

June 29th, 2009

GIPS Executive Committee
c/o CFA Institute Centre for Financial Market Integrity
Global Investment Performance Standards
560 Ray C. Hunt Drive
Charlottesville, VA 22903
U.S.A.

Dear Sirs,

Re: Exposure Draft of the 2010 Global Investment Performance Standards

Thank you for the invitation to comment on the proposed 2010 changes to the standards.

Please find comments from the **GIPS Committee of The Hong Kong Society of Financial Analysts (HK SFA)**, as follows:

Question 1:

Do you agree with including disclosure of the firm's verification status in the claim of compliance?
Do you agree with the classification of a current verification being the 24 months?

HK SFA's comments:

- *We agree with the inclusion, and 24 months is reasonable. We suggest that the last date of verification is disclosed too.*
- *0.A.15 - We suggest that Q&As are officially published (or gazetted) on a regular basis, e.g., every calendar quarter-end, to avoid things being overlooked, if one is not checking the website daily.*

Question 2:

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

HK SFA's comments:

- *We disagree with the change from market value to fair value. In principle, it creates inconsistency in valuing a portfolio among different fund managers or fund administrators. Under fair value performance, the same security could end up with different market values, i.e. different returns. It also creates market inefficiency and portfolio valuation is no longer transparent to investors. Investors will find their ways to value their assets at market. Not saying the market index or benchmark, which is not added to the equation yet. Mismatch is likely to exist between portfolio and benchmark. That said a well defined fair value structure would be able to help; however, the flexibility may lead to confusion or even creative ideas from users. At the end, the investors are suffered and considerable time is used to normalize performance results across managers.*

Question 3:

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

HK SFA's comments:

- *Agree.*

Question 4:

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

HK SFA's comments:

- *Disagree. Disclosure is more important. 3.A.9 - Suggest changing the word "present" to "market".*

Question 5:

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?

HK SFA's comments:

- *No firms should be allowed to remove any disclosures. Sometimes, even firms themselves forget about what happened when there are personnel turnover. Best to keep the history.*

Question 6:

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

HK SFA's comments:

- *Agree. 4.A.5 - Suggest deleting "(if material)" because it is too arbitrary.*

Question 7:

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

HK SFA's comments:

- *Agree. 4.A.8 - Please define "material" in this context. Suggest setting a threshold at 0.5% of the total portfolio value.*

Question 8:

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

HK SFA's comments:

- *Agree. Propose adding the requirement to include the formula of calculating standard deviation.*

Question 9:

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

HK SFA's comments:

- *No, it is not appropriate.*

Question 10:

Do you agree with the requirement to present the % of the composite assets composed of proprietary assets?

HK SFA's comments:

- *Agree.*

Question 11:

Do you agree that real estate investments must be valued by an independent external appraiser every 12 months beginning 1 January 2012?

HK SFA's comments:

- *Agree.*

Question 12:

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

HK SFA's comments:

- *Agree.*

Question 13:

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

HK SFA's comments:

- *Agree.*

Question 14:

Is it appropriate and/or necessary to include provision 8.A.6, which addresses presenting performance to existing clients, in the GIPS standards?

Should firms be allowed to present a “sponsor-specific composite” as opposed to “style-specific composite”?

HK SFA's comments:

- *Appropriate, so that client can see where it stands within the dispersion of a composite. No comment on the sponsor-specific or style specific questions.*

Question 15:

Should specific verification procedures be included for GIPS provisions 0.A.16 and 0.A.17?

HK SFA's comments:

- *Yes, specific verification procedures should be included.*

Question 16:

Do you agree with the requirements and recommendations in the GIPS Valuation Principles below?

HK SFA's comments:

- *Please refer to our comments in Question 2 above.*

Question 17:

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

HK SFA's comments:

- *Suggest deleting "qualifies to invest in a COMPOSITE and" in the first sentence.*

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GIPS Committee
The Hong Kong Society of Financial Analysts