

Commentary on revisions to the GIPS standards

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Firm Background

DVI is an advisor that focuses primarily on equity management for high net worth clients. The firm also has a lesser amount of institutional clients and also offers fixed income management to a lesser degree.

DVI has historically tried to follow the AIMR/GIPS standards when developing reporting composites, although we have never claimed compliance. We are currently beginning to look at verifiers to review our procedures and plan to claim compliance in the near future.

Firm assets from when our equity composite was created in 1993 were only \$200 million but we have now grown to over \$1 billion in assets under management so our firm can provide a view of the standards from that of a small firm doing all performance calculation in excel to a firm luckily enough to have grown enough to be able to afford Advent's Axys system to calculate performance data for our composites.

General Comments

I do support AIMR's effort to revise and expand the GIPS standards and agree with the evolution process outlined. For the most part, I agree with most of the standards but believe the direction that some of the standards are taking are making it too difficult and expensive for smaller advisors to be able to comply with the standards. The cost of a system like Advent is a major investment that an investment management firm like ours may sometimes not be able to make, nor may they be able to justify the costs of a performance verification. I think the standards need to be set so that smaller firms that can only calculate performance in excel based on client brokerage statements still should be able to present a compliant presentation.

Specific Comments

Our firm used excel spreadsheets for a long period to calculate performance based upon brokerage statements of our clients. Most of these brokerage statements reflect values that do not include accrued income, accrued dividends, or use trade date accounting. While we have been able to move to using Axys to meet the standards on these issues, I still believe our old performance history done in excel gives an accurate performance presentation for equity accounts. So, I think that the standards should only recommend (not require) trade date accounting and the accrual of dividends.

Also without a performance measurement system, there is not an easy way to accurately adjust for cash flows. While the mid-month weighting method for cash flows is not always accurate, I think it should remain an option if adequately disclosed.

Due to the cost associated with verification, I think it should remain a recommended item and not required.

Standard 4.A.5. Proposes to add a statement saying firms should not market a composite to a prospective client with assets less than the minimum asset level. I do not agree with adding this to the standards. Our firm has set the minimum asset level to be included in our composites equal to our minimum to accept new clients. But being a high net worth manager, there are numerous time where a current client will refer a relative to us who doesn't meet our minimum but we feel we owe it to our current client to take the relative on as new client and would be unable to present our performance results to them if this standard were to become a requirement, rather than a recommendation. I think this proposal should be eliminated.

Standard 4.A.21. I don't see any benefit in requiring this, our disclosure page is getting so long that it is becoming more info than the actual presentation. If a client is interested in calculations, they will ask regardless of this disclosure.

Standard FC.A.3 It is nearly impossible for us to keep track of who has received a compliant presentation over the last 12 months; I think this proposal should be eliminated.

Standard 1.B.2 We don't take the time to accrue investment management fees for net of fees returns. It is much easier to just do them on a cash basis and I don't see that causing performance data to be impacted very much. I think this proposal should be eliminated.

Standard 2.A.8 I think a quarterly weighting of portfolio returns is still accurate enough. Making it required monthly adds much more work to those doing it quarterly and won't alter performance that much. I think this proposal should be eliminated.

The rest of the proposals look good. Thanks for taking the time to review my comments.