

ABN AMRO Asset Management
82 Bishopsgate
London
EC2N 4BN

CFA Institute
Professional Standards and Advocacy Department
P.O Box 3668
Charlottesville, VA 22903

30th July 2004

Comments on the Gold GIPS proposals

General Comments

ABN AMRO agrees that the GIPS standards should be revised. GIPS will never be fully successful whilst there are country versions of GIPS, particularly AIMR PPS. The objective of promoting fair competition among investment firms for all markets without creating barriers to new firms is not being achieved in North America. This is because many consultants and prospects still insist on AIMR-PPS compliant presentations.

Specific Comments

- 1) Is the new requirement that mandates firms to provide a compliant presentation to all prospective clients too onerous a burden for firms claiming compliance with the GIPS standards?

ABN AMRO believes that this should only apply when a relevant composite is available (as will usually be the case). This will enable suitable pitches for new products.

- 2) Is the new requirement that mandates firms to provide a list and description of composites to any prospective client that makes such a request too onerous a burden for firms claiming compliance with the GIPS standards?

ABN AMRO feel that this is a reasonable requirement and would be happy to oblige with such a request.

- 3) Do you agree with the new recommendation that states the firm should not market a composite to a prospective client with assets less than the composite's minimum asset level?

Sometimes you do not know the size of the prospective client's mandate, so we believe that this should be changed to, 'The firm should not market a composite to a prospective client when you know that the client's assets are less than the composite's minimum asset level'.

- 4) Do you agree with the new requirement that mandates firms to be prepared to provide a compliant presentation for any composite on the firm's list of composites to a prospective client that makes such a request?

Yes, except if client confidentiality in a single portfolio composite would be jeopardised.

- 5) Do you agree with the new requirement that requires firms to calculate composite performance by asset-weighting the member portfolio returns at least monthly (beginning 2005)?

Yes

- 6) Do you agree that the effective date should be moved from 2005 to 2010 for the requirement that stipulates a carve-out return be managed separately with its own cash balance?

ABN AMRO can see benefits from using either the 2005 or 2010 effective date.

- 7) Is it reasonable for the GIPS standards to require firms beginning 2010 to value portfolios on the date of any external cash flow?

We believe it is reasonable to ensure that performance figures are not distorted by significant cash flows, but to value portfolios every time there is a cash flow, however small the flow, is potentially burdensome. Perhaps the threshold for revaluation should be changed from 10% of portfolio size to, say, 2% of portfolio size.

- 8) Should the GIPS standards require firms to retroactively disclose the following when carve-out segments are used?
(a) a list of the underlying composites from which the carve-out was drawn, and
(b) the percentage of the composite that is composed of carve-outs

A retroactive disclosure of the underlying composites from which a carve-out was drawn (even for a short time period) might be extremely cumbersome (and even impossible) if the asset manager's firm has switched back office or GIPS system(s) in recent years, depending on the specific system functionality and data storing methodology. It is doubtful whether the costs in doing so are in proportion to the benefits of the proposal. As a general principle retroactive measures should be avoided unless absolutely necessary.

Other comments

Temporary Accounts

This will create problems with single portfolio composites when wishing to report historical data. An alternative procedure would be to leave the portfolio in the existing composite and disclose any significant cash flows that may have resulted in any abnormal returns. Also, clarification of the word 'significant' would be appreciated.

Disclosures

It is specified that for composites managed against a benchmark, the firm must disclose the percentage of the composite invested in countries, regions or sectors not included in the benchmark for the most recent period. We believe that there should be a threshold of materiality such as 5% of assets put in place, as there are several instances where fund managers may stray from the benchmark only very slightly, and therefore not having a significant impact on performance. This proposal would still isolate portfolio managers with sizeable off benchmark positions.

Mandatory Verification

ABN AMRO believes that some process of accrediting verifier firms should be put in place, perhaps by 2010.

Knowledge sharing

ABN AMRO feel that for GIPS to fully succeed, the level of GIPS awareness among consultants and potential clients needs to be raised.

We thank you for the opportunity to comment.

Kind regards

Malcolm Smith
Global Head of Performance
ABN AMRO Asset Management