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July 28, 2004

CFA Institute
Professional Standards & Advocacy Department
560 Ray C. Hunt Drive
P.O. Box 3668
Charlottesville, VA 22903-0668

Dear Sirs:

Re: Response to Proposed Revisions to the GIPS Standards ("Gold GIPS")

Capital Group International, Inc. ("CGII") appreciates the opportunity to comment on the proposed revisions to the GIPS standards. CGII is the parent company of five institutional investment companies:

- Capital Guardian Trust Company, a California-chartered trust company and investment adviser registered with the SEC
- Capital International, Inc, an investment adviser registered with the SEC
- Capital International Limited, an investment adviser registered with UK Financial Services Authority
- Capital International S.A.
- Capital International, KK

Collectively, CGII has approximately US\$300 billion in assets under management. Investment management is CGII's only business.

As requested in your invitation for public comment, we are providing general and specific comments regarding the proposed revisions. We are also providing additional comments regarding the proposal.

General Comments

1. Do you support CFA Institute's effort to revise and expand the GIPS standards?

Yes.

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2. Do you agree with the evolution process for the GIPS standards as outlined above?

Yes.

3. Is the language of the Standards straightforward and comprehensible? If not, how can it be improved?

In general, yes. However, we believe the language can be improved. Please see Additional Comments below for examples.

4. What modifications, if any, should be made to this proposal?

Please see Additional Comments below for examples.

5. Do you agree with the numbering and format of the proposed revised GIPS standards?

Yes.

6. Should CFA Institute consider any other methods for meeting the objectives of evolving the GIPS standards?

N/A.

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?

We agree in principle with this requirement, but seek clarification about situations where a firm is pitching for business in new product areas where it doesn't have an existing track record – this can be a particular issue in the UK with the high number of new business pitches for accounts with highly customized benchmarks.

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?

No. This is consistent with the disclosure of the availability of such list that is an existing GIPS requirement.

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?

Yes. This is consistent with the general GIPS concept of fair representation.

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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. This is inherent in existing GIPS Presentation and Reporting requirements.

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?

No. We believe that the effective date for this requirement should not be moved from 2005 to 2010. Many firms have spent time and resources to comply by the original date (which has been public for an adequate period of time). Modifying the effective date weakens the GIPS standards by implying that future requirements are not firm.

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

Yes.

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.

Yes.

Additional Comments

1.B.2 – When presenting Net-Of-Fees returns, the firm should accrue investment management fees.

This recommendation is not relevant to firms that use the highest investment management fee incurred by portfolios in the composite to reduce gross-of-fees performance. The standard should explicitly mention that this recommendation is in reference to firms that use actual fees when calculating net-of-fee returns.

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3.A.8 – Composites must include only assets under management. The firm must not link simulated or model portfolios with actual performance.

We believe that adding “within the defined firm” after “assets under management” would improve clarity and consistency with references to “Total Firm Assets” in CFA Institute’s Guidance Statement on The Definition of the Firm.

FC A.7. – The firm must include the performance of assets assigned to a sub-advisor in a composite, provided by the firm has discretion over the selection of the sub-advisor.

We believe that this requirement is only relevant to firms that market themselves as a “manager-of-managers” and should exclude firms that accommodate client requests to delegate investment activities between affiliated firms. Therefore, this standard should be clarified by adding, “If the firm is a ‘manager of managers’, the firm must...”

4.A.2 – Removal. Total Firm assets for each period.

We do not fully understand CFA Institute’s shift in stance away from this information being useful to the prospective client. Implementing and then removing requirements appears to show inherent flaws in the standard development process.

4.A.10 – 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.

Although we question the value added for presentations of diversified products, we would like to see language allowing the use of representative accounts to comply with this requirement. This would allow investment managers to provide the information the standard intends prospective and current clients to receive at a fraction of the cost of calculating this measure for a composite. Many investment and verification firms assume that representative accounts can be used, although it is not explicitly stated in the Standards. In addition, a level of materiality should be introduced requiring disclosure when the percentage is above a certain limit.

4.A.23 – The firm must disclose any events (such as ownership or personnel changes, significant deviations between annual and interim performance results, etc.) which help a prospective client interpret the performance record.

We believe that “significant deviations between annual and interim performance results” is unclear and may lead to misinterpretation. This portion of the requirement should be clarified or removed.

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5.B.2 – Relevant composite level risk measures such as beta tracking errors VaR's etc should be presented along with total return for both benchmarks and composites for all periods presented.

Each firm is in the best position to decide whether providing risk measures to prospective and current clients would be relevant and appropriate. For example, many managers, such as CGI's companies, are bottom-up stock pickers and do not use these measures when creating and monitoring portfolios. Therefore, this recommendation should be removed.

5.B.4 – The firm is recommended to present the following additional performance related information:

- a) graphs & charts presenting specific information required or recommended under GIPS
- b) returns for quarterly / shorter time periods
- c) annualized returns for periods greater than 12 months
- d) composite level country & sector weightings

Each firm is in the best position to determine whether it is appropriate to provide additional performance related information. Therefore, this recommendation should be removed.

III. Verification – Verification will be mandatory effective 1 January 2010.

We disagree with mandatory verification because this requirement goes against the original premise of the Standards as well as a primary objective. The GIPS standards were designed as voluntary ethical standards with an objective “to foster the notion of industry ‘self-regulation’ on a global basis.” Requiring mandatory verification equates to not trusting managers to be ethical.

Thank you for allowing us to comment on your proposal. Feel free to contact us if you have any questions.

Sincerely,

Ba’Ron K. Brown
William Finlayson