

Professional Standards and Advocacy
Association for Investment Management and Research
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Re: GIPS Guidance Statement
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Bern, November 15th, 2002

Re: Invitation to Comment – GIPS Guidance Statement on Supplemental Information

Below is the response from Ernst & Young Switzerland on the Guidance Statement on the Use of Supplemental Information.

1. Do you agree with the principles established in the Guidance Statement?

We agree with the proposal to allow investment firms to present performance related supplemental information in order to fully explain investment performance. Since this supplemental information could have the potential to be misleading in relation to the firm's claim of compliance, we believe there is a stronger need for this Guidance Statement to regulate the presentation and verification of supplemental information.

We recommend that the Guidance Statement include a requirement to fairly disclose such information in a GIPS-compliant presentation (i.e. requirement to clearly label, properly identify and separate from the compliant disclosures). As it stands, supplemental information is optional under GIPS, allowing investment managers/firms to present vast amounts of information in a confusing and misleading way to prospective clients, and thus violate the core principles of the standards: i.e., fair representation and full disclosure (see also further notes under question 4).

Furthermore, the presentation and location of supplemental info is not always straightforward. We believe more strictly defined principles and disclosure location requirements should be put in place so as to limit the boundary of non-compliant supplemental information in relation to the compliant data, that is to narrow down the possible situations for presentation and location of supplemental info.

Finally, the Proposed GIPS Advertising Guidelines also refer to the appropriate presentation of supplementary information. To avoid conflicts, this information should be included in this Guidance Statement as well.

2. Do you agree with the definition of Supplemental Information?

We recommend that **the definition** of Supplemental Information specifically state that "disclosures, which are required or recommended by GIPS are not considered supplemental under this Guidance Statement".

Furthermore, we suggest that the definition might be improved by adding the following wording (in italics): "any performance-related information *that is included as part of a GIPS-compliant performance presentation* that supplements or enhances the specific presentation presented; ...". This would allow then a compliant presentation to be included in larger documents, particularly for marketing purposes, without then requiring every table, chart or graph to be labeled as supplemental.

3. Do you agree with the examples of Supplemental Information provided?

The guidance statement should distinguish between two types of supplemental information:

- Supplemental information that further clarifies compliant information; for example, graphs, multi-year composite performance, holdings, sector weights, etc.
- Non-compliant information, such as performance from a prior firm in case of non-portability as suggested by the AIMR-FAQ, model portfolio results, carve-out returns without cash, etc.

The above two cases of supplemental info should be clearly distinguished in a presentation, otherwise the reader might perceive the non-compliant supplemental information to be compliant, especially if a great deal of additional supplementary information is shown in a presentation.

Secondly, since GIPS already recommend the presentation of relevant risk measures for both benchmarks and composites, we are not quite sure as to what is considered supplemental information under risk analysis examples. We suggest more detailed examples under this category.

Furthermore, since model results cannot be properly verified, unless the model portfolios involve 'real' money invested, all presentations of model results should be explicitly labeled as non-compliant supplemental information. Model results could also be mixed up or interpreted by a client (particularly in retail banking) as valid and compliant investment performance.

Finally, according to the AIMR-FAQ, a firm is allowed to show a great deal of supplementary information (e.g. asset-only returns, composite breakdown by size, model results, past performance record of a manager or prior firm, all-cash basis performance presentation, historical performance results of an old composite, performance of non-discretionary composites, etc.). We suggest that this guidance statement should also clearly state which of these items are still allowed as supplementary information. The Guidance Statement should also show examples of non-quantifiable information that can be used to enhance the interpretation of the performance track record of a particular composite presentation, since the examples listed are mostly of quantitative nature.

Other than our comments set out above, we consider the examples to be understandable and complete.

4. Should Supplemental Information be excluded from GIPS verification? If not, how should Supplemental Information be verified?

We suggest that performance related supplemental information, which is a graphical representation of GIPS required information or falls within the scope of GIPS, should be verified (such as graphs, external risk measures, etc.). This independently verified compliant performance information would not have to be labeled then as supplemental.

All other non-compliant supplemental information (such as model results, carve-outs without cash, non-discretionary composites, etc.) **should not be verified**. However, such information must then be properly labeled and presented appropriately or separately from the compliant information; the compliant performance presentation must clearly state that such information has not been verified and is not compliant with the Standards. This should be also noted in the report of the verifier (Verification Report). Main goal here is for the reader to clearly understand which information is verified and which is not, assuming that the individual has no specific knowledge about GIPS.

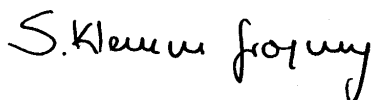
5. Do you agree with the proposed Effective Date of this Guidance Statement? If not, when should the guidance become effective?

We consider the effective date of 1 April 2003 to be acceptable.

We would like to thank AIMR for the opportunity to comment on the proposed guidance and hope that our comments will be taken into consideration.

Yours sincerely

Ernst & Young Ltd.



Susanne Klemm Grogmiz



Roger Geismar