records of a past firm or affiliation MUST be LINKED to or used to represent the historical record of a new FIRM if, on a COMPOSITE-specific basis:	rejection	a) Performance track records of a past FIRM or affiliation MUST be linked to or used to represent the historical record of a new FIRM or new affiliation if all of the following points i) to iii) are met; if not, the linkage is not allowed:	
i) Substantially all the investment decision makers are employed by the new FIRM (e.g., research department, portfolio			

	managers, and other relevant staff), ii) The decision-making process remains substantially intact and independent within the new FIRM, and iii) The new FIRM has records that document and support the reported performance.			
b)	The new FIRM MUST disclose that the performance from the past firm or affiliation are LINKED to the performance record of the new FIRM.	agree		
c)	If a FIRM acquires another firm or affiliation, the FIRM has 1 year to bring any non-compliant assets into compliance.	agree		
5.A.5	For periods beginning on or after 1 January 2006 and ending prior to 1 January 2011, if a COMPOSITE includes CARVE-OUTS, the COMPLIANT PRESENTATION MUST include the percentage of the COMPOSITE assets that is composed of CARVE-OUTS.	rejection		The percentage of the COMPOSITE assets that is composed of CARVE-OUTS does not provide sufficient information. The number of CARVE-OUTS is another important distributional information – not only for the time when carve-outs could be created on a statistical basis.

Is it appropriate to discontinue disclosure 5.A.5 for periods after 1 January 2011?

5.A.6	The TOTAL RETURN for the BENCHMARK (or BENCHMARKS) that reflects the investment strategy or mandate represented by the COMPOSITE MUST be presented for each period.	agree		
a)	If the FIRM determines no appropriate BENCHMARK for the COMPOSITE exists, the FIRM MUST disclose why no BENCHMARK is presented.			
b)	If the FIRM changes the BENCHMARK, the FIRM MUST disclose the date, nature, and reason(s) for the change.			
c)	If a custom BENCHMARK or combination of multiple BENCHMARKS is used, the FIRM MUST disclose the BENCHMARK creation and re-balancing process.			
5.A.7	If a COMPOSITE contains any non-fee-paying PORTFOLIOS, the FIRM MUST present, as of the end of each	agree		The term “funded” should be added to the

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annual period, the percentage of the COMPOSITE assets represented by the non-fee-paying PORTFOLIOS.			glossary.
5.A.8 For periods beginning on or after 1 January 2011, if a COMPOSITE contains any PROPRIETARY ASSETS, the FIRM MUST present, as of the end of each annual period, the percentage of the COMPOSITE assets represented by the PROPRIETARY ASSETS.	agree		<p>We support the aspect of separating external / clients money from internal / own / seed money as a valuable information. But the proposed definition in the GIPS glossary</p> <p>a) is too broad</p> <p>b) would bring up a huge administrative overhead and</p> <p>c) may be in contrast to local laws, especially as the wording “management” is not defined</p>
5.A.9 [new] FIRMS MUST present relevant and suitable risk measures (e.g. volatility, beta, tracking error) and risk adjusted performance measures (e.g. Sharpe Ratio, Information Ratio, Treynor Ratio) on composite level for periods longer than 12 month.		FIRMS MUST present relevant and suitable risk measures (e.g. volatility, beta, tracking error) and risk adjusted performance measures (e.g. Sharpe Ratio, Information Ratio, Treynor Ratio) on composite level for periods longer than 12 month.	<p>The term ‘risk adjusted performance measure’ is well established. It is not recommendable to restrict the reported analysis on the pure risk category. Including (absolutely or relatively) normalized return information based on first and higher stochastic moments and correlation information gives a more precise indication what happened in the past. Based on longer samples (considerably longer than 12 months) it gives in many cases at least a crude approximation of ex ante view (despite the fact that this is beyond the purpose of GIPS, but in practice investors inevitably tend to make ‘naïve’ expectations at first sight). There is increasing insight that depending on conditional information and conventional estimation errors (especially with respect to the first stochastic moment) the discrepancy between ex post and ex ante view might be substantial.</p>

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			<p>Nevertheless, we believe that providing risk adjusted performance measures already ex post based is a logical enhancement of the traditional purpose of GIPS which means only providing plain return information until now. Moreover it complements to the new requirement to disclose a composite description which includes sufficient information to understand the key characteristics of the composite including risks (4.A.20), which is a central amendment to GIPS (see “Invitation to comment” remarks, summary of proposed revisions, No. 5)</p> <p>The application of an inadequate annualization method generates very misleading results. So this topic has to be addressed. In case of doubt it is better not to apply an annualization. A widespread phenomenon of abusing annualization is underestimating risk at longer horizons (ex ante view).</p>
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Do you agree with the requirement to present the percentage of the composite assets composed of proprietary assets?

5.B Presentation and Reporting — Recommendations

5.B.1 FIRMS SHOULD present GROSS-OF-FEES RETURNS.	agree		
5.B.2 FIRMS SHOULD present the following items:	agree		
<ul style="list-style-type: none"> a) Cumulative returns for COMPOSITE and BENCHMARKS for all periods, b) Equal-weighted mean and median returns for each COMPOSITE, c) Returns for quarterly and/or monthly time periods, d) Annualized COMPOSITE and BENCHMARK returns for periods 			

greater than 12 months			
5.B.3 FIRMS SHOULD present additional relevant COMPOSITE-level risk measures.	rejection	FIRMS <u>MUST</u> present additional relevant COMPOSITE-level risk measures. In connection with our new standards 5.A.9. 5.B.3 should be merged with 5.B.7.	Providing risk information as well as (risk adjusted) performance measures is a substantial information which can easily be derived of COMPLIANT return time series. Shortfalls concerning certain time series characteristics (autocorrelation, conditional distribution, higher moments etc.) known from an ex ante view is beyond the topic of GIPS (ex post). Using adequate measures may avoid some shortfalls. We don't know an argument against converting 5.B.3 to a requirement.
5.B.4 After presenting the REQUIRED minimum of 5 years of compliant historical performance, FIRMS SHOULD bring any remaining portion of its historical track record into compliance with the GIPS standards.	agree		
5.B.5 FIRMS SHOULD present greater than 10 years of annual performance in the COMPLIANT PRESENTATION.	agree		
5.B.6 FIRMS SHOULD update COMPLIANT PRESENTATIONS quarterly.	agree		
5.B.7 FIRMS SHOULD present the 3 year annualized EX-POST STANDARD DEVIATION (using a minimum of monthly periods) and the corresponding 3 year annualized TOTAL RETURN for each annual period presented for the COMPOSITE and for the BENCHMARK. The PERIODICITY of the COMPOSITE MUST be identical to the PERIODICITY of the BENCHMARK when calculating EX-POST STANDARD DEVIATION.	rejection		5.B.3 should be merged with 5.B.7. From a methodical perspective 'annualization' has ex ante-characteristics. The validity of the standard method (there are different ones) heavily depends on distributional assumptions. The real return characteristics of many products (e.g. asymmetric concepts) violate these assumptions.

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